

DISTRICT COURT 14-3-07

FAYETTE COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO FEBRUARY 28, 2005

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Independent Auditor's Report

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the accompanying statement of receipts and disbursements – cash basis of District Court 14-3-07, Fayette County, Pennsylvania (District Court), for the period January 1, 2002 to February 28, 2005, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, Act of April 9, 1929, P.L. 343. This financial statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this statement based on our audit.

Except as discussed in the fifth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the accompanying financial statement was prepared using accounting practices prescribed by the Pennsylvania Department of Revenue, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statement presents only the Commonwealth portion of cash receipts and disbursements and is not intended to present fairly the financial position and results of operations of the District Court, in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District Court, as of February 28, 2005, the changes in its financial position, or where applicable, its cash flows for the period then ended.

As discussed in the Findings and Recommendations section of the audit report, there were significant internal control weaknesses that led to a substantial misappropriation of funds. Because of the severity of these conditions, we were not able to apply other auditing procedures to satisfy ourselves that the misappropriated funds are not substantially more than reported in this report.

In our opinion, except for the effects of such adjustments of the matters discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the operations of the District Court as it pertains to receipts made on behalf of the Department of Revenue and other state agencies for the period January 1, 2002 to February 28, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2006, on our consideration of the District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the District Court and is not intended to be and should not be used by anyone other than these specified parties.

May 17, 2006

JACK WAGNER
Auditor General

DISTRICT COURT 14-3-07
 FAYETTE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - CASH BASIS
 FOR THE PERIOD
 JANUARY 1, 2002 TO FEBRUARY 28, 2005

Receipts:

Department of Transportation		
Title 75 Fines	\$	85,065
Motor Carrier Road Tax Fines		100
Overweight Fines		1,390
Commercial Driver Fines		500
Littering Law Fines		50
Child Restraint Fines		140
Department of Revenue Court Costs		36,775
Crime Victims' Compensation Bureau Costs		10,190
Crime Commission Costs/Victim Witness Services Costs		9,200
Department of Public Welfare		
Domestic Violence Costs		3,642
Attend Care Fines		42
Department of Conservation and Natural Resources Fines		225
Department of Agriculture Fines		1,399
Fish and Boat Commission Fines		4,970
Game Commission Fines		8,860
Emergency Medical Service Fines		16,860
CAT/MCARE Fund Surcharges		51,666
Judicial Computer System Fees		15,305
Access to Justice Fees		2,047
Constable Service Surcharges		2,029
Miscellaneous State Fines		424
		<hr/>
Total receipts (Note 2)	\$	250,879
Disbursements to Department of Revenue (Note 3)		<hr/> (250,879)
Balance due Department of Revenue (District Court) per settled reports (Note 4)		-
Audit adjustments		<hr/> -
Adjusted balance due Department of Revenue (District Court) for the period January 1, 2002 to February 28, 2005	\$	<hr/> <hr/> -

Notes to the financial statement are an integral part of this report.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

1. Summary Of Significant Accounting Policies

Basis of Presentation

The financial statement was prepared in accordance with the requirements of the Pennsylvania Department of Revenue. This financial statement is not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis of Accounting

The financial statement was prepared on the cash basis of accounting. Under this method, revenues were recognized when received and expenditures were recognized when paid.

Audit Requirement

The financial presentation has been prepared in accordance with Title 72 P.S. Section 401 (c) of *The Fiscal Code*, which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted properly and to provide the Department of Revenue with a report to enable them to settle an account covering any delinquency. A statement of assets and liabilities was not a required part of the financial presentation because of the limited reporting scope by the District Court. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

2. Receipts

Receipts are comprised of fines, costs, fees, surcharges, and restitution collected on behalf of the Department of Revenue and other state agencies. These fines, costs, fees, surcharges, and restitution represent collections made on traffic, non-traffic, civil, and criminal cases filed with the District Court.

3. Disbursements

Total disbursements are comprised as follows:

Checks issued to the Department of Revenue	\$ <u>250,879</u>
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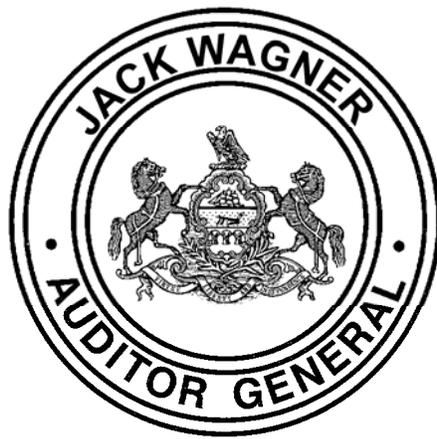
DISTRICT COURT 14-3-07
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

4. Balance Due Department Of Revenue (District Court) For The Period January 1, 2002 To February 28, 2005

This balance reflects the summary of monthly transmittal reports as settled by the Department of Revenue.

5. Magisterial District Judge Serving During Audit Period

Robert W. Breakiron served at District Court 14-3-07 for the period January 1, 2002 to February 28, 2005.



Report On Compliance And On
Internal Control Over Financial Reporting

The Honorable Gregory C. Fajt
Secretary
Department of Revenue
Harrisburg, PA 17128

We have audited the statement of receipts and disbursements – cash basis of District Court 14-3-07, Fayette County, Pennsylvania (District Court), for the period January 1, 2002 to February 28, 2005, and have issued our report thereon dated May 17, 2006. In our report, our opinion was qualified because there were significant internal control weaknesses that led to a substantial misappropriation of funds. Because of the severity of these conditions, we were not able to apply other auditing procedures to satisfy ourselves that the misappropriated funds are not substantially more than reported in this report.

Except as discussed in the preceding paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over

Report On Compliance And On
Internal Control Over Financial Reporting (Continued)

financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable conditions described in the findings are as follows:

- Misappropriated Funds Of At Least \$46,858.08.
- Inadequate Segregation Of Duties.
- Failure To Perform The Required Internal Control Procedures In Regard To The Bank Account And Account Balances Held In Escrow.
- Inadequate Arrest Warrant and DL-38 Procedures.
- Certification Of Disposition Section On Citations Was Not Always Completed.

Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the District Court and is not intended to be and should not be used by anyone other than these specified parties.

May 17, 2006

JACK WAGNER
Auditor General

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 1 - Misappropriated Funds Of At Least \$46,858.08

Our audit of District Court 14-3-07 disclosed that at least \$46,858.08 had been misappropriated during the period of January 1, 2002 through February 28, 2005. Schedule A on page 12 of this report provides a distribution by entity for the amount misappropriated.

Our audit disclosed four methods of fraud schemes used to misappropriate funds of at least \$46,858.08. These methods are outlined below:

- Lapping - A lapping fraud scheme is a term used to describe a method where an individual misappropriates cash from a day's collection. The amount of total cash misappropriated is replaced by using checks that were collected and not recorded. Replacing the cash with the checks allows the day's collections to equal the total amount of the deposit. This allows the perpetrator to cover their fraud by showing that the books superficially balance for the day. In testing in this area, we ascertained that \$3,432.28 was misappropriated using a lapping fraud scheme.
- Baseless Voiding of Cash Receipts - Our testing of the voiding of cash receipts disclosed that a cash collection would be receipted. Subsequently, sometimes the same day, a week later, or even a month later, the cash receipt would be voided for no apparent reason. The void creates an entry into the computer system as if the money was not collected. The cash collected from the voided cash receipt can then be misappropriated. An additional step that was taken to conceal the fraud was a case balance adjustment. By performing this step, the amount due on the case would show a zero balance. Our testing showed that \$19,625.69 was misappropriated using the voiding of cash receipts fraud scheme method.
- Skimming - There were instances where we discovered collections of \$1,006.50 that were never entered into the computer system or deposited into the bank. We substantiated that these collections were receipted on an unauthorized manual time payment order form.
- Failure to Deposit All Money Collected for the Day - A component of our fraud testing included comparing receipts entered into the computer system for a day with a corresponding deposit. Our testing revealed that there were 52 days in which the income records (daily cash receipts journal) did not equal the corresponding deposit for the day. The net effect of this deficiency resulted in \$22,793.61 being misappropriated. We have additional corroboration that \$22,793.61 was misappropriated when we performed our test of comparing cash on hand with the district court's liabilities. At February 28, 2005 the district court's liabilities exceeded available cash on hand by \$22,793.61.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 1 - Misappropriated Funds Of At Least \$46,858.08 (Continued)

On March 22, 2006, a Pennsylvania State Trooper interviewed a former secretary that worked in District Court 14-3-07. During the interview, the former secretary gave checks and money orders to the Trooper totaling \$4,365.30. These checks and money orders were collections taken from District Court 14-3-07 between August 25, 2004 and December 10, 2004.

Because of the pervasiveness and diverse methods of fraud schemes utilized, we cannot certify that the actual misappropriation is not significantly larger than the amount reported.

Good internal accounting controls ensure that:

- All cash and checks received are properly recorded in the computer system and deposited intact as received on a daily basis.
- The daily cash balancing report, which summarizes total cash and total checks for the day, are reviewed and compared to the deposit slip by the Magisterial District Judge or someone other than the employee preparing the deposit slip.
- Receipts are only voided when there is a valid reason. The reason should be clearly documented in the case file.

The condition of Inadequate Segregation Of Duties, as stated in Finding No. 2 of this report, enabled the fraud scheme to occur and not be detected timely.

Recommendations

We recommend that Fayette County Officials determine what action(s) should be taken to recover these funds. Furthermore, we recommend that the district court establish and implement adequate internal controls over receipts as noted above.

Auditee Response

The Magisterial District Judge responded as follows:

I never suspected that there was a problem at the office because of past audits results. As soon as I became aware that there was a problem, I went to the court administrator's office and requested an audit. There are now tighter controls of the entire office.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 1 - Misappropriated Funds Of At Least \$46,858.08 (Continued)

Auditor's Conclusion

We appreciate that the court has acknowledged the importance of tighter internal controls over the office. It is imperative that the court establish and implement an adequate system of internal controls, which includes oversight, to ensure that cash is adequately safeguarded.

DISTRIBUTION OF MISAPPROPRIATED FUNDS

In order to determine the entities that are due the misappropriated funds of \$46,858.08, we used two methods to establish the rate of allocation.

The misappropriated funds were separated into two figures. The first figure consists of misappropriated funds of \$24,064.47. This money was misappropriated through lapping, voiding, and skimming fraud schemes. Because we cannot specifically determine which participating party is due this money, we calculated a percentage due each entity based on the district court's collection during the period January 1, 2002 through December 31, 2004. This method of allocation is shown in Schedule A on page 12 under the heading Misappropriation Due To Lapping, Voiding, And Skimming.

The second figure consists of misappropriated funds of \$22,793.61. This money was misappropriated through failing to deposit all collections. As of February 28, 2005, there was a shortage of cash on hand totaling \$22,793.61. The total cash on hand was \$6,340.93 and the total liabilities were \$29,134.54. We performed a calculation by dividing the total liabilities into the total misappropriated funds to establish a percentage of allocation of 78.2357% by entity. Schedule A on page 12 shows this allocation under the heading Misappropriation Due To Failure To Deposit All Collections.

Both methods of allocation are shown as a total due by entity in Schedule A on page 12 under the heading Total Misappropriated Funds Due Entity.

DISTRICT COURT 14-3-07
 FAYETTE COUNTY
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 1 - Misappropriated Funds Of At Least \$46,858.08 (Continued)

DISTRIBUTION OF MISAPPROPRIATED FUNDS

SCHEDULE A

<u>ENTITY</u>	<u>Misappropriation Due To Lapping, Voiding, And Skimming</u>		<u>TOTAL LIABILITIES AT 2-28-05</u>	<u>Misappropriation Due To Failure To Deposit All Collections</u>		<u>TOTAL MISAPPROPRIATED FUNDS DUE ENTITY</u>
	<u>AVERAGE % COLLECTED OVER 3 YRS</u>	<u>MISAPPROPRIATED FUNDS DUE ENTITY</u>		<u>% OF SHORTAGE DUE TO MISAPPROPRIATION</u>	<u>MISAPPROPRIATED FUNDS DUE ENTITY</u>	
State	51.49%	\$ 12,390.79	\$ 2,746.58	78.2357%	\$ 2,148.81	\$ 14,539.60
County	15.99%	3,847.91	19,340.77	78.2357%	15,131.39	18,979.30
Municipalities	12.79%	3,077.85	3,497.59	78.2357%	2,736.36	5,814.21
Other Entities	19.73%	4,747.92	3,549.60	78.2357%	2,777.05	7,524.97
	<u>100.00%</u>	<u>\$ 24,064.47</u>	<u>\$ 29,134.54</u>		<u>\$ 22,793.61</u>	<u>\$ 46,858.08</u>

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 2 - Inadequate Segregation Of Duties

Our audit disclosed that one employee in the district court was responsible for performing the following functions:

- Opening mail.
- Collecting cash, entering collection information into the computer and system and issuing receipts.
- Making voided transaction adjustments.
- Preparing deposit slips.
- Reconciling the bank account.
- Summarizing accounting records.
- Issuing DL-38s (Suspension Notices) and warrants.

Adequate segregation of duties ensures that the office's system of internal control is followed and not evaded.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash, make voided transaction adjustments, and follow up on citations. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed. These documents should also include the tickler reports generated by the computer system to investigate why certain citations have not been issued DL-38s or warrants.

Without adequate segregation of duties, internal controls can be circumvented yielding to the possibility of significant irregularities. In this audit, inadequate segregation of duties created an environment to allow a significant amount of funds to be misappropriated.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 2 - Inadequate Segregation Of Duties (Continued)

Recommendations

We recommend that the district court provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash, making voided transaction adjustments, maintaining the accounting records for the cash, and monitoring follow-up procedures on citations. As an alternative and/or additional control, someone independent from the handling of cash, the accounting records, and the review of tickler reports related to follow-up procedures on citations, should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Auditee Response

The Magisterial District Judge responded as follows:

I never suspected that there was a problem at the office because of past audits results. As soon as I became aware that there was a problem, I went to the court administrator's office and requested an audit. There are now tighter controls of the entire office.

Auditor's Conclusion

We appreciate that the court has acknowledged the importance of tighter internal controls over the office. It is imperative that the court establish and implement an adequate system of internal controls, which includes oversight, to ensure that duties are adequately segregated.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 3 - Failure To Perform The Required Internal Control Procedures In Regard To
The Bank Account And Account Balances Held In Escrow

Our audit disclosed that the district court failed to perform the required internal control procedures in reference to the bank account and account balances held in escrow. We discovered the following:

- Bank Account - The bank account was not reconciled monthly. At the time of our audit field work, the bank account had not been reconciled since June 2004. Additionally, there were 5 checks, totaling \$7,838.76, issued to the County of Fayette ranging from September 3, 2004 to January 4, 2005 that were outstanding as of May 17, 2006; and a \$5,000 check issued on December 14, 2004 to the Fayette County Clerk of the Court of Common Pleas that was outstanding as of May 17, 2006.
- Account balances held in escrow - The escrow accounts were not reconciled with the adjusted checkbook balance on a monthly basis. At February 28, 2005, there was a cash shortage in the bank account of \$22,793.61. This amount is part of the misappropriated funds disclosed in Finding No. 1.

Good internal accounting controls ensure that:

- Bank reconciliations are prepared as of the last day of the month as soon as the bank statement is received.
- All deposited receipts and checks disbursed are accounted for and have cleared the bank. Any discrepancies should be investigated.
- Any checks that are older than 60 days should be reviewed and followed up as to why they have not been cashed.
- The adjusted checkbook balance is reconciled to the balance in the escrow account on a monthly basis. Because the district court's bank account is essentially an escrow account on behalf of the Commonwealth and other participating parties, the checkbook balance should always equal the total amount of the escrow report. Any discrepancies should be investigated.

By not performing these internal accounting control procedures, the possibility of money being misappropriated increases significantly. The total disregard of performing these internal accounting functions and not having adequate segregation of duties as outlined in Finding No. 2 enabled the misappropriation of a significant amount of funds.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 3 - Failure To Perform The Required Internal Control Procedures In Regard To
The Bank Account And Account Balances Held In Escrow (Continued)

Recommendation

We recommend the district court perform the required internal control procedures in regard to the bank account and the escrow account as noted above. Any discrepancies should be investigated immediately.

Auditee Response

The Magisterial District Judge responded as follows:

I never suspected that there was a problem at the office because of past audits results. As soon as I became aware that there was a problem, I went to the court administrator's office and requested an audit. There are now tighter controls of the entire office.

Auditor's Conclusion

We appreciate that the court has acknowledged the importance of tighter internal controls over the office. It is imperative that the court establish and implement an adequate system of internal controls, which includes oversight, to ensure that the bank account is reconciled monthly and that the escrow accounts are reconciled with the adjusted checkbook balance on a monthly basis.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
FINDINGS AND RECOMMENDATIONS
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JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 4 - Inadequate Arrest Warrant And DL-38 Procedures

Warrants and DL-38s are used to enforce the collection of monies on traffic and non-traffic cases in which defendants failed to make payments when required. A Warrant of Arrest (AOPC 417) is used to authorize an official to arrest a defendant, to collect fines and costs from the defendant after a disposition, or to collect collateral for a trial. If the defendant does not respond within ten days to a citation or summons, a Warrant of Arrest may be issued. A DL-38 Request for Suspension of Driving Privileges for Failure to Respond to a Citation or Summons or Pay Fines and Costs Imposed (AOPC 638A) is used to notify the defendant in writing that his/her license will be suspended if he/she fails to respond to the traffic citation or summons. A DL-38 cannot be issued for a parking violation.

During our testing of cases involving fraud as indicated in Finding No. 1, warrant and DL-38 procedures established by the *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) were not followed. The Magisterial District Judge did not consistently issue warrants and DL-38s when required. Of all the cases tested involving fraud, 158 warrants were not issued and 102 DL-38s were not issued.

The Manual establishes the uniform written internal control policies and procedures for all district courts.

Warrant Issuance Procedures: The Manual states that on October 1, 1998, new warrant procedures took effect for summary cases. Amendments were made to Pa.R.Crim.P. Rules 430, 431, 454, 455, 456, 460, 461, and 462. To comply with the new changes, the Notice of Impending Warrant (AOPC A418) was created with the purpose of informing the defendant that failure to pay the amount due or to appear for a Payment Determination Hearing will result in the issuance of an arrest warrant. The defendant is also informed that his/her response must be made within ten days of the date of the notice.

According to Pa.R.Crim.P. Rule 430, a Notice of Impending Warrant may be issued in a post-disposition summary case for any of the following reasons:

- A guilty disposition is recorded and no payment is made or a time payment schedule is not created.
- A guilty disposition is recorded and a previously deposited collateral payment, when applied, does not pay the case balance in full.
- A guilty disposition is recorded and the defendant defaults on a time payment schedule.

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JANUARY 1, 2002 TO FEBRUARY 28, 2005

Finding No. 4 - Inadequate Arrest Warrant And DL-38 Procedures (Continued)

According to Pa.R.Crim.P. 430, a warrant SHALL be issued in a summary case for any of the following reasons (a Notice of Impending Warrant is not necessary for the following):

- The defendant has failed to respond to a citation or summons that was served either personally or by certified mail, return receipt requested.
- The citation or summons is returned undeliverable.
- The Magisterial District Judge has reasonable grounds to believe that the defendant will not obey a summons.

DL-38 Procedures: The Manual states that once a citation is given to the defendant or a summons is issued, the defendant has ten days to respond. If on the eleventh day, the defendant has not responded, 75 Pa.C.S.A. §1533 requires that the defendant be notified that he/she has fifteen days from the date of notice to respond to the citation/summons before his/her license is suspended. In accordance with Section 1533 of the Pennsylvania Vehicle Code, the defendant has 15 days to respond to the defendant's copy of the DL-38. If the defendant does not respond by the fifteenth day, the Magisterial District Judge's office shall notify the Pennsylvania Department of Transportation by issuing the appropriate License Suspension Request (AOPC 638B,D,E).

In addition, 75 Pa.C.S.A. §1533 also requires a post-disposition DL-38 (AOPC 638B/E) be issued if the defendant neglects to pay fines and costs imposed at the time of disposition, or fails to make a scheduled time payment.

The failure to follow warrant and DL-38 procedures when required could result in uncollected fines and unpunished offenders.

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured an adequate internal control over warrants and DL-38s.

The timely issuance of warrants and DL-38s could have prevented or detected the misappropriation of funds.

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Finding No. 4 - Inadequate Arrest Warrant And DL-38 Procedures (Continued)

Recommendation

We recommend that the district court review the tickler reports for warrants and DL-38s daily and take appropriate action as required by the Manual.

Auditee Response

The Magisterial District Judge responded as follows:

I never suspected that there was a problem at the office because of past audits results. As soon as I became aware that there was a problem, I went to the court administrator's office and requested an audit. There are now tighter controls of the entire office.

Auditor's Conclusion

We appreciate that the court has acknowledged the importance of tighter internal controls over the office. It is imperative that the court establish and implement an adequate system of internal controls, which includes oversight, to ensure that tickler reports are reviewed daily for issuances of warrants and DL-38s.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
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Finding No. 5 - Certification Of Disposition Section On Citations Was Not Always Completed

During our testing of cases involving fraud as indicated in Finding No. 1, we noted that a total of 50 non-traffic and traffic citations did not have the certification of disposition section signed by the Magisterial District Judge.

The *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) establishes the uniform written internal control policies and procedures for all district courts.

The Manual requires that the Magisterial District Judge sign and seal the Certification of Disposition on non-traffic and traffic citations. The exception is on traffic citations where the defendant pleads guilty and is accompanied by a full payment. The Magisterial District Judge does not have to sign the certification of disposition on traffic citations where the defendant pleads guilty and payment is made in full.

The failure to perform these procedures results in a lack of evidence that the disposition was reviewed and authorized by the Magisterial District Judge.

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured an adequate internal control over citations.

Recommendation

We recommend that the Magisterial District Judge sign and seal the citation certification of disposition section in accordance with the Manual.

Auditee Response

The Magisterial District Judge responded as follows:

I never suspected that there was a problem at the office because of past audits results. As soon as I became aware that there was a problem, I went to the court administrator's office and requested an audit. There are now tighter controls of the entire office.

Auditor's Conclusion

We appreciate that the court has acknowledged the importance of tighter internal controls over the office. It is imperative that the court establish and implement an adequate system of internal controls, which includes oversight, to ensure that the citation certification of disposition section is signed and sealed.

DISTRICT COURT 14-3-07
FAYETTE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2002 TO FEBRUARY 28, 2005

This report was initially distributed to:

The Honorable Gregory C. Fajt
Secretary
Department of Revenue

The Honorable Zygmunt Pines
Court Administrator of Pennsylvania
Administrative Office of Pennsylvania Courts

District Court 14-3-07
Fayette County
2318 Mayer Road
Connellsville, PA 15425

The Honorable Conrad B. Capuzzi	President Judge of the Court of Common Pleas, Fayette County
Ms. Karen M. Kuhn	Fayette County District Court Administrator
The Honorable Robert W. Breakiron	Magisterial District Judge
The Honorable Angela M. Zimmerlink	Chairwoman of the Board of Commissioners
The Honorable Mark Roberts	Fayette County Controller

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.