DISTRICT COURT 21-3-01

SCHUYLKILL COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2007

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Independent Auditor's Report

The Honorable Steven H. Stetler
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of District Court 21-3-01, Schuylkill County, Pennsylvania (District Court), for the period January 1, 2005 to December 31, 2007, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S § 401(c). This Statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this Statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 401(c) of *The Fiscal Code* to audit the accounts of each district court to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 401(c) of *The Fiscal Code*.

In our opinion, the Statement referred to above presents, in all material respects, the operations of the District Court as it pertains to receipts made on behalf of the Commonwealth for the period ended December 31, 2007, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Statement and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Statement is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District Court's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the District Court's Statement that is more than inconsequential will not be prevented or detected by the District Court's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over the reporting on the Statement:

- Escrow Monies Not Always Disbursed Timely.
- Required Computer Downtime Manual Receipt Procedures Were Not Always Followed.
- Inadequate Arrest Warrant Procedures.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statement will not be prevented or detected by the District Court's internal control. Our consideration of the internal control over reporting on the Statement would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the first two bulleted deficiencies to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

March 10, 2009

JACK WAGNER
Auditor General

JACK WAGNER

AUDITOR GENERAL

DISTRICT COURT 21-3-01
SCHUYLKILL COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

Receipts:		
Department of Transportation		
Title 75 Fines	$ 239,224	
Motor Carrier Road Tax Fines	525	
Overweight Fines	1,363	
Commercial Driver Fines	500	
Littering Law Fines	1,293	
Child Restraint Fines	1,128	
Department of Revenue Court Costs	131,799	
Crime Victims' Compensation Bureau Costs	37,608	
Crime Commission Costs/Victim Witness Services Costs	27,096	
Domestic Violence Costs	9,467	
Department of Conservation and Natural Resources Fines	25	
Department of Agriculture Fines	705	
Fish and Boat Commission Fines	200	
Game Commission Fines	4,335	
Emergency Medical Service Fines	65,004	
CAT/MCARE Fund Surcharges	199,942	
Judicial Computer System Fees	71,955	
Access to Justice Fees	16,592	
Constable Service Surcharges	5,044	
Department of Labor and Industry Fines	1,850	
Firearm Education and Training Costs	5	
Miscellaneous State Fines	525	
Total receipts (Note 2)		$ 816,185
Disbursements to Commonwealth (Note 3)		(816,185)
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Examination adjustments		-
Adjusted balance due Commonwealth (District Court) for the period January 1, 2005 to December 31, 2007		$ -

Notes to the Statement of Receipts and Disbursements are an integral part of this report.

DISTRICT COURT 21-3-01
SCHUYLKILL COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2005 TO DECEMBER 31, 2007

1. Criteria

The Statement of Receipts and Disbursements provides a summary of receipts and disbursements by category. The categories and the amounts of fines, costs, fees, and surcharges assessed are based on Pennsylvania laws and regulations.

The Statement was prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

2. Receipts

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

3. Disbursements

Total disbursements are comprised as follows:

District Court checks issued to:

Department of Revenue	$ 816,185

4. Balance Due Commonwealth (District Court) For The Period January 1, 2005 To December 31, 2007

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

5. Magisterial District Judge Serving During Examination Period

David A. Plachko served at District Court 21-3-01 for the period January 1, 2005 to December 31, 2007.

Finding No. 1 - Escrow Monies Not Always Disbursed Timely

Our examination of the undisbursed funds report indicated that 10 escrow funds collected from July 14, 2003 to June 6, 2007, totaling approximately $657, were not disbursed as of December 31, 2007. We further noted that 23 receipts for partial serving fees, received from April 27, 1993 to June 6, 2007, totaling approximately $850 were also still being held in escrow.

The district court failed to review the undisbursed funds report on a monthly basis and take appropriate action.

The district court's bank account is essentially an escrow account on behalf of the Commonwealth and other participating parties. The court collects bail, security for motor vehicle trials, and other funds that must be held in escrow until disposition of the case. Once a case has been disposed, funds held in escrow should be transferred to the appropriate account or disbursed immediately.

Good internal accounting controls require that funds be disbursed timely. The failure to follow this procedure could result in monies not being paid to whom they are due.

Without a good system of internal control over funds received by the office, the potential is increased that funds could be lost or misappropriated.

Recommendation

We recommend that the district court review the undisbursed funds report on a monthly basis and take appropriate action and disburse funds to whom they are due.

Management's Response

The Magisterial District Judge responded as follows:

> District Court Staff has been directed to review the undisbursed funds on a regular basis. Magisterial District Judge will consult with county to adopt procedures, if necessary, to expedite the remittance of any undisbursed funds. Magisterial District Judge will also direct Constable to return any unserved civil cases for further direction from plaintiff.

Auditor's Conclusion

During our next examination we will determine if the district court complied with our recommendation.

Finding No. 2 - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed

The Administrative Office of Pennsylvania Courts' (AOPC) policies require computer downtime manual receipts to be issued in the event of a temporary power loss to the district court's computer system. When the computer system is operating again, the computer downtime manual receipt is replaced by an official computer-generated receipt and included in the daily receipts. When the AOPC's policies are not followed, the risk that funds received by the District Court could be lost, or misappropriated increases.

Our examination disclosed that required computer downtime manual receipt procedures were not always followed. Of 14 receipts tested, we noted the following:

- There were three instances in which the manual receipt information was not entered on the corresponding line of the log sheet.

- There was one instance in which a manual receipt was used per the log, but was actually unissued and found with the log.

- Computer downtime manual receipts were often not issued in numerical sequence. Computer downtime manual receipt Nos. A990106 to A990120 and A990177 to A990178 were not used although subsequent numbers were used.

- There was one instance in which the source was identified on the manual receipt as window but the source identified on the corresponding computer receipt was mail.

- Manual receipt number A990121 was used to record payments for two different cases with two different defendants.

- There were five instances in which the computer downtime manual receipt number was not entered into the computer system when the corresponding computer receipt was generated.

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 downtime manual receipts be issued in the event of a temporary power loss to the computer system. When the computer system is not operational, the receipt and log sheet should be filled out for each receipt number and the initials of the employee receiving the payment should be documented on the log sheet. The receipts should be used in numerical order; the log sheet should be filled out using the appropriate receipt number; a copy of that

Finding No. 2 - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed (Continued)

receipt should be given to the remitter; and the second copy of the receipt should be kept, along with the associated log, in a secure location. When the computer system is running again, the second copy of the receipt should be attached to the new system-generated receipt and placed in the case file and the date the payment was entered into the system should be documented on the log sheet. Additionally, the Manual requires that when a manual receipt number is issued, the manual receipt number should be entered in the manual receipt number field when creating the computer receipt. This will link the manual receipt to the computer receipt.

Good internal accounting controls ensure that:

- Computer downtime manual receipt information is recorded on the appropriate line of the log sheet.
- Computer downtime manual receipts are issued in numerical sequence.
- Information on the computer-generated receipt should agree with the information recorded on the manual receipt.
- Computer downtime manual receipt numbers are only used once.
- Computer downtime manual receipt numbers are entered in the manual receipt number field on the computer when the corresponding computer receipts are generated.

These conditions existed because the district court failed to establish and implement an adequate system of internal controls over computer downtime manual receipts.

Adherence to good internal accounting controls and the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over collections.

Recommendations

We recommend that the district court establish and implement an adequate system of internal controls over computer downtime manual receipts as noted above. We further recommend that computer downtime manual receipts A990106 to A990120 and A990177 to A990178 be marked void and the corresponding log entries marked void to prevent further use of manual receipts issued out of numeric sequence.

Finding No. 2 - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed (Continued)

Management's Response

The Magisterial District Judge responded as follows:

> Magisterial District Judge and staff reviewed the downtime manual receipt procedures to ensure strict adherence in the future.

Auditor's Conclusion

During our next examination we will determine if the district court complied with our recommendations.

Finding No. 3 - Inadequate Arrest Warrant Procedures

Warrants 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.

During our testing of warrant procedures, we noted that warrant procedures established by the *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) were not always followed. The Magisterial District Judge did not consistently issue warrants when required. We tested 26 instances in which a warrant was required to be issued. Our testing disclosed that 12 were not issued timely and 8 were not issued at all. The time of issuance ranged from 72 days to 679 days.

In addition, of 13 warrants required to be returned or recalled, 8 were not returned or recalled, and 1 was not returned timely. The time of issuance to the time of return was 848 days. Two warrants were not completed and signed by the server and two returned warrants were not located with the case files and were not available for examination.

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.

Finding No. 3 - Inadequate Arrest Warrant 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.

Warrant Return Procedures: The Manual states that the Administrative Office of Pennsylvania Courts (AOPC) recommends that those in possession of arrest warrants should be notified to return warrants that have not been served. For summary traffic and non-traffic cases, outstanding warrants should be returned to the Magisterial District Judge's office within 60 days of issuance. Returned warrants can either be recorded in the Magisterial District Judge System (MDJS) as unserved, if the defendant is unable to be located; or they can be recalled for reissue, if the server has not exhausted all means of finding the defendant.

Good internal controls require that the warrant be completed and signed by the server and placed in the case file to provide an audit trail of the warrant service.

The failure to follow warrant procedures could result in uncollected fines and unpunished offenders. Additionally, the risk is increased for funds to be lost or misappropriated.

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over warrants.

Recommendations

We recommend that the district court review the tickler reports for warrants daily and take appropriate action as required by the Manual. We further recommend that the court review warrant control reports and notify police or other officials to properly complete, sign, and return warrants that are unserved for 60 days for summary traffic and non-traffic cases as required by the Manual. All returned warrants should be signed by the server and filed with the case files and be available for review to provide an audit trail of the warrant service.

Finding No. 3 - Inadequate Arrest Warrant Procedures (Continued)

Management's Response

The Magisterial District Judge responded as follows:

> Magisterial District Judge and staff reviewed arrest warrant procedures. Staff was directed to devote more time to the prompt and efficient handling of arrest warrants.

Auditor's Conclusion

During our next examination we will determine if the district court complied with our recommendations.

JACK WAGNER

AUDITOR GENERAL

DISTRICT COURT 21-3-01
SCHUYLKILL COUNTY
REPORT DISTRIBUTION
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This report was initially distributed to:

The Honorable Steven H. Stetler
Secretary
Pennsylvania Department of Revenue

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

District Court 21-3-01
Schuylkill County
Borough Building
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Port Carbon, PA 17965

The Honorable David A. Plachko	Magisterial District Judge
The Honorable Melinda G. Kantner	Controller
The Honorable Mantura M. Gallagher	Chairwoman of the Board of Commissioners
Mr. Bruce D. Heffner	Deputy Court Administrator

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