

DISTRICT COURT 32-2-49

DELAWARE COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 31, 2004



## CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statement:	
Statement Of Receipts And Disbursements – Cash Basis .....	3
Notes To The Financial Statement .....	4
Report On Compliance And On Internal Control Over Financial Reporting .....	7
Finding And Recommendation:	
Finding - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed .....	9
Report Distribution .....	11



## 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 32-2-49, Delaware County, Pennsylvania (District Court), for the period January 1, 2002 to December 31, 2004, 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.

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 December 31, 2004, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, 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 December 31, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 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 3, 2006

JACK WAGNER  
Auditor General

DISTRICT COURT 32-2-49  
 DELAWARE COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - CASH BASIS  
 FOR THE PERIOD  
 JANUARY 1, 2002 TO DECEMBER 31, 2004

Receipts:

Department of Transportation		
Title 75 Fines	\$	183,859
Motor Carrier Road Tax Fines		125
Overweight Fines		1,173
Commercial Driver Fines		3,513
Littering Law Fines		279
Child Restraint Fines		178
Department of Revenue Court Costs		94,884
Crime Victims' Compensation Bureau Costs		12,752
Crime Commission Costs/Victim Witness Services Costs		10,950
Department of Public Welfare		
Domestic Violence Costs		4,357
Attend Care Fines		371
Department of State		144
Emergency Medical Service Fines		52,275
CAT/MCARE Fund Surcharges		160,371
Judicial Computer System Fees		40,544
Access to Justice Fees		5,761
Constable Service Surcharges		5,615
Department of Labor and Industry Fines		3,150
Firearm Education and Training Costs		5
State Police Crime Lab Fees		215
Miscellaneous State Fines		150
		<hr/>
Total receipts (Note 2)	\$	580,671
Disbursements to Department of Revenue (Note 3)		<hr/> (580,671)
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Audit adjustments		<hr/> -
Adjusted balance due Commonwealth (District Court) for the period January 1, 2002 to December 31, 2004	\$	<hr/> <hr/> -

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

DISTRICT COURT 32-2-49  
DELAWARE COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2004

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>\$580,671</u>
--	------------------

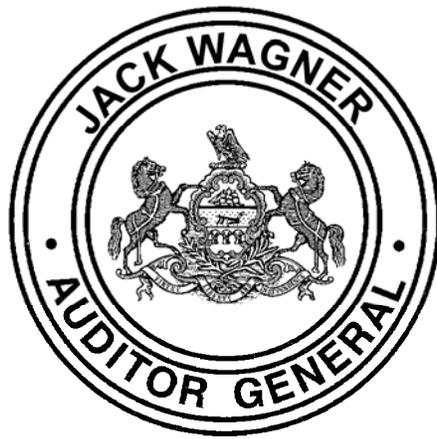
DISTRICT COURT 32-2-49  
DELAWARE COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2004

4. Balance Due Department Of Revenue (District Court) For The Period January 1, 2002 To December 31, 2004

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

5. Magisterial District Judge Serving During Audit Period

Richard M. Cappelli served at District Court 32-2-49 for the period January 1, 2002 to December 31, 2004.



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 32-2-49, Delaware County, Pennsylvania for the period January 1, 2002 to December 31, 2004, and have issued our report thereon dated May 3, 2006. 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 financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable

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

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 condition described in the finding is as follows:

- Required Computer Downtime Manual Receipt Procedures Were Not Always Followed.

A material weakness is a condition 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 the reportable condition described above to be a material weakness.

We are concerned in light of the District Court's failure to correct a previously reported audit finding. The District Court should strive to implement the recommendation and corrective action noted in this audit report. We noted several significant weaknesses in the internal controls over computer downtime manual receipts that need corrective action. These significant deficiencies increase the potential for funds to be lost, stolen, or misappropriated.

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 3, 2006

JACK WAGNER  
Auditor General

DISTRICT COURT 32-2-49  
DELAWARE COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2004

Finding - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed

Computer downtime manual receipts are available 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.

Our audit disclosed that required computer downtime manual receipts A990101 to A990120 and the associated manual receipt log were lost or misplaced and not available for audit.

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. The receipt and log sheet should be filled out for each receipt number. The log should document the initials of the employee receiving the payment and the date the payment was entered on the system. The receipts should be used in numerical order, the log sheet should be filled out using the appropriate receipt number, a copy of that receipt should be given to the remitter and the second copy of the receipt should be attached to the new system-generated receipt and placed in the case file, the receipts should be kept, along with the associated log, in a secure location. 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 receipts are accounted for and maintained.
- Computer downtime manual receipt log sheets are accounted for and maintained.

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

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

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

This finding was cited in the prior audit period of January 1, 1999 to December 31, 2001.

DISTRICT COURT 32-2-49  
DELAWARE COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2004

Finding - Required Computer Downtime Manual Receipt Procedures Were Not Always  
Followed (Continued)

Recommendation

We again recommend that the district court establish and implement an adequate system of internal controls over computer downtime manual receipts as noted above.

Auditee Response

The Magisterial District Judge responded as follows:

The manual receipts must have been lost or destroyed when the office had new carpets installed because they were not found. We very seldom use manual receipts in our office because we take money till we close at 4:30 PM.

DISTRICT COURT 32-2-49  
DELAWARE COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2004

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 32-2-49  
Delaware County  
485 Baltimore Pike  
Glen Mills, PA 19342

Ward T. Williams, Esquire

District Court Administrator

The Honorable Richard M. Cappelli

Magisterial District Judge

The Honorable Cynthia F. Leitzell

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](http://www.auditorgen.state.pa.us).