

DISTRICT COURT 52-1-01

LEBANON COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2004 TO DECEMBER 31, 2007

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Independent Auditor's Report

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

We have examined the accompanying statement of receipts and disbursements (Statement) of District Court 52-1-01, Lebanon County, Pennsylvania (District Court), for the period January 1, 2004 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.

Independent Auditor's Report (Continued)

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:

- Inadequate Internal Controls Over The Bank Account.
- Missing Case Files.
- Inadequate Arrest Warrant And DL-38 Procedures.
- Failure To Properly Complete The Certification Of Disposition Section On Non-Traffic And Certain Traffic Citations.

Independent Auditor's Report (Continued)

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.

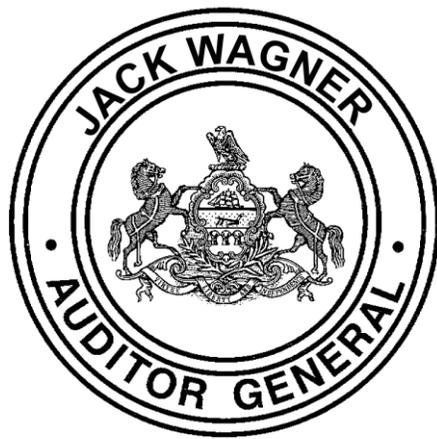
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We are concerned in light of the District Court's failure to correct a previously reported finding regarding inadequate arrest warrant and DL-38 procedures. Additionally, during our current examination, we noted several weaknesses in the internal controls over bank accounts, case files, and the signing of the certification of disposition section of citations that need corrective action. These significant deficiencies could result in uncollected fines and unpunished offenders and increase the risk for funds to be lost or misappropriated. The District Court should strive to implement the recommendations and corrective action noted in this examination report.

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.

January 21, 2009

JACK WAGNER
Auditor General



DISTRICT COURT 52-1-01
LEBANON COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Receipts:

Department of Transportation		
Title 75 Fines	\$	268,919
Overweight Fines		225
Littering Law Fines		163
Child Restraint Fines		1,389
Department of Revenue Court Costs		374,946
Crime Victims' Compensation Bureau Costs		28,173
Crime Commission Costs/Victim Witness Services Costs		20,696
Department of Public Welfare		
Domestic Violence Costs		6,646
Attend Care Fines		67
Emergency Medical Service Fines		77,020
CAT/MCARE Fund Surcharges		247,286
Judicial Computer System Fees		184,172
Access to Justice Fees		39,897
Constable Service Surcharges		32,773
Department of Labor and Industry Fines		46
		<hr/>
Total receipts (Note 2)	\$	1,282,418
Disbursements to Department of Revenue (Note 3)		<hr/> <u>(1,282,418)</u>
Balance due Department of Revenue (District Court) per settled reports (Note 4)		-
Examination adjustments		<hr/> <u>-</u>
Adjusted balance due Department of Revenue (District Court) for the period January 1, 2004 to December 31, 2007	\$	<hr/> <u><u>-</u></u>

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

DISTRICT COURT 52-1-01
LEBANON COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2004 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:

Checks issued to the Department of Revenue

Total	\$ <u>1,282,418</u>
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4. Balance Due For The Period January 1, 2004 To December 31, 2007

This balance reflects the summary of monthly transmittal reports as settled by the Department of Revenue. It does not reflect credit for a payment of \$5,897 for December 2003, which was credited by the Department of Revenue in January 2004.

5. Magisterial District Judge Serving During Examination Period

John F. Arnold served at District Court 52-1-01 for the period January 1, 2004 to December 31, 2007.

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 1 - Inadequate Internal Controls Over The Bank Account

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over the bank account:

- Bank reconciliations were not prepared properly.
 - As of December 31, 2007, there was a \$22 difference between the adjusted bank balance and the adjusted book balance that could not be explained.
 - Our review of the accounting records showed various plug-in amounts that the district court used in order to “balance” their account.
 - Bank adjustments were not always made on the district court’s accounting records.
- There was not adequate accountability over undisbursed funds.
 - As of December 31, 2007, recorded obligations exceeded funds on hand by approximately \$1,442.
 - As of December 31, 2007, there were unidentified liabilities totaling \$1,258. This total was listed under the account titled “Credit/Debit Adjustment” on the Undisbursed Funds Report.
- There were three outstanding checks to local municipalities totaling \$227, dated from April 4, 2005 to March 2, 2007, that were still outstanding as of December 31, 2007.
- Deposit slips were not always prepared properly.
 - There were 12 instances in which the amount of cash and/or checks collected were not correctly indicated on the deposit slip. Consequently, numerous bank credit and debit adjustments were made by the bank.
 - There were 20 instances in which the amount of each check deposited was not listed on the deposit slip.
 - There was one incident in which a \$50 check was receipted and listed on deposit slip, yet it was not included in the deposit. It could not be determined if this check was ever deposited.

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 1 - Inadequate Internal Controls Over The Bank Account (Continued)

However, it should be noted that it appears monies due the Commonwealth were remitted to the Commonwealth.

These conditions existed because the office failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.
- Adequate procedures are established to follow-up on all outstanding checks. If a check is outstanding for over 90 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.
- The amount of each check and the total amount of cash deposited are identified on the deposit slip. The office copy of each deposit should be brought to the bank to be validated.
- Receipts are deposited in the same manner as payments are received (i.e., cash, check, money order). Any discrepancies should be immediately investigated and resolved.
- All monies collected are deposited in the bank at the end of every day.

Without a good system of internal controls over the bank account, the potential is increased for funds to be lost or misappropriated.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above.

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 1 - Inadequate Internal Controls Over The Bank Account (Continued)

Management's Response

The Magisterial District Judge Maria M. Dissinger responded as follows:

I acknowledge that your office performed an examination of District Court 52-1-01, Lebanon County, Pennsylvania for the period January 1, 2004 to December 31, 2007. During that time District Judge John F. Arnold was the current District Judge.

Policy and Procedural changes have been made since I took office on January 7, 2008 that address the findings cited in the audit. Internal control structure of the office and necessary personnel changes have been made to correct the situation and ensure future compliance with the recommended procedures of the Administrative Office of Pennsylvania Courts.

Auditor's Conclusion

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

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 2 - Missing Case Files

Our examination of the district court required that certain case files be examined. We encountered difficulty in finding a number of case files. There were four case files needed for testing that could not be located.

In order for an entity to have an efficient record-keeping system, each court document must be filed timely and properly. Additionally, the *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) outlines the proper filing procedures for all district courts to follow.

This condition existed because the district court failed to establish and implement an adequate system of internal controls over the accountability of case files.

The failure to follow these guidelines could result in case file documents being lost, misfiled, or intentionally destroyed. Additionally, collections associated with missing case files and documents could be 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 case files.

Recommendation

We recommend that the district court initiate procedures to ensure that all cases are properly filed and contain appropriate documents as outlined in the Manual.

Management's Response

The Magisterial District Judge Maria M. Dissinger responded as follows:

I acknowledge that your office performed an examination of District Court 52-1-01, Lebanon County, Pennsylvania for the period January 1, 2004 to December 31, 2007. During that time District Judge John F. Arnold was the current District Judge.

Policy and Procedural changes have been made since I took office on January 7, 2008 that address the findings cited in the audit. Internal control structure of the office and necessary personnel changes have been made to correct the situation and ensure future compliance with the recommended procedures of the Administrative Office of Pennsylvania Courts.

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 2 - Missing Case Files (Continued)

Auditor's Conclusion

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

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 3 - Inadequate Arrest Warrant And DL-38 Procedures

Warrants and Requests For Suspension Of Operating Privileges (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 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 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 41 instances in which a warrant was required to be issued. Our testing disclosed that 12 were not issued timely and 7 were not issued at all. The time of issuance ranged from 67 days to 301 days.

Furthermore, we tested 17 instances in which a DL-38 was required to be issued. Our testing disclosed that six were not issued timely and one was not issued at all. The time of issuance ranged from 69 days to 434 days.

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.

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 3 - Inadequate Arrest Warrant And DL-38 Procedures (Continued)

- A guilty disposition is recorded and the defendant defaults on a time payment schedule.

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 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 and DL-38s.

This finding was cited in the prior audit for the period ending December 31, 2003.

Recommendation

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

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 3 - Inadequate Arrest Warrant And DL-38 Procedures (Continued)

Management's Response

The Magisterial District Judge Maria M. Dissinger responded as follows:

I acknowledge that your office performed an examination of District Court 52-1-01, Lebanon County, Pennsylvania for the period January 1, 2004 to December 31, 2007. During that time District Judge John F. Arnold was the current District Judge.

Policy and Procedural changes have been made since I took office on January 7, 2008 that address the findings cited in the audit. Internal control structure of the office and necessary personnel changes have been made to correct the situation and ensure future compliance with the recommended procedures of the Administrative Office of Pennsylvania Courts.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the office comply with our recommendation. During our next examination we will determine if the office complied with our recommendation.

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 4 - Failure To Properly Complete The Certification Of Disposition Section On Non-Traffic And Certain Traffic Citations

During our examination of the district court's case files, we noted the following:

- Of 23 non-traffic citations tested in which the certification of disposition section was required to be signed by the Magisterial District Judge, 7 were not signed.
- On traffic citations, we tested cases that were disposed by hearings. We also tested citations that were dismissed, discharged, or withdrawn. Of 38 traffic citations tested in which the certification of disposition section was required to be signed by the Magisterial District Judge, 7 were not signed.

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 section on non-traffic and traffic citations except for traffic citations in which the defendant pleads guilty and makes payment in full.

The failure to properly complete the certification of disposition section as required results in a lack of evidence that the disposition was reviewed and authorized by the Magisterial District Judge, thereby increasing the risk for funds to be lost or misappropriated.

Adherence to good internal 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 citations.

Recommendation

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

DISTRICT COURT 52-1-01
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

Finding No. 4 - Failure To Properly Complete The Certification Of Disposition Section On Non-Traffic And Certain Traffic Citations (Continued)

Management's Response

The Magisterial District Judge Maria M. Dissinger responded as follows:

I acknowledge that your office performed an examination of District Court 52-1-01, Lebanon County, Pennsylvania for the period January 1, 2004 to December 31, 2007. During that time District Judge John F. Arnold was the current District Judge.

Policy and Procedural changes have been made since I took office on January 7, 2008 that address the findings cited in the audit. Internal control structure of the office and necessary personnel changes have been made to correct the situation and ensure future compliance with the recommended procedures of the Administrative Office of Pennsylvania Courts.

Auditor's Conclusion

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

DISTRICT COURT 52-1-01
LEBANON COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2004 TO DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Stephen H. Stetler
Secretary
Pennsylvania Department of Revenue

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

District Court 52-1-01
Lebanon County
502 State Drive
Lebanon, PA 17046

The Honorable Maria M. Dissinger	Magisterial District Judge
The Honorable Robert M. Mettley	Controller
The Honorable William G. Carpenter	Chairman of the Board of Commissioners
David P. Wingert, Esquire	District Court Administrator

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. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.