

TRAFFIC COURT 05-0-00

ALLEGHENY COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 31, 2004

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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 Traffic Court 05-0-00, Allegheny County, Pennsylvania (Traffic 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 Traffic Court's management. Our responsibility is to express an opinion on this statement based on our audit.

Except as discussed in the fourth 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 Traffic Court, in conformity with accounting principles generally accepted in the United States.

As discussed in the Finding and Recommendation section of the audit report, there were inadequate controls over receipts. These inadequate control weaknesses limited the scope of our audit of Traffic Court's financial statement, and we were unable to satisfy ourselves by other auditing procedures.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the third 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 Traffic 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, except for the effects, if any, of the matters noted in the fourth paragraph, the financial statement referred to above presents fairly, in all material respects, the operations of the Traffic 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.

Our audit was made for the purpose of forming an opinion on the financial statement of the Traffic Court taken as a whole. The accompanying Schedule 1 for the period January 1, 2002 to December 31, 2004 is supplemental information required by the Department of Revenue and is not a required part of the financial statement. Except for the effects, if any, of the matters discussed in the fourth paragraph, the information in that schedule has been subjected to the procedures applied in the audit of the financial statement, and in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2006, on our consideration of the Traffic 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 Traffic Court and is not intended to be and should not be used by anyone other than these specified parties.

October 25, 2006

JACK WAGNER
Auditor General

TRAFFIC COURT 05-0-00
 ALLEGHENY 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	\$	690,677
Motor Carrier Road Tax Fines		1,283
Littering Law Fines		1,730
Child Restraint Fines		805
Emergency Medical Service Fines		237,821
CAT/MCARE Fund Surcharges		740,850
Judicial Computer System Fees		<u>650,799</u>
Total receipts (Note 2)	\$	2,323,965
Disbursements to Department of Revenue (Note 3)		<u>(2,314,024)</u>
Balance due Department of Revenue (Traffic Court) per settled reports (Note 4)		9,941
Audit adjustments		<u>-</u>
Adjusted balance due Department of Revenue (Traffic Court) for the period January 1, 2002 to December 31, 2004	\$	<u><u>9,941</u></u>

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

TRAFFIC COURT 05-0-00
ALLEGHENY 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 Traffic 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 Traffic Court.

TRAFFIC COURT 05-0-00
 ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENT
 FOR THE PERIOD
 JANUARY 1, 2002 TO DECEMBER 31, 2004

3. Disbursements

Total disbursements are comprised as follows:

Checks issued to the Department of Revenue	\$ 2,229,930
Payment made for the prior audit period: January 1, 1999 to December 31, 2001	(33,709)
Checks issued to the Department of Revenue and not credited by the Department of Revenue (See explanation below)	<u>117,803</u>
Total	<u><u>\$ 2,314,024</u></u>

There were three instances where check payments were not applied to the Traffic Court's monthly reports by the Department of Revenue:

September 2002	\$ 19,640
December 2002	74,375
June 2003	<u>23,788</u>
Total	<u>\$ 117,803</u>

4. Balance Due Department Of Revenue (Traffic 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

Various Magisterial District Judges served at Traffic Court 05-0-00 for the period January 1, 2002 to December 31, 2004.

TRAFFIC COURT 05-0-00
 ALLEGHENY COUNTY
 RECONCILIATION OF SETTLED REPORTS
 SCHEDULE 1
 FOR THE PERIOD
 JANUARY 1, 2002 TO DECEMBER 31, 2004

Schedule 1 - Reconciliation Of Settled Reports

Date of Summary of Collections Report	Balance Due Settled Reports Dept. of Revenue (Traffic Court)	Payment Credited for a Prior Month	Payment Not Credited for Current Month	Adjustments	Adjusted Balance Due Dept. of Revenue (Traffic Court)
2002					
January	\$ 17,021.03	\$ -	\$ -	\$ 33,709.20 *	\$ 50,730.23
February	75,673.42	-	-	-	75,673.42
March	(83,477.14)	-	-	-	(83,477.14)
April	8,695.29	-	-	-	8,695.29
May	(12,939.82)	-	-	-	(12,939.82)
June	24,167.67	-	-	-	24,167.67
July	(30,400.97)	-	-	-	(30,400.97)
August	10,326.70	-	-	-	10,326.70
September	20,165.63	-	-	(19,639.66) **	525.97
October	35,930.68	-	-	-	35,930.68
November	(4,856.20)	-	-	-	(4,856.20)
December	37,323.56	-	-	(74,375.23) **	(37,051.67)
2003					
January	12,638.19	-	-	-	12,638.19
February	(17,354.45)	-	-	-	(17,354.45)
March	1,547.72	-	-	-	1,547.72
April	38,686.50	-	-	-	38,686.50
May	(49,053.18)	-	-	-	(49,053.18)
June	18,185.90	-	-	(23,788.34) **	(5,602.44)
July	11,925.46	-	-	-	11,925.46
August	(7,712.52)	-	-	-	(7,712.52)
September	23,904.72	-	-	-	23,904.72
October	(328.41)	-	-	-	(328.41)
November	(8,960.59)	-	-	-	(8,960.59)
December	5,082.60	-	-	-	5,082.60

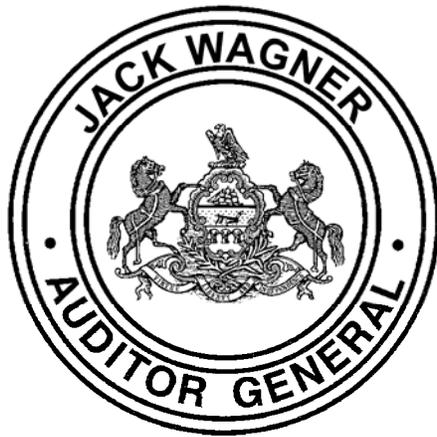
TRAFFIC COURT 05-0-00
 ALLEGHENY COUNTY
 RECONCILIATION OF SETTLED REPORTS
 SCHEDULE 1
 FOR THE PERIOD
 JANUARY 1, 2002 TO DECEMBER 31, 2004

Schedule 1 - Reconciliation Of Settled Reports (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Dept. of Revenue (Traffic Court)	Payment Credited for a Prior Month	Payment Not Credited for Current Month	Adjustments	Adjusted Balance Due Dept. of Revenue (Traffic Court)
2004					
January	\$ (21,381.71)	\$ -	\$ -	\$ -	\$ (21,381.71)
February	(1,641.25)	-	-	-	(1,641.25)
March	26,427.67	-	-	-	26,427.67
April	(35,534.65)	-	-	-	(35,534.65)
May	-	-	-	-	-
June	(26.50)	-	-	-	(26.50)
July	-	-	-	-	-
August	-	-	-	-	-
September	-	-	-	-	-
October	-	-	-	-	-
November	-	-	-	-	-
December	-	-	-	-	-
Balance due Department of Revenue (Traffic Court) per settled reports					9,941.32
Audit adjustments					-
Adjusted balance due Department of Revenue (Traffic Court) for the period January 1, 2002 to December 31, 2004					\$ 9,941.32

*Amount represents a prior audit payment for the audit period January 1, 1999 to December 31, 2001.

**Amounts represent instances where check payments were not applied to the Traffic Court's monthly reports by the Department of Revenue.



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 Traffic Court 05-0-00, Allegheny County, Pennsylvania (Traffic Court), for the period January 1, 2002 to December 31, 2004, and have issued our report thereon dated October 25, 2006. In our report, our opinion was qualified because of inadequate controls over receipts and we were unable to satisfy ourselves regarding Traffic Court’s receipts by means of other auditing procedures.

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 Traffic 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 Traffic 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

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

financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Traffic 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:

- Inadequate Controls Over Receipts.

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 the reportable condition described above to be a material weakness.

We are concerned in light of the Traffic Court's failure to correct a previously reported audit finding regarding inadequate controls over receipts. The Traffic Court should strive to implement the recommendations and corrective actions noted in the audit report. During our current audits, we noted several significant weaknesses in the internal controls over receipts that need corrective action. These significant deficiencies could result in funds being 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 Traffic Court and is not intended to be and should not be used by anyone other than these specified parties.

October 25, 2006

JACK WAGNER
Auditor General

TRAFFIC COURT 05-0-00
ALLEGHENY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2004

Finding - Inadequate Controls Over Receipts

Our audit disclosed that there were significant internal accounting control weaknesses over cash receipts. Because of these weaknesses, we were unable to perform a cash receipts test which tracks a receipt and the money associated with it from the time the receipt is prepared and money collected to the time the money is deposited. This condition presented an audit scope limitation. The significant weaknesses that precluded us from performing this test included:

- Failure to issue unique pre-numbered receipts for all collections.
- Failure to maintain a daily cash receipts journal. A daily cash receipts journal should include information such as receipt number, name of defendant, name of person paying for the defendant if applicable, date of collection, type of collection (cash, check or money order), and case number. The journal should include every receipt issued for the day including collateral payments. At the day's end, this journal should be footed and a deposit ticket prepared that equals the amount of the day's collection. Credit card transactions should be tracked separately because of the time lapse from the date of receipt to the time the collections are posted to the bank statement.

Good internal accounting controls ensure that, for all money collected, a uniquely numbered receipt is issued for all collections. The receipt activity should be recorded in a daily cash receipts journal. This journal should also include documentation of credit card collections. At the end of each day, the total of the day's collection should be recorded on a deposit slip and deposited in the bank. Credit card collections should be tracked separately and traced to the bank statement.

This condition was cited in our previous audit periods ending, December 1994 and 1996 under the finding titled "Receipts Were Not Always Deposited On The Same Day As Collected" and for the prior audit periods ending December 1998 and 2001 under the finding titled "Inadequate Control Over Cash Receipts."

It should be noted that the use of the receipting system cited above was discontinued as of December 31, 2004. Traffic Court 05-0-00 merged into Municipal Court 05-0-03 beginning January 1, 2005. Municipal Court 05-0-03 utilizes the Administrative Office of Pennsylvania Courts' (AOPC) Computer System. This system will enable to traffic court to issue unique pre-numbered receipts for all collections and maintain a daily cash receipts journal.

TRAFFIC COURT 05-0-00
ALLEGHENY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2004

Finding - Inadequate Control Over Receipts (Continued)

Recommendation

We recommend that the court continue to use the new AOPC computer system and to completely discontinue the use of the manual system utilized in Traffic Court 05-0-00.

Auditee Response

No formal response was offered at this time.

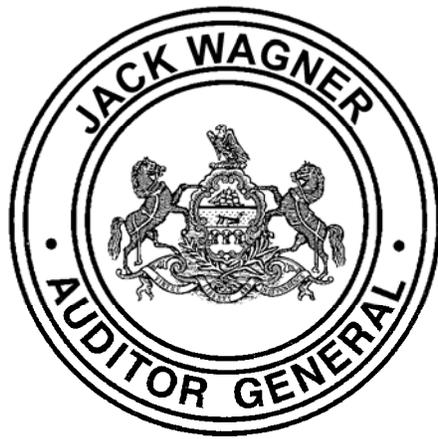
TRAFFIC COURT 05-0-00
ALLEGHENY COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2004

Comment - Compliance With Prior Audit Recommendation

During our prior audit, we made the following recommendation:

- That the office transmit the Commonwealth's portion of fines and costs as required by the *Magisterial District Judge Automated Office Clerical Procedures Manual* and Section 901 of *The Fiscal Code*.

During our current audit, we noted that the office complied with our recommendation.



TRAFFIC COURT 05-0-00
ALLEGHENY 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

Traffic Court 05-0-00
Allegheny County
Pittsburgh, PA

Mr. Raymond L. Billotte	Court Administrator
The Honorable Mark Patrick Flaherty	Controller
The Honorable Dan Onorato	Allegheny County Chief Executive

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.