

ATTESTATION ENGAGEMENT

District Court 12-1-04
Dauphin County, Pennsylvania
For the Period
January 1, 2013 to December 31, 2015

January 2018



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of District Court 12-1-04, Dauphin County, Pennsylvania (District Court), for the period January 1, 2013 to December 31, 2015, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c). The District Court's management is responsible for presenting this Statement in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statement is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statement of receipts and disbursements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Statement, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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*.

Independent Auditor's Report (Continued)

In our opinion, the Statement referred to above, for the period January 1, 2013 to December 31, 2015, is presented in accordance with the criteria set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statement; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statement. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statement was for the limited purpose of expressing an opinion on whether the Statement is presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statement that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses.

- Missing Case Files.
- Inadequate Internal Controls Over Manual Receipts.
- Escrow Monies Not Always Disbursed Timely.

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

Independent Auditor's Report (Continued)

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. This report is not suitable for any other purposes.

We appreciate the courtesy extended by the District Court 12-1-04, Dauphin County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



December 13, 2017

Eugene A. DePasquale
Auditor General

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DISTRICT COURT 12-1-04
 DAUPHIN COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2015

Receipts:

Department of Transportation		
Title 75 Fines	\$	168,713
Motor Carrier Road Tax Fines		650
Commercial Driver Fines		23
Littering Law Fines		164
Child Restraint Fines		1,122
Department of Revenue Court Costs		190,146
Crime Victims' Compensation Bureau Costs		24,240
Crime Commission Costs/Victim Witness Services Costs		17,385
Domestic Violence Costs		6,861
Emergency Medical Service Fines		28,641
CAT/MCARE Fund Surcharges		94,108
Judicial Computer System Fees		85,552
Access to Justice Fees		24,841
Criminal Justice Enhancement Account Fees		5,782
Judicial Computer Project Surcharges		37,375
Constable Service Surcharges		9,729
Miscellaneous State Fines and Costs		<u>36,906</u>
 Total receipts (Note 2)		 732,238
 Disbursements to Commonwealth (Note 3)		 <u>(732,238)</u>
 Balance due Commonwealth (District Court) per settled reports (Note 4)		 -
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (District Court) for the period January 1, 2013 to December 31, 2015	 \$	 <u><u>-</u></u>

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

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

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	<u>\$ 732,238</u>
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2013 To December 31, 2015

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

5. Magisterial District Judges Serving During Examination Period

Marsha C. Stewart served at District Court 12-1-04 for the period January 1, 2013 to September 30, 2015.

Various Senior Magisterial District Judges served at District Court 12-1-04 for the period October 1, 2015 to December 31, 2015

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

Finding No. 1 - Missing Case Files

Our examination of the district court required that certain case files be examined. We encountered considerable difficulty in finding a number of case files. There were 8 out of 30 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.

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.

This condition existed because the district court failed to establish and implement an adequate system of internal controls over the accountability of 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 responded as follows:

We will be more diligent in checking escrow balances before a file is destroyed and we will continue to try to locate the missing files.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct this issue. During our next examination, we will determine if the district court complied with our recommendation.

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

Finding No. 2 - Inadequate Internal Controls Over Manual Receipts

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 possibility that funds received by the District Court could be lost or misappropriated increases significantly.

Our examination disclosed that required computer downtime manual receipt procedures were not always followed.

- There were 20 computer downtime manual receipts that could not be located and were not available for our examination.
- The computer downtime manual receipt log sheets for all 20 receipts were not available for review.

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 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 receipts are accounted for and maintained.
- Computer downtime manual receipt log sheets are accounted for and maintained.

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

Finding No. 2 - Inadequate Internal Controls Over Manual Receipts (Continued)

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.

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

Recommendation

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

Management's Response

The Magisterial District Judge responded as follows:

Our contention is that at the exit conference, the prior auditor told us to print out a batch of 20 manual receipts and immediately shred them because at the time we were not using manual receipts. Going forward, we will have a batch of 20 manual receipts in a secure location.

Auditor's Conclusion

As cited above, good internal accounting controls ensure that all computer downtime manual receipts and the associated logs are accounted for and maintained in order to provide an accurate audit trail on the issuance of manual receipts. During our next examination, we will determine if the district court complied with our recommendations.

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

Finding No. 3 - Escrow Monies Not Always Disbursed Timely

Our examination of the undisbursed funds report indicated that escrow funds collected from January 22, 1999 to August 29, 2014, totaling \$433.31, were not disbursed as of December 31, 2015.

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 possibility of funds being lost or misappropriated increases significantly.

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

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:

Due to the age of the cases involved, we intend to work with the AOPC to address these cases. There is a plan in place to manage escrow on a more timely basis.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct this issue. During our next examination, we will determine if the office complied with our recommendation.

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

Summary of Prior Examination Recommendations

During our prior examination, we recommended:

- That the district court deposit all receipts at the end of each day as required by good internal accounting controls and the *Magisterial District Judge Automated Office Clerical Procedures Manual*. We also recommended that the office obtain a validation from the bank as to the mix of cash and checks deposited. We further recommended that the validation is reconciled to receipts by someone other than the person preparing or making the deposit.
- That the office review the tickler reports for warrants and DL-38s daily and take appropriate action as required by the *Magisterial District Judge Automated Office Clerical Procedures Manual*.

During our current examination, we noted that the office substantially complied with our recommendations. Insignificant deficiencies were discussed with the district court.

DISTRICT COURT 12-1-04
DAUPHIN COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2015

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

The Honorable Thomas B. Darr
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable David F. O'Leary
Magisterial District Judge

The Honorable Jeff Haste
Chairperson of the Board of Commissioners

The Honorable Timothy DeFoor
Controller

Deborah S. Freeman, Esq.
District Court Administrator

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.