

# ATTESTATION ENGAGEMENT

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District Court 28-3-01  
Venango County, Pennsylvania  
For the Period  
January 1, 2015 to February 28, 2019

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March 2020



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 28-3-01, Venango County, Pennsylvania (District Court), for the period January 1, 2015 to February 28, 2019, 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, 2015 to February 28, 2019, 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:

- Misappropriation of Funds
- Inadequate Internal Controls Over The Bank Account
- Inadequate Segregation Of Duties

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 28-3-01, Venango County, to us during the course of our examination. If you have any questions please feel free to contact the Bureau of County Audits at 717-787-1363.



Eugene A. DePasquale  
Auditor General

February 21, 2020

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DISTRICT COURT 28-3-01  
VENANGO COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

Receipts:

Department of Transportation		
Title 75 Fines	\$	219,241
Motor Carrier Road Tax Fines		75
Overweight Fines		3,402
Littering Law Fines		1,188
Child Restraint Fines		1,484
Department of Revenue Court Costs		112,890
Crime Victims' Compensation Bureau Costs		23,607
Crime Commission Costs/Victim Witness Services Costs		16,915
Domestic Violence Costs		6,434
Department of Agriculture Fines		3,840
Emergency Medical Service Fines		40,357
CAT/MCARE Fund Surcharges		118,885
Judicial Computer System Fees		56,248
Access to Justice Fees		23,236
Criminal Justice Enhancement Account Fees		5,654
Judicial Computer Project Surcharges		66,454
Constable Service Surcharges		8,362
Miscellaneous State Fines and Costs		133,616
		<hr/>
Total receipts (Note 2)		841,888
Disbursements to Commonwealth (Note 3)		<hr/> (841,888)
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Examination adjustments		<hr/> -
Adjusted balance due Commonwealth (District Court) for the period January 1, 2015 to February 28, 2019	\$	<hr/> <hr/> -

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

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

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>\$ 841,888</u>
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2015 To February 28, 2019

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

5. Magisterial District Judge Serving During Examination Period

Andrew F. Fish served at District Court 28-3-01 for the period January 1, 2015 to February 28, 2019.

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 1 - Misappropriation of Funds**

The Administrative Office of Pennsylvania Courts (AOPC) disclosed to us that a district court employee had misappropriated money from the district court. Our examination of the district court found that \$8,607 had been misappropriated during the period of October 26, 2018 through February 6, 2019.

The misappropriation occurred when the former employee used a combination of a lapping fraud scheme and failing to deposit all receipts in the bank to steal money. A lapping fraud scheme is a term used to describe a method where an individual misappropriates cash from a day's collections and then, utilizing subsequently received cash, checks and/or money orders, attempts to replace the missing funds. Replacing the cash with the subsequently received receipts allows the day's collections to equal the total amount of the deposit. We identified 14 deposits between October 26, 2018 and January 4, 2019, in which the mix of cash/checks on the validated deposit did not match the amounts recorded on the district court's daily receipt reports. We found that these deposits had cash missing with subsequently received checks replacing the missing amount of cash. Also, on at least one occasion, the former employee substituted a personal check for the missing funds. We also found that there were six days of collections totaling \$8,607 from the period December 26, 2018 to February 6, 2019 that were never deposited into the bank account.

This condition existed because the district court did not adequately segregate staff duties within the office – refer to Finding No. 3 for additional information on this topic.

Good internal accounting controls ensure that funds received from third parties are properly safeguarded in order to prevent funds from being lost or stolen.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly. The issues described above resulted in the misappropriation of funds.

The former employee was terminated on February 13, 2019. The district court recovered the \$8,607 in misappropriated funds from an insurance policy on April 5, 2019.

**Recommendation**

We recommend that the district court establish and implement an adequate system of internal controls over receipts to ensure that all payments are properly recorded, deposited and remitted.



DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 1 - Misappropriation of Funds (Continued)**

Management's Response

The Magisterial District Judge responded as follows, except as redacted:

Misappropriation of Funds in the amount of \$8,607.00 was misappropriated by one employee of the District Court. The reason this happened was I, [individual's name redacted], administrator for the District Court had put faith and trust in the employees, including the Office Administrator of District Court 28-3-01, trusting the rotation of duties which includes but are not limited to: opening the mail, preparing deposit slip, making a daily deposit, affixing copy of deposit slip and bank validated deposit to our daily report, reconcile bank statement and disperse funds in escrow as needed. These duties are handled on a daily, weekly, or monthly basis as required. For one reason or another these segregation of duties obviously were not followed unbeknownst to me. However, I [individual's name redacted], take full responsibility for the lack of segregation of duties.

In moving forward, once this horrendous deficiency was discovered, this office has enforced the segregation of duties in the following areas:

- Review with each District Court Employee daily duties and expectations of segregation of duties.
- Daily- opening the mail, preparing the deposit, verifying deposit amount on deposit slip as appropriate (cash, coin, check), make a daily deposit.
- Weekly- affix copy of deposit slip and bank validated deposit slip to daily report, which is then validated by the Judge.
- Monthly - Bank Statements are reconciled to book balance, review undispersed funds report and disperse funds as needed and in a timely manner.

In addition, the office has designed a document, for additional internal control, which requires daily documentation of the cash/check mix of deposits and the recording of the person responsible for all duties required to make the daily deposit. We believe good internal controls will help ensure funds received are properly deposited and accounted for.

Auditor's Conclusion

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

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 2 - Inadequate Control Over the Bank Account**

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

- The office copy of the bank deposit slip was not validated by the bank for 168 of the 334 receipts tested. The district court received a validated receipt from the bank, but this only confirmed the total amount deposited and not the actual make-up of the deposit (i.e. cash and check mix).
- Bank reconciliations were not properly completed or reviewed.
- Collections were not always deposited the same day as collected. Of 289 deposits tested from the period January 1, 2018 to February 28, 2019, 121 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from two days to 31 days. In addition, six deposits were never deposited in the bank as disclosed in Finding No. 1.
- A review of the undisbursed funds report indicated that escrow funds collected from December 31, 2014 to February 4, 2019, totaling \$3,474.14, were not disbursed as of February 28, 2019.

Good internal accounting controls ensure that:

- 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. If the bank cannot validate the deposit slip, the office should obtain a deposit ticket from the bank that validates total cash and the total deposit. After the office receives the validation from the bank, it should be reconciled to the receipts by someone other than the person preparing or making the deposit.
- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- All monies collected are deposited intact at the bank on the same day as collected.
- Funds are disbursed timely. Escrow reports are reviewed on a monthly basis and appropriate action is taken to disburse funds to whom they are due once a case has been disposed.

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 2 - Inadequate Control Over the Bank Account (Continued)**

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly. Finding No. 1 describes how the internal control weaknesses allowed fraudulent activity to occur and remain undetected for several months.

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

**Recommendation**

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

**Management's Response**

The Magisterial District Judge responded as follows:

Misappropriation of Funds in the amount of \$8,607.00 was misappropriated by one employee of the District Court. The reason this happened was I, [individual's name redacted], administrator for the District Court had put faith and trust in the employees, including the Office Administrator of District Court 28-3-01, trusting the rotation of duties which includes but are not limited to: opening the mail, preparing deposit slip, making a daily deposit, affixing copy of deposit slip and bank validated deposit to our daily report, reconcile bank statement and disperse funds in escrow as needed. These duties are handled on a daily, weekly, or monthly basis as required. For one reason or another these segregation of duties obviously were not followed unbeknownst to me. However, I [individual's name redacted], take full responsibility for the lack of segregation of duties.

In moving forward, once this horrendous deficiency was discovered, this office has enforced the segregation of duties in the following areas:

- Review with each District Court Employee daily duties and expectations of segregation of duties.
- Daily- opening the mail, preparing the deposit, verifying deposit amount on deposit slip as appropriate (cash, coin, check), make a daily deposit.
- Weekly- affix copy of deposit slip and bank validated deposit slip to daily report, which is then validated by the Judge.
- Monthly – Bank Statements are reconciled to book balance, review undispersed funds report and disperse funds as needed and in a timely manner.

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 2 - Inadequate Control Over the Bank Account (Continued)**

Management's Response (Continued)

In addition, the office has designed a document, for additional internal control, which requires daily documentation of the cash/check mix of deposits and the recording of the person responsible for all duties required to make the daily deposit. We believe good internal controls will help ensure funds received are properly deposited and accounted for.

Auditor's Conclusion

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

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 3 - Inadequate Segregation of Duties**

Our examination disclosed that one employee in the office was responsible for performing the following functions:

- Opening mail.
- Preparing deposit slips.
- Making the deposit.
- Reconciling validated deposits to the accounting records.
- Entering cash adjustments, voids and NSF checks/credit card reversals.
- Reconciling collections to accounting records and/or receipts.
- Reconciling the bank account.
- Summarizing accounting records.

A good system of internal controls requires adequate segregation of duties.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly. As discussed in Finding No. 1, funds were misappropriated during the examination period due to inadequate segregation of duties.

This condition existed because the office did not establish and implement adequate segregation of duties.

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 3 - Inadequate Segregation of Duties (Continued)**

Recommendations

We recommend that the office provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash, and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

The Magisterial District Judge responded as follows:

Misappropriation of Funds in the amount of \$8,607.00 was misappropriated by one employee of the District Court. The reason this happened was I, [individual's name redacted], administrator for the District Court had put faith and trust in the employees, including the Office Administrator of District Court 28-3-01, trusting the rotation of duties which includes but are not limited to: opening the mail, preparing deposit slip, making a daily deposit, affixing copy of deposit slip and bank validated deposit to our daily report, reconcile bank statement and disperse funds in escrow as needed. These duties are handled on a daily, weekly, or monthly basis as required. For one reason or another these segregation of duties obviously were not followed unbeknownst to me. However, I [individual's name redacted], take full responsibility for the lack of segregation of duties.

In moving forward, once this horrendous deficiency was discovered, this office has enforced the segregation of duties in the following areas:

- Review with each District Court Employee daily duties and expectations of segregation of duties.
- Daily- opening the mail, preparing the deposit, verifying deposit amount on deposit slip as appropriate (cash, coin, check), make a daily deposit.
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DISTRICT COURT 28-3-01  
VENANGO COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

**Finding No. 3 - Inadequate Segregation of Duties (Continued)**

Management's Response (Continued)

In addition, the office has designed a document, for additional internal control, which requires daily documentation of the cash/check mix of deposits and the recording of the person responsible for all duties required to make the daily deposit. We believe good internal controls will help ensure funds received are properly deposited and accounted for.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. During our next examination, we will determine if the office complied with our recommendations.

DISTRICT COURT 28-3-01  
VENANGO COUNTY  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

Summary Of Prior Examination Recommendation

During our prior examination, we recommended that the district court:

- Review the tickler reports for warrants and DL-38s daily and take appropriate action as recommended by the Manual.

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



DISTRICT COURT 28-3-01  
VENANGO COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2015 TO FEBRUARY 28, 2019

This report was initially distributed to:

**The Honorable C. Daniel Hassell**  
Secretary  
Pennsylvania Department of Revenue

**The Honorable H. Geoffrey Moulton Jr.**  
Court Administrator of Pennsylvania  
Supreme Court of Pennsylvania  
Administrative Office of Pennsylvania Courts

**The Honorable Andrew F. Fish**  
Magisterial District Judge

**The Honorable Timothy S. Brooks**  
Chairperson of the Board of Commissioners

**Mr. Jonathan Maddy**  
District Court Administrator

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).