

# ATTESTATION ENGAGEMENT

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District Court 41-3-04  
Perry County, Pennsylvania  
For the Period  
January 1, 2015 to December 31, 2018

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September 2019



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 41-3-04, Perry County, Pennsylvania (District Court), for the period January 1, 2015 to December 31, 2018, 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 December 31, 2018, 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 either a material weakness or a significant deficiency.

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 deficiency listed below to be a material weakness:

- Inadequate Internal Controls Over Receipts.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency listed below to be a significant deficiency:

- Evidence Of Authorizing The Disposition Of Citations Was Not Available.

Independent Auditor's Report (Continued)

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*.

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 41-3-04, Perry 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.



Eugene A. DePasquale  
Auditor General

July 25, 2019

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DISTRICT COURT 41-3-04  
PERRY COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

Receipts:

Department of Transportation	
Title 75 Fines	\$ 417,541
Overweight Fines	75
Commercial Driver Fines	1,355
Littering Law Fines	1,329
Child Restraint Fines	2,207
Department of Revenue Court Costs	159,574
Crime Victims' Compensation Bureau Costs	20,268
Crime Commission Costs/Victim Witness Services Costs	14,477
Domestic Violence Costs	5,481
Department of Agriculture Fines	6,278
Emergency Medical Service Fines	81,522
CAT/MCARE Fund Surcharges	256,974
Judicial Computer System Fees	79,675
Access to Justice Fees	27,359
Criminal Justice Enhancement Account Fees	3,974
Judicial Computer Project Surcharges	52,054
Constable Service Surcharges	10,612
Miscellaneous State Fines and Costs	<u>197,897</u>
Total receipts (Note 2)	1,338,652
Disbursements to Commonwealth (Note 3)	<u>(1,338,652)</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, 2015 to December 31, 2018	<u><u>\$ -</u></u>

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

DISTRICT COURT 41-3-04  
PERRY COUNTY  
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

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>1,338,652</u>
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2015 To December 31, 2018

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

5. Magisterial District Judge Serving During Examination Period

Michael E. Schechterly served at District Court 41-3-04 for the period January 1, 2015 to December 31, 2018.

DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 1 - Inadequate Internal Controls Over Receipts**

Our examination of the district court's accounting records disclosed the following deficiencies in the internal controls over receipts:

- Of 60 receipts tested, there were 30 instances in which the office copy of the deposit slip was not properly validated by the bank as to the mix of cash and checks. The district court received a validated receipt from the bank, but this only confirmed the total amount deposited and not the actual makeup of the deposit (i.e. cash and check mix).
- There were three instances in which the office copy of the validated deposit slip was missing.
- Of 60 receipts tested, eight were not deposited on the same day as collected. The time lapse from the date of receipt to the date of deposit ranged from two days to eight days.
- Deposit slips are not initialed/dated as to who/when the reconciliation was performed.

A good system of internal accounting controls ensures 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 district court should obtain a deposit ticket from the bank that validates total cash and the total deposit.
- All validated deposit slips should be maintained until audited by the Department of the Auditor General.
- All monies collected are deposited intact at the bank on the same day as collected.
- Validated deposit slips should be reconciled to the receipts by someone other than the person preparing or making the deposit and the deposit slip should be initial/dated as to who/when the reconciliation as performed.

Without a good system of internal control over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

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



DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 1 - Inadequate Internal Controls Over Receipts (Continued)**

Recommendations

We recommend that all deposit slips are validated as to cash and total deposited on the court's copy of the deposit slip. The validation should be reconciled to receipts by someone other than the person preparing or making the deposit and deposit slips should be initialed/dated as to who/when the reconciliation was performed. We further recommend that all monies collected are deposited intact at the bank on the same day as collected. Lastly, all validated deposit slips are to be maintained by the court until audited by the Department of the Auditor General.

Management's Response

The Magisterial District Judge responded as follows:

The first element used to support this finding was that 30 of 60 receipts tested did not have the deposit slips properly validated by the bank as to cash deposited and total deposited. The auditor indicated in the exit conference that although the bank validated all of the receipts, they were not properly validated because the bank did not indicate on the receipts it sent to this office the breakdown of cash, checks, and money orders deposited. This office, however, has no control over the procedure that the bank uses to validate our deposits. In addition, we always send a copy of the Deposit Listing (Form 1000) to the bank<sup>1</sup> along with the daily deposit as well as a deposit slip that lists the total amount of cash, checks, and money orders being deposited. For these reasons, the element that the 30 of 60 receipts tested did not have the deposit slips properly validated by the bank as to cash deposited and total deposited should not be an element used to support this finding.

The second element used to support this finding was that three of 60 receipts tested the validated deposit slips from the bank were missing. Due to the delay in our bank returning deposit receipts it was not uncovered that some receipts had never been received. New procedures have been undertaken to ensure that the office will know if the bank fails to send us the validated deposit slips back. Prior to this audit we had already addressed the issue of the bank sending us batches of validated deposit slips wherein some receipts were as much as 30 days old and the bank sends us a weekly batch of receipts. We will now double check those weekly batches when we receive them to make sure that all deposits for that week are accounted for with validated deposit slips.

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<sup>1</sup>Sometimes, but not always, the bank will send the Deposit Listing back to this office along with the deposit receipt that the bank issues.

DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 1 - Inadequate Internal Controls Over Receipts (Continued)**

**Management's Response (continued)**

The third element used to support this finding was that in eight of 60 receipts tested, deposits were not deposited on the same day as collected and that the time lapse from the date of receipt to the date of deposit ranged from two to eight days.<sup>2</sup> The primary reason there were delays in making deposits is due to the fact that the bank will not receipt the deposits that are made by this office in a timely fashion until any errors are reconciled. Because we have no control over bank procedures, we should not be held at fault and therefore, this element should not be used to support this finding. It should be noted that the office manager (and only employee) now makes a notation on the receipts she receives from the bank indicating the reason for any such late receipts.

The fourth and final element used to support this finding was that deposit slips are not initialed as to who and when reconciliation was performed. This Court always ensures that a Deposit Listing (Form 1000) is always printed whenever a reconciliation and deposit is made (the date and time of reconciliation is included on the Deposit Listing) and that a copy of the deposit slips is attached to it and placed in a file. These files were made available to the auditor for his examination. This Court was not aware that the deposit slip needed to be initialed (the deposit slips only indicate that a signature is needed if cash is withdrawn from the deposit, which, of course, is never done). Providing documentation to who does a reconciliation and deposit could easily be done if Administrative Office of Pennsylvania Courts (AOPC) included the computer user name of the person who did the reconciliation and deposit on the Deposit Listing.<sup>3</sup> However, until that happens, the practice of this Court is to now have the person who did the reconciliation and deposit initial the deposit slip.

This Court respectfully submits that there is insufficient evidence to support this finding and that this finding should be rescinded<sup>4</sup>.

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<sup>2</sup> This office was not provided with an itemized list of the dates of receipt and dates of deposit for each of these instances.

<sup>3</sup> This would actually provide better validation than some scribble initials on a deposit slip.

<sup>4</sup> Perhaps an oral comment would be appropriate.

DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 1 - Inadequate Internal Controls Over Receipts (Continued)**

**Auditor's Conclusion**

It is the auditee's responsibility to ensure that adequate internal controls over cash receipts are established and implemented. This includes ensuring that collections are deposited timely and documentation is maintained that notes the reason for deposit errors, deposits slips are validated by the bank as to the mix of cash and checks deposited, deposit slips are returned to the court and accounted for, and that deposit slips are initialed by the person preparing the deposits and reviewed and initialed by someone other than the person preparing the deposit slips after they are returned from the bank. Without a good system of internal control over funds received by the office, the possibility of funds being lost or misappropriated increases significantly. Therefore the finding remains as stated.

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

DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 2 - Evidence Of Authorizing The Disposition Of Citations Was Not Available**

During our examination of the district court's case files, we tested 58 cases with dispositions of not guilty, dismissed, discharged, or withdrawn, and cases that had a guilty plea disposition without an accompanying full payment. There was no evidence in 24 cases that the disposition was authorized by the Magisterial District Judge.

Good internal accounting controls ensure that there is evidence that the disposition on these cases was authorized by the Magisterial District Judge. The failure to follow this procedure increases the risk for funds to be lost or misappropriated.

Adherence to good internal controls would have ensured that there were adequate internal controls over citations.

This condition existed because the office failed to establish and implement an adequate system of internal controls over documenting that the disposition was authorized by the Magisterial District Judge.

**Recommendation**

We recommend that there is evidence that the Magisterial District Judge authorized the disposition of these cases and it is available for examination.

**Management's Response**

The Magisterial District Judge responded as follows:

According to the sole element for this finding, there was no evidence in 24 of 58 cases tested that the disposition was authorized by the Magisterial District Judge. AOPC's auditor manual (Section 7: Authorization and Review), accessed on the MDJS system states that a Dispositional Validation Report (MDJS form 4610) should be generated and signed by the magisterial district judge on a regular basis for all e-filed traffic cases with dismissed or not guilty dispositions, and this Court has done this for every such case since January 1, 2015 upon the recommendation of the last state auditor – that auditor stated that it was only necessary for dismissed and not guilty dispositions.

DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 2 - Evidence Of Authorizing The Disposition Of Citations Was Not Available**  
**(Continued)**

**Management's Response (Continued)**

This Court has also generated and signed the Case Dispositions (MDJS for 4600) for all such disposition in non-traffic cases since January 1, 2015. This Court provided to the auditor these reports that covered every such case for the entire auditing period. The auditing manual also states that an auditor will likely bring any red flagged dispositions to the judge's attention to confirm that the dispositions were, in fact, authorized by the judge. Among the items that can be used by the magisterial district judge to show evidence of their authorized dispositions are Dispositional Validation Report (MDJS form 4610), Case Disposition Reports (MDJS 4600), Orders Imposing Sentence (MDJS form 581), and Notice of Withdrawal of Charges (MDJS form 409). An examination of the docket entries for each of the referenced cases establishes that there is a sentencing order for every guilty or guilty plea disposition signed by this magisterial district judge<sup>5</sup>. In addition, this judge also takes notes of all the summary trials he presides over and makes a notation at the end of those notes of his final disposition in addition to print out the sentencing order and including the file copy in the case file. Such were included with the case files provided to the auditor, including three cases referenced that had a guilty disposition. It is also noted that for every case that has a guilty plea where a payments was not made in full, including the 16 cases with guilty pleas, there is a guilty plea signed by the defendant in the case file and also a payment plan signed by the defendant in the case file. Additionally, this judge also prints out the Notice of Withdrawal and includes the file copy in the case file, which were made available to the auditor in the five cases referenced that were withdrawn. Because there is sufficient evidence to establish that the magisterial district judge authorized all dispositions in the 24 cases in question, this finding should be rescinded.

It should be noted that this Court is now saving all sentencing orders and withdrawal notices to the Electronic Records Management System (ERMS) on the date the judgments are entered<sup>6</sup>.

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<sup>5</sup> I understand that the auditors, for reasons unknown, do not have access to the MDJ system and docket entries so with that in mind my office will now print out the sentencing orders for guilty pleas where payment is not made in full.

<sup>6</sup> It should be noted that in the docket entries when an "order/sentence/penalty imposed" is highlighted and the "format" tab is clicked on, the document on the view screen shows the disposition date on the order as being the day the document was looked at rather than the date that was actually entered. The same thing also occurs for notices of withdrawal. This also inserts the incorrect date on the ERMS document. This is a serious glitch that should be addressed immediately!

DISTRICT COURT 41-3-04  
PERRY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

**Finding No. 2 - Evidence Of Authorizing The Disposition Of Citations Was Not Available**  
**(Continued)**

Auditor's Conclusion

Evidence of authorization of dispositions in 24 cases by the Magisterial District Judge was not evident in the documentation provided to the auditor. Although we recognize the district court's concern over when to sign the certification of disposition, it is imperative that certification of dispositions are signed/authorized at the time of disposition. A timely signature/authorization is a good internal control that ensures that dispositions are authorized by the Magisterial District Judge. Without signed/authorized certification of dispositions, the risk of funds to be lost or misappropriated increases. Therefore, the finding remains as stated.

During our next examination, we will determine if the office has complied with our recommendations.

DISTRICT COURT 41-3-04  
PERRY COUNTY  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

Summary Of Prior Examination Recommendations

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

- Review the tickler reports for warrants daily and take appropriate action as required by the Manual. We further recommended that the court review warrant control reports and notify police or other officials to return warrants that are unserved for 60 days for summary traffic and non-traffic cases as recommended by the Manual.
- Request that the constables it engages for service of process of warrants complete the back of warrants in their entirety which serve as official receipts, and submit the warrants, along with collections, immediately to the district court. Furthermore, we recommended that the court consider discontinuing its use of constables who refuse to voluntarily comply with the court's request. The court should account for all collections, including constable fees, and document its attempts to ensure that unserved warrants are returned when recalled, in accordance with the Manual.

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

DISTRICT COURT 41-3-04  
PERRY COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2018

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 Michael E. Schechterly**  
Magisterial District Judge

**The Honorable Brenda K Benner**  
Chairperson of the Board of Commissioners

**Ms. Christina Zook**  
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).