



**DISTRICT COURT 12-1-03
DAUPHIN COUNTY
EXAMINATION REPORT
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We were engaged to examine the accompanying statement of receipts and disbursements (Statement) of District Court 12-1-03, Dauphin County, Pennsylvania (District Court), for the period January 1, 2006 to September 1, 2011, 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.

As discussed in Findings No. 1, 3, and 4, poor cash receipt practices and inadequate segregation of duties prevented the auditors from determining whether or not the District Court properly recorded, remitted, and reported all monies received and due to the Commonwealth. We were unable to satisfy ourselves by other examination procedures; therefore, we determined that management's inadequate internal controls over receipts, lack of segregation of duties, and reporting on the Statements restricted the scope of our examination of the Statements.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Statement s referred to above present, in all material respects, the receipts made on behalf of the Commonwealth for the period ended January 1, 2006 to September 1, 2011 in conformity with the criteria set forth in Note 1.

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 Statements 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. However, the purpose of this examination was not the expression of an opinion on the internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

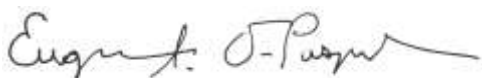
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control 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:

- Significant Deficiencies Regarding the Receiving and Depositing of Collections.
- Inadequate Internal Controls Over The Bank Account - Recurring.
- Inadequate Segregation Of Duties.
- Inadequate Internal Controls Over Manual Receipts.
- Evidence Of Authorizing The Disposition Of Citations Was Not Available.

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. We consider all the significant deficiencies described above 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*.

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.



EUGENE A. DEPASQUALE
Auditor General

May 7, 2014

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DISTRICT COURT 12-1-03
 DAUPHIN COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Receipts:

Department of Transportation		
Title 75 Fines	\$	255,399
Motor Carrier Road Tax Fines		113
Littering Law Fines		555
Child Restraint Fines		2,791
Department of Revenue Court Costs		798,954
Crime Victims' Compensation Bureau Costs		85,157
Crime Commission Costs/Victim Witness Services Costs		61,528
Domestic Violence Costs		24,812
Emergency Medical Service Fines		69,865
CAT/MCARE Fund Surcharges		216,934
Judicial Computer System Fees		425,605
Access to Justice Fees		106,691
Criminal Justice Enhancement Account Fees		3,893
Judicial Computer Project Surcharges		17,701
Constable Service Surcharges		90,940
Miscellaneous State Fines and Costs		14,034
		<hr/>
Total receipts (Note 2)		2,174,972
Disbursements to Commonwealth (Note 3)		<hr/> <u>(2,183,618)</u>
Balance due Commonwealth (District Court) per settled reports (Note 4)		(8,646)
Examination adjustments		<hr/> -
Adjusted balance due Commonwealth (District Court) for the period January 1, 2006 to September 1, 2011	\$	<hr/> <u><u>(8,646)</u></u>

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

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

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	\$ 2,183,618
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2006 To September 1, 2011

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

5. Magisterial District Judge Serving During Examination Period

Joseph S. Solomon served at District Court 12-1-03 for the period January 1, 2006 to September 1, 2011. The court closed on September 1, 2011.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 1 - Significant Deficiencies Regarding The Receipting And Depositing Of Collections

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

- Of 1,435 deposits tested, 78 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 2 days to 80 days.
- We found nine deposits that had a mix of cash and checks recorded on the deposit slips that did not agree with the mix of cash and checks recorded on the accounting records. Receipts in these 9 deposits totaled \$5,873 greater than the associated deposit. The deposits ranged from \$63.50 to \$1,136 less than the amounts received.
- We found 75 receipts totaling \$6,448 dated December 30, 2010 that did not have an associated deposit slip that we could trace to the bank statement. . Therefore, this money is unaccounted for and we could not determine if the money was deposited into the bank account.

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A good system of internal controls ensures that:

- All monies collected are deposited intact at the bank on the same day as collected.
- Receipts are recorded in the same manner as payments are received (i.e., cash, check, money order). Any discrepancies should be immediately investigated and resolved.
- All deposit slips should be retained and verified with the bank statement in order to provide an adequate audit trail on the timely deposit of all receipts.

Without a good system of internal controls 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 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 1 - Significant Deficiencies Regarding The Receipting And Depositing Of
Collections (Continued)

Recommendations

The district court officially closed on September 1, 2011. Therefore, we will not be providing a recommendation.

Management's Response

The Deputy District Court Administrator responded as follows:

To date, we have taken steps to secure all financial records from Magisterial District Court 12-1-03 in my office for safekeeping. Prior to this, 27 boxes of records were being housed at our County warehouse.

Our intention for investigating the deficiencies is to begin by focusing on the missing deposit from 12-30-2010 in the amount of \$6,447.50. We have identified the computer records from that day's receipts, found the office copy of the deposit ticket that was completed, and found past reconciliations showing where the office was making adjustments to balance their books.

We have reached out to the Administrative Office of PA Courts to see if they still have access to financial information from 12-1-03. They replied on 5/15/14 and provided us computer generated information for all of the dates in question. Of the \$6,447.50 that does not appear to be deposited on December 30th, 2010, the deposit listing shows that \$3,471.50 was a single check from night Court (check #31039) for various web based payments. We have reached out to a representative from night Court to see if their accounting department can tell us if that check was ever endorsed, deposited and returned to them. We strongly believe that if they can provide us with that information it will greatly increase our chances at determining if the missing deposit is a bank error or if there was some potential criminal activity taking place by an employee. To date, we have not heard back from night Court with any information pertaining to our request.

We will, at the same time, be researching and investigating the nine instances where the daily cash deposit does not equal the daily receipts.

We have also had a preliminary discussion with the Dauphin County Criminal Investigation Division to inform them that we may be soliciting their services in investigating this issue. Detectives skilled in scouring through financial records looking for mismanagement of funds are prepared to assist us when needed.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring

We cited the District Court's inadequate internal controls over the bank account in our prior examination for the period ending December 31, 2005. However, our current examination found that the office did not correct this issue.

Our current 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.
- There was no accountability over undisbursed funds. The office did not maintain a schedule of cash liabilities. Therefore, we could not determine if the district court had adequate accountability over undisbursed funds.

This condition existed because the office ignored our prior audit recommendation and 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.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

Recommendation

The district court officially closed on September 1, 2011. Therefore, we will not be providing a recommendation.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring

Management's Response

The Deputy District Court Administrator responded as follows:

While this finding is disturbing to say the least and have most likely played a contributing role to the first finding, with the office being closed, we are unfortunately unable to take any meaningful corrective actions.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 3 - Inadequate Segregation Of Duties

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

- Opening mail.
- Collecting cash, entering collection information into the computer system, and issuing receipts.
- Preparing deposit slips.
- Making the deposit.
- Making voided transaction adjustments.
- Posting disbursements to the disbursement journal.
- Reconciling the bank account.
- Preparing checks.
- Summarizing accounting records.

This condition existed because the office failed to develop and implement 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, make voided transaction adjustments, and follow up on citations. 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. These documents should also include the tickler reports generated by the computer system to investigate why certain citations have not been issued DL-38s or warrants.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 3 - Inadequate Segregation Of Duties (Continued)

Recommendation

The district court officially closed on September 1, 2011. Therefore, we will not be providing a recommendation.

Management's Response

The Deputy District Court Administrator responded as follows:

While this finding is disturbing to say the least and have most likely played a contributing role to the first finding, with the office being closed, we are unfortunately unable to take any meaningful corrective actions.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 4 - 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 followed. The District Court did not maintain copies of manual receipts or manual receipts logs. Without these records, we could not determine if the District Court properly recorded, remitted and reported all monies received and due the Commonwealth.

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.

In order for an entity to have an efficient record-keeping system, each receipt must be available for review. Good internal accounting controls ensure that all receipts are maintained. In addition, all documentation should be kept until audited by the Department of the Auditor General.

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.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 4 - Inadequate Internal Controls Over Manual Receipts (Continued)

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

Recommendation

The district court officially closed on September 1, 2011. Therefore, we will not be providing a recommendation.

Management's Response

The Deputy District Court Administrator responded as follows:

While this finding is disturbing to say the least and have most likely played a contributing role to the first finding, with the office being closed, we are unfortunately unable to take any meaningful corrective actions.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

Finding No. 5 - Evidence Of Authorizing The Disposition Of Citations Was Not Available

During our examination of the district court's case files, we tested 103 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 all 103 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 dispositions were authorized by the Magisterial District Judge.

Recommendation

The district court officially closed on September 1, 2011. Therefore, we will not be providing a recommendation.

Management's Response

The Deputy District Court Administrator responded as follows:

While this finding is disturbing to say the least and have most likely played a contributing role to the first finding, with the office being closed, we are unfortunately unable to take any meaningful corrective actions.

DISTRICT COURT 12-1-03
DAUPHIN COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2006 TO SEPTEMBER 1, 2011

This report was initially distributed to:

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The Honorable Jeff Haste	Chairman of the Board of Commissioners
The Honorable Marie E. Rebuck	Controller
Carolyn Crandall Thompson, Esquire	District Court Administrator

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