

# ATTESTATION ENGAGEMENT

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District Court 12-3-01  
Dauphin County, Pennsylvania  
For the Period  
January 1, 2009 to December 31, 2013

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May 2015



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 Eileen H. McNulty  
Acting Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have examined the accompanying statement of receipts and disbursements (Statement) of District Court 12-3-01, Dauphin County, Pennsylvania (District Court), for the period January 1, 2009 to December 31, 2013, 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 this Statement. 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 and, accordingly, included examining, on a test basis, evidence supporting the Statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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*.

In our opinion, the Statement referred to above presents, in all material respects, the operations of the District Court as it pertains to receipts made on behalf of the Commonwealth for the period January 1, 2009 to December 31, 2013, in conformity with the criteria set forth in Note 1.

## Independent Auditor's Report (Continued)

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.

- Misappropriated Commonwealth Funds of \$159.50.
- Bank Deposit Slips Were Not Validated.
- Inadequate Voided Receipt Procedures.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

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.

We appreciate the courtesy extended by the District Court 12-3-01, 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.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

March 16, 2015

Eugene A. DePasquale  
Auditor General

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DISTRICT COURT 12-3-01  
 DAUPHIN COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2009 TO DECEMBER 31, 2013

Receipts:

Department of Transportation		
Title 75 Fines	\$	366,622
Littering Law Fines		1,485
Child Restraint Fines		2,454
Department of Revenue Court Costs		200,107
Crime Victims' Compensation Bureau Costs		40,611
Crime Commission Costs/Victim Witness Services Costs		29,031
Domestic Violence Costs		11,216
Department of Agriculture Fines		8,018
Emergency Medical Service Fines		73,966
CAT/MCARE Fund Surcharges		226,946
Judicial Computer System Fees		91,152
Access to Justice Fees		25,566
Criminal Justice Enhancement Account Fees		6,228
Judicial Computer Project Surcharges		28,392
Constable Service Surcharges		14,260
Miscellaneous State Fines and Costs		14,351
		<hr/>
Total receipts (Note 2)		1,140,404
Disbursements to Commonwealth (Note 3)		<hr/> <u>(1,140,457)</u>
Balance due Commonwealth (District Court) per settled reports (Note 4)		(53)
Examination adjustments		<hr/> <u>-</u>
Adjusted balance due Commonwealth (District Court) for the period January 1, 2009 to December 31, 2013	\$	<hr/> <u><u>(53)</u></u>

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

DISTRICT COURT 12-3-01  
 DAUPHIN COUNTY  
 NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2009 TO DECEMBER 31, 2013

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	\$ 1,139,585
State Police	143
Department of Labor and Industry	729
Total	\$ 1,140,457

4. Balance Due Commonwealth (District Court) For The Period January 1, 2009 To December 31, 2013

This balance reflects the summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of any receipts disbursed directly to other state agencies.

5. Magisterial District Judge Serving During Examination Period

Rebecca J. Margerum served at District Court 12-3-01 for the period January 1, 2009 to December 31, 2013.

DISTRICT COURT 12-3-01  
DAUPHIN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2013

**Finding No. 1 - Misappropriated Commonwealth Funds of \$159.50**

Our examination disclosed that an office clerk voided a receipt to misappropriate funds. The former clerk voided a receipt on a case where the defendant paid in cash then changed the guilty disposition in the computer to a dismissed disposition. Of the \$195 misappropriated, we determined that \$159.50 was Commonwealth funds.

This condition existed because the district court failed to establish and implement an adequate system of internal control over voided receipts (see Finding No. 3).

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 district court, the possibility of funds being lost or misappropriated increases significantly.

The former clerk retired on February 27, 2014. The district court is conducting an investigation, and is considering filing charges against the former clerk.

**Recommendation**

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

**Management's Response**

The Magisterial District Judge responded as follows:

The misappropriation of funds finding was regarding one case. A former employee took a full payment of \$195 in cash from the defendant to pay for her citation after I found her guilty of her offense at a summary trial. The money was receipted as paid in full by the former employee and a copy given to the defendant. Within a few minutes of the receipt of payment, it was voided and another receipt never done. Several weeks later the disposition was changed in the system from a Guilty finding to a Dismissal. After following up with the defendant it was confirmed that she did pay cash and was found Guilty, as were the co-defendants. No duplication of this error in judgment was founded by the auditor on any other cases. The former employee is no longer employed within Dauphin County and an investigation is ongoing with the Dauphin County Criminal Investigation Division regarding the former employee and her possible indiscretions.



DISTRICT COURT 12-3-01  
DAUPHIN COUNTY  
FINDINGS AND RECOMMENDATIONS  
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**Finding No. 1 - Misappropriation Of Funds (Continued)**

Auditor's Conclusion

We strongly recommend that the district court comply with our recommendation.

DISTRICT COURT 12-3-01  
DAUPHIN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 2 - Bank Deposit Slips Were Not Validated**

Our examination of the district court's accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank in 26 of the 74 deposits 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). The 26 deposit slips were prepared between January 2009 and October 2010.

Good internal accounting controls require 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.

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

The district court was not aware of the internal control weaknesses caused by not obtaining a validated deposit slip or deposit ticket from the bank.

**Recommendations**

We recommend that the office continue to obtain a validation from the bank as to the mix of cash and checks deposited. We further recommend that the validation is reconciled to receipts by someone other than the person preparing or making the deposit.

**Management's Response**

The Magisterial District Judge responded as follows:

This finding was corrected in 2010. My office was under different management at the time and our bank did not regularly validate bank deposit slips as a matter of course. Since then we have consistently had all deposit slips validated and a copy of the daily deposit report along with the deposit slip are checked by the office manager to ensure its accuracy. It is then scanned and sent to the Court Administrator's Office for additional verification.

DISTRICT COURT 12-3-01  
DAUPHIN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2013

**Finding No. 3 - Inadequate Voided Receipt Procedures**

Our examination disclosed that voided receipt procedures were not always followed. Of 69 voided receipts tested, we noted the following:

- Ten case files contained no documentation as to the reason the receipt was voided.
- One case file could not be located and another case file did not contain a copy of the voided receipt.
- Voided receipts were not required to be reviewed or authorized by someone other than the person who voided the receipt.

Good internal accounting controls require that:

- Voided receipts are properly documented as to the reason for the void.
- All voided receipts are properly accounted for and maintained.
- Voided receipts are reviewed and approved by someone other than the person voiding the receipt.

Without a good system of internal controls over voided transactions the possibility increases that funds could become lost, stolen or misappropriated.

Adherence to the uniform internal control policies and procedures, as set forth in the District Justice Automated Office Clerical Procedures Manual, would have ensured that there were adequate internal controls over voided receipts.

This condition existed because the district failed to establish and implement an adequate system of internal controls over voided receipt procedures.

**Recommendation**

We recommend that the district court initiate procedures to ensure that all cases with void transactions are properly completed and maintained.

DISTRICT COURT 12-3-01  
DAUPHIN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 3 - Inadequate Voided Receipt Procedures (Continued)**

Management's Response

The Magisterial District Judge responded as follows:

This finding was also regarding the case noted in Finding No. 1 and additional cases where we have not properly documented the reason for the void. This has been addressed with my staff and procedures have been implemented to ensure this is not a problem in the future. My Office Manager is now initialing all voided transactions and ensuring a reason is noted as to why the receipt was voided.

Auditor's Conclusion

During our next examination we will determine if the district court complied with our recommendation.

DISTRICT COURT 12-3-01  
DAUPHIN COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Eileen H. McNulty  
Acting Secretary  
Pennsylvania Department of Revenue

The Honorable Zygmunt Pines  
Court Administrator of Pennsylvania  
Supreme Court of Pennsylvania  
Administrative Office of Pennsylvania Courts

The Honorable Rebecca Jo Margerum	Magisterial District Judge
The Honorable Jeff Haste	Chairperson of the Board of Commissioners
The Honorable Marie E. Rebuck	Controller
Deborah S. Freeman, Esquire	Acting District Court Administrator

This report is a matter of public record and is available online at <http://www.PaAuditor.gov>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).