



DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
EXAMINATION REPORT
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

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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 08-3-03, Northumberland County, Pennsylvania (District Court), for the period January 1, 2006 to December 31, 2008, 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. 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. An examination includes 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*.

Independent Auditor's Report (Continued)

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 ended December 31, 2008, 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 Statement 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. 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 the internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

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 deficiency described in the finding below to be a significant deficiency in internal control over the reporting on the Statement:

- Bank Deposit Slips Were Not Validated.

Independent Auditor's Report (Continued)

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 the significant deficiency described above to be a material weakness.

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.

June 21, 2010

JACK WAGNER
Auditor General



DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Receipts:

Department of Transportation		
Title 75 Fines	\$ 133,927	
Motor Carrier Road Tax Fines	149	
Overweight Fines	75	
Littering Law Fines	275	
Child Restraint Fines	286	
Department of Revenue Court Costs	127,341	
Crime Victims' Compensation Bureau Costs	33,995	
Crime Commission Costs/Victim Witness Services Costs	24,998	
Domestic Violence Costs	10,088	
Department of Agriculture Fines	1,244	
Emergency Medical Service Fines	39,355	
CAT/MCARE Fund Surcharges	117,091	
Judicial Computer System Fees	60,920	
Access to Justice Fees	14,812	
Constable Service Surcharges	10,388	
Miscellaneous State Fines	18,514	
	<hr/>	
Total receipts (Note 2)	\$ 593,458	
Disbursements to Commonwealth (Note 3)		<hr/> <u>(593,458)</u>
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Examination adjustments		<hr/> <u>-</u>
Adjusted balance due Commonwealth (District Court) for the period January 1, 2006 to December 31, 2008		<hr/> <u><u>\$ -</u></u>

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

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

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	\$ 593,458
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2006 To December 31, 2008

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

5. Magisterial District Judge Serving During Examination Period

John Gembic served at District Court 08-3-03 for the period January 1, 2006 to December 31, 2008.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Finding - Bank Deposit Slips Were Not Validated

Our review of the district court's accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank in 33 of the 45 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 district court was not aware that the receipt given by the bank was not proper validation.

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 validation is on a validated receipt, the actual make up of the deposit needs to be confirmed.

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

Recommendation

We recommend that the district court secure the bank's validation on the court's copy of the deposit slip or a separate validated receipt from the bank that includes the actual make up of the deposit (i.e. cash and check mix).

Management's Response

The Magisterial District Judge responded as follows:

The MDJ Office 08-3-03 has been using the same bank for over 20 years, long before I took office. The bank's policy was to run the deposit slip through their own system/machine validating the account and the amount of the deposit, cash, checks, etc. The bank changed their policy and machine which has resulted in no validation, only the total dollar amount. The State requires that the deposit slips must have validation. After 33 written attempts to get the bank to comply with the State's requirement on the deposit slips, I was forced to change banks. The new bank does comply with the State's requirement so all further deposit slips will be properly validated.

Auditor's Conclusion

Although there is no State requirement or rule that deposit slips be validated, good internal controls ensure that deposit slips are properly validated to decrease the possibility for funds to be lost or misappropriated.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
OBSERVATION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Observation - Improper Assessment of Costs

Our examinations of the Northumberland County District Courts revealed that the courts were assessing a \$15 flat rate postage fee to cover the additional administrative costs related to establishing installment payment plans on summary traffic and non-traffic cases as outlined in an Administrative Order signed on December 31, 2003. This Administrative Order authorized Northumberland County District Courts to assess this cost on all summary cases when the defendant in the summary case requests and is permitted to make installment payments.

Because the Judicial Code (42 Pa.C.S.A. § 1725.1) provides an itemized list of expenses to be paid for the various causes of action, and it carves out exceptions for the postage costs and which party shall pay the postage costs, Northumberland County should be charging the proper party with actual postage costs, and not a blanket postage charge of \$15 to defendants. Actual postage costs are known the moment documents are mailed and, therefore, are easily attainable and billable to the proper party to a cause of action.

On March 31, 2010, the Supreme Court of Pennsylvania ruled “that no fees shall be imposed against a defendant in a criminal proceeding for the utilization of an installment payment plan.”

Recommendations

We recommend that the Northumberland County District Courts discontinue assessing the above-cited fee. We further recommend that Northumberland County Courts assess fees and costs as intended by the appropriate state statutes.

Management’s Response

No formal response was offered at this time.

DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

Comment - Compliance With Prior Examination Recommendation

During our prior examination, we recommended:

- That the district court deposit all receipts at the end of each day as required by good internal accounting controls and the *Magisterial District Judge Automated Office Clerical Procedures Manual*.

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



DISTRICT COURT 08-3-03
NORTHUMBERLAND COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2008

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

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

The Honorable John Gembic	Magisterial District Judge
Brandy L. Yasenchak, Esquire	District Court Administrator
The Honorable Charles E. Erdman, Jr.	Controller
The Honorable Samuel Deitrick	Chairman of the Board of Commissioners

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.