



**DISTRICT COURT 12-3-05
DAUPHIN COUNTY
EXAMINATION REPORT
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



DISTRICT COURT 12-3-05
DAUPHIN COUNTY
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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 have examined the accompanying statement of receipts and disbursements (Statement) of District Court 12-3-05, Dauphin County, Pennsylvania (District Court), for the period January 1, 2007 to June 30, 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. 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 January 1, 2007 to June 30, 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 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 deficiencies described in the findings below to be significant deficiencies in internal control over the reporting on the Statement:

- Inadequate Internal Controls Over The Bank Account.
- Inadequate Segregation Of Duties.
- Inadequate Arrest Warrant And DL-38 Procedures.
- Late Payment To The Department Of Revenue.

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. However, of the significant deficiencies described above, we consider the first two bulleted deficiencies 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*.

We are concerned in light of the District Court's failure to correct a previously reported finding regarding inadequate internal controls over the bank account. Additionally, during our current examination, we noted significant weaknesses regarding inadequate segregation of duties, inadequate arrest warrant and DL-38 procedures, and late payments to the Department of Revenue that need corrective action. These significant deficiencies could result in uncollected fines and unpunished offenders and increase the risk for funds to be lost or misappropriated. The District Court should strive to implement the recommendations and corrective action noted in this examination report.

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

February 13, 2012

DISTRICT COURT 12-3-05
 DAUPHIN COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO JUNE 30, 2011

Receipts:

Department of Transportation		
Title 75 Fines	\$	651,351
Motor Carrier Road Tax Fines		67,515
Overweight Fines		58,315
Commercial Driver Fines		11,453
Littering Law Fines		800
Child Restraint Fines		85
Department of Revenue Court Costs		194,932
Crime Victims' Compensation Bureau Costs		32,559
Crime Commission Costs/Victim Witness Services Costs		23,283
Domestic Violence Costs		8,253
Department of Agriculture Fines		2,875
Emergency Medical Service Fines		86,593
CAT/MCARE Fund Surcharges		267,863
Judicial Computer System Fees		98,145
Access to Justice Fees		25,820
Criminal Justice Enhancement Account Fees		2,930
Judicial Computer Project Surcharges		13,356
Constable Service Surcharges		7,818
Miscellaneous State Fines		17,239
		<hr/>
Total receipts (Note 2)		1,571,185
Disbursements and credits to Commonwealth (Note 3)		<hr/> (1,571,185)
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Examination adjustments		<hr/> -
Adjusted balance due Commonwealth (District Court) for the period January 1, 2007 to June 30, 2011	\$	<hr/> <hr/> -

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

DISTRICT COURT 12-3-05
 DAUPHIN COUNTY
 NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO JUNE 30, 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 And Credits

Total disbursements and credits are comprised as follows:

District Court checks issued to:

Department of Revenue	\$ 1,576,259
Credit taken on the current examination for the prior examination period:	
January 1, 2004 to December 31, 2006	(5,074)
Total	\$ 1,571,185

4. Balance Due Commonwealth (District Court) For The Period January 1, 2007 To June 30, 2011

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

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

5. Magisterial District Judges Serving During Examination Period

Roy C. Bridges served at District Court 12-3-05 for the period January 1, 2007 to December 31, 2007.

Roy C. Bridges served at District Court as Senior Magisterial District Judge at District Court 12-3-05 for the period January 1, 2008 to April 2008.

Robert Yanich served as Senior Magisterial District Judge at District Court 12-3-05 for the period April 2008 to April 2009.

Various Senior Magisterial District Judges served at District Court 12-3-05 for the period April 2009 to October 2009.

Lowell A. Witmer served at District Court 12-3-05 for the period October 2009 to June 30, 2011.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 1 - Inadequate Internal Controls Over The Bank Account

Our 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 timely. The bank reconciliations for the first five months of 2011 were not performed until June 2011. Additionally, bank reconciliation reports for December 2008 showed deposits and checks as outstanding from February 2008.
- There were two cash deposits for \$1,000.00 on December 30, 2010 and \$200.00 on April 29, 2010 that were deposited into the bank account by the prior Office Manager with her personal funds. These amounts showed as credit adjustments on the following months' check registers.
- There were 33 outstanding checks totaling \$8,162.17, dated from July 28, 2010 to December 31, 2010 that were still outstanding as of June 30, 2011.
- Non-sufficient fund (NSF) checks were not handled properly. We noted 20 NSF cases in which check registers were not adjusted timely or at all for non-sufficient fund checks. The cases remained closed in the computer system.

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.
- Bank statements are reviewed by someone independent from maintaining the accounting records and handling cash for any unusual deposits and disbursements (see Finding No. 2).
- Funds are deposited timely and accurately.
- Adequate procedures are established to follow-up on all outstanding checks. If a check is outstanding for over 90 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 1 - Inadequate Internal Controls Over The Bank Account (Continued)

- Case files are reopened when payments are received with NSF checks and the amounts are adjusted off the check register. Defendants should be notified of NSF checks and appropriate follow up action should be taken.

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

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

This finding was cited in the prior audit period ending December 31, 2006.

Recommendation

We again 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:

Corrective measures taken.

Auditor's Conclusion

We will determine if the district court complied with our recommendation during our next examination.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 2 - 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.

A good system of internal control 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, 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 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 2 - Inadequate Segregation Of Duties (Continued)

This condition existed because office personnel were not cross-trained. Additionally, duties involving the handling of cash and maintaining accounting records were not rotated daily.

Recommendation

We recommend that the district court 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, making voided transaction adjustments, monitoring follow-up procedures on citations, 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:

Corrective measures taken.

Auditor's Conclusion

We will determine if the district court complied with our recommendation during our next examination.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 3 - Inadequate Arrest Warrant And DL-38 Procedures

Warrants and Requests For Suspension Of Operating Privileges (DL-38s) are used to enforce the collection of monies on traffic and non-traffic cases in which defendants failed to make payments when required. A Warrant of Arrest (AOPC 417) is used to authorize an official to arrest a defendant, to collect fines and costs from the defendant after a disposition, or to collect collateral for a trial. If the defendant does not respond within ten days to a citation or summons, a Warrant of Arrest may be issued. A Request for Suspension of Driving Privileges for Failure to Respond to a Citation or Summons or Pay Fines and Costs Imposed (AOPC 638A) is used to notify the defendant in writing that his/her license will be suspended if he/she fails to respond to the traffic citation or summons. A DL-38 cannot be issued for a parking violation.

During our testing of warrant procedures, we noted that warrant procedures established by the *Magisterial District Judge Automated Office Clerical Procedures Manual* (Manual) were not always followed. The Magisterial District Judge did not consistently issue warrants when required. We tested 45 instances in which a warrant was required to be issued. Our testing disclosed that 12 were not issued timely and 1 was not issued at all. The time of issuance ranged from 62 days to 407 days.

Furthermore, we tested 20 instances in which a DL-38 was required to be issued. Our testing disclosed that seven were not issued timely and one was not issued at all. The time of issuance ranged from 62 days to 156 days.

The Manual establishes the uniform written internal control policies and procedures for all district courts.

Warrant Issuance Procedures: The Manual states that on October 1, 1998, new warrant procedures took effect for summary cases. Amendments were made to Pa.R.Crim.P. Rules 430, 431, 454, 455, 456, 460, 461, and 462. To comply with the new changes, the Notice of Impending Warrant (AOPC A418) was created with the purpose of informing the defendant that failure to pay the amount due or to appear for a Payment Determination Hearing will result in the issuance of an arrest warrant. The defendant is also informed that his/her response must be made within ten days of the date of the notice.

According to Pa.R.Crim.P. Rule 430, a Notice of Impending Warrant may be issued in a post-disposition summary case for any of the following reasons:

- A guilty disposition is recorded and no payment is made or a time payment schedule is not created.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
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JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 3 - Inadequate Arrest Warrant And DL-38 Procedures (Continued)

- A guilty disposition is recorded and a previously deposited collateral payment, when applied, does not pay the case balance in full.
- A guilty disposition is recorded and the defendant defaults on a time payment schedule.

According to Pa.R.Crim.P. 430, a warrant SHALL be issued in a summary case for any of the following reasons (a Notice of Impending Warrant is not necessary for the following):

- The defendant has failed to respond to a citation or summons that was served either personally or by certified mail, return receipt requested.
- The citation or summons is returned undeliverable.
- The Magisterial District Judge has reasonable grounds to believe that the defendant will not obey a summons.

DL-38 Procedures: The Manual states that once a citation is given to the defendant or a summons is issued, the defendant has ten days to respond. If on the eleventh day, the defendant has not responded, 75 Pa.C.S.A. §1533 requires that the defendant be notified that he/she has fifteen days from the date of notice to respond to the citation/summons before his/her license is suspended. In accordance with Section 1533 of the Pennsylvania Vehicle Code, the defendant has 15 days to respond to the defendant's copy of the DL-38. If the defendant does not respond by the fifteenth day, the Magisterial District Judge's office shall notify the Pennsylvania Department of Transportation by issuing the appropriate License Suspension Request (AOPC 638B,D,E).

In addition, 75 Pa.C.S.A. §1533 also requires a post-disposition DL-38 (AOPC 638B/E) be issued if the defendant neglects to pay fines and costs imposed at the time of disposition, or fails to make a scheduled time payment.

The failure to follow warrant and DL-38 procedures could result in uncollected fines and unpunished offenders. Additionally, the risk is increased for funds to be lost or misappropriated.

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over warrants and DL-38s.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
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JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 3 - Inadequate Arrest Warrant And DL-38 Procedures (Continued)

Recommendation

We recommend that the district court review the tickler reports for warrants and DL-38s daily and take appropriate action as required by the Manual.

Management's Response

The Magisterial District Judge responded as follows:

Corrective measures taken.

Auditor's Conclusion

We will determine if the district court complied with our recommendation during our next examination.

DISTRICT COURT 12-3-05
 DAUPHIN COUNTY
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 4 - Late Payments To The Department Of Revenue

Our examination disclosed that checks issued to the Commonwealth were voided as “lost” and not reissued timely. The following schedule identifies the late payments:

Month/Year	Check Date	Check Number	Amount	Void Date	Reason For Void	Date Check Re-Issued	Reissued Check Number
April 2007	04/10/07	4429	\$ 13,221.28	07/18/07	Lost	07/18/07	4507
April 2008	04/21/08	4749	\$ 5,803.03	07/25/08	Lost	07/25/08	4845
April 2008	04/28/08	4750	\$ 3,541.08	07/25/08	Lost	07/25/08	4844
January 2010	01/19/10	5418	\$ 4,995.90	04/22/10	Lost	04/22/10	5520
June 2010	06/30/10	5658	\$ 5,402.73	08/31/10	Lost	08/31/10	5716
December 2010	12/31/10	5822	\$ 4,338.93	03/08/11	Lost	03/08/11	5926
December 2010	12/31/10	5823	\$ 3,985.34	03/08/11	Lost	03/08/11	5927
January 2011	01/19/11	5879	\$ 5,777.54	03/09/11	Lost	03/09/11	5928
Total			<u>\$ 47,065.83</u>				

Additionally, we noted nine instances where two or three checks were issued to the Department of Revenue on the same day.

The above noted conditions resulted in the Department of Revenue not receiving Commonwealth monies in a timely manner.

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 the district court generate the “No” run and “Yes” run reports on a weekly basis. The “Yes” run creates a check to the Department of Revenue consisting of the week’s collections. Additionally, Section 901 of *The Fiscal Code* requires that all collections be remitted by the fifth of the following month.

Adherence to Section 901 of *The Fiscal Code* and the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over payments to the Department of Revenue.

Good internal controls ensure that there are appropriate procedures to follow up on long outstanding or lost checks on a timely basis.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
FINDINGS AND RECOMMENDATIONS
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JANUARY 1, 2007 TO JUNE 30, 2011

Finding No. 4 - Late Payments To The Department Of Revenue (Continued)

Recommendation

We recommend that the district court transmit the Commonwealth's portion of fines and costs as required by the Manual and Section 901 of *The Fiscal Code*. Additionally, the district court should implement procedures to follow up on long outstanding or lost checks on a timely basis.

Management's Response

The Magisterial District Judge responded as follows:

Corrective measures taken.

Auditor's Conclusion

We will determine if the district court complied with our recommendation during our next examination.

DISTRICT COURT 12-3-05
DAUPHIN COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2007 TO JUNE 30, 2011

This report was initially distributed to:

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue

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

The Honorable Lowell A. Witmer	Magisterial District Judge
The Honorable Jeff Haste	Chairperson of the Board of Commissioners
The Honorable Marie E. Rebuck	Controller
Carolyn Crandall Thompson, Esquire	District Court Administrator

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. 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@auditorgen.state.pa.us.