

COMPLIANCE AUDIT

Philadelphia Municipal Court
Traffic Division
Philadelphia County, Pennsylvania
For the Period
July 1, 2016 to June 30, 2020

July 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have conducted a compliance audit of the Philadelphia Municipal Court - Traffic Division, Philadelphia County, Pennsylvania (Municipal Court), for the period July 1, 2016 to June 30, 2020, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c).

The objective of the audit was to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted and to provide a report to the Department of Revenue to allow the Department of Revenue to state and settle the Municipal Court's account. Our audit was limited to areas related to the objective identified above and was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The Municipal Court is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted. The Municipal Court is also responsible for complying with those laws and regulations. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

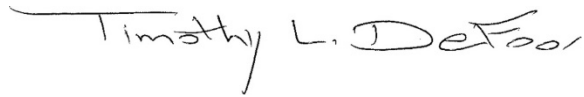
Based on our audit procedures, we conclude that, for the period July 1, 2016 to June 30, 2020, the Municipal Court, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report.

- Inadequate Internal Controls Over Funds Held In Escrow - Recurring.

This report includes a summary of the Municipal Court's receipts and disbursements of funds collected on behalf of the Commonwealth (summary). We obtained data representing the Municipal Court's receipts and disbursements from the Pennsylvania Department of Revenue and used the data to create the summary in the format required by the Department of Revenue. We also evaluated the accuracy of the data as part of our audit to conclude on the Municipal Court's compliance with certain state laws and regulations as described in the previous paragraph. Any adjustments that we considered necessary based on our audit work are disclosed in the *Audit Adjustments* line of the summary; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summary.

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.

The contents of this report were discussed with the management of the Municipal Court and, where appropriate, their response has been included in the report. We appreciate the courtesy extended by the Philadelphia Municipal Court - Traffic Division, Philadelphia County, to us during the course of our audit. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
June 9, 2022

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PHILADELPHIA MUNICIPAL COURT – TRAFFIC DIVISION
PHILADELPHIA COUNTY
BACKGROUND
FOR THE PERIOD
JULY 1, 2016 TO JUNE 30, 2020

The Department of Auditor General is mandated by Article IV, Section 401(c) of *The Fiscal Code* (Act of April 9, 1929, P.L.343, No. 176), to audit the accounts of the Municipal Court to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted.

Municipal Court 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 cases filed with the Municipal Court.

Total disbursements during the audit period are comprised as follows:

Municipal Court electronic wire payments sent to:

| | |
|-----------------------|----------------------|
| Department of Revenue | <u>\$ 32,336,176</u> |
|-----------------------|----------------------|

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

Gary S. Glazer served at Philadelphia Municipal Court - Traffic Division for the period July 1, 2016 to June 30, 2020.

The summary of receipts and disbursements on the following page 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 summary 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.

PHILADELPHIA MUNICIPAL COURT – TRAFFIC DIVISION
 PHILADELPHIA COUNTY
 SUMMARY OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JULY 1, 2016 TO JUNE 30, 2020

Receipts:

| | | |
|---|--------|-------------------------|
| Department of Transportation | | |
| Title 75 Fines | \$ | 11,495,839 |
| Motor Carrier Road Tax Fines | | 23,067 |
| Overweight Fines | | 36,714 |
| Commercial Driver Fines | | 68,237 |
| Littering Law Fines | | 28,967 |
| Child Restraint Fines | | 41,445 |
| Emergency Medical Service Fines | | 2,817,783 |
| CAT/MCARE Fund Surcharges | | 8,856,202 |
| Judicial Computer System Fees | | 2,107,063 |
| Access to Justice Fees | | 680,556 |
| Judicial Computer Project Surcharges | | 843,904 |
| Miscellaneous State Fines and Costs | | <u>5,336,399</u> |
| Total receipts | | 32,336,176 |
| Disbursements to Commonwealth | | <u>(32,336,176)</u> |
| Balance due Commonwealth (Municipal Court) per settled reports | | - |
| Audit adjustments | | <u>-</u> |
| Adjusted balance due Commonwealth (Municipal Court) for the period July 1, 2016 to June 30, 2020 | \$ | <u><u>-</u></u> |

PHILADELPHIA MUNICIPAL COURT – TRAFFIC DIVISION
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JULY 1, 2016 TO JUNE 30, 2020

Finding - Inadequate Internal Controls Over Funds Held In Escrow - Recurring

We cited the issue of inadequate internal controls over funds held in escrow in the five most recent prior audits, with the most recent for the period July 1, 2010 to June 30, 2016. Our current audit found that the office once again did not correct this issue. Our audit of the accounting records for the office disclosed the following deficiencies in the internal controls over funds held in escrow:

- The Municipal Court - Traffic Division did not reconcile the escrow account balance to the checkbook balance. As of June 30, 2020, the court had an overage of \$240,425 that could not be identified.
- We tested 15 cases that had money held in escrow. We found that in five cases, the funds were not timely disbursed after the disposition date. The time lapse between the disposition date and disbursement date ranged from 233 to 384 days.

These conditions existed because the municipal court failed to establish adequate internal controls over its escrow funds as recommended in the five prior audit reports.

Good internal accounting controls ensure that:

- 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.
- Monies held in escrow are disbursed immediately after the disposition of a case.

Without a good system of internal controls over funds held in escrow, the possibility of funds being lost or misappropriated increases significantly. The Municipal Court - Traffic Division stated that differences existed between the computer system and its checkbook balances due to the timing and recording of certain transactions in the computer system. In addition, they stated that the office received funds to automate the court years ago and the full amount may not have been spent by the office at that time.

PHILADELPHIA MUNICIPAL COURT – TRAFFIC DIVISION
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JULY 1, 2016 TO JUNE 30, 2020

**Finding - Inadequate Internal Controls Over Funds Held In Escrow - Recurring
(Continued)**

Recommendations

We strongly recommend that the Municipal Court-Traffic Division establish and implement an adequate system of internal controls over funds held in escrow as noted above. Furthermore, we again recommend that the Municipal Court-Traffic Division review the escrow reports and disburse any monies for cases that have been adjudicated. We further recommend that the Municipal Court-Traffic Division attempt to identify and resolve the composition of the overage of \$240,425 as noted above. Any funds that cannot be identified with a payee should be held in escrow and escheated to the Commonwealth in accordance with escheat procedures.

Management's Response

The Deputy Court Administrator responded as follows:

Consistent with a previous audit finding, during calendar year 2021, the Traffic Division had escheated the third installment of \$100,000 on March 4, 2021, and the fourth installment of \$75,000 on September 16, 2021, to the Department of Revenue for the City of Philadelphia, which represented unidentified system/bank overages. The court is pleased to report that, as of April 2022, the escrow account balance (overage/difference), as compared to the checkbook balance, is \$63,815.16, which is significantly lower than the \$240,425 that existed as of June 30, 2020. The court has systematically and incrementally reduced the amount of the overage since the original finding. The Traffic Division will continue to monitor the system reconciliation process and will escheat accordingly.

Relative to the second part of the finding concerning five (5) cases in which the funds were not timely disbursed after the disposition date, please note that the matter has been addressed. The disbursements were delayed because of Covid-19 staffing-related issues in 2020. We are conferring with our data manager as to the feasibility of automating some of their disbursement processes to ensure timely distribution of funds.

Auditor's Conclusion

We appreciate the Municipal Court-Traffic Division's efforts to correct these issues. This is a recurring finding. It is imperative that the Municipal Court-Traffic Division take all steps necessary to comply with our recommendations. During our next examination, we will determine if the municipal court complied with our recommendations.

PHILADELPHIA MUNICIPAL COURT – TRAFFIC DIVISION
PHILADELPHIA COUNTY
SUMMARY OF PRIOR AUDIT RECOMMENDATIONS
FOR THE PERIOD
JULY 1, 2016 TO JUNE 30, 2020

Summary Of Prior Audit Recommendations

During our prior audit, we recommended that the municipal court:

- Establish and implement an adequate system of internal controls over funds held in escrow. Furthermore, we recommended that the court review the undisbursed funds report and disburse any monies for cases that have been adjudicated. We further recommended that the Municipal Court attempt to identify the composition of the overage of \$438,711. Any funds that cannot be identified with a payee should be held in escrow and escheated to the Commonwealth in accordance with escheat procedures.

During our current audit, we noted that the Municipal Court did not comply with our recommendations. Please see the current year finding for additional information.

PHILADELPHIA MUNICIPAL COURT – TRAFFIC DIVISION
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JULY 1, 2016 TO JUNE 30, 2020

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

The Honorable H. Geoffrey Moulton, Jr.
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Joffie C. Pittman III
Administrative Judge

The Honorable Patrick F. Dugan
President Judge of Municipal Court

The Honorable Darrell L. Clarke
City Council President

The Honorable Rebecca Rhynhart
Controller

Mr. Joseph L. Hassett, Esquire
Deputy Court Administrator

This report is a matter of public record and is available online at 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.