

PHILADELPHIA TRAFFIC COURT 51-0-00

PHILADELPHIA COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JULY 1, 2006 TO JUNE 30, 2010

## CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Section:	
Statement Of Receipts And Disbursements.....	5
Notes To The Statement Of Receipts And Disbursements.....	6
Findings And Recommendations:	
Finding No. 1 - Inadequate Internal Controls Over Funds Held In Escrow .....	7
Finding No. 2 - Receipts Were Not Always Deposited On The Same Day As Collected .....	9
Comment.....	11
Report Distribution .....	13



**Department of the Auditor General  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
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 Traffic Court 51-0-00, Philadelphia County, Pennsylvania (Traffic Court), for the period July 1, 2006 to June 30, 2010, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c). This Statement is the responsibility of the Traffic 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 account of the traffic 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 Traffic Court as it pertains to receipts made on behalf of the Commonwealth for the period ended June 30, 2010, 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 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 Traffic 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 Traffic Court's Statement that is more than inconsequential will not be prevented or detected by the Traffic 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 Funds Held In Escrow.
- Receipts Were Not Always Deposited On The Same Day As Collected.

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 Traffic 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 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*.

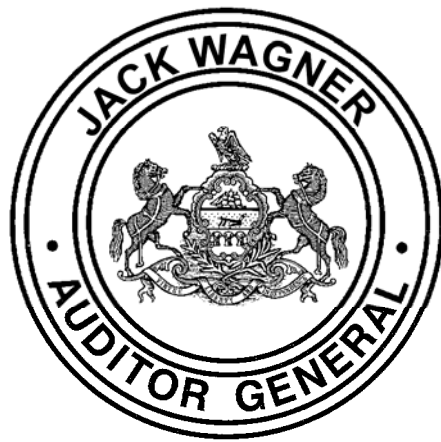
Independent Auditor's Report (Continued)

We are concerned in light of the Traffic Court's failure to correct a previously reported finding regarding inadequate internal control over funds held in escrow. Additionally, during our current examination, we noted a weakness in the internal controls over receipts that need corrective action. The Traffic Court should strive to implement the recommendations and corrective action noted in this examination report. These significant deficiencies increase the risk for funds to be lost or misappropriated.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the Traffic Court and is not intended to be and should not be used by anyone other than these specified parties.

October 19, 2011

JACK WAGNER  
Auditor General



PHILADELPHIA TRAFFIC COURT 51-0-00  
 PHILADELPHIA COUNTY  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JULY 1, 2006 TO JUNE 30, 2010

Receipts:

Department of Transportation		
Title 75 Fines	\$	19,934,526
Motor Carrier Road Tax Fines		60,844
Overweight Fines		64,794
Commercial Driver Fines		106,304
Littering Law Fines		37,427
Child Restraint Fines		70,823
Emergency Medical Service Fines		6,273,044
CAT/MCARE Fund Surcharges		19,023,558
Judicial Computer System Fees		4,619,925
Access to Justice Fees		1,095,016
Miscellaneous State Fines		19,145
		<hr/>
Total receipts (Note 2)	\$	51,305,406
Disbursements to Commonwealth (Note 3)		<hr/> <u>(51,305,406)</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 July 1, 2006 to June 30, 2010	\$	<hr/> <hr/> <u>-</u>

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

PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

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 cases filed with the Traffic Court.

3. Disbursements

Total disbursements are comprised as follows:

Traffic Court checks issued to:

Department of Revenue	\$ 51,305,406
-----------------------	---------------

4. Balance Due Commonwealth (Traffic Court) For The Period July 1, 2006 To June 30, 2010

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

5. Administrative Judge Serving During Examination Period

Bernice A. DeAngelis served at Traffic Court 51-0-00 for the period July 1, 2006 to June 30, 2010.



PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

Finding No. 1 - Inadequate Internal Controls Over Funds Held In Escrow

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

- The Traffic Court could not reconcile the escrow account balance to the checkbook balance. As of June 30, 2010, the court had an unidentifiable overage of \$292,654.
- Monies were held in escrow for long periods of time without being disbursed. As of June 30, 2010, we noted that some monies were held from as far back as August, 1996.

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.

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

This finding was cited in our last three examination periods, the most recent ending June 30, 2006.

Recommendation

We again recommend that the office establish and implement an adequate system of internal controls over funds held in escrow as noted above.

PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

Finding No. 1 - Inadequate Internal Controls Over Funds Held In Escrow (Continued)

Recommendation (Continued)

Furthermore, we again recommend that the Traffic Court review the undisbursed funds report and disburse any monies for cases that have been adjudicated. We further recommend that the Traffic Court attempt to indentify the composition of the overage of \$292,654 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:

Traffic Court recognizes that temporary differences exist between the eTIMS computer system and its checkbook balances due to the timing and recording of certain transactions in the eTIMS system. As you are aware, the eTIMS system is over 15 years old and has received hundreds of modifications to its original designs. Traffic Court has been and continues to investigate and review the timing and recording of transactions in the eTIMS systems. Additionally, Traffic Court is working with ACS to revise its eTIMS reports of recorded transactions in an effort to minimize and eliminate any temporary differences that exist.

Traffic Court feels that the analysis of recorded transactions and revised system reports that are generated will enable Traffic Court to perform reconciliations of its cash balances and its liabilities in a more timely and precise manner. This process will also enable Traffic Court to increase the efficiency and timeliness of escheating funds in accordance with the required escheat procedures.

Auditor's Conclusion

Although we recognize the Traffic Court's concerns about inadequate internal controls over funds held in escrow, the overage remains unidentified. At the end of each month, the Traffic Court must reconcile its bank balance to its book balance. Furthermore, the book balance must be reconciled to its liabilities and any differences must be immediately investigated and resolved. Any funds that cannot be identified with a payee should be held in escrow and escheated to the Commonwealth in accordance with escheat procedures.

This is the fourth consecutive time we cited this finding. This finding was initially cited in the audit report beginning July 1, 1996 and continued through this current report. We strongly recommend that the Traffic Court take immediate action to correct these conditions.

PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

Finding No. 2 - Receipts Were Not Always Deposited On The Same Day As Collected

Our examination disclosed that receipts were not always deposited on the same day as collected. Of 50 days of receipts tested, 31 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 13 days.

Good internal accounting controls ensure that all monies collected are deposited intact at the bank the same day as collected.

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

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

Recommendation

We recommend that the Traffic Court deposit all receipts at the end of each day as required by good internal accounting controls.

Management's Response

The Deputy Court Administrator responded as follows:

Each day at the end of their shift, each cashier brings their receipts to Financial Control in order for an Accounting Technician to verify the total receipts. The Accounting Technician verifies the summary of currency, checks, money orders, and credit card and debit card slips at the end of the day for the cashier's daily receipt ("Drop").

The next day after the eTIMS cycle runs, a Financial Control Report ("FCR") is produced. The Accounting Technician reconciles the total collections with the FCR. This reconciliation process begins with the counting of all cash and totaling of checks, money orders, and credit and debit card slips by a cashier. Once the collections by a cashier are totaled, the amounts are reconciled to the FCR. All variances between the count by the Accounting Technician and the FCR are investigated. After a Drop is reconciled, the Accounting Technician prepares a deposit ticket. The Accounting Technician records the information of the Drop and the deposit in the Deposit Log which includes the date of receipt, deposit slip number, deposit slip total, type of deposit (cash, checks, etc.), TC number, time

PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

Finding No. 2 - Receipts Were Not Always Deposited On The Same Day As Collected  
(Continued)

completed, register letter number, initials of Accounting Technician plus any comments related to the slip.

Checks are scanned for recordkeeping purposes and then verified by Financial Control. Currently, the scanning process requires one or two days.

After the verification and reconciliation of receipts of all cashiers for a particular day are completed, deposit tickets are prepared. The deposit is sealed in a deposit bag and remains in a locked safe located in Financial Control until it is picked up by an armored truck service, which arrives daily. The verification and deposit process typically is completed within one to two business days after the date of collection.

The deposit information for the daily collection is reported on a Manifest provided by the armored truck service. Information recorded by the Financial Technician in the Manifest includes the day of the collection by cashier, the Financial Technician preparing entire deposit, amount of each type of deposit by slip and total deposit amount. The armored truck service signs and dates the Manifest when the deposit is picked up.

In 2008, the Traffic Court Administration discovered a 14-day delay in depositing money in the bank. The delay consisted of the dates May 23, 2008 to June 5, 2008. Court Administration reviewed the deposit process and discovered that there was a deficiency in supervision and monitoring of Financial Control by the Financial Control supervisor and by the Financial Director. Both supervisors were involuntarily transferred by Court Administration.

Traffic Court continues to monitor its processes in an effort to maintain and improve the efficiencies and effectiveness of the controls in place. Traffic Court is currently researching alternative processes and technology to enhance the deposit process in order to expedite the timing between receipt and deposit with the bank.

Auditor's Conclusion

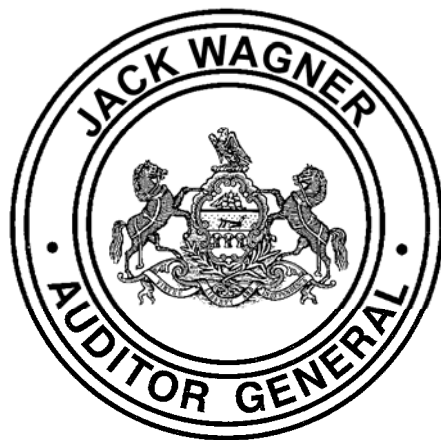
Receipts were deposited late throughout the examination period. We appreciate the Traffic Court's effort to deposit receipts in a more timely manner. During our next examination we will determine if the office complied with our recommendation.

PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
COMMENT  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

Comment - Compliance With Prior Examination Recommendation

During our prior examination, we recommended that the Traffic Court establish adequate procedures to follow-up on all outstanding checks.

Our current examination found that the office substantially complied with our prior examination recommendation. Insignificant instances of noncompliance were verbally communicated to the office.



PHILADELPHIA TRAFFIC COURT 51-0-00  
PHILADELPHIA COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JULY 1, 2006 TO JUNE 30, 2010

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 Gary A. Glazer	Administrative Judge
The Honorable Darrell Clarke	President of Philadelphia City Council
The Honorable Alan Butkovitz	Controller
The Honorable Robert M. McCord	Pennsylvania State Treasurer
Mr. Robert T. DeEmilio	Deputy Court Administrator

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](http://www.auditorgen.state.pa.us).