



PHILADELPHIA TRAFFIC COURT 51-0-00

PHILADELPHIA COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JULY 1, 2002 TO JUNE 30, 2006

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Independent Auditor's Report

The Honorable Thomas W. Wolf
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, 2002 to June 30, 2006, 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*.

Independent Auditor's Report (Continued)

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 Pennsylvania Department of Revenue and other state agencies for the period ended June 30, 2006, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of 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 the Statement or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and this finding, along with the views of management, is described in the Finding and Recommendations section of the report.

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. The traffic court should strive to implement the recommendations and corrective action noted in this examination report. These significant deficiencies increases the risk for funds to be lost, stolen, 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.

September 14, 2007

JACK WAGNER
Auditor General

PHILADELPHIA TRAFFIC COURT 51-0-00
 PHILADELPHIA COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JULY 1, 2002 TO JUNE 30, 2006

Receipts:

Department of Transportation		
Title 75 Fines	\$	20,812,275
Motor Carrier Road Tax Fines		78,108
Overweight Fines		94,260
Commercial Driver Fines		163,340
Littering Law Fines		32,070
Child Restraint Fines		55,087
Department of Conservation and Natural Resources Fines		21,514
Emergency Medical Service Fines		6,661,611
CAT/MCARE Fund Surcharges		20,271,543
Judicial Computer System Fees		4,155,539
Access to Justice Fees		667,612
		<hr/>
Total receipts (Note 2)	\$	53,012,959
Disbursements to Department of Revenue (Note 3)		<hr/> (53,022,785)
Balance due Department of Revenue (Traffic Court) per settled reports (Note 4)		(9,826)
Examination adjustments (Note 5)		<hr/> 9,826
Adjusted balance due Department of Revenue (Traffic Court) for the period July 1, 2002 to June 30, 2006	\$	<hr/> <hr/> -

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, 2002 TO JUNE 30, 2006

1. Criteria

The Statement of Receipts and Disbursements (Statement) has been prepared in accordance with Section 401(c) of *The Fiscal Code*, 72 P.S § 401(c), which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted promptly and to provide the Pennsylvania Department of Revenue (Department of Revenue) with a report to enable them to settle an account covering any delinquency.

The Statement was prepared in accordance with reporting requirements prescribed by the 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 Department of Revenue and other state agencies. 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:

Checks issued to the Department of Revenue	<u>\$ 53,022,785</u>
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4. Balance Due Department Of Revenue (Traffic Court) For The Period July 1, 2002 To June 30, 2006

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

5. Examination Adjustment

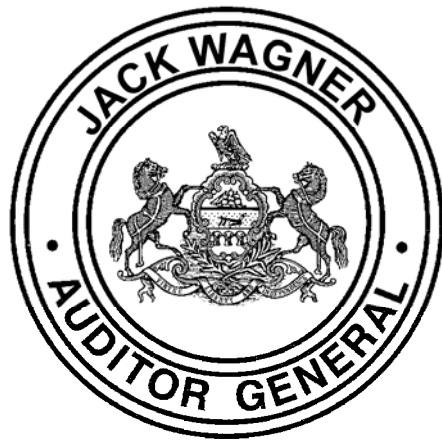
During our prior audit, July 1, 1999 to June 30, 2002, we determined that there was a balance due to the Commonwealth of \$9,826. This balance due was paid to the Department of Revenue in February 2005.

PHILADELPHIA TRAFFIC COURT 51-0-00
PHILADELPHIA COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JULY 1, 2002 TO JUNE 30, 2006

6. Administrative Judges Serving During Examination Period

Francis E. Kelley served at Traffic Court 51-0-00 for the period July 1, 2002 to February 21, 2005.

Bernice A. DeAngelis served at Traffic Court 51-0-00 for the period February 22, 2005 to June 30, 2006.



PHILADELPHIA TRAFFIC COURT 51-0-00
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JULY 1, 2002 TO JUNE 30, 2006

Finding - Inadequate Internal Controls Over Funds Held In Escrow

Our audit revealed deficiencies in the internal controls over funds held in escrow and included the following:

- The Traffic Court could not reconcile the escrow account balance to the checkbook balance. As of June 30, 2006, the court has an unidentifiable overage of \$355,471.18.
- Monies were held in escrow for long periods of time without being disbursed. As of June 30, 2006, we noted that some monies were held from as far back as December 15, 1995.
- Stale check procedures were not handled properly. As of June 30, 2006, the court was carrying numerous outstanding checks totaling \$164,645.12, dated from January 4, 2004 to June 20, 2005.

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 cash on hand should equal unpaid obligations.
- Monies held in escrow are disbursed immediately after the disposition of a case.
- 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.

Without a good system of internal controls over funds held in escrow, the potential is increased that funds could be lost, stolen, or misappropriated.

This finding was cited in our last two audit periods, the most recent ending June 30, 2002.

PHILADELPHIA TRAFFIC COURT 51-0-00
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JULY 1, 2002 TO JUNE 30, 2006

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

Recommendations

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

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 identify the composition of the overage of \$355,471.18 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:

The \$231,325.18 represents an unidentified reconciling item to the checkbook reconciliation at December 31, 2003, prepared by Traffic Court's former consultant, [Consultant No. 1]. [Consultant No. 1]'s January 2004 reconciliation included a beginning adjustment of \$295,348. [Consultant No. 1]'s December 2003 reconciliation included no such adjustment. In addition, [Consultant No. 1] posted an adjustment in January 2004 on the checkbook system for the amount of \$263,117.07. [Consultant No. 2], Traffic Court's current consultant, immediately upon the commencement of its engagement, investigated the unidentified adjustment made by [Consultant No. 1]. Support of this reconciling item was requested, but [Consultant No. 1] was unable to provide any supporting documentation or information. [Consultant No. 1] stated that the \$263,117.07 checkbook adjustment plus the difference between the outstanding checks on the [Consultant No. 1] reconciliation at December 31, 2003 compared to actual outstanding checks as of that date was approximately the total difference. However, [Consultant No. 1] could not provide any further information to reconcile the variance. Certain previously unreconciled items were identified by [Consultant No. 2] reducing this adjustment to the current carrying amount of \$231,325.18. Traffic Court continues to monitor and assess this adjustment made.

PHILADELPHIA TRAFFIC COURT 51-0-00
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JULY 1, 2002 TO JUNE 30, 2006

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

Management's Response (Continued)

The remaining portion of the overage represents temporary differences between the eTIMS computer system and the checkbook due to timing and reporting of transactions in the eTIMS system. The Court believes that the monthly non-distributable reports (i.e., Unapplied Report) do not contain all non-disbursed funds in a timely manner. Please note that as of October 31, 2006, just four months later, the overage was \$235,486.62, compared to the \$355,471.18 overage at June 30, 2006. It should be noted that the overage will continue to fluctuate monthly due to the timing and reporting of transactions on the eTIMS produced reports. Traffic Court, along with its vendor, [Vendor], is working towards tracking all transactions for a one week period to monitor the disbursement for each payment. Taking this measure will insure that all non-distributable payments are reflected on the monthly reports timely.

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 third 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
COMMENT
FOR THE PERIOD
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Comment - Compliance With Prior Audit Recommendation

During our prior audit, we recommended:

- That the office establish and implement procedures to ensure that DL-38s were issued timely.

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

PHILADELPHIA TRAFFIC COURT 51-0-00
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JULY 1, 2002 TO JUNE 30, 2006

This report was initially distributed to:

The Honorable Thomas W. Wolf
Secretary
Pennsylvania Department of Revenue

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

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Philadelphia County
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Philadelphia, PA 19123-2690

The Honorable Anna C. Verna	Chairwoman of the Board of Commissioners
The Honorable Bernice A. DeAngelis	Administrative Judge
The Honorable Alan Butkovitz	Controller
Mr. David C. Lawrence	Court Administrator
Mr. Robert T. DeEmilio	Deputy Court Administrator

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