

ATTESTATION ENGAGEMENT

District Court 11-1-04
Luzerne County, Pennsylvania
For the Period
January 1, 2014 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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 11-1-04, Luzerne County, Pennsylvania (District Court), for the period January 1, 2014 to December 31, 2017, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, 72 P.S. § 401(c). The District Court's management is responsible for presenting this Statement in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statement is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statement of receipts and disbursements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Statement, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, for the period January 1, 2014 to December 31, 2017, is presented in accordance with the criteria set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statement; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statement. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statement or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statement was for the limited purpose of expressing an opinion on whether the Statement is presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statement that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency listed below to be material weakness:

- Inadequate Internal Controls Over Manual Receipts.

As part of obtaining reasonable assurance about whether the Statement is free from material misstatement, we performed tests of the District Court's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. 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)

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.

We appreciate the courtesy extended by the District Court 11-1-04, Luzerne County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

October 31, 2018

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DISTRICT COURT 11-1-04
 LUZERNE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2014 TO DECEMBER 31, 2017

Receipts:

Department of Transportation		
Title 75 Fines	\$	330,484
Motor Carrier Road Tax Fines		100
Littering Law Fines		7,456
Child Restraint Fines		2,250
Department of Revenue Court Costs		225,950
Crime Victims' Compensation Bureau Costs		28,898
Crime Commission Costs/Victim Witness Services Costs		20,562
Domestic Violence Costs		7,599
Department of Agriculture Fines		1,376
Emergency Medical Service Fines		97,825
CAT/MCARE Fund Surcharges		242,525
Judicial Computer System Fees		110,983
Access to Justice Fees		34,512
Criminal Justice Enhancement Account Fees		7,967
Judicial Computer Project Surcharges		68,782
Constable Service Surcharges		13,560
Miscellaneous State Fines and Costs		<u>529,249</u>
 Total receipts (Note 2)		 1,730,078
 Disbursements to Commonwealth (Note 3)		 <u>(1,730,078)</u>
 Balance due Commonwealth (District Court) per settled reports (Note 4)		 -
 Examination adjustments		 <u>-</u>
 Adjusted balance due Commonwealth (District Court) for the period January 1, 2014 to December 31, 2017		 <u><u>\$ -</u></u>

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

DISTRICT COURT 11-1-04
LUZERNE COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

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	<u>\$ 1,730,078</u>
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2014 To December 31, 2017

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

5. Magisterial District Judge Serving During Examination Period

Alexandra Kokura Kravitz, Esquire served at District Court 11-1-04 for the period January 1, 2014 to December 31, 2017.

DISTRICT COURT 11-1-04
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

Finding - Inadequate Internal Controls Over Manual Receipts

The Administrative Office of Pennsylvania Courts' (AOPC) policies require computer downtime manual receipts to be issued in the event of a temporary power loss to the district court's computer system. When the computer system is operating again, the computer downtime manual receipt is replaced by an official computer-generated receipt and included in the daily receipts. When the AOPC's policies are not followed, the possibility that funds received by the District Court could be lost or misappropriated increases significantly.

Our examination disclosed that required computer downtime manual receipt procedures were not always followed. Of nine receipts tested, we noted the following:

- There were five instances in which the computer downtime manual receipt was not recorded into the computer system. The district court used these five receipts to document payment of restitution directly from the defendant to the victim without the case being docketed into the computer system.
- There were two instances in which the computer downtime manual receipt number was not entered into the computer system when the corresponding computer receipt was generated.
- The date issued, source, method of payment, docket number or remitter's name was not recorded on seven computer downtime manual receipts.
- The computer downtime manual receipt sheet log for seven receipts was not completed properly.
- Computer downtime manual receipts were not issued in numerical sequence.

DISTRICT COURT 11-1-04
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

Finding - Inadequate Internal Controls Over Manual Receipts (Continued)

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 downtime manual receipts be issued in the event of a temporary power loss to the computer system. When the computer system is not operational, the receipt and log sheet should be filled out for each receipt number and the initials of the employee receiving the payment should be documented on the log sheet. The receipts should be used in numerical order; the log sheet should be filled out using the appropriate receipt number; a copy of that receipt should be given to the remitter; and the second copy of the receipt should be kept, along with the associated log, in a secure location. When the computer system is running again, the second copy of the receipt should be attached to the new system-generated receipt and placed in the case file and the date the payment was entered into the system should be documented on the log sheet. Additionally, the Manual requires that when a manual receipt number is issued, the manual receipt number should be entered in the manual receipt number field when creating the computer receipt. This will link the manual receipt to the computer receipt.

Good internal accounting controls ensure that:

- All computer downtime manual receipts are entered into the computer system.
- Computer downtime manual receipt numbers are entered in the manual receipt number field on the computer when the corresponding computer receipts are generated.
- All required information is recorded on the computer downtime manual receipt, including date issued, date filed, citation number, signature of the person receiving the payment, remitter name, docket number, payment source, and payment method.
- Computer downtime manual receipt log sheets are accounted for and maintained.
- Computer downtime manual receipts are issued in numerical sequence.

Adherence to good internal accounting controls and the uniform internal control policies and procedures, as set forth in the Manual, would have ensured that there were adequate internal controls over collections.

These conditions existed because the district court failed to establish and implement an adequate system of internal controls over computer downtime manual receipts.

DISTRICT COURT 11-1-04
LUZERNE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

Finding - Inadequate Internal Controls Over Manual Receipts (Continued)

Recommendation

We recommend that the district court establish and implement an adequate system of internal controls over computer downtime manual receipts as noted above.

Management's Response

The Magisterial District Judge responded as follows:

The finding has been taken seriously by management and thoroughly addressed with the staff. The inadequate use of down-time manual receipts does, however, appear to be infrequent and uncommon based on the other adequate and uniform operating procedures set forth in District Court 11-1-04. The manual down-time receipts procedures were deemed weak because some manual receipts were used for tasks other than system downtime receipts, which is their proper function. Additionally, some manual receipts were used out of numerical order and not docketed correctly in the MDJS. However, all manual receipts that were used incorrectly were accounted for and found within the corresponding District Court files. The inadequate use of down-time manual receipts was sporadic during the examination period. Most importantly, no manual receipts were used improperly in the collection of any state disbursements.

Although there were no instances of fraud during the examination period, it is recognized by the Court that a written finding was recommended because "Inadequate Down-time Manual Receipts Procedures" has the potential to lead to fraud. That is why thorough instruction and training on the proper use of manual receipts has been provided to the staff. Moreover, the infrequent mistaken use of manual receipts was the result of improper training of former and senior staff members, prior to the installation of current management. Review procedures have been established by management to monitor all manual receipts, their identifying makers and their correspondence in the MDJS.

Auditor's Conclusion

As cited above, good internal accounting controls ensure that all manual receipts and the associated information are recorded in the computer system, manual receipt log sheets are maintained and receipts are issued in numerical sequence. These steps will assist in providing an audit trail on the issuance of the manual receipt. During our next examination, we will determine if the district court complied with our recommendation.

DISTRICT COURT 11-1-04
LUZERNE COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

Summary Of Prior Examination Recommendations

During our prior examination, we recommended:

- That the district court review the tickler reports for warrants and DL-38s daily and take appropriate action as required by the *Magisterial District Judge Automated Office Clerical Procedures Manual*. We further recommended that the court review warrant control reports and notify police or other officials to return warrants that are unserved for 60 days for summary traffic and non-traffic cases as recommended by the *Magisterial District Judge Automated Office Clerical Procedures Manual*.

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

DISTRICT COURT 11-1-04
LUZERNE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2017

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

The Honorable Thomas B. Darr
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Alexandra Kokura Kravitz, Esquire
Magisterial District Judge

The Honorable Tim McGinley
Chairperson, County Council

The Honorable Michelle A. Bednar
Controller

Michael A. Shucosky, Esquire
District 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.