

ATTESTATION ENGAGEMENT

District Court 36-3-01
Beaver County, Pennsylvania
For the Period
January 1, 2015 to December 31, 2018

December 2019



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



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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www.PaAuditor.gov

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 36-3-01, Beaver County, Pennsylvania (District Court), for the period January 1, 2015 to December 31, 2018, 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, 2015 to December 31, 2018, 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiencies listed below to be material weaknesses:

- Receipts Were Not Always Deposited On The Same Day As Collected.
- Inadequate Segregation Of Duties.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency listed below to be a significant deficiency:

- Inadequate Arrest Warrant Procedures - Recurring.

Independent Auditor's Report (Continued)

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*.

The third finding contained in this report cites conditions that existed in the operation of the District Court during the previous engagement period and were not corrected during the current examination period. The District Court should strive to implement the recommendations and corrective actions noted in this report.

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 36-3-01, Beaver County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Eugene A. DePasquale
Auditor General

November 22, 2019

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DISTRICT COURT 36-3-01
 BEAVER COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2015 TO DECEMBER 31, 2018

Receipts:

Department of Transportation		
Title 75 Fines	\$	185,473
Motor Carrier Road Tax Fines		50
Overweight Fines		3,101
Commercial Driver Fines		8,500
Child Restraint Fines		2,325
Department of Revenue Court Costs		154,089
Crime Victims' Compensation Bureau Costs		26,821
Crime Commission Costs/Victim Witness Services Costs		19,325
Domestic Violence Costs		6,838
Department of Agriculture Fines		749
Emergency Medical Service Fines		45,457
CAT/MCARE Fund Surcharges		132,439
Judicial Computer System Fees		65,563
Access to Justice Fees		25,744
Criminal Justice Enhancement Account Fees		6,778
Judicial Computer Project Surcharges		71,416
Constable Service Surcharges		6,454
Miscellaneous State Fines and Costs		121,903
		<hr/>
Total receipts (Note 2)		883,025
Disbursements to Commonwealth (Note 3)		<hr/> <u>(883,025)</u>
Balance due Commonwealth (District Court) per settled reports (Note 4)		-
Examination adjustments		<hr/> -
Adjusted balance due Commonwealth (District Court) for the period January 1, 2015 to December 31, 2018	\$	<hr/> <hr/> <u>-</u>

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

DISTRICT COURT 36-3-01
BEAVER COUNTY
NOTES TO THE STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

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>\$ 883,025</u>
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4. Balance Due Commonwealth (District Court) For The Period January 1, 2015 To December 31, 2018

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

5. Magisterial District Judge Serving During Examination Period

Dale F. Nicholson served at District Court 36-3-01 for the period January 1, 2015 to December 31, 2018.

DISTRICT COURT 36-3-01
BEAVER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

Finding No. 1 - 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 60 receipts tested, 21 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 two days to five days.

Good internal accounting controls require that all monies collected be deposited in the bank at the end of every day. 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:

All money, including partial payments received by the Magisterial District Judge office (e.g. cash, checks, and money orders), must be deposited in the bank at the end of every business day. A bank night depository may be used by all (night) courts as well as by any court that cannot get to the bank during banking hours. Money should not be taken home, left in the office overnight, or unattended. The Daily Cash Balancing procedure must be completed every day.

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

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 collections.

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

Recommendation

We recommend that the district court deposit all receipts at the end of each day as required by good internal accounting controls and the Manual.

Management's Response

The Deputy District Court Administrator responded as follows:

The Court adopts the recommendation of the audit and will make daily deposits.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct this issue. During our next examination, we will determine if the office complied with our recommendation.

DISTRICT COURT 36-3-01
BEAVER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

Finding No. 2 - Inadequate Segregation Of Duties

Our examination disclosed that one employee in the district court was responsible for performing the following functions:

- Preparing deposit slips.
- Making the deposit.
- 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.

This condition existed because the district court did not establish an adequate segregation of duties. 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.

DISTRICT COURT 36-3-01
BEAVER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

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

Management's Response

The Deputy District Court Administrator responded as follows:

The Court will adopt the recommendation of the audit. Staff will rotate handling various aspects of handling money and making bank deposits. Again, some of the segregation of duties was caused by only having two clerks working consistently during the years 2014-2017.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. During our next examination, we will determine if the office complied with our recommendation.

DISTRICT COURT 36-3-01
BEAVER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

Finding No. 3 - Inadequate Arrest Warrant Procedures - Recurring

We cited the issue of inadequate arrest warrant procedures in the two previous examinations, with the most recent for the period January 1, 2011 to December 31, 2014. Our current examination found that the office did not correct this issue.

Warrants 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.

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 43 instances in which a warrant was required to be issued. Our testing disclosed that 11 were not issued timely and 30 were not issued at all. The time of issuance ranged from 97 days to 268 days for the untimely warrants.

In addition, of 13 warrants required to be returned or recalled, four returns were not included in the case file and were not available for review, one return did not document the type of service performed, and two were not returned or recalled timely. The time of issuance ranged from 226 days to 275 days for the untimely returns.

These conditions existed because the district court failed to establish and implement an adequate system of internal controls over arrest warrant procedures as recommended in the prior examination report.

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. 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.

DISTRICT COURT 36-3-01
BEAVER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

Finding No. 3 - Inadequate Arrest Warrant Procedures - Recurring (Continued)

According to Pa.R.Crim.P. 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.
- 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.

Warrant Return Procedures: The Manual states that the Administrative Office of Pennsylvania Courts (AOPC) recommends that those in possession of arrest warrants should be notified to return warrants that have not been served. For summary traffic and non-traffic cases, outstanding warrants should be returned to the Magisterial District Judge's office within 120 days of issuance. Returned warrants can either be recorded in the Magisterial District Judge System (MDJS) as unserved, if the defendant is unable to be located; or they can be recalled for reissue, if the server has not exhausted all means of finding the defendant.

The failure to follow warrant 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.

DISTRICT COURT 36-3-01
BEAVER COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

Finding No. 3 - Inadequate Arrest Warrant Procedures - Recurring (Continued)

Recommendations

We strongly recommend that the district court review the tickler reports for warrants daily and take appropriate action as required by the Manual. We further recommend that the court review warrant control reports and notify police or other officials to return warrants that are unserved for 120 days for summary traffic and non-traffic cases as recommended by the Manual.

Management's Response

The Deputy District Court Administrator responded as follows:

The Court recognizes the need to change current procedures and adhere to the procedures promulgated by the R.Crim.P. As such, a number of steps will be taken to reduce the backlog and issue warrants on a timely basis.

With the guidance of the AOPC, a game plan has been established and will be followed. The Court will start with determining whether cases that list can be closed out due to the death of the defendant. Second, old cases will be examined to see if they can be can be withdrawn by the issuing police department. After those first two initial steps are performed, the court will work to issue warrants and pare down the backlog.

It should be noted that during a majority of the audit period (2015-2018), this court was understaffed. The Court has three full time clerks. In 2014, 2015 and the early part of 2016, a clerk with a chronic medical condition missed a significant amount of work. That clerk was off from August of 2016 until August of 2017, when she passed away. During that period of time, the Court was unable to fill that position due to provisions of the collective bargaining agreement, which mandated that a job be protected for one year. The position was filled in August of 2017 and the Court is fully staffed.

Auditor's Conclusion

Although we recognize the district court's concerns about staffing, it is imperative that warrants and DL-38s are issued timely to enforce the collection of monies. The risk of uncollected fines and unpunished offenders continues to exist long as these deficiencies exist. This is a recurring finding. During our next examination, we will determine if the office complied with our recommendations.

DISTRICT COURT 36-3-01
BEAVER COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

Summary Of Prior Examination Recommendation

During our prior examination, we recommended that the office:

- Review the tickler reports for warrants daily and take appropriate action as required by the Manual.

During our current examination, we noted that the office did not comply with our recommendation. Please see the current year Finding No. 3 for additional information.

DISTRICT COURT 36-3-01
BEAVER COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2015 TO DECEMBER 31, 2018

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 Dale F. Nicholson
Magisterial District Judge

The Honorable Daniel C. Camp III
Chairperson of the Board of Commissioners

The Honorable David A. Rossi
Controller

Mr. William R. Hare
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.