



DISTRICT COURT 48-3-03

MCKEAN COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 31, 2005



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## Independent Auditor's Report

The Honorable Gregory C. Fajt  
Secretary  
Department of Revenue  
Harrisburg, PA 17128

We have audited the accompanying statement of receipts and disbursements – cash basis of District Court 48-3-03, McKean County, Pennsylvania (District Court), for the period January 1, 2002 to December 31, 2005, pursuant to the requirements of Section 401(c) of *The Fiscal Code*, Act of April 9, 1929, P.L. 343. This financial statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the accompanying financial statement was prepared using accounting practices prescribed by the Pennsylvania Department of Revenue, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statement presents only the Commonwealth portion of cash receipts and disbursements and is not intended to present fairly the financial position and results of operations of the District Court, in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District Court, as of December 31, 2005, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the operations of the District Court as it pertains to receipts made on behalf of the Department of Revenue and other state agencies for the period January 1, 2002 to December 31, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2006, on our consideration of the District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

May 23, 2006

JACK WAGNER  
Auditor General

DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - CASH BASIS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Receipts:

Department of Transportation			
Title 75 Fines	\$	99,961	
Motor Carrier Road Tax Fines		300	
Overweight Fines		6,825	
Littering Law Fines		1,293	
Child Restraint Fines		75	
Department of Revenue Court Costs		74,007	
Crime Victims' Compensation Bureau Costs		39,675	
Crime Commission Costs/Victim Witness Services Costs		33,355	
Domestic Violence Costs		12,693	
Department of Conservation and Natural Resources Fines		425	
Department of Agriculture Fines		1,805	
Fish and Boat Commission Fines		1,977	
Game Commission Fines		12,934	
Emergency Medical Service Fines		29,415	
CAT/MCARE Fund Surcharges		94,186	
Judicial Computer System Fees		33,662	
Access to Justice Fees		5,355	
Constable Service Surcharges		6,453	
Miscellaneous State Fines		1,405	
Total receipts (Note 2)	\$	455,801	
Disbursements to Department of Revenue (Note 3)		<u>(455,801)</u>	
Balance due Department of Revenue (District Court) per settled reports (Note 4)		-	
Audit adjustments		<u>-</u>	
Adjusted balance due Department of Revenue (District Court) for the period January 1, 2002 to December 31, 2005	\$	<u><u>-</u></u>	

Notes to the financial statement are an integral part of this report.

DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

1. Summary Of Significant Accounting Policies

Basis Of Presentation

The financial statement was prepared in accordance with the requirements of the Pennsylvania Department of Revenue. This financial statement is not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis Of Accounting

The financial statement was prepared on the cash basis of accounting. Under this method, revenues were recognized when received and expenditures were recognized when paid.

Audit Requirement

The financial presentation has been prepared in accordance with Title 72 P.S. Section 401 (c) of *The Fiscal Code*, which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted properly and to provide the Department of Revenue with a report to enable them to settle an account covering any delinquency. A statement of assets and liabilities was not a required part of the financial presentation because of the limited reporting scope by the District Court. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

2. Receipts

Receipts are comprised of fines, costs, fees, surcharges, and restitution collected on behalf of the Department of Revenue and other state agencies. These fines, costs, fees, surcharges, and restitution represent collections made on traffic, non-traffic, civil, and criminal cases filed with the District Court.

3. Disbursements

Total disbursements are comprised as follows:

Checks issued to the Department of Revenue	<u>\$ 455,801</u>
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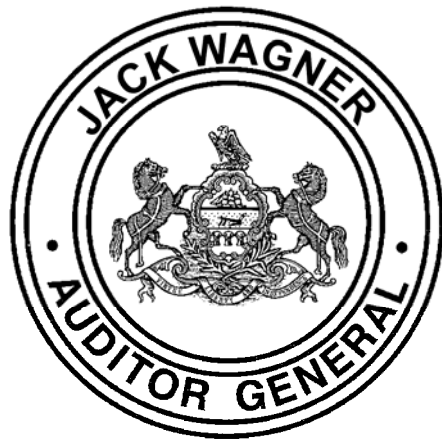
DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

4. Balance Due Department Of Revenue (District Court) For The Period January 1, 2002 To December 31, 2005

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

5. Magisterial District Judge Serving During Audit Period

Barbara L. Boser served at District Court 48-3-03 for the period January 1, 2002 to December 31, 2005.



Report On Compliance And On  
Internal Control Over Financial Reporting

The Honorable Gregory C. Fajt  
Secretary  
Department of Revenue  
Harrisburg, PA 17128

We have audited the statement of receipts and disbursements – cash basis of District Court 48-3-03, McKean County, Pennsylvania (District Court), for the period January 1, 2002 to December 31, 2005, and have issued our report thereon dated May 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District Court’s financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District Court’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable

Report On Compliance And On  
Internal Control Over Financial Reporting (Continued)

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable conditions described in the findings are as follows:

- Failure To Make Deposits When Required.
- Required Computer Downtime Manual Receipt Procedures Were Not Always Followed.
- Inadequate Arrest Warrant Procedures.

Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the first two bulleted items to be material weaknesses.

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

May 23, 2006

JACK WAGNER  
Auditor General

DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 1 - Failure To Make Deposits When Required

Our audit disclosed that there were significant time lapses when depositing daily collections in the bank. The schedule below outlines 15 deposits that had a significant time lapse between the date money was collected and the date of the corresponding deposit. The time lapse ranged from 34 days to 243 days.

<u>Receipt Date</u>	<u>Amount</u>	<u>Deposit Date</u>	<u>Time Lapse</u>
01/02/2003	\$1,367.95	04/22/2003	110 days
09/25/2003	901.00	02/17/2004	145 days
02/27/2004	147.00	04/01/2004	34 days
03/31/2004	919.50	06/04/2004	65 days
06/04/2004	776.72	09/16/2004	104 days
08/31/2004	457.09	10/12/2004	42 days
09/16/2004	780.00	02/22/2005	159 days
10/12/2003	1,102.70	12/09/2003	58 days
10/29/2004	234.00	02/22/2005	116 days
12/09/2004	1,688.53	08/09/2005	243 days
03/10/2005	1,018.50	05/02/2005	53 days
03/23/2005	1,091.65	05/23/2005	61 days
04/29/2005	810.28	08/10/2005	103 days
05/23/2005	753.89	08/19/2005	88 days
07/06/2005	1,815.32	08/19/2005	44 days

Good internal accounting controls require that all monies collected be deposited in the bank at the end of each 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 potential is increased that funds could be lost, stolen, or misappropriated.

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Finding No. 1 - Failure To Make Deposits When Required (Continued)

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured an adequate internal control over collections.

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.

Auditee Response

No formal response was offered at this time for this finding.

DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 2 - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed

Computer downtime manual receipts are available 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.

Our audit disclosed that required computer downtime manual receipt procedures were not always followed. Of 14 receipts tested, we noted the following:

- The manual receipt logs were not properly completed in two instances.
- The date received was not recorded on four computer downtime manual receipts.
- There were two instances in which the computer receipt was not generated timely after the issuance of the corresponding downtime manual receipt. The time lapse from the date of the computer downtime manual receipt to the corresponding computer receipt ranged from 7 to 11 days.
- There were six instances in which the computer downtime manual receipt number was not entered into the computer system when the corresponding computer receipt was generated.

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. The receipt and log sheet should be filled out for each receipt number. The log should document the initials of the employee receiving the payment and the date the payment was entered on the system. 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 attached to the new system-generated receipt and placed in the case file, the receipts should be kept, along with the associated log, in a secure location. 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.

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MCKEAN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 2 - Required Computer Downtime Manual Receipt Procedures Were Not Always Followed (Continued)

Good internal accounting controls ensure that:

- All required docket information is recorded on the computer downtime manual receipts log sheet.
- 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 receipts are generated timely after the issuance of the corresponding computer downtime manual receipts.
- Computer downtime manual receipt numbers are entered in the manual receipt number field on the computer when the corresponding computer receipts are generated.

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

Without a good system of internal control over funds received by the office, the potential is increased that funds could be lost, stolen, or misappropriated.

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

Recommendation

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

Auditee Response

The former Magisterial District Judge responded as follows:

We have noted the findings. We will have an office meeting to go over the warrants and manual receipts procedures to make an effort to improve these areas.



DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 2 - Required Computer Downtime Manual Receipt Procedures Were Not Always  
Followed (Continued)

Auditor's Conclusion

We appreciate the district court's effort to implement manual receipt procedures. The failure to implement the recommended procedures increases the potential for funds to be lost, stolen, or misappropriated. We strongly recommend that the district court take all corrective actions necessary to comply with our recommendation.

DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 3 - Inadequate Arrest Warrant Procedures

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, or 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. Of 36 warrants required to be issued, 7 warrants were not issued.

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. Rules 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.

According to Pa.R.Crim.P. Rule 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.

DISTRICT COURT 48-3-03  
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FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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Finding No. 3 - Inadequate Arrest Warrant Procedures (Continued)

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.

The failure to follow warrant procedures when required could result in uncollected fines and unpunished offenders.

Adherence to the uniform internal control policies and procedures, as set forth in the Manual, would have ensured an adequate internal control over warrants.

Recommendation

We recommend that the district court review the tickler reports for warrants daily and take appropriate action as required by the Manual.

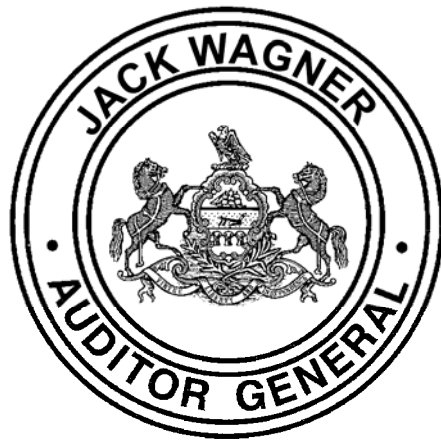
Auditee Response

The former Magisterial District Judge responded as follows:

We have noted the findings. We will have an office meeting to go over the warrants and manual receipts procedures to make an effort to improve these areas.

Auditor's Conclusion

We appreciate the district court's effort to implement warrant procedures. This procedure enforces the collection of monies and punishes offenders for nonpayment of monies due the district court. We strongly recommend that the district court take all corrective actions necessary to comply with our recommendation.



DISTRICT COURT 48-3-03  
MCKEAN COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

This report was initially distributed to:

The Honorable Gregory C. Fajt  
Secretary  
Department of Revenue

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

District Court 48-3-03  
McKean County  
1185 E. Main Street  
Bradford, PA 16701

Ms. Joanne L. Bly

Court Administrator

The Honorable Barbara L. Boser

Magisterial District Judge

The Honorable Thomas Ball

Controller

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. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).