

DISTRICT COURT 08-3-03  
NORTHUMBERLAND 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 08-3-03, Northumberland 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 June 26, 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.

June 26, 2006

JACK WAGNER  
Auditor General

DISTRICT COURT 08-3-03  
NORTHUMBERLAND 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	\$	144,738
Motor Carrier Road Tax Fines		50
Overweight Fines		2,575
Commercial Driver Fines		500
Littering Law Fines		1,263
Child Restraint Fines		187
Department of Revenue Court Costs		139,805
Crime Victims' Compensation Bureau Costs		41,266
Crime Commission Costs/Victim Witness Services Costs		37,550
Department of Public Welfare		
Domestic Violence Costs		15,472
Attend Care Fines		229
Department of Conservation and Natural Resources Fines		1,300
Department of Agriculture Fines		1,867
Game Commission Fines		51,027
Department of State Fines		1,000
Emergency Medical Service Fines		41,773
CAT/MCARE Fund Surcharges		128,181
Judicial Computer System Fees		58,875
Access to Justice Fees		9,254
Constable Service Surcharges		13,252
State Police Crime Lab Fees		210
Miscellaneous State Fines		1,271
		<hr/>
Total receipts (Note 2)	\$	691,645
Disbursements to Department of Revenue (Note 3)		<hr/> (691,645)
Balance due Department of Revenue (District Court) per settled reports (Note 4)		-
Audit adjustments		<hr/> -
Adjusted balance due Department of Revenue (District Court) for the period January 1, 2002 to December 31, 2005	\$	<hr/> <hr/> -

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

DISTRICT COURT 08-3-03  
NORTHUMBERLAND 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>\$ 691,645</u>
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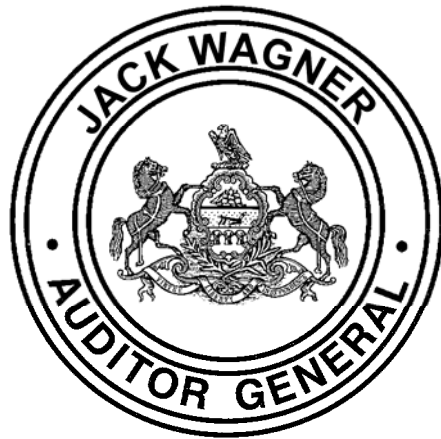
DISTRICT COURT 08-3-03  
NORTHUMBERLAND COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

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

John Gembic served at District Court 08-3-03 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 08-3-03, Northumberland County, Pennsylvania (District Court), for the period January 1, 2002 to December 31, 2005, and have issued our report thereon dated June 26, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 condition described in the finding is as follows:

- Receipts Were Not Always Deposited On The Same Day As Collected.

A material weakness is a condition 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. We consider the reportable condition described above to be a material weakness.

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.

June 26, 2006

JACK WAGNER  
Auditor General

DISTRICT COURT 08-3-03  
NORTHUMBERLAND COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding - Receipts Were Not Always Deposited On The Same Day As Collected

Our audit disclosed that receipts were not always deposited on the same day as collected. Of 60 receipts tested, 18 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 six 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.

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

DISTRICT COURT 08-3-03  
NORTHUMBERLAND COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding - Receipts Were Not Always Deposited On The Same Day As Collected (Continued)

Auditee Response

The Magisterial District Judge responded as follows:

I was not aware of a problem. I took over the office from a prior DJ and this practice was in place and apparently had been in place for approximately 30 years. The Staff was carried over by my administration and so was the practice. During the course of attending the last DJ re-certification school the issue of deposits was discussed and I became aware that this could become an issue. As of January 1, 2006 I had already implemented a policy of assigning a specific staff member on a weekly basis to make the deposits daily. In the event a staff member was off sick or on vacation I take responsibility of depositing the funds or I assigned another staff member to make the deposit.

DISTRICT COURT 08-3-03  
NORTHUMBERLAND 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 08-3-03  
Northumberland County  
2 East Arch Street  
Shamokin, PA 17872

Brandy L. Yasenchak, Esquire	Court Administrator
The Honorable John Gembic	Magisterial District Judge
The Honorable Charles E. Erdman, Jr.	County 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).