



# CONTROLLER'S OFFICE

## COUNTY OF BUCKS

Administration Building  
55 East Court Street, Doylestown, PA 18901-4318  
(215) 348-6435 • Fax (215) 348-6107

August 9, 2016

Honorable Jeffrey L. Finley, President Judge  
and Commissioner Robert G. Loughery, Chairman  
County of Bucks  
55 East Court Street  
Doylestown, PA 18901

Re: Audit of Magisterial District 07-2-07, Senior District Judge Philip J. Daly

Dear Judge Finley and Commissioner Loughery:

Enclosed is the report for the audit of Magisterial District 07-2-07 as of December 31, 2015 and December 31, 2014 and for the periods January 1, 2015 through December 31, 2015 and September 8, 2014 through December 31, 2014. The section of the report titled Report to Management includes our findings and recommendations. We have advised the Magisterial District that we welcome discussion of the ideas expressed herein and would be pleased to assist in the implementation of our recommendations.

As a notation to this report, Senior District Judge Philip J. Daly was the interim judge at this court from September 8, 2014 to December 31, 2015 after the former Magisterial District Judge Donald Nasshorn went on medical leave effective September 8, 2014 and passed away on December 1, 2014. The current presiding judge at this court is Magisterial District Judge Michael W. Petrucci.

This examination was made in order to ascertain that County assets were adequately safeguarded and that the Magisterial District properly and accurately maintained its financial records. The audit was conducted in accordance with U.S. generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We express our appreciation for the courtesies extended to our auditors and acknowledge the cooperative assistance we received from the Magisterial District.

Should you have any questions regarding this audit, please call us at (215) 348-6556 between 7:00 a.m. and 5:00 p.m.

Sincerely,

Michael J. Gallagher  
Bucks County Controller

16-02  
MJG/mkw

cc: Magisterial District Judge Michael W. Petrucci, Magisterial District 07-2-07  
Andrew M. Simpson, Judicial Programs Analyst, Administrative Office of Pennsylvania Courts  
Eugene DePasquale, Auditor General, Commonwealth of Pennsylvania  
Stephen G. Heckman, Esquire, Court Administrator, County of Bucks  
Robert D. Pollock, Deputy Court Administrator – Minor Judiciary, County of Bucks  
Brian Hessenthaler, CPA, Chief Operating Officer, Commissioners' Office, County of Bucks

COUNTY OF BUCKS  
MAGISTERIAL DISTRICT 07-2-07  
For the Period  
September 8, 2014 through December 31, 2015

County of Bucks  
Magisterial District 07-2-07  
For the Period September 8, 2014 through December 31, 2015

TABLE OF CONTENTS

	Page(s)
<hr/> <b>INDEPENDENT AUDITORS' REPORT</b> <hr/>	1-2
<b>FINANCIAL STATEMENTS:</b>	
Statement of Assets and Liabilities Arising from Cash Transactions – December 31, 2015 (Modified Cash Basis)	3
Statement of Assets and Liabilities Arising from Cash Transactions – December 31, 2014 (Modified Cash Basis)	4
Statement of Cash Receipts and Disbursements and Undisbursed Receipts – County of Bucks Activity Only – For the Year Ended December 31, 2015 (Modified Cash Basis)	5
Statement of Net Undisbursed Receipts – December 31, 2015 (Modified Cash Basis)	5
Statement of Cash Receipts and Disbursements and Undisbursed Receipts – County of Bucks Activity Only – For the Period September 8, 2014 through December 31, 2014 (Modified Cash Basis)	6
Statement of Net Undisbursed Receipts – December 31, 2014 (Modified Cash Basis)	6
Notes to the Financial Statements	7-8
<hr/> <b>REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES</b> <hr/>	9-10
<b>REPORT TO MANAGEMENT:</b>	
Cover Letter	11-12
Findings and Recommendations	13-16
<b>EXIT CONFERENCE ATTENDANCE</b>	17



# CONTROLLER'S OFFICE

## COUNTY OF BUCKS

Administration Building  
55 East Court Street, Doylestown, PA 18901-4318  
(215) 348-6435 • Fax (215) 348-6107

### INDEPENDENT AUDITORS' REPORT

To the Honorable Jeffrey L. Finley, President Judge  
and Commissioner Robert G. Loughery, Chairman  
County of Bucks  
55 East Court Street  
Doylestown, PA 18901

We have audited the accompanying financial statements of Magisterial District 07-2-07 (the Magisterial District), which comprise the Statements of Assets and Liabilities Arising from Cash Transactions – modified cash basis as of December 31, 2015 and December 31, 2014, and the related Statements of Cash Receipts and Disbursements and Undisbursed Receipts – County of Bucks (the County) activity only – modified cash basis for the periods January 1, 2015 through December 31, 2015 and September 8, 2014 through December 31, 2014, and the Statements of Net Undisbursed Receipts – modified cash basis as of December 31, 2015 and December 31, 2014, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.C. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Magisterial District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Magisterial District's internal control. Accordingly, we express no

*Continued...*

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, if any, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

The Magisterial District's financial transactions are processed through the Magisterial District Judge System (MDJS), which is designed, maintained and controlled by the Administrative Office of Pennsylvania Courts (AOPC). The AOPC's access policies did not permit us to extend our auditing procedures sufficiently to satisfy ourselves about the effectiveness of controls over the financial reporting process.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Magisterial District as of December 31, 2015 and December 31, 2014, and its cash receipts and disbursements and undisbursed receipts of the County activity only, for the periods January 1, 2015 through December 31, 2015 and September 8, 2014 through December 31, 2014 and its net undisbursed receipts as of December 31, 2015 and December 31, 2014, in accordance with the modified cash basis of accounting as described in Note 1.C.

### **Basis of Accounting**

We draw attention to Note 1.C. to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

### **Restriction on Use**

This report is intended solely for the information and use of the Magisterial District's management, the County and the Commonwealth of Pennsylvania. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Kimberly S. Doran, CPA, Bucks County Deputy Controller  
Doylestown, Pennsylvania

July 28, 2016  
16-02

County of Bucks  
Magisterial District 07-2-07

Statement of Assets and Liabilities Arising from Cash Transactions  
December 31, 2015  
(Modified Cash Basis)

---

Current Assets

Cash	\$ 18,362
Petty Cash and Change Fund	<u>125</u>
Total Current Assets	<u>\$ 18,487</u>

Current Liabilities

Due to County of Bucks:	
Advance for Petty Cash and Change Fund	\$ 125
Constable - Payments Collected	1,237
County Costs	5,023
Miscellaneous Issuance Fees	387
Postage	459
Public Access Request/Photocopy Fees	39
Unclaimed Property	<u>(100)</u>
Subtotal - Due to County of Bucks	<u>7,170</u>
Due to Municipalities:	
Newtown Borough	3,140
Newtown Township	1,884
Upper Makefield Township	1,786
Wrightstown Township	<u>685</u>
Subtotal - Due to Municipalities	<u>7,495</u>
Bail/Collateral/Constable Fees/Pending Refunds	<u>3,822</u>
Total Current Liabilities	<u>\$ 18,487</u>

See Notes to the Financial Statements.

County of Bucks  
Magisterial District 07-2-07

Statement of Assets and Liabilities Arising from Cash Transactions  
December 31, 2014  
(Modified Cash Basis)

---

Current Assets

Cash	\$ 34,230
Petty Cash and Change Fund	<u>125</u>
Total Current Assets	<u>\$ 34,355</u>

Current Liabilities

Due to County of Bucks:	
Advance for Petty Cash and Change Fund	\$ 125
Constable - Payments Collected	1,633
County Costs	7,322
County Fines	17
Miscellaneous Issuance Fees	523
Non-sufficient Funds Check Costs	1
Postage	422
Public Access Request/Photocopy Fees	66
Unclaimed Property	<u>76</u>
Subtotal - Due to County of Bucks	<u>10,185</u>
Due to Municipalities:	
Newtown Borough	1,393
Newtown Township	3,739
Upper Makefield Township	587
Wrightstown Township	<u>926</u>
Subtotal - Due to Municipalities	<u>6,645</u>
Bail/Collateral/Constable Fees/Pending Refunds	<u>17,525</u>
Total Current Liabilities	<u>\$ 34,355</u>

See Notes to the Financial Statements.

County of Bucks  
Magisterial District 07-2-07

Statement of Cash Receipts and Disbursements and Undisbursed Receipts  
County of Bucks Activity Only  
For the Year Ended December 31, 2015  
(Modified Cash Basis)

---

	<u>Receipts</u>	<u>Disbursements</u>	
Undisbursed Receipts of County Accounts as of January 1, 2015			\$ 10,185
Activity of County Accounts:			
Fines, Costs and Other Funds	\$ 116,976	\$ 119,815	
Unclaimed Property	<u>383</u>	<u>559</u>	
Total Activity of County Accounts	<u>\$ 117,359</u>	<u>\$ 120,374</u>	
Net Increase (Decrease) in Activity of County Accounts for the Year			<u>(3,015)</u>
Undisbursed Receipts of County Accounts as of December 31, 2015			<u>\$ 7,170</u>

County of Bucks  
Magisterial District 07-2-07

Statement of Net Undisbursed Receipts  
December 31, 2015  
(Modified Cash Basis)

---

Undisbursed Receipts of County Accounts as of December 31, 2015	\$ 7,170
Add: Ending Balance of Undisbursed Receipts of Non-County Accounts	<u>11,317</u>
Subtotal - Ending Balance of Undisbursed Receipts	18,487
Less: Advance for Petty Cash and Change Fund	<u>(125)</u>
Net Undisbursed Receipts as of December 31, 2015	<u>\$ 18,362</u>

See Notes to the Financial Statements.



County of Bucks  
Magisterial District 07-2-07

Statement of Cash Receipts and Disbursements and Undisbursed Receipts  
County of Bucks Activity Only  
For the Period September 8, 2014 through December 31, 2014  
(Modified Cash Basis)

---

	<u>Receipts</u>	<u>Disbursements</u>	
Undisbursed Receipts of County Accounts as of September 8, 2014			\$ 2,455
Activity of County Accounts:			
Fines, Costs and Other Funds	\$ 41,688	\$ 34,033	
Unclaimed Property	<u>369</u>	<u>294</u>	
Total Activity of County Accounts	<u>\$ 42,057</u>	<u>\$ 34,327</u>	
Net Increase (Decrease) in Activity of County Accounts for the Period			<u>7,730</u>
Undisbursed Receipts of County Accounts as of December 31, 2014			<u>\$ 10,185</u>

County of Bucks  
Magisterial District 07-2-07

Statement of Net Undisbursed Receipts  
December 31, 2014  
(Modified Cash Basis)

---

Undisbursed Receipts of County Accounts as of December 31, 2014	\$ 10,185
Add: Ending Balance of Undisbursed Receipts of Non-County Accounts	<u>24,170</u>
Subtotal - Ending Balance of Undisbursed Receipts	34,355
Less: Advance for Petty Cash and Change Fund	<u>(125)</u>
Net Undisbursed Receipts as of December 31, 2014	<u>\$ 34,230</u>

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies**

The major accounting principles and practices followed by the Magisterial District and the County are presented below to assist the reader in understanding the financial statements. The accounting principles and practices are presented in conformity with a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

**A. Nature of Operations**

The Magisterial District is a court in which a magisterial district judge has jurisdiction to preside over certain civil and criminal cases. A magisterial district judge has jurisdiction on civil cases that do not exceed \$12,000, such as breach of contract, accidents, nonpayment of bills and landlord/tenant matters. A magisterial district judge also has jurisdiction in summary cases involving traffic and non-traffic violations and the initial phases of misdemeanor and felony violations.

The Magisterial District processes its transactions through the MDJS, which is developed and maintained by the AOPC. This system captures all aspects of docketing, receipting, adjusting and disbursing of court related funds through a web application.

**B. Reporting Entity**

The accompanying financial statements are presented from only the accounts and financial transactions directly handled by the Magisterial District. The financial transactions consist primarily of fines, costs and collateral. The financial statements do not present the cash and unexpended cash balances or the receipts and disbursements of the County taken as a whole or the County court system.

**C. Basis of Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis, fines and costs are recognized when received instead of when a guilty plea or adjudication is determined and payments are recognized when paid. Consequently, the Magisterial District has not recognized accounts receivable from defendants and/or plaintiffs and their related effects on revenue in the accompanying financial statements. Under U.S. generally accepted accounting principles, revenues are recognized in the accounting period they are earned, and expenditures are recognized in the accounting period they are incurred.

**D. Current Assets**

*Cash*

The Magisterial District maintains its cash on deposit with the bank under an interest-bearing arrangement that is insured by the Federal Deposit Insurance Corporation and/or is fully collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the

*Continued...*

NOTES TO THE FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies (Continued)**

D. Current Assets (Continued)

*Cash (Continued)*

General Assembly. As required by the Supreme Court of Pennsylvania, the interest earned in this account, net of allowable bank fees, must be transferred monthly to the Pennsylvania Interest on Lawyer's Trust Account Board for use as mandated by Court Order. Interest earned in this account is posted and transferred out on the last day of the month.

*Petty Cash and Change Fund*

The cash on hand at the Magisterial District is uncollateralized.

E. Fixed Assets

The fixed assets in the possession of the Magisterial District are not reflected on the Statements of Assets and Liabilities Arising from Cash Transactions.

F. Current Liabilities

*Due to County of Bucks and Due to Municipalities*

The amounts listed under these classifications on the Statements of Assets and Liabilities Arising from Cash Transactions primarily represent the collection of fines and costs received but not disbursed as of the financial statement dates. Except for the \$125 listed as Advance for Petty Cash and Change Fund, these amounts were included in the disbursements forwarded to the applicable parties in the following month.

*Bail/Collateral/Constable Fees/Pending Refunds*

The amount listed under this classification on the Statements of Assets and Liabilities Arising from Cash Transactions represents funds collected in advance from defendants awaiting hearings or refunds and from plaintiffs awaiting the performance of civil constable services.

G. Date of Management's Review

The management of the Magisterial District has evaluated subsequent events through July 28, 2016, the date on which the financial statements were available to be issued. No events have taken place that affect the financial statements or require disclosure.

**2. Magisterial District Judge Serving During Audit Period**

Senior District Judge Philip J. Daly presided at this Magisterial District during the audit period.



# CONTROLLER'S OFFICE

## COUNTY OF BUCKS

Administration Building  
55 East Court Street, Doylestown, PA 18901-4318  
(215) 348-6435 • Fax (215) 348-6107

### REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Honorable Jeffrey L. Finley, President Judge  
and Commissioner Robert G. Loughery, Chairman  
County of Bucks  
55 East Court Street  
Doylestown, PA 18901

In planning and performing our audit of the financial statements of the Magisterial District as of December 31, 2015 and December 31, 2014 and for the periods January 1, 2015 through December 31, 2015 and September 8, 2014 through December 31, 2014, in accordance with U.S. generally accepted auditing standards, we considered the Magisterial District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Magisterial District's internal control. Furthermore, as stated in the sixth paragraph of the Independent Auditors' Report, the AOPC's access policies to the MDJS prohibited us from evaluating aspects of the Magisterial District's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

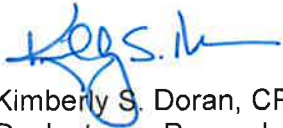
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Magisterial District's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in F1. of the Internal Control and F1. and F2. of the Internal Control - MDJS sections of the Report to Management to be significant deficiencies.

*Continued...*

The written responses from the Magisterial District and the AOPC to the findings identified in our audit and presented in the Report to Management were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Magisterial District's management, the County and the Commonwealth of Pennsylvania. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Kimberly S. Doran, CPA, Bucks County Deputy Controller  
Doylestown, Pennsylvania

July 28, 2016  
16-02

REPORT TO MANAGEMENT

COVER LETTER

We have audited the financial statements of the Magisterial District as of December 31, 2015 and December 31, 2014 and for the periods January 1, 2015 through December 31, 2015 and September 8, 2014 through December 31, 2014. Professional standards require that we provide the Magisterial District and those charged with governance with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to the magisterial district judge dated February 11, 2016. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Magisterial District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the audit period. We noted no transactions entered into by the Magisterial District during the audit period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. As a result of the audit procedures, we did not detect any misstatements that required correction by management.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 28, 2016.

*Continued...*

REPORT TO MANAGEMENT

COVER LETTER

Implementation Responsibilities and Purpose

In an effort to direct each finding to the proper level of management, the section titled Report to Management - Findings and Recommendations has been separated into two (2) categories: the Magisterial District and the AOPC. In reviewing this report, it is important to remember that the Magisterial District may have many sound controls that are not cited. This letter by nature is critical for the purpose of suggesting means of improving controls and operations. We believe that the following comments are deserving of your attention and recommend the adoption of our suggestions for improvement. Furthermore, our suggestions should not be construed as a criticism of or a reflection on the integrity of the Magisterial District's management or any employee of the Magisterial District.

Report Distribution

This report is intended solely for the use of the Magisterial District's management, the County and the Commonwealth of Pennsylvania. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

MAGISTERIAL DISTRICT

The Magisterial District staff consisted of one (1) magisterial district judge, one (1) court clerk administrator and three (3) judicial clerks.

During our audit, we became aware of significant deficiencies in internal control that have been identified as such in the separate report titled "Report on Significant Deficiencies and Material Weaknesses" dated July 28, 2016. The Internal Control and Internal Control - MDJS sections of the Report to Management detail the significant deficiencies noted in the Magisterial District's control environment and our recommendations for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated July 28, 2016, on the financial statements of the Magisterial District.

Internal Control

Covered within the audit was a review of the Magisterial District's internal control, which included, but was not limited to, the control activities, both manual and automated, that were in place to insure reliable, accurate, efficient and complete financial reporting.

F1. A review of the financial transactions recorded and the procedures performed by the Magisterial District personnel revealed that there was a general lack of segregation of duties among the authorization, execution and recording of the transactions and the related assets. As discussed under the AOPC's Internal Control section, the MDJS' internal control structure design inherently lacks segregation of duties. Although this condition is not the sole reason for the lack of segregation, it does significantly contribute to this overall condition.

Additionally, it should be noted that the Magisterial District did not operate at full staff for approximately two (2) months of the audit period. The shortage of personnel was another factor that partially contributed to the lack of segregation of duties. Furthermore, the lack of personnel could have caused a change in the Magisterial District's compliance with certain established control procedures, thereby weakening the overall internal control system.

R1. Although the small size of the office staff limits the extent of separation of duties, certain steps should be taken to separate incompatible duties. The basic premise to any internal control structure is that no one (1) employee should have access to both the physical assets and the related accounting records or to all phases of a transaction. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Auditee's Response:

F1. I have spoken with the Court Clerk Administrator and Staff, this court will comply with your recommendations and make every attempt possible to segregate duties as noted per State and County Procedures.

*Continued...*



REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Case Analysis

As a part of the audit, ninety (90) case files/citations issued during the audit period and certain MDJS reports were randomly selected and analyzed to determine the Magisterial District's compliance to the *Procedure Manual* with respect to the accurate recording of adjudications.

- F1. An analysis of traffic/non-traffic citations disclosed that the judicial seal was not affixed to one (1) adjudicated traffic citation selected for testing.
- R1. The Magisterial District should be reminded of the importance of insuring that the judicial seal is affixed to the completed Certification of Disposition.
- F2. The random selection of traffic/non-traffic citations disclosed that the Magisterial District Judge did not sign the Certification of Disposition area on one (1) withdrawn citation.
- R2. The Magisterial District should be reminded of the importance of insuring that the Magisterial District Judge signs the Certification of Disposition when required.

Auditee's Response:

F1. and F2.

I have discussed the procedures with the Court Clerk Administrator and staff, we will continue to review all procedure policies and adhere to all recommendations set forth.

ADMINISTRATIVE OFFICE OF PENNSYLVANIA COURTS

Internal Control - MDJS

- F1. A review of the Magisterial District's internal control structure design disclosed certain conditions that require AOPC's attention:
- The established internal control structure provided each clerk with the opportunity to perform various overlapping financial transactions and case file/citation procedures in a given day. The pre-defined, role-based security assignments limited management's ability to individually assign user access to the MDJS based on employee experience, areas of responsibility and skill level.
  - The design of the internal control does not include physical cash register drawers that are tied to the MDJS' receipting system.

The absence of appropriate segregation of duties and the lack of physical safeguards over receipt transactions provided a risk that errors or fraud in amounts may occur and not be detected within a timely period.

- R1. The responsibility for establishing and maintaining an acceptable internal control structure rests with the management of the AOPC and the Magisterial District. Management should review these applicable procedures and, where possible, segregate duties to reduce the risk of errors or fraud.

*Continued...*

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Internal Control - MDJS (Continued)

- F2. During a discussion of the MDJS' internal controls, it was disclosed a functionality exists within the software application that provides a risk that a misappropriation could be perpetrated by an employee(s) and not be prevented or detected by management. The specific details of this condition and our recommendation was communicated separately to the AOPC in a letter dated June 21, 2016.
- R2. As the administrators of the MDJS, the AOPC should immediately review and rectify the concerns outlined in the June 21, 2016 letter.

AOPC's Response:

F1. **Segregating Duties and the Collections**

The Administrative Office of Pennsylvania Courts (AOPC) strongly recommends that there is a segregation of duties within the magisterial district court office. Personnel should be cross-trained to allow tasks to be rotated amongst staff. Job functions that include the handling of cash, authorizing financial transaction adjustments, maintaining the accounting records for monies received and disbursed, and monitoring collection procedures on the various case types should be segregated and rotated on a regular basis. Without adequate segregation of duties, internal controls can be circumvented resulting in the possibility of significant irregularities.

The *Magisterial District Court Facility, Equipment, & Security Guidelines* approved by the Supreme Court and issued by the Judicial District Operations and Programs Department of the Administrative Office of Pennsylvania Courts (AOPC) provide specific minimum recommendations for magisterial district facilities and equipment. The guidelines suggest that the staff work area should be provided with a locking cash box. They also suggest that each workstation or desk configuration should include, at a minimum, one locking drawer. Receipt(s) should be provided to the payor upon receiving the payment at the magisterial district court. Monies received by personnel should be stored in a locked cash box or locking desk drawer until the end of the day when the monies are to be deposited daily in a financial institution. The Magisterial District Judge System (MDJS) can be customized in each court to have one electronic cashier drawer per staff that will track the individual cashier who processed the payment. At the end of the day, the amount collected by each employee is verified during the daily cash balancing process.

The AOPC will review your recommendation of physically tying the MDJS receipting system to the physical cash register drawer.

*Continued...*

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Internal Control - MDJS (Continued)

**User Roles and Rights**

Each magisterial district court staff member is assigned an Access Role, an Office Role, and a Financial Role. These predefined roles grant/deny access to specific functionality in the MDJS. Changes in court staff permissions can be made by using the User ID and Password Request (MDJS 100). In regards to customization for certain staff in Bucks County Magisterial District Courts, the AOPC suggests discussing your concerns with personnel in Bucks County Court Administration. If it is decided roles need to be customized for certain users of the system, we encourage local court administration to contact the AOPC.

- F2. The AOPC appreciates you raising this issue with us and we will review this issue to determine if a technical solution can at least reduce risk. Please see the separate letter dated July 6, 2016, for our full response.

EXIT CONFERENCE ATTENDANCE

An exit conference was not held. The Magisterial District chose to respond by electronic mail, which was received on July 28, 2016.