



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: October 19, 2016
RE: Audit of Magisterial District Court #31-2-03

We have completed a financial audit of Magisterial District Court #31-2-03, County of Lehigh, Pennsylvania for the period January 1, 2014 to December 31, 2015. Our audit report number 16-35 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-2-03.
- The Magisterial District Judge is in general compliance with the applicable financial AOPC guidelines.
- Not all voided cash receipts were approved by management. Voided cash receipt transactions should be approved by an appropriate individual to ensure proper management oversight.

Attachment

MDJ/BUTLER

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-03

Financial Audit
For the Period January 1, 2014 to December 31, 2015

REPORT NO. 16-35

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-03

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COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Donna R. Butler
Magisterial District Court #31-2-03
106 Main Street
Emmaus, PA 18049

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-2-03 for the period January 1, 2014 to December 31, 2015 as listed in the Table of Contents. The financial statements are the responsibility of Magisterial District Court #31-2-03's management. Our responsibility is to express an opinion on the Statement of Receipts and Disbursements and the Changes in Cash Balance based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 discussed in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statements present only the Magisterial District Court #31-2-03 financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the period January 1, 2014 to December 31, 2015 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts and Disbursements and Changes in Cash Balance referred to above presents fairly, in all material respects, the financial activity arising from cash transactions of the Magisterial District Court #31-2-03 for the period January 1, 2014 to December 31, 2015, on the basis of accounting described in Note 1. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2016 on our consideration of Magisterial District Court #31-2-03's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in dark ink, appearing to read 'GLENN ECKHART', with a stylized, cursive script.

GLENN ECKHART
County Controller

Audited by Zachary Effting

October 14, 2016
Allentown, Pennsylvania

Final Distribution:

Auditor General of Pennsylvania
Board of Commissioners
East Penn School District
Borough of Emmaus
Lower Macungie Township
Borough of Macungie
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew Simpson, AOPC
Upper Macungie Township
Upper Milford Township

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-03

*Statement of Receipts and Disbursements
and Changes in Cash Balance
for the Period January 1, 2014 to December 31, 2015
(NOTE 1)*

	<u>2014</u>	<u>2015</u>
Receipts:		
Office Receipt Activity	\$ 535,573	\$ 554,873
Bank Account Interest	<u>28</u>	<u>22</u>
Total Receipts	<u>535,601</u>	<u>554,895</u>
Disbursements:		
Pennsylvania Department of Revenue-Costs & Fines	361,385	369,589
Lehigh County Fiscal Office – Costs and Fines	78,022	81,355
Refunds	30,111	22,910
Restitution	22,024	16,588
Emmaus Borough – Costs and Fines	18,226	21,715
Macungie Borough – Costs and Fines	17,695	18,515
Server Fees (NOTE 2)	17,104	20,515
East Penn School District - Costs and Fines	3,939	2,460
Lower Macungie – Costs and Fines	2,318	542
Upper Milford Township – Costs and Fines	787	0
Pennsylvania Department of Revenue-Interest Upper	28	22
Upper Macungie Township – Costs and Fines	<u>17</u>	<u>0</u>
Total Disbursements	<u>551,656</u>	<u>554,211</u>
Receipts Over (Under) Disbursements	(16,055)	684
Cash Balance, January 1	<u>40,665</u>	<u>24,610</u>
Cash Balance, December 31	<u>\$ 24,610</u>	<u>\$ 25,294</u>

The accompanying notes to financial statement are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-03

Notes to Financial Statement
For the Period January 1, 2014 to December 31, 2015

1. Summary of Significant Accounting Policy

A. Reporting Entity

A portion of the Magisterial District Court #31-2-03's financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. The remaining financial activity is part of other governmental entities. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts and Disbursements and Changes in Cash Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

C. Administrative Guidelines

An automated *Clerical Procedures Manual* is published by the Administrative Office of Pennsylvania Courts (AOPC). Each magisterial district court is required to follow the procedures mandated under the authority of Rule 505 of the Pennsylvania Rules of Judicial Administration.

D. Magisterial District Judge During the Audit Period

Donna R. Butler was the Magisterial District Judge for the period January 1, 2014 to December 31, 2015.

2. Server Fees

Constables receive payment for services rendered from two sources. The magisterial district judge pays the constable for services rendered and recovers the cost from the defendant when the case is paid-in-full. However, when the defendant is found not guilty, sentenced to confinement, or cannot pay the assessments, the County of Lehigh pays the constable. As such, the costs represented in the financial statements are not inclusive of server costs incurred and paid for by the County of Lehigh.



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JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Donna R. Butler
Magisterial District Court #31-2-03
106 Main Street
Emmaus, PA 18049

We have audited the financial statements of Magisterial District Court #31-2-03 for the period January 1, 2014 to December 31, 2015 and have issued our report thereon dated October 14, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered Magisterial District Court #31-2-03's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Receipts and Disbursements and the Changes in Cash Balance but not for the purpose of expressing an opinion on the effectiveness of the Magisterial District Court #31-2-03's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-2-03's internal control over financial reporting.

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 misstatements on a timely basis. A significant deficiency is a deficiency, or 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the Magisterial District Court #31-2-03's financial statements are free of material misstatement, we performed tests of its 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Magisterial District Court #31-2-03 in a separate section titled "*Schedule of Prior Audit Findings and Recommendations*".

The Magisterial District Court #31-2-03 management's response to the findings identified in our audit are included in this report. We did not audit the Magisterial District Court #31-2-03 management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and other affected county offices and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Glenn Eckhart
County Controller

October 14, 2016
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-03

Schedule of Audit Findings and Recommendations

1. Approval of Voided Cash Receipts

Condition: Not all voided cash receipts were approved by management. A sample of 34 voided cash receipt transactions were selected for testing and 12 lacked written management approval. Current magisterial district court practices require that an office manager initial or sign-off on voided cash receipts. In the event that the office manager voids a cash receipt, the residing magisterial district judge is responsible for approving the void.

Recommendation: Voided cash receipt transactions should be approved by an appropriate individual to ensure proper management oversight.

COMMONWEALTH OF PENNSYLVANIA



DONNA R. BUTLER

MAGISTERIAL DISTRICT JUDGE

MAGISTERIAL DISTRICT
31-2-03
PARTS OF LOWER MACUNGIE
EMMAUS BOROUGH
MACUNGIE BOROUGH

106 Main Street
Emmaus, PA 18049

PHONE: 610-967-2888
FAX: 610-966-5686

OFFICE HOURS
8:30 AM TO 4:15 PM

October 14, 2016

Response to Financial Audit for January 1, 2014 to December 31, 2015

Glenn Eckhart, County Controller
17 S. Seventh Street
Allentown, PA 18101-2400

Dear Controller Eckhart,

This office has received a copy of the financial audit of Magisterial District Court 31-2-03. Please include these comments in the final audit report.

This court is often a one-person court, with either the office manager or the clerical technician working alone to serve not only the counter and phone demands, but also the demands of the MDJ. When this situation arises, the clerk is often busy and may tend to make a mistake in entering a payment. This is not to excuse the possibility of a much-needed void, but to explain why mentioning a void may be overlooked that day and completely overlooked for approval.

In order to avoid such mistakes in the future, a double-check system will be in place. I will personally initial the daily deposit (as is currently the practice) and inspect the transactions that had occurred that day. Additionally, the person responsible for the monthly reconciliation with bank records will assure that the daily deposits are in numerical order within the monthly file, and all transactions will be checked to see that voids are properly approved. I believe that this system will fully correct any of the problems that had to be addressed within this audit.

In addition to noting that there was a lack of approval of the voids, I did want to mention that the cash findings for the court were all in accordance with proper compliance according to auditing standards. There were no funds missing or deficient, and no overages during this period. So even though there were voids that had not been approved by a supervisor, there were no problems with the monetary balances recorded and deposited.

Thank you for the opportunity to respond to the audit. I believe that the above-mentioned procedures will fully address the finding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Donna R. Butler".

Donna R. Butler
Magisterial District Judge

Cc: H. Gordon Roberts