



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: November 7, 2016
RE: Audit of Magisterial District Court #31-1-08

We have completed a financial audit of Magisterial District Court #31-1-08, County of Lehigh, Pennsylvania for the period January 1, 2014 to December 31, 2015. Our audit report number 16-36 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-1-08.
- Some defendant's payments are not accepted nor receipted by order of the Magisterial District Judge. No audit trail exists for these transactions.

Attachment

MDJ/POCHRON

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-08

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

REPORT NO 16-36

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-08

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Magisterial District Judge Michael J. Pochron
Magisterial District Court #31-1-08
3000 South Pike Avenue
Allentown, PA 18103

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-1-08 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 #31-1-08'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 #31-1-08 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 #31-1-08 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 Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2016 on our consideration of Magisterial District Court #31-1-08'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 black ink, appearing to read 'Glenn Eckhart', with a long horizontal stroke extending to the right.

GLENN ECKHART
County Controller

Audited by Zachary Effting

October 20, 2016
Allentown, Pennsylvania

Final Distribution:

Allentown Parking Authority
Auditor General of Pennsylvania
Board of Commissioners
Borough of Fountain Hill
City of Allentown
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
H. Gordon Roberts, Magisterial District Judge Administrator
Salisbury Township
Salisbury School District
Andrew Simpson, AOPC

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-08

*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	\$ 957,300	\$ 794,595
Bank Account Interest	<u>113</u>	<u>91</u>
Total Receipts	<u>957,413</u>	<u>794,686</u>
 Disbursements:		
Pennsylvania Department of Revenue - Costs & Fines	618,370	524,409
Lehigh County Fiscal Office – Costs and Fines	142,880	124,574
Salisbury Township – Costs and Fines	74,924	73,854
Refunds	57,309	32,424
Server Fees (NOTE 2)	26,974	25,611
Allentown Parking Authority – Costs and Fines	10,623	7,472
Restitution	7,755	5,416
Allentown City – Costs and Fines	6,000	7,295
Fountain Hill Borough – Costs and Fines	1,951	704
Salisbury School District – Costs and Fines	475	653
Pennsylvania Department of Revenue - Interest	<u>113</u>	<u>91</u>
Total Disbursements	<u>947,374</u>	<u>802,503</u>
 Receipts Over (Under) Disbursements	10,039	(7,817)
 Cash Balance, January 1	<u>41,578</u>	<u>51,617</u>
 Cash Balance, December 31	<u>\$ 51,617</u>	<u>\$ 43,800</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-08

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 #31-1-08'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

Michael Pochron 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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Magisterial District Judge Michael J. Pochron
Magisterial District Court #31-1-08
3000 South Pike Avenue
Allentown, PA 18103

We have audited the financial statements of Magisterial District Court #31-1-08 for the period January 1, 2014 to December 31, 2015 and have issued our report thereon dated October 20, 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 #31-1-08'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 #31-1-08's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-1-08'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 #31-1-08'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 #31-1-08 in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

The Magisterial District Court #31-1-08 management's response to the findings identified in our audit are included in this report. We did not audit the Magisterial District Court #31-1-08 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.

A handwritten signature in black ink, appearing to read 'Glenn Eckhart', with a stylized, sweeping flourish at the end.

GLENN ECKHART
County Controller

October 20, 2016
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-08

Schedule of Audit Findings and Recommendations

1. Funds Received Are Not Always Receipted

Condition: Under specific circumstances, checks received in the mail for under \$50 were not receipted, and instead were mailed back to the defendant. While this policy was enacted to provide better instructions to those accused, cash handling best practices cite that all collected monies should be receipted immediately and deposited daily. The basis for always receipting collected funds is to establish accountability, create an audit trail, and allow for approval/review.

Recommendation: All cash and checks received, whether received over-the-counter or by mail, should be promptly receipted and subsequently deposited.

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-08

Schedule of Prior Audit Findings and Recommendations

1. Outstanding Checks Not Marked As Stale In A Timely Manner

Condition: There were eight checks totaling \$336.96 that were outstanding for more than six months issued between January 1, 2014 and December 31, 2015. Current Magisterial Court office practices, established by the County of Lehigh's Magisterial District Judge Administrator is to declare checks as stale after six months from the date of issue.

Recommendation: All checks issued by the Magisterial District Courts of the 31st Judicial District that remain outstanding (not cashed) after six months should be escheated.

Current Status: Management has adequately addressed the condition.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF LEHIGH

SALISBURY TOWNSHIP &
ALLENTOWN WARD 16

MICHAEL J. POCHRON
MAGISTERIAL DISTRICT JUDGE

Magisterial District 31-1-08
3000 S. Pike Ave, Suite A
Allentown, PA 18103

OFFICE:
TEL 610-797-8724
FAX 610-797-1401

To: Glenn Eckhart - Lehigh County Controller
Fr: Michael J. Pochron, Magisterial District Judge
Re: Lehigh County Audit 2014-2015 – Management Response
Date: October 20, 2016

Recently the Lehigh County Controller's Office undertook an audit of District Court 31-1-08. It was noted in the audit report draft that the single finding from a prior audit period had been corrected. In addition, a single audit finding was included in this most recent audit and listed as "Funds Received Are Not Always Receipted". This management response is intended to address this single audit issue.

Specifically, the audit finding notes that "under specific circumstances, checks received in the mail for under \$50 were not receipted, and instead were mailed back to the defendant.best practices cite that all collected monies should be receipted immediately and deposited daily." I would note that this assertion, on numerous levels, is incorrect. While this issue was addressed at the audit exit conference I am now mandated to once again note why this assertion by the Controller's Office is incorrect.

Pa.R.Crim.P. 408 (A)(1) Not Guilty Pleas-A defendant may plead not guilty by appearing before the issuing authority, entering a plea and depositing such collateral for appearance at trial as the issuing authority shall require; or (2) notifying the issuing authority in writing of the plea and forwarding as collateral for appearance at trial an amount equal to the fine and costs specified in the citation plus any additional fee required by law. If the fine and costs are not specified the defendant shall forward the sum of \$50 as collateral for appearance at trial. Pa.R.Crim.P.452 (E) Collateral to be released on recognizance or to request a lower amount of collateral, the defendant must appear personally before the issuing authority to enter a plea as provided in rule 408. The policy of this office was created to comply with these rules.

Pa.R.Crim.P. 424(C) (5) – Guilty Pleas directs that (the MDJ shall)"provide for installment payments when a defendant who is sentenced to pay a fine and costs.....". It is clear that the Magisterial District Judge has a requirement to establish payment plans and when a guilty plea is received in the mail and is for less than a full payment amount then a payment plan must be established. Because the Rule is silent on the procedure on any funds forwarded to the district court with a plea that is less than the full amount of the fines and costs due the Magisterial District Judge has

discretion on how to handle that issue. In the audit it was noted that the district court upon the receipt of funds "under specific circumstances" must deposit the funds. I would note that there are several circumstances that occur on a regular basis where funds are returned or refused including, but not limited to, postdated checks, when the funds listed in the numerical listing do not match the written amount, damaged checks, significant amounts of loose change and several other circumstances. In the audit finding it was noted that ""all collected monies should be receipted immediately". I would note that as in the situations stated above where funds are refused (such as large amounts of unwrapped coins) the issue is that the funds were not collected but refused. Funds are not collected until the time they are deposited or a receipt is issued. Because the Pennsylvania Rules of Court specifically address the issue of payment plans in the Rule for Guilty Pleas as well as in the Rules relating to the issuance of bench warrants it is my opinion that the discretion of the Magisterial District Judge to return the funds and the plea to ensure that the defendant is "knowingly" making a plea of guilty to an offense is paramount.

Lastly, I would note that in the course of discussions at the exit conference I had made a determination to review my current policy, in conjunction with the Pennsylvania Rules of Court on the refusal of mailed payments that don't meet the full payment of fines and costs. Because of the issues listed above as well as this being a first time notification and discussion on this subject to this District Court by the Lehigh County Controller's Office I would opine that, at the very most, this audit issue should have been a verbal point to be reviewed for correction in future audits.

Michael J. Pochron

A handwritten signature in cursive script that reads "Michael J. Pochron".

Magisterial District Judge
District Court 31-1-08