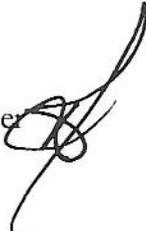




COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 820-3335

**TO:** Final Report Distribution  
**FROM:** Thomas Slonaker, County Controller   
**DATE:** July 29, 2008  
**RE:** Lehigh County Magisterial District Court Audit Summary

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We have recently completed financial audits of each Lehigh County magisterial district court for the calendar years ended December 31, 2006 and 2007. Separate written reports were sent to each magisterial district judge. A summary of "*Statement of Receipts, Disbursements, and Changes in Cash Balance*" appears on page two. Our audit report number 08-55 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from the magisterial district courts.
- The magisterial district judges are in general compliance with the applicable financial AOPC guidelines.
- The AOPC does not provide the magisterial district courts with a report that details all case balance adjustments entered into the AOPC computer system.
- Improve cash management – acceptance of credit and debit cards.
- Incomplete IRS Form 1096 and 1099 MISC.
- Checks listed as outstanding for more than 60 days.

Attachment

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**OFFICE OF THE CONTROLLER**  
**MAGISTERIAL DISTRICT COURT SUMMARY REPORT**

*For the Calendar Years Ended December 31, 2006 and 2007*

REPORT NO. 08-55

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT SUMMARY REPORT

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COUNTY OF LEHIGH  
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(610) 782-3082 FAX: (610) 820-3335

H. Gordon Roberts  
Magisterial District Judge Administrator  
Lehigh County Courthouse  
455 W Hamilton Street  
Allentown, PA 18101-1614

We have recently completed financial audits of each Lehigh County magisterial district court for the calendar years ended December 31, 2006 and 2007. As you know, separate written reports were sent to each magisterial district judge. A summary "*Statement of Receipts, Disbursements, and Changes in Cash Balance*" for the years ended December 31, 2006 and 2007 appears on page two.

Our overall audit objective was to determine the accuracy of magisterial district court remittances to the county. We conducted our audit in accordance with generally accepted government auditing standards and the fiscal standards of the AOPC Automated Clerical Procedures Manual. Also, we audited the cash handling process and general internal controls at each magisterial district court office. Our audit objective was accomplished through an internal control questionnaire, detail testing of transactions, and discussions with representatives of each magisterial district court.

This summary report discusses issues relevant to policy set by the Magisterial District Judge Administrator. Issues relating to individual magisterial district court offices were previously discussed in separate reports to the respective magisterial district court office.

We appreciate the cooperation received from the magisterial district courts and court administrative personnel.



THOMAS SLONAKER  
County Controller

June 26, 2008  
Allentown, Pennsylvania

Final Distribution:

Auditor General of Pennsylvania  
Board of Commissioners  
Donald T. Cunningham, Jr., County Executive  
Brian L. Kahler, Fiscal Officer

Magisterial District Judges  
The Honorable William H. Platt, President Judge  
Kathy Sauter, AOPC  
Susan T. Schellenberg, Court Administrator

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT SUMMARY REPORT

*Statement of Receipts, Disbursements,  
and Changes in Cash Balance  
for the Years Ended December 31, 2006 and 2007  
(NOTE 1)*

	<u>2006</u>	<u>2007</u>
Receipts :		
Office Receipt Activity	\$ 10,155,072	\$ 10,588,574
Bank Account Interest	2,110	2,308
	-----	-----
Total Receipts .....	10,157,182	10,590,882
	-----	-----
Disbursements:		
Commonwealth of PA - Costs, Fines, and Interest	4,470,003	4,723,714
Municipalities – Fines	1,919,039	1,912,545
Other (NOTE 2)	1,874,022	1,990,589
County of Lehigh – Costs and Fines	1,870,215	1,927,337
	-----	-----
Total Disbursements .....	10,133,279	10,554,185
	-----	-----
Receipts Over/(Under) Disbursements .....	23,903	36,697
Cash Balance, January 1 .....	459,947	483,850
	-----	-----
Cash Balance, December 31 .....	\$ 483,850	\$ 520,547
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT SUMMARY REPORT

*Notes to Financial Statement  
For the Years Ended December 31, 2006 and 2007*

1. **Summary of Significant Accounting Policy**

**A. Reporting Entity**

All 14 Magisterial District Court'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. 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.

2. **Other Disbursements**

Other disbursements include refund of overpayments, restitution, refund of bail security, serving costs, and other miscellaneous disbursements.

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT SUMMARY

*Schedule of Audit Findings and Recommendations*

1. No Report Detailing Case Balance Adjustments

**Condition:** The AOPC does not provide magisterial district courts with a report that details all case balance adjustments entered into the AOPC computer system. Case balance adjustments decrease a defendant's balance due and include adjustments for community service, jail time and other court ordered adjustments. Currently, magisterial district court employees have the capability to make case balance adjustments in the AOPC system. Case balance adjustments do not require review or approval from management.

**Recommendation:** We recommend the magisterial district judge administrator contact the AOPC to create a report that can be run by each individual magisterial district court and details all case balance adjustments made. The magisterial district judge administrator should meet with the magisterial district judges and their office managers to implement an approval process for case balance adjustments. The process could be handled similar to the void receipt process, where all voids are approved by either the office manager or the magisterial district judge on a daily basis.

2. Improve Cash Management- Acceptance of Credit and Debit Cards

**Condition:** Currently only one of the 14 magisterial district courts accepts credit and debit cards as a method of paying costs and fines. The AOPC reports that 41% of magisterial district courts in Pennsylvania accept credit and debit cards including many of our surrounding counties such as Berks, Bucks, Chester, Delaware, Lancaster, Montgomery, and York. In theory the ability to accept credit cards would:

- Increase the amount of costs and fines paid in full and on time;
- Decrease the number of defendants paying costs and fines via payment plans;
- Decrease the number of warrants that are issued for defendants who do not pay timely;
- Decrease the county and constable costs associated with unserved warrants and mileage;
- Decrease the number of defendants who are forced to serve jail-time in lieu of payment;
- Decrease the number of bad checks received; and
- Decrease administrative time exhausted on collection efforts.

As of April 2008, the county pays a fee on all credit card payments of 1.75% of sales and 0.10% for each transaction item.

**Recommendation:** We recommend the magisterial district judge administrator meet with the magisterial district justices and their office managers to discuss the costs and benefits of implementing a system to accept credit and debit cards.

3. Incomplete IRS Form 1096 and 1099 MISC

**Condition:** During our individual audits of the magisterial district courts, we noted that most of the magisterial district courts did not include the “Payer’s Federal Identification Number” on the IRS Form 1096 and 1099 MISC. Failure to identify the employer to the IRS could result in additional administrative burden for the county fiscal office and could result in IRS fines.

We appreciate the magisterial district judge administrator’s efforts to communicate the IRS requirements after the last round of magisterial district court audits.

**Recommendation:** The magisterial district judge administrator should reinstruct all magisterial district courts to use Lehigh County’s federal identification number 23-1663078. Also, we suggest the MDJ office managers adopt the fiscal office practice of sending the 1096 certified mail with return receipt.

4. Checks Listed as Outstanding for More Than Sixty Days

**Condition:** During our individual audits of the magisterial district courts, we noted that all magisterial district courts do not follow the “Stale Check” procedure in the Administrative Office of Pennsylvania Court’s (AOPC) Automated Clerical Procedures Manual. The AOPC stale check procedure states: “If a check issued by the Magisterial District Judge is outstanding (not cashed) after 60 days, the check must be marked stale in the Magisterial District Justice System.” Current magisterial district court practice established by the County of Lehigh’s magisterial district judge administrator is to declare checks stale after six months from the date of issuance.

The condition was noted in our previous audit report #07-05 issued January 11, 2007. Your January 4, 2007 response was: “This issue has been discussed on several occasions with the staff of the offices and we will continue to work toward meeting the recommended time frame. I would note that it has been our position that sixty (60) days is an inadequate timeframe relative to the amount of work that is necessary to reimburse the District Courts(s) once a check is cashed after the sixty-day limit. Apparently it is also the position of the Controller’s Office, based upon the comments in the finding, that the timeframe is inadequate. We may review the need for a local administrative Order relative to this procedure.”

**Recommendation:** We agree in concept that 60 days may not be a long enough period to declare an outstanding check “stale”. However, we found no authoritative source granting the magisterial district judge administrator the authority to set fiscal guidelines contrary to the AOPC Manual. We recommend the magisterial district judge administrator seek written permission from the AOPC to declare checks stale after six months. If written permission is not obtained, we recommend the President Judge be asked to issue a local administrative order for the current magisterial district court practices.



COUNTY OF LEHIGH

H. GORDON ROBERTS  
DISTRICT JUSTICE ADMINISTRATOR  
LEHIGH COUNTY COURTHOUSE  
455 W. HAMITON STREET  
ALLENTOWN PA 18101-1614

OFFICE:  
TEL 610-782-3229  
FAX 610-770-6726

MEMORANDUM

To: Thomas Slonaker – County Controller  
Fr: H. Gordon Roberts – MDJ Administrator   
Re: District Court Audit Summary – January 2006-December 2007  
Date: July 9, 2008

I am in receipt of the District Court audit report draft relative to the time periods noted above and appreciate the opportunity to respond to the recommendations included in the document.

After reviewing your summary I would note the following:

1. No Report Detailing Case Balance Adjustments – As noted in your audit finding the AOPC does not currently provide a report for this activity. In addition, because this is a new recommendation, it is certainly a concept we can review with the AOPC. Because the request to the AOPC will be for the issuance of a report on a regular basis, probably to be issued on a daily basis to the MDJ Administrator. It is envisioned that the report will be reviewed for case balance adjustments as the report is received with verifications of the activity by the MDJs in the offices identified by the report activity. Additionally, the reports will be reviewed for possible patterns in adjustment activity.
2. Improved Cash Management - Acceptance of Credit Cards – What your report does not note is that the one Lehigh County District Court that utilizes credit card payments had been, until recently, the Consolidated Parking Court. This District Court, which encompassed the other daily operations of District Court 31-1-03, was the consolidation point for all parking citations within the City of Allentown. The economy of scale based on the volume of cases within this District Court made the use of credit cards very feasible. After the recent dismantling of the Consolidated Parking Court and the redistribution of that workload back to the remaining District Court offices, a review of the credit card program occurred.

The AOPC has been reviewing the prospect of a statewide credit card program. It was anticipated that the economy of scale of a statewide level credit card program would have minimal cost impact on the counties. Currently, the counties you note in the audit summary have purchased or lease their credit card equipment, in addition to the paying fees for sales and individual transactions. The AOPC is continuing to review the prospect of a statewide credit card program in conjunction with their current re-write of the MDJS computer program. The new rewrite is also anticipated to accept phone and other electronic payment options. A review of the potential costs will be undertaken and reviewed. A determination will then be made to either move forward with an expansion of a credit card program or to wait for the state implemented rewrite of the MDJS computer program.

3. Incomplete IRS Form 1096 and 1099 MISC – As noted, we have attempted to make this issue known to the office managers who prepare the IRS forms at year's end and will update them again in the near future as well as the end of the year when the preparation of these forms will occur again.
4. Checks Listed as Outstanding for More Than Sixty Days – the issue will be reviewed in 2008 to determine options on extending the sixty day guideline established by the AOPC. It is planned to discuss this further with the President Judge and determine a course of action within the next sixty (60) days.