



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: September 11, 2018
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, 2016 to December 31, 2017. Our audit report number 18-25 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.

Attachment

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

Financial Audit
For the Period January 1, 2016 to December 31, 2017

REPORT NO. 18-25

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

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Magisterial District Court #31-2-03's Response	No Response



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

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Magisterial District Court #31-2-03 for the years January 1, 2016 to December 31, 2017 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules 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 management's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the Schedules.

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

Opinion on the Schedules

In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Magisterial District Court #31-2-03 for the years January 1, 2016 to December 31, 2017, in accordance with the U.S. generally accepted accounting principles. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Prior Audit Findings and Recommendations*".

As discussed in Note 1, the Schedules 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 Schedules present only the Magisterial District Court 31-2-03's 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 years January 1, 2016 to December 31, 2017 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2018 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* in considering management's internal control over financial reporting and compliance.



GLENN ECKHART
County Controller

September 5, 2018
Allentown, Pennsylvania

Audited by: Daniel Aquilino and Thomas Grogan

Final Distribution:

Phillips Armstrong, County Executive
Auditor General of Pennsylvania
Alburtis Borough
Board of Commissioners
East Penn School District
Emmaus Borough
Edward Hozza, Director of Administration
Lower Macungie Township
Macungie Borough
Timothy Reeves, Fiscal Officer
The Honorable Edward D. Reibman, President Judge
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew Simpson, AOPC
Upper Macungie 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, 2016 to December 31, 2017*
(NOTE 1)

	<u>2016</u>	<u>2017</u>
Receipts:		
Office Receipt Activity	\$ 471,339	\$ 512,071
Bank Account Interest	13	0
	-----	-----
Total Receipts	471,352	512,071
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs & Fines	318,065	349,941
County of Lehigh – Costs and Fines	75,520	80,630
Emmaus Borough – Costs and Fines	23,313	23,751
Refunds	21,945	21,138
Server Fees (NOTE 2)	18,137	21,049
Macungie Borough – Costs and Fines	10,537	15,386
East Penn School District – Costs and Fines	4,023	1,855
Restitution	2,346	2,717
Lower Macungie Township – Costs and Fines	1,122	1,361
Upper Macungie Township – Costs and Fines	13	33
Commonwealth of Pennsylvania - Interest	13	0
Alburtis Borough	0	13
	-----	-----
Total Disbursements	475,034	517,874
	-----	-----
Receipts Over (Under) Disbursements	(3,682)	(5,803)
Cash Balance, January 1	25,294	21,612
	-----	-----
Cash Balance, December 31	\$ 21,612	\$ 15,809
	=====	=====

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, 2016 to December 31, 2017

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, 2016 to December 31, 2017.

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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106 Main Street
Emmaus, PA 18049

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Magisterial District Court #31-2-03 for the years January 1, 2016 to December 31, 2017 (hereinafter referred to as the Schedules) and have issued our report thereon dated September 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered Magisterial District Court 31-2-03's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that 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. 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 to those charged with governance.

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. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Magisterial District Court 31-2-03's Schedules 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*. Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

Management's Response to the Audit

We noted certain matters that we reported to the management of Magisterial District Court #31-2-03 in a separate section titled "*Schedule of Prior Audit Findings and Recommendations*". If provided, the Magisterial District Court 31-2-03's response to our audit is included in this report. We did not audit Magisterial District Court 31-2-03's response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Magisterial District Judge, the Court, others within the entity, 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

September 5, 2018
Allentown, PA

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

Schedule of Prior Auditing Findings and Recommendations
(Audit Report #16-35)

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.

Auditee Response: 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.

Current Status: The audit testing of 23 sampled voids in 2016 and 2017 confirmed that the magisterial district judge has been adequately approving voids in the daily deposit reports, as discussed in the response from the prior audit.