



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
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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: July 28, 2014
RE: Audit of Magisterial District Court #31-1-02

We have completed a financial audit of Magisterial District Court #31-1-02, County of Lehigh, Pennsylvania for the period January 1, 2012 to December 31, 2013. Our audit report number 14-11 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-1-02.
- The magisterial district judge is in general compliance with the applicable financial AOPC guidelines.
- Issues raised in prior audit have been addressed.

Attachment

MDJ/SANTIAGO

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

Financial Audit
For the Period January 1, 2012 to December 31, 2013

REPORT NO. 14-11

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

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JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Rashid Santiago
Magisterial District Court #31-1-02
1216 Liberty Street
Allentown, PA 18102

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-1-02 for the period January 1, 2012 to December 31, 2013 as listed in the Table of Contents. The financial statements are the responsibility of Magisterial District Court #31-1-02'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 #31-1-02 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, 2012 to December 31, 2013 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 #31-1-02 for the period January 1, 2012 to December 31, 2013, 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 July 21, 2014 on our consideration of Magisterial District Court #31-1-02'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.



GLENN ECKHART
County Controller

July 21, 2014
Allentown, Pennsylvania

Final Distribution:

Allentown Parking Authority
Allentown School District
Auditor General of Pennsylvania
Board of Commissioners
City of Allentown
Daniel McCarthy, Director of Administration
The Honorable Carol McGinley, President Judge
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew Simpson, AOPC

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

*Statement of Receipts and Disbursements
and Changes in Cash Balance
for the Period January 1, 2012 to December 31, 2013
(NOTE 1)*

	<u>2012</u>	<u>2013</u>
Receipts:		
Office Receipt Activity	\$ 682,420	\$ 655,904
Bank Account Interest	79	70
	-----	-----
Total Receipts	682,499	655,974
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs & Fines	223,997	212,880
County of Lehigh – Costs and Fines	160,708	151,726
Allentown Parking Authority – Costs and Fines	121,984	112,597
Server (NOTE 2)	86,711	90,175
City of Allentown – Costs and Fines	54,374	48,986
Restitution	27,454	20,408
Refunds	12,785	14,652
Allentown School District - Costs and Fines	2,349	869
Commonwealth of Pennsylvania - Interest	79	70
	-----	-----
Total Disbursements	690,441	652,363
	-----	-----
Receipts Over (Under) Disbursements	(7,942)	3,611
Cash Balance, January 1.....	45,363	37,421
	-----	-----
Cash Balance, December 31	\$ 37,421	\$ 41,032
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

Notes to Financial Statement
For the Period January 1, 2012 to December 31, 2013

1. Summary of Significant Accounting Policy

A. Reporting Entity

A portion of the Magisterial District Court #31-1-02'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

The magisterial district judge position for the period January 1, 2012 to December 31, 2013 was vacant and covered by various Senior Magisterial District Judges.

2. Server Costs

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 Rashid Santiago
Magisterial District Court #31-1-02
1216 Liberty Street
Allentown, PA 18102

We have audited the financial statements of Magisterial District Court #31-1-02 for the period January 1, 2012 to December 31, 2013 and have issued our report thereon dated July 21, 2014. 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 #31-1-02'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 #31-1-02's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-1-02'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 #31-1-02'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 #31-1-02 in a separate section titled "*Schedule of Prior Audit Findings and Recommendations*".

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

July 21, 2014
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

Schedule of Prior Audit Findings and Recommendations

1. Checks listed as outstanding for more than six months at year-end

Condition: There were eight checks outstanding for more than six months at December 31, 2011. Current magisterial district court office practices, established by the County of Lehigh's Magisterial District Judge Administrator, is to declare checks stale after six months from the date of issuance.

Recommendation: All checks issued by the Magisterial District Courts of the 31st Judicial District that remain outstanding (not cashed) after six months should be turned over to the Office of Fiscal Affairs.

Management's Response: A review of this issue was undertaken with the office manager and review points during 2013 have been established to ensure compliance to this procedure.

Current Status: Management has adequately addressed the condition.

2. Some payments are not deposited timely

Condition: When an unidentified payment is received, via US mail, and the citation from the issuing authority has not yet arrived at the magisterial district court, the payment is kept in a locked cabinet and not deposited. If citations have not arrived within a week, the payments are returned to the sender. As a result, checks could be lost or misappropriated without detection.

Recommendation: The magisterial district court should follow the Administrative Office of Pennsylvania Courts procedures regarding processing payments without corresponding citations. Mail payments received without corresponding citations should be deposited the same business day and immediately applied as an unidentified remittance. In addition, a file of mail payments received without citations should be maintained by the office to facilitate the proper application of unidentified remittances upon delivery of the missing citations. The use of a tracking file will facilitate the efficient application of unidentified remittances to the corresponding client cases in which the citations relate to.

Management's Response: This rare occurrence occurs when payments are received in the District Court prior to an officer submitting the citations to the District Court for processing. The Pennsylvania Rules of Court allow the officer up to five (5) days to file a citation that has been issued, however, on rare occasion payment may be received in advance of the filing by the officer. A discussion with the office manager concerning this issue has occurred and review points have been established in 2013 to review compliance with the AOPC rule that all deposits are made timely.

Current Status: Management has adequately addressed the condition.

3. Constable payment sheets missing from case files

Condition: We were unable to locate constable payment sheets in the case file documentation. Current magisterial district court office practices require completed and verified payment sheets to initiate payments for processing to the constables and to provide proper internal controls to reduce unauthorized payments.

Recommendation: All case files should include a constable payment sheet or if it reflects many cases, copies should be placed in all the files or at least a note detailing which file contains the documentation.

Management's Response: A review of this issue at the District Court identified two reasons as to why payment documentation was missing at the time of auditing. First, under the direction of former MDJ Maryesther Merlo often times the paperwork from Constables, which required her authorization and approval for payment went unattended for long periods of time. In addition, at the time a constable made notification to the District Court that contact with a defendant had been made, for purposes of recording actions taken on criminal warrants, payment may have been processed based on the entry to the MDJS at the time of the notification and the required paperwork to document the details of the contact may not have been filed by the Constable. This issue has been addressed with the office manager. A plan to review the constable payment process for the office will be scheduled.

Current Status: Management has adequately addressed the condition.

4. Insufficient case file documentation

Condition: Our review of case file adjustments found that "post-it" notes were used to support case balance adjustments. Since adjustments may amount to substantial amounts, appropriate documents with detailed explanations should be utilized. Otherwise, errors or omissions could occur and not be detected.

Recommendation: Management should implement a procedure whereby case balance adjustments are not to be entered without adequate documentation. Documentation should be letter size, include a detailed explanation (names, dates, and amounts) and be signed and dated by the magisterial district judge. Additional documents may include community service logs and jail commitment sheets.

Management's Response: Case balance adjustments such as jail time compensation or community service were "documented" by former MDJ Maryesther Merlo in lieu of case file notes and written/signed adjustments in the case file(s). Senior MDJ's, who are currently assigned to the office on a rotating schedule, as well as whomever is ultimately elected to fill the current vacancy will be advised of this situation and directed as to proper case balance adjustment documentation.

Current Status: Management has adequately addressed the condition.