




COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
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THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Thomas Slonaker, County Controller
DATE: November 8, 2010
RE: Lehigh County Magisterial District Court Audit Summary



We have recently completed financial audits of each Lehigh County magisterial district court for the calendar years ended December 31, 2008 and 2009. 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 10-64 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.
- Internal controls need to be improved for: cash handling, cash balance adjustments, and citation docketing.
- Case balance adjustment documentation needs improvement.
- Warrants outstanding for over 60 days (over 49,000) should be recalled.

Attachment

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

For the Calendar Years Ended December 31, 2008 and 2009

REPORT NO. 10-64

COUNTY OF LEHIGH; PENNSYLVANIA
MAGISTERIAL DISTRICT COURT SUMMARY REPORT

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*From controller's office report #08-55, issued on July 29, 2008, covering the years ended December 31, 2006 and 2007.



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H. Gordon Roberts
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We have recently completed financial audits of each Lehigh County magisterial district court for the calendar years ended December 31, 2008 and 2009. 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, 2008 and 2009 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

October 26, 2010
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
Andrew M. Simpson, 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, 2008 and 2009
(NOTE 1)*

	<u>2008</u>	<u>2009</u>
Receipts :		
Office Receipt Activity	\$ 10,986,834	\$ 10,414,453
Bank Account Interest	2,349	1,670
	-----	-----
Total Receipts	10,989,183	10,416,123
	-----	-----
Disbursements:		
Commonwealth of PA - Costs, Fines, and Interest	4,817,174	4,520,282
Municipalities – Fines	1,926,869	1,787,777
Other (NOTE 2)	2,167,028	2,031,039
County of Lehigh – Costs and Fines	2,047,242	2,110,099
	-----	-----
Total Disbursements	10,958,313	10,449,197
	-----	-----
Receipts Over/(Under) Disbursements	30,870	(33,074)
Cash Balance, January 1	520,547	551,417
	-----	-----
Cash Balance, December 31	\$ 551,417	\$ 518,343
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT OFFICES SUMMARY REPORT

Notes to Financial Statement
For the Years Ended December 31, 2008 and 2009

1. Summary of Significant Accounting Policy

A. Reporting Entity

The 14 Magisterial District Courts' 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.

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 OFFICES SUMMARY REPORT

Schedule of Audit Findings and Recommendations

1. **Summary of reported findings**

Condition: We found no material deficiencies during our financial audits of the Magisterial District Judges for the years ended December 31, 2008 and 2009. We did however find control deficiencies related to cash handling and case balance adjustments, which are explained in detail in separate written reports sent to each magisterial district judge.

Recommendation: Our recommendations included strengthening cash handling internal controls, enhancing case balance adjustment documentation, and timely review and approval of case balance adjustment transaction reports.

2. **Outstanding Warrants**

Condition: We found the magisterial district courts offices has over 49,000 in warrants outstanding for over 60 days. The AOPC recommends outstanding warrants be returned within 30 days of issuance for criminal cases and 60 days for summary traffic and non-traffic cases.

Court administration has implemented a program in April 2010 to recall "stale" warrants before the migration to the new automated accounting system in August 2011.

Recommendation: Court administration should monitor progress by requesting a monthly count of warrants outstanding over 60 days from each office.

3. **Inadequate Control Over Citations**

Condition: There is no procedure to ensure citations delivered to magisterial district offices are docketed. A citation could be lost or stolen before it is docketed (entered into the automated accounting system) and not be detected in the normal course of business operations. An adequate control would enable timely detection of missing citations.

Recommendation: Court administration should instruct offices to provide to issuing agencies a weekly list from the automated accounting system of dockets entered. This would enable verification of entry by the issuing agency. We also recommend each office maintain a log tracking the weekly list distributions.

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT OFFICES SUMMARY REPORT

Schedule of Prior 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.

Response: 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.

Current Status: The AOPC added the "Adjustment Transaction Report" to the automated accounting system in October, 2008. Magisterial district court management is responsible for monthly review and approval of the report.

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 judges and their office managers to discuss the costs and benefits of implementing a system to accept credit and debit cards.

Response: 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 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.

Current Status: Credit and debit card payment options are now available via the internet. Processing fees are paid by the remitters.

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.

Response: 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.

Current Status: Recommendation has been implemented.

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 Judge 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.

Response: 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.

Current Status: A court order was issued in August 2008 extending the stale check policy to checks not cashed after six months. During the audit period we found 337 stale checks amounting to \$4,448.82. The majority were marked as stale during the month following the six month period.

COMMONWEALTH OF PENNSYLVANIA




COUNTY OF LEHIGH

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

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MEMORANDUM

To: Thomas Slonaker, County Controller

Fr: H. Gordon Roberts – MDJ Administrator 

Re: Response to the Magisterial District Court Summary Report
December 31, 2008 and 2009

Date: October 26, 2010

Please accept this as my comments to the report noted above for inclusion into the final copy.

1. Deficiencies related to Cash Handling and Case Balance Adjustments - The audit did find examples in a limited number of offices related to cash handling issues and one office specifically as it relates to cash balance adjustments. The issues specific to cash handling issues including combining petty cash, reconciliation of daily receipts and verifying operating (petty) cash have been addressed with the offices. With the exception of two offices which each have a staff of two employees the issues related to these findings have been rectified. The two staff person offices continue to operate without separate petty cash funds because of the difficulty in utilizing the limited funds when it is necessary to operate the office with a single employee. These occasions arise with medical and annual leave time as well as on a daily basis with scheduled breaks and lunch breaks.
2. Outstanding warrants – As noted in the audit report this office developed and is instituting a plan in an attempt to reduce the volume of outstanding warrants to meet both the AOPC recommendation as well as prepare for the migration to a new State mandated computer system in the District Courts. This migration is scheduled for August, 2011.
3. Inadequate Control Over Citations – While some options may exist for providing the appearance of control over citations brought to the District Courts by police departments it is necessary for the municipalities to take an active role in this

process. An accounting for the citations issued to officers and ultimately brought to the District Court for docketing needs to be an interest of the municipal authorities who also have an interest in assuring citations that are issued are processed and have a final disposition. Certainly the district courts can provide some procedures for the office staff but an accounting for what was delivered to the Court needs to be reviewed. A review of the procedures currently used by one municipality may be suggested for use to other municipalities for implementation.