



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: September 28, 2016
RE: Audit of Magisterial District Court #31-1-04

We have completed a financial audit of Magisterial District Court #31-1-04, County of Lehigh, Pennsylvania for the period January 1, 2014 to December 31, 2015. Our audit report number 16-29 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-1-04.
- The Magisterial District Judge is in general compliance with the applicable financial AOPC guidelines.

Attachment

MDJ/HOWELLS

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-04

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

REPORT NO. 16-29

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-04

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JOHN A. FALK
DEPUTY CONTROLLER

MDJ David M. Howells, Jr.
Magisterial District Court #31-1-04
1501 Lehigh Street, Suite 104
Allentown, PA 18103

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-1-04 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 #31-1-04'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 #31-1-04 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 #31-1-04 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 Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2016 on our consideration of Magisterial District Court #31-1-04'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 dark ink, appearing to read 'Glenn Eckhart', with a long horizontal stroke extending to the right.

GLENN ECKHART
County Controller

September 16, 2016
Allentown, Pennsylvania

Audited by: Thomas Schweyer and Daniel Aquilino

Final Distribution:

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-04

*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	\$707,056	\$727,330
Bank Account Interest	77	71
	-----	-----
Total Receipts	707,133	727,401
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs & Fines	318,705	341,470
County of Lehigh – Costs and Fines	133,906	146,704
Server Fees (NOTE 2)	113,605	116,546
Allentown City – Costs and Fines	50,104	44,421
Allentown Parking Authority – Costs and Fines	27,206	32,600
Refunds	26,592	28,880
Restitution	17,805	21,054
Allentown School District - Costs and Fines	6,450	3,031
Interest Paid to State	77	71
	-----	-----
Total Disbursements	694,450	734,777
	-----	-----
Receipts Over (Under) Disbursements	12,683	(7,376)
Cash Balance, January 1	33,306	45,989
	-----	-----
Cash Balance, December 31	\$45,989	\$ 38,613
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-04

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 #31-1-04'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 government 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

David M. Howells, Jr. 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 pain-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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MDJ David M. Howells, Jr.
Magisterial District Court #31-1-04
1501 Lehigh Street, Suite 104
Allentown, PA 18103

We have audited the financial statements of Magisterial District Court #31-1-04 for the period January 1, 2014 to December 31, 2015 and have issued our report thereon dated September 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government accounting 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 #31-1-04'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 #31-1-04's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-1-04'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 #31-1-04'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 one matter that we reported to management of Magisterial District Court #31-1-04 in a separate section titled "*Schedule of Prior Audit Findings and Recommendations*".

Magisterial District Court #31-1-04 and the Magisterial District Judge Administrator's responses are included in this report. We did not audit Magisterial District Court #31-1-04 and the Magisterial District Judge Administrator's response and, accordingly, we do not express an 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 dark ink, appearing to read 'GE' followed by a stylized surname, likely 'Eckhart'.

GLENN ECKHART
County Controller

September 16, 2016
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-04

Schedule of Prior Audit Findings and Recommendations

1. Checks Listed as Outstanding for More Than Six Months at Year End

Condition: There were seven checks outstanding for greater than six months each between January 1, 2014 and December 31, 2015. 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 escheated.

Management Response (MDJ Howells): I have reviewed the audit and concur with the finding that seven checks were not escheated to the county within the time required for doing so. I do note that all checks were escheated prior to the audit; however, recognizing not within the 180 days as required. I also note no irregularities or fraud involved management, employee, or others were discovered and there were no violations or possible violations of laws or regulations, county ordinances, or AOPC guidelines. That being said, as a result of this audit I have determined the following:

There was no Standard Operating Procedure (SOP) or checks and balances to identify outstanding checks to be escheated.

The office manager had to rely on her memory to periodically review the outstanding check report to escheat checks issued more than 6 months.

The office manager acknowledges that she was aware of this requirement as it has been a topic of discussion in meetings with Mr. H. Gordon Roberts, MDJ Administrator, and her fellow office managers.

As a result of this audit, I have developed and implemented an SOP to identify outstanding checks of more than 180 days so they may be timely escheated to the county. Each month I along with the office manager will at the time of the monthly bank reconciliation will review all checks outstanding and note the dates of issued. Once a check is outstanding for more than 90 days it will at that time be escheated to the county. I will not sign off on any bank reconciliation paperwork without first reviewing the outstanding check report and seeing that any checks due to escheat have been so done. I am confident that this new procedure will be effective.

Management Response (H. Gordon Roberts, MDJ Administrator): A review of the follow-up information showed a total of seven (7) checks, valued at \$468.94 had not been escheated timely to the County. The time period for these checks was varied throughout the audit period with two originating in July 2011, one in February 2012, one in May 2012, one in November 2012, and two in December 2012. Although this process was discussed at several meetings of the office managers the review showed a failure to follow through on this procedure by the office management. The District Courts have initiated a program to conduct procedural audits of the district courts and this is one of the areas of review, however, because this program is new the procedural audit of DC 31-1-04 had not yet been conducted. District Court 31-1-04 is undertaking a procedural change in which they will initiate all check escheatment processes every three (3) months to ensure this is not repeated.

Current Status: Management has adequately addressed the condition.