COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER
LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18103-2400
(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 GE.

DATE: September 9, 2014

RE: Audit of Magisterial District Court #31-2-02

We have completed a financial audit of Magisterial District Court #31-2-02, County of Lehigh, Pennsylvania for the period January 1, 2012 to December 31, 2013. Our audit report number 14-19 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-2-02.
- The Magisterial District Judge is in general compliance with the applicable financial AOPC guidelines.
- Checks outstanding for over six months should be escheated per Court Administration policy.

Attachment

MDJ/HAMMOND

COUNTY OF LEHIGH, PENNSYLVANIA

MAGISTERIAL DISTRICT COURT #31-2-02

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

REPORT NO. 14-19

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-02

Table of Contents

COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER
LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18103-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Jacob E. Hammond
Magisterial District Court #31-2-02
3404 Hamilton Boulevard
Allentown, PA 18103

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-2-02 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 #31-2-02'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 #31-2-02 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 #31-2-02 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 Audit Findings and Recommendations"*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2014 on our consideration of Magisterial District Court #31-2-02'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

August 28, 2014
Allentown, Pennsylvania

Final Distribution:
Allentown School District
Auditor General of Pennsylvania
Board of Commissioners
Catasauqua Area School District
East Penn School District
Daniel McCarthy, Director of Administration
The Honorable Carol K. McGinley, President Judge
Tom Muller, County Executive
North Whitehall Township
Northwestern Lehigh School District
Parkland School District
Parkland Tax Office
Timothy Reeves, Fiscal Officer
H. Gordon Roberts, Magisterial District Judge Administrator
Salisbury School District
Andrew Simpson, AOPC
South Whitehall Township
South Whitehall Township Tax Office
Southern Lehigh School District
Whitehall-Coplay School District

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-02

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

	2012	2013
Receipts:		
Office Receipt Activity	$ 982,334	$ 1,056,302
Bank Account Interest	105	112
Total Receipts	982,439	1,056,414
Disbursements:		
Pennsylvania Department of Revenue-Costs & Fines	598,906	630,935
Lehigh County Fiscal Office–Costs and Fines	160,744	165,540
South Whitehall Township – Costs and Fines	70,952	77,948
Restitution	64,936	73,562
Parkland Tax Office – Costs and Fines	39,811	35,259
Refunds	27,367	36,174
Server (NOTE 2)	23,943	21,685
North Whitehall Township – Costs and Fines	6,794	5,586
South Whitehall Township – Costs and Fines	4,435	0
Parkland School District – Costs and Fines	502	4,451
Allentown School District – Costs and Fines	289	479
Pennsylvania Department of Revenue - Interest	105	112
East Penn School District – Costs and Fines	83	167
Northwestern Lehigh School District – Costs and Fines	75	100
Whitehall-Coplay School District – Costs and Fines	66	50
Catasauqua Area School District – Costs and Fines	25	50
Salisbury Township School District – Costs and Fines	0	50
Southern Lehigh School District – Costs and Fines	0	150
Total Disbursements	999,033	1,052,298
Receipts Over (Under) Disbursements	(16,594)	4,116
Cash Balance, January 1	60,077	43,483
Cash Balance, December 31	$ 43,483	$ 47,599

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-02

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 #31-2-02'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

Jacob E. Hammond was the Magisterial District Judge for the period January 1, 2012 to December 31, 2013.

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.

COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER
LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18103-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Jacob E. Hammond
Magisterial District Court #31-2-02
3404 Hamilton Boulevard
Allentown, PA 18103

We have audited the financial statements of Magisterial District Court #31-2-02 for the period January 1, 2012 to December 31, 2013 and have issued our report thereon dated August 28, 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 #31-2-02'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 #31-2-02's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-2-02'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.

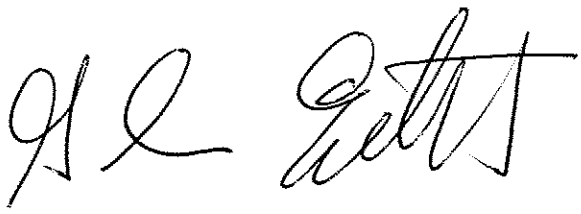
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 #31-2-02'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 #31-2-02 in a separate section titled *"Schedule of Audit Findings and Recommendations"*.

The Magisterial District Judge Administrator's response to our audit is included in this report. We did not audit 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.



GLENN ECKHART
County Controller

August 28, 2014
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-02

Schedule of Audit Findings and Recommendations

1. Outstanding Checks Not Marked as Stale in a Timely Manner

Condition: There were eight checks totaling $217.76 that were outstanding for more than six months issued between January 1, 2012 and December 31, 2013. Current Magisterial District Court practices, established by the County of Lehigh's Magisterial District Judge Administrator, is to declare checks as stale after six months from the date of issue.

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.

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-2-02

Schedule of Prior Audit Findings and Recommendations

1. 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.

Auditee Response: None

Current Status: Management has adequately addressed the condition.

COMMONWEALTH OF PENNSYLVANIA

COUNTY OF LEHIGH

H. GORDON ROBERTS

MAGISTERIAL DISTRICT JUDGE AMINISTRATOR
LEHIGH COUNTY COURTHOUSE
455 W HAMILTON STREET
ALLENTOWN PA 18101-1614

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

MEMORANDUM

To: Glenn Eckhart – County Controller

Fr: H. Gordon Roberts – MDJ Administrator

Re: Response to Audit Draft Report for District Court 31-2-02

Date: September 5, 2014

This is intended as the management response to the single audit finding of the audit of District Court 31-2-02 for the period January 1, 2012 through December 31, 2013. In that audit a finding was noted of:

Checks Listed as Outstanding for more than six months at Year's End

A review of the follow-up information showed a total of eight (8) checks, valued at $ 217.76 had not been escheated timely to the County. The time period for these checks was varied throughout the audit period with one occurring in December, 2012, one in May, 2013, and six in July, 2013. 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 prior office management. New office management began in August, 2013 and I believe the escheating of the six checks in July, 2013 was a reflection of this new management which was transitioning into the office manager role during July, 2013. Since the appointment of the new office management position there were no additional audit findings for non-escheated checks.