



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 22, 2013
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, 2012 to December 31, 2013. Our audit report number 14-21 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

MDJ/BUTLER

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

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

REPORT NO. 14-21

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

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

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-2-03 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 #31-2-03'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 #31-2-03 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 #31-2-03 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 September 8, 2014 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* and should be considered in assessing the results of our audit.



GLENN ECKHART
County Controller

September 8, 2014
Allentown, Pennsylvania

Final Distribution:

Auditor General of Pennsylvania
Board of Commissioners
East Penn School District
Borough of Emmaus
Lower Macungie Township
Daniel McCarthy, Director of Administration
The Honorable Carol K. McGinley, President Judge
Borough of Macungie
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew Simpson, AOPC
Upper Milford 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, 2012 to December 31, 2013
(NOTE 1)*

	<u>2012</u>	<u>2013</u>
Receipts:		
Office Receipt Activity	\$ 392,380	\$400,823
Bank Account Interest	20	18
	-----	-----
Total Receipts	392,400	400,841
	-----	-----
Disbursements:		
Pennsylvania Department of Revenue-Costs & Fines	200,329	194,749
Lehigh County Fiscal Office – Costs and Fines	69,025	70,394
Restitution	37,574	27,921
Emmaus Borough – Costs and Fines	24,197	24,911
Macungie Borough – Costs and Fines	22,779	19,295
Server (NOTE 2)	20,918	21,172
Refunds	10,621	14,195
East Penn School District - Costs and Fines	4,720	1,984
Upper Milford Township – Costs and Fines	2,426	2,344
Lower Macungie Township – Costs and Fines	0	1,332
Pennsylvania Department of Revenue-Interest	20	18
	-----	-----
Total Disbursements	392,609	378,315
	-----	-----
Receipts Over (Under) Disbursements	(209)	22,526
Cash Balance, January 1	18,348	18,139
	-----	-----
Cash Balance, December 31	\$ 18,139	\$ 40,665
	=====	=====

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, 2012 to December 31, 2013

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, 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.



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106 Main Street
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We have audited the financial statements of Magisterial District Court #31-2-03 for the period January 1, 2012 to December 31, 2013 and have issued our report thereon dated September 8, 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 #31-2-03'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 #31-2-03's internal control over financial reporting. 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 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 #31-2-03'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 #31-2-03 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

September 8, 2014
Allentown, Pennsylvania

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

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.

Management Response: None

Current Status: Management has adequately addressed the condition.

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

Condition: There were three and seventeen checks outstanding for more than six months at December 31, 2010 and December 31, 2011, respectively. In addition, one check issued in March 2011 is still outstanding as of December 2012. Current magisterial district court 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 shall be turned over to the Office of Fiscal Affairs immediately.

Management Response: None

Current Status: Management has adequately addressed the condition.