




COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Thomas Slonaker, County Controller 
DATE: August 16, 2010
RE: Audit of Magisterial District Court #31-1-06

We have completed a financial audit of Magisterial District Court #31-1-06, County of Lehigh, Pennsylvania for the years ended December 31, 2008 and 2009. Our audit report number 10-36 is attached.

The results of our audit are:

- Cash handling controls should be strengthened.
- Remittances to County of Lehigh are not timely.

Attachment

MDJ/MAURA

1/17

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-06

Financial Audit
For Years Ended December 31, 2008 and 2009

REPORT NO. 10-36

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-06

Table of Contents

	Page(s)
OPINION OF THOMAS SLONAKER LEHIGH COUNTY CONTROLLER	1-2
Statement of Receipts and Disbursements and Changes in Cash Balance for the Years Ended December 31, 2008 and 2009	3
Notes to Financial Statement	4
Comments on Compliance/Internal Control	5-6
Schedule of Audit Findings and Recommendations	7
Magisterial District Court 31-1-06's Response	8



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Wayne Maura
Magisterial District Court #31-1-06
565 Lehigh Street
Bethlehem, PA 18014

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-1-06 for the years ended December 31, 2008 and 2009 as listed in the Table of Contents. The financial statements are the responsibility of Magisterial District Court #31-1-06'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 auditing standards generally accepted in the United States of America and the 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 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 #31-1-06 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 years ended December 31, 2008 and 2009 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 #31-1-06 for the years ended December 31, 2008 and 2009, 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 9, 2010 on our consideration of Magisterial District Court #31-1-06'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.



THOMAS SLONAKER,
County Controller

August 9, 2010
Allentown, Pennsylvania

Final Distribution:

Auditor General of Pennsylvania
City of Bethlehem
Board of Commissioners
Donald T. Cunningham, Jr., County Executive
Brian L. Kahler, Fiscal Officer
The Honorable William H. Platt, President Judge
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew M. Simpson, AOPC

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-06

*Statement of Receipts and 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	\$ 367,943	\$ 493,880
Bank Account Interest	0	0
	-----	-----
Total Receipts	367,943	493,880
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs and Fines	191,186	255,618
County of Lehigh – Costs and Fines	71,580	88,441
City of Bethlehem – Fines	65,743	81,188
Other (NOTE 2)	39,520	63,027
	-----	-----
Total Disbursements	368,029	488,274
	-----	-----
Receipts Over (Under) Disbursements	(86)	5,606
Cash Balance, January 1	18,530	18,444
	-----	-----
Cash Balance, December 31	\$ 18,444	\$ 24,050
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-06

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

1. **Summary of Significant Accounting Policy**

A. Reporting Entity

The Magisterial District Court #31-1-06'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

Wayne Maura was the magisterial district judge for the period January 1, 2008 to December 31, 2009.

2. **Other Disbursements**

Other disbursements include refund of overpayments, restitution, refund of bail security, serving costs, and other miscellaneous disbursements.



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Wayne Maura
Magisterial District Court #31-1-06
565 Lehigh Street
Bethlehem, PA 18014

We have audited the financial statements of Magisterial District Court #31-1-06 for the years ended December 31, 2008 and 2009 and have issued our report thereon dated August 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 #31-1-06'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 #31-1-06's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-1-06'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 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 Magisterial District Court #31-1-06'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 #31-1-06 in a separate section titled "*Schedule of Audit Findings and Recommendations*".

Magisterial District Court 31-1-06's response to our audit is included in this report. We did not audit Magisterial District Court 31-1-6's response, and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management, others within the entity, 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.



Thomas Slonaker
County Controller

August 9, 2010
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-06

Schedule of Audit Findings and Recommendations

1. Inadequate separation of duties

Condition: Daily cash close out procedures do not include employees reconciling their own collections to accounting reports. Instead, the person responsible for preparing the bank deposit reconciles funds to reports. This procedure makes it difficult to isolate the source of any discrepancies.

Good internal control includes separation of duties so one person does not have sole control over a transaction or process.

Recommendation: Management should revise daily cash closeout duties as follows:

1. Have each person count their own funds and match to individual cash balancing reports;
2. Any differences should be recorded as unidentified remittance (cash overage) or reported to the court administrator (cash shortage);
3. Funds and reports should be re-counted and reconciled to accounting reports by the person preparing the bank deposit.

These duties should provide the internal control to enable management to determine the source of any discrepancies.

2. Non-compliance with AOPC remittance rules

Condition: Monthly payments to the county are not received by the 15th of the following month, as required by the Administrative Office of the Pennsylvania Court (AOPC). An analysis of the 24 payments covering the months of January 2008 through December 2009 reflect the following activity:

• received within 15 days	10 mos	42%
• received between 15 and 30 days	4 mos	17%
• received between 31 and 45 days	8 mos	33%
• received between 46 and 60 days	<u>2 mos</u>	<u>8%</u>
Total	24 mos	100%

Based on the monthly check dates, the office staff is preparing the county check on a timely basis.

Recommendation: The magisterial district judge should sign the check and remit the county payment by the 15th of the following month. In addition to non-compliance, late payments delay utilization of funds and require (limited) resources to follow up on payment status.



Wayne Maura
Magisterial District Judge

August 9, 2010

Thomas Slonaker
County Controller
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101

Re: Comments on Audit Report

Dear Mr. Slonaker,

Please accept my apology for the enclosed response being submitted beyond the due date. This office is in the midst of renovations and expansion and my only explanation is between assisting in the management of the aforementioned and my daily duties I failed to comprehensively review the information outlining my options of making this response.

In regards to the findings and recommendations of the county audit report, the following should be considered my response.

Daily Cash Closeout Procedure

As a result of my review of the finding and communication with my office manager, this court will re-dedicate itself to following the three part procedure as outlined in the recommendation provided in the Schedule of findings and recommendations.

AOPC Remittance rules

I do not recall prior to now, ever having seen or been made aware of this AOPC rule. Indeed, the Audit report does not include a reference to the rule other than to state it exists.

As it would, of course, be my intent to comply, I will contact AOPC for an exact reference to this rule and make every effort to comply completely in the future.

I would note that for the most part, I and the court were in compliance even prior to the AOPC reference.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Wayne Maura".