




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:** September 24, 2010  
**RE:** Audit of Magisterial District Court #31-1-05

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We have completed a financial audit of Magisterial District Court #31-1-05, County of Lehigh, Pennsylvania for the years ended December 31, 2008 and 2009. Our audit report number 10-57 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-1-05.
- Controls over cash and case balance adjustments should be strengthened.

Attachment

MDJ/BALLIET

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**MAGISTERIAL DISTRICT COURT #31-1-05**

*Financial Audit*  
*For Years Ended December 31, 2008 and 2009*

REPORT NO. 10-57

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-1-05

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Magisterial District Court 31-1-05's Response .....	No Response

\*From controller's office report #08-27, issued on June 2, 2008, covering the years ended December 31, 2006 and 2007.





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Magisterial District Judge Carl Balliet  
Magisterial District Court #31-1-05  
828 North Fenwick Street  
Allentown, PA 18109

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance of Magisterial District Court #31-1-05 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 #31-1-05'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 #31-1-05 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 #31-1-05 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 September 20, 2010 on our consideration of Magisterial District Court #31-1-05'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

September 20, 2010  
Allentown, Pennsylvania

Final Distribution:

Allentown Parking Authority  
City of Allentown  
Auditor General of Pennsylvania  
Borough of Catasauqua  
Board of Commissioners  
Donald T. Cunningham, Jr., County Executive  
Hanover Township  
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 #31-1-05

*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	\$ 648,703	\$ 654,299
Bank Account Interest	40	78
	-----	-----
Total Receipts .....	648,743	654,377
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs and Fines	328,698	316,465
Other (NOTE 2)	124,000	122,642
County of Lehigh – Costs and Fines	119,278	125,732
City of Allentown	36,770	43,760
Borough of Catasauqua – Fines	24,919	16,133
Allentown Parking Authority – Fines	14,493	16,113
Hanover Township – Fines	3,277	2,948
Commonwealth of Pennsylvania – Interest	40	78
	-----	-----
Total Disbursements .....	651,475	643,871
	-----	-----
Receipts Over (Under) Disbursements .....	(2,732)	10,506
Cash Balance, January 1 .....	25,352	22,620
	-----	-----
Cash Balance, December 31 .....	\$ 22,620	\$ 33,126
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-1-05

*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 #31-1-05'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**

Carl L. Balliet 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.





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We have audited the financial statements of Magisterial District Court #31-1-05 for the years ended December 31, 2008 and 2009 and have issued our report thereon dated September 20, 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 #31-1-05'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 #31-1-05's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-1-05'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 #31-1-05'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 #31-1-05 in a separate section titled "*Schedule of Audit Findings and Recommendations*".

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

September 20, 2010  
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-1-05

*Schedule of Audit Findings and Recommendations*

1. Inadequate Cash Handling Procedures

**Condition:** Operating funds of \$200 held by staff are not verified on a regular basis. To ensure any discrepancies are detected in a timely manor they should be counted by someone other than the custodian.

**Recommendation:** Operating cash should be counted (by a non-custodial employee) as part of the daily reconciliation of cash receipts.

2. Inadequate Separation of Duties

**Condition:** We found a lack of supervision in cash receipt voids and case balance adjustments. Our random sample of void cash receipt transactions revealed several instances lacking written approval by management. We also found that weekly case balance adjustment journals were not signed by management.

Management approval enhances control by ensuring one person does not have sole control over a transaction or process.

**Recommendation:** The magisterial district judge should sign the weekly case balance adjustment report and initial all voids on the daily cash balance reports.

This procedure would improve the likelihood that errors or omissions would be detected in the normal course of business in a timely manner.

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-1-05

*Schedule of Prior Audit Findings and Recommendations*

1. Checks Listed as Outstanding for More Than Six Months at 12/31/07

**Condition:** The magisterial district court bank reconciliation at December 31, 2007 had 17 checks totaling \$194.00 in old outstanding checks. Current magisterial district court office practice established by the County of Lehigh's Magisterial District Judge Administrator, declare checks stale after six months from the date of issuance.

This condition was noted in our previous audit report #06-40 issued October 5, 2006.

**Recommendation:** Magisterial district court checks that remain uncashed after six months should be turned over to the county office of fiscal affairs.

**Magisterial District Judge's Response:** All district court checks which remained uncashed for six months were marked stale and turned over to the county fiscal office. The office manager and staff will check this on a monthly basis when doing the monthly reports.

**Current Status:** Our analysis of 2008 and 2009 activity found that 39 checks totaling \$748.63 were not escheated on a timely basis. We recommend management monitor outstanding checks more frequently.

2. Undisbursed Funds

**Condition:** The magisterial district court routinely holds funds (i.e. constable serving fees, bail, hearing collateral or restitution payments) for specific cases being heard within its jurisdiction. The undisbursed funds are usually disbursed within six months of the date received. There are nine cases listed on the December 2007 Undisbursed Funds Report where funds were received from October 2004 through June 2007 and have not been disbursed.

**Recommendation:** The magisterial district judge should promptly adjudicate the nine cases mentioned above. The magisterial district judge should periodically review all open cases on the monthly Undisbursed Funds Report and follow-up, as necessary, in order to close all cases in a timely manner.

**Magisterial District Judge's Response:** The District Court staff and Office manager reviews this report at least once a month during the time of the monthly reports in order to close all cases in a timely manner. Please find a sample letter which was sent to the Court Administrator to take care of this matter.

**Current Status:** Recommendation implemented.