




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: October 1, 2010
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 years ended December 31, 2008 and 2009. Our audit report number 10-60 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-2-03.
- Controls over cash receipt voids and case balance adjustments should be strengthened.

Attachment

MDJ/BUTLER

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

Financial Audit
For Years Ended December 31, 2008 and 2009

REPORT NO. 10-60

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

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 31-2-03's Response	8



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THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Donna 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 years ended December 31, 2008 and 2009 as listed in the Table of Contents. The financial statements are the responsibility of Magisterial District Court #31-2-03'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 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 #31-2-03 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 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 #31-2-03 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 29, 2010 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.



THOMAS SLONAKER,
County Controller

September 29, 2010
Allentown, Pennsylvania

Final Distribution:

Auditor General of Pennsylvania
Board of Commissioners
Donald T. Cunningham, Jr., County Executive
Borough of Emmaus
Brian L. Kahler, Fiscal Officer
Borough of Macungie
The Honorable William H. Platt, President Judge
H. Gordon Roberts, Magisterial District Judge Administrator
Andrew M. 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 Years Ended December 31, 2008 and 2009
(NOTE 1)*

	<u>2008</u>	<u>2009</u>
Receipts:		
Office Receipt Activity	\$ 696,903	\$ 735,175
Bank Account Interest	53	47
	-----	-----
Total Receipts	696,956	735,222
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs and Fines	339,267	375,325
Borough of Macungie	128,506	151,641
Other (NOTE 2)	115,694	79,789
County of Lehigh – Costs and Fines	79,271	84,449
Borough of Emmaus – Fines	32,855	31,706
Upper Milford Township – Fines	3,265	2,584
Commonwealth of Pennsylvania – Interest	53	47
	-----	-----
Total Disbursements	698,911	725,541
	-----	-----
Receipts Over (Under) Disbursements	(1,955)	9,681
Cash Balance, January 1	35,015	33,060
	-----	-----
Cash Balance, December 31	\$ 33,060	\$ 42,741
	=====	=====

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 Years Ended December 31, 2008 and 2009*

1. **Summary of Significant Accounting Policy**

A. Reporting Entity

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 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

Donna R. Butler 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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JOHN A. FALK
DEPUTY CONTROLLER

Magisterial District Judge Donna Butler
Magisterial District Court #31-2-03
106 Main Street
Emmaus, PA 18049

We have audited the financial statements of Magisterial District Court #31-2-03 for the years ended December 31, 2008 and 2009 and have issued our report thereon dated September 29, 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 #31-2-03'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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

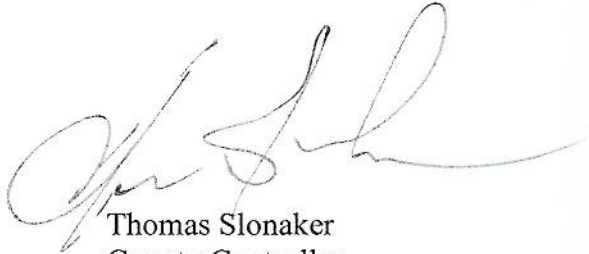
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 #31-2-03'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 Audit Findings and Recommendations*".

Magisterial District Judge Donna Butler's response to our audit is included in this report. We did not audit MDJ Butler'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

September 29, 2010
Allentown, Pennsylvania

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

Schedule of Audit Findings and Recommendations

1. 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 and void receipts not being kept in case files. 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.

Recommendations:

- The magisterial district judge should initial all voids on the daily cash balance reports and a copy of each void receipt should be placed in the case file.
- The magisterial district judge should sign the weekly case balance adjustment report.

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

COMMONWEALTH OF PENNSYLVANIA



DONNA R. BUTLER
MAGISTERIAL DISTRICT JUDGE

MAGISTERIAL DISTRICT
31-2-03
EMMAUS BOROUGH
UPPER MILFORD TOWNSHIP
MACUNGIE BOROUGH

106 Main Street
Emmaus, PA 18049

PHONE: 610-967-2888
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OFFICE HOURS
8:30 AM TO 4:15 PM

September 29, 2010

Mr. Thomas Slonaker, Controller
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

Dear Mr. Slonaker:

After the most recent county audit of District Court 31-2-03, upon the exit interview there was a finding of inadequate separation of duties. It was noted that there was a lack of supervision in cash receipt voids and case balance adjustments. Let me first address the general topic of separation of duties.

This court was without an office manager for several weeks in 2009. The former office manager was terminated mid August and a new office manager was in place by mid October. My regular clerk was left to perform all the functions of the office with only occasional assistance from office managers from other courts. This court has only two county employees. With the termination of the office manager, we functioned with only one clerk and occasional assistance. Before this tumultuous time, voids had regularly been noted and signed by me and accompanying voided receipts were included with the file. It should be noted that the notations on the voids had already been implemented in the year 2010, and the monitoring continues to this day.

Also discussed in the findings is the weekly signing of the case balance adjustment report. While I realize that there should be overview of the cases that have been closed because of time-served sentences and community service sentences, the instructions from MDJ administration were to print these reports for monthly review after the September 2009 meeting. My office manager was hired mid-October and had no knowledge of the "weekly" printing of such a report. My former manager never presented such a report to me for review, nor did I know that it was required. We run the report monthly, as recommended by the administration, and continue that practice through today.

These are my responses to your request that I provide written notice to inform you of the actions I have taken to correct the reported findings. Thank you for your guidance in assuring the integrity of the Court and of those throughout Lehigh County.

Sincerely,

A handwritten signature in cursive script that reads "Donna R. Butler".

Donna R. Butler, MDJ