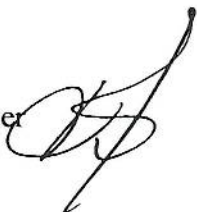




COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

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

**TO:** Final Report Distribution  
**FROM:** Thomas Slonaker, County Controller   
**DATE:** May 12, 2008  
**RE:** Audit of Magisterial District Court #31-2-01

---

We have completed a financial audit of Magisterial District Court #31-2-01, County of Lehigh, Pennsylvania for the years ended December 31, 2006 and 2007. Our audit report number 08-13 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-2-01.
- The magisterial district judge is in general compliance with the applicable financial AOPC guidelines.
- Internal control weakness – deposits are not always made daily.
- Internal control weakness – the office staff shares one centralized change fund as opposed to allocating the change fund among those who receive cash payments.
- Periodic follow-up is needed for undisbursed funds being held by the office.

Attachment

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**MAGISTERIAL DISTRICT COURT #31-2-01**

*Financial Audit*  
*For Years Ended December 31, 2006 and 2007*

REPORT NO. 08-13

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-2-01

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Magisterial District Judge Karen C. Devine  
Magisterial District Court #31-2-01  
501 Hamilton Street, Basement  
Allentown, PA 18101

We have audited the accompanying Statement of Receipts and Disbursements and the Changes in Cash Balance for the years ended December 31, 2006 and 2007 of Magisterial District Court #31-2-01 as listed in the Table of Contents. The financial statements are the responsibility of Magisterial District Court #31-2-01. Our responsibility is to express an opinion on the Statement of Receipts and Disbursements and the Changes in Cash Balance based on our audit.

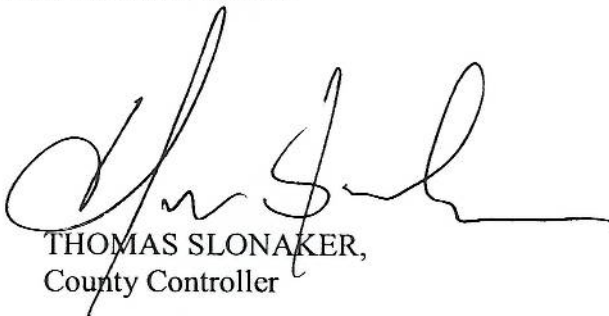
We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 #31-2-01 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, 2006 and 2007 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 #31-2-01 for the years ended December 31, 2006 and 2007, 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 May 7, 2008 on our consideration of Magisterial District Court #31-2-01'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

May 7, 2008  
Allentown, Pennsylvania

Final Distribution:

City of Allentown  
Allentown Parking Authority  
Auditor General of Pennsylvania  
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  
Kathy Sauter, AOPC

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-2-01

*Statement of Receipts and Disbursements  
and Changes in Cash Balance  
for the Years Ended December 31, 2006 and 2007  
(NOTE 1)*

	<u>2006</u>	<u>2007</u>
Receipts:		
Office Receipt Activity	\$ 799,240	\$ 916,032
Bank Account Interest	138	174
	-----	-----
Total Receipts .....	799,378	916,206
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs and Fines	345,665	347,402
Other (NOTE 2)	160,968	233,906
County of Lehigh – Costs and Fines	125,410	157,570
City of Allentown – Fines	77,491	62,903
Allentown Parking Authority – Fines	63,382	122,114
Commonwealth of Pennsylvania – Interest	138	174
	-----	-----
Total Disbursements .....	773,054	924,069
	-----	-----
Receipts Over (Under) Disbursements .....	26,324	(7,863)
Cash Balance, January 1 .....	22,541	48,865
	-----	-----
Cash Balance, December 31 .....	\$ 48,865	\$ 41,002
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-2-01

*Notes to Financial Statement  
For the Years Ended December 31, 2006 and 2007*

1. **Summary of Significant Accounting Policy**

**A. Reporting Entity**

The Magisterial District Court #31-2-01'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. 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**

Karen C. Devine was the magisterial district judge for the period January 1, 2006 to December 31, 2007.

2. **Other Disbursements**

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



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Magisterial District Judge Karen C. Devine  
Magisterial District Court #31-2-01  
501 Hamilton Street, Basement  
Allentown, PA 18101

We have audited the financial statements of Magisterial District Court #31-2-01 for the years ended December 31, 2006 and 2007 and have issued our report thereon dated May 7, 2008. 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 #31-2-01'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 #31-2-01's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-2-01's internal control over financial reporting.

A control deficiency 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 control deficiency, or combination of control deficiencies, that adversely affects the Magisterial District Court #31-2-01's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Magisterial District Court #31-2-01's financial statements that is more than inconsequential will not be prevented or detected by the Magisterial District Court #31-2-01's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Magisterial District Court #31-2-01's internal control.

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.

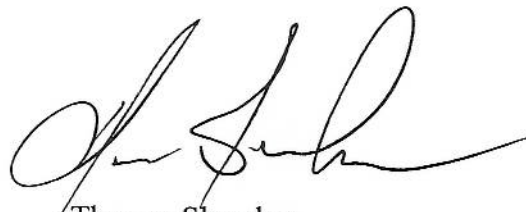


As part of obtaining reasonable assurance about whether the Magisterial District Court #31-2-01's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 #31-2-01 in a separate section titled "*Schedule of Audit Findings and Recommendations*".

Magisterial District Court #31-2-01's response to the findings identified in our audit are included in this report. We did not audit Magisterial District Court #31-2-01'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.

A handwritten signature in black ink, appearing to read 'Tom Slonaker', written in a cursive style.

Thomas Slonaker  
County Controller

May 7, 2008  
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA  
MAGISTERIAL DISTRICT COURT #31-2-01

*Schedule of Audit Findings and Recommendations*

1. Internal Control Weakness – Centralized Office Change Fund

**Condition:** The management of the magisterial district court does not allocate the office change fund among the office staff members instead it uses a centralized office change fund. Each staff member keeps his or her own receipts in a locked bank bag. When someone needs change, they will go to the centralized change fund. At the end of the day, each staff member proves out the total of the days' receipts (cash and checks) with the total on the "Daily Cash Balancing Report". Once this has been done, all receipts (cash and checks) are combined and the deposit ticket is filled out. The use of a centralized change fund does not provide individual accountability if a cash overage or shortage occurs.

**Recommendation:** The management of the magisterial district court should allocate the office change fund among all staff members in order to provide individual accountability for change funds and daily receipts. Also, individual cash drawers should be provided to all staff members.

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 21 cases listed on the December 2007 *Undisbursed Funds Report* where funds were received from February 2006 through June 2007 and have not been disbursed.

**Recommendation:** The magisterial district judge should promptly adjudicate the 21 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.

3. Receipts Are Not Always Deposited Timely

**Condition:** Occasionally, the staff of the magisterial district court did not always deposit the office receipts on a timely basis. In most cases, the office receipts were deposited from one to six days late from the date of receipt.

**Recommendation:** The magisterial district court staff should deposit the office receipts daily.



## MEMO

**To: Thomas Slonaker  
County Controller**

**From: Karen Devine** *KCD*  
**610-782-3834**

**Date: 07 May 2008**

**Re: Audit Report**

I am in receipt of your correspondence dated April 23, 2008 regarding the above captioned matter.

To answer your Audit Findings and Recommendations:

Internal Control Weakness – Centralized Change Fund

Currently, we keep one (1) petty cash drawer and each person maintains a separate locked bank bag for money they have taken. The money in the petty cash drawer is used strictly to make change.

At the end of the day, each person totals their own bag and gives the money to the person making the deposit. She runs individual reports and double checks that all money is accounted for. The deposit is then written up and the petty cash drawer counted.

I think that this system seems to work and has enough safeguards to prevent problems.

I feel that totally separate cash drawers would only create more problems. I have seven (7) staff members taking payments and dividing the petty cash among them would not allow them to make change. My office is located in the Old Courthouse with various offices having access 24 hours per day, including the contractors. While the petty cash is in a locked box, in a locked filing cabinet, having additional cash could create even more problems.

#### Undisbursed Funds

All opened cases are reviewed monthly. These cases are the result of appeals and bounced checks. My office will request reimbursement from the county to resolve these negative balances. We are currently awaiting a response from the AOPC Help Desk as to how to correct these entries.

#### Receipts are not Always Deposited Timely

Appropriate action has been taken to insure this does not happen in the future.

If you have any questions, please do not hesitate to contact me.