




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: June 6, 2008
RE: Audit of Magisterial District Court #31-1-02

We have completed a financial audit of Magisterial District Court #31-1-02, County of Lehigh, Pennsylvania for the years ended December 31, 2006 and 2007. Our audit report number 08-31 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-1-02.
- The magisterial district judge is in general compliance with the applicable financial AOPC guidelines.
- Internal control weakness – the office staff shares one centralized change fund as opposed to allocating the change fund among those who received cash payments.
- Periodic follow-up is needed for undisbursed funds being held by the office.

Attachment

MDJ/MERLO

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

Financial Audit
For Years Ended December 31, 2006 and 2007

REPORT NO. 08-31

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

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, 2006 and 2007	3
Notes to Financial Statement	4
Comments on Compliance/Internal Control	5-6
Schedule of Audit Findings and Recommendations	7
Magisterial District Court #31-1-02's Response	8



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Magisterial District Judge Maryesther S. Merlo
Magisterial District Court #31-1-02
1216 West Liberty Street
Allentown, PA 18102

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 #31-1-02 as listed in the Table of Contents. The financial statements are the responsibility of Magisterial District Court #31-1-02'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 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 #31-1-02 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 #31-1-02 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 June 2, 2008 on our consideration of Magisterial District Court #31-1-02'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

June 2, 2008
Allentown, Pennsylvania

Final Distribution:

Allentown Parking Authority
City of Allentown
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 #31-1-02

*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	\$ 451,443	\$ 735,529
Bank Account Interest	87	142
	-----	-----
Total Receipts	451,530	735,671
	-----	-----
Disbursements:		
Commonwealth of Pennsylvania - Costs and Fines	163,115	207,384
Other (NOTE 2)	99,644	147,874
County of Lehigh – Costs and Fines	84,167	171,266
City of Allentown – Fines	61,789	59,676
Allentown Parking Authority – Fines	29,194	142,869
Commonwealth of Pennsylvania - Interest	87	142
	-----	-----
Total Disbursements	437,996	729,211
	-----	-----
Receipts Over (Under) Disbursements	13,534	6,460
Cash Balance, January 1	20,468	34,002
	-----	-----
Cash Balance, December 31	\$ 34,002	\$ 40,462
	=====	=====

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

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

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 #31-1-02'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

Maryesther S. Merlo 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 Maryesther S. Merlo
Magisterial District Court #31-1-02
1216 West Liberty Street
Allentown, PA 18102

We have audited the financial statements of Magisterial District Court #31-1-02 for the years ended December 31, 2006 and 2007 and have issued our report thereon dated June 2, 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 #31-1-02'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 #31-1-02's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court #31-1-02'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 #31-1-02'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 #31-1-02's financial statements that is more than inconsequential will not be prevented or detected by the Magisterial District Court #31-1-02'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 #31-1-02'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 #31-1-02'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 #31-1-02 in a separate section titled "*Schedule of Audit Findings and Recommendations*".

Magisterial District Court #31-1-02's response to the findings identified in our audit are included in this report. We did not audit Magisterial District Court #31-1-02'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 'T. Stonaker', written in a cursive style.

Thomas Stonaker
County Controller

June 2, 2008
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
MAGISTERIAL DISTRICT COURT #31-1-02

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 zippered 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.

This condition was noted in our previous audit report #06-49 issued November 30, 2006.

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 six cases listed on the December 2007 Undisbursed Funds Report where funds were received from March 2006 through March 2007 and have not been disbursed.

Recommendation: The magisterial district judge should promptly adjudicate the six 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 Court 31-1-02

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Maryesther S. Merlo, Esq.
Magisterial District Judge

TO: Thomas Slonaker, County Controller
FROM: MDJ Maryesther S. Merlo, Esq., Magisterial District Court 31-1-02
DATE: June 2, 2008
RE: Comments on Audit Report Draft

1. Internal Control Weakness - Centralized Office Change Fund

This is being addressed - The Court Administration is in the process of getting us \$150.00 more in Petty Cash so we can split the money among the Staff members. We did not have enough money before and that is why the money was centralized. Also, I have ordered locking cash boxes for each staff member and they are in our possession now.

2. Undisbursed Funds

All of the cases in question have been taken care of. A copy of undisbursed will be sent after the May report is completed.