




Lehigh County
Pennsylvania

OFFICE OF THE CONTROLLER

Mark Pinsley, MBA
COUNTY CONTROLLER

Nanton John, CFE
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Mark Pinsley, County Controller 
DATE: October 3, 2023
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 period January 1, 2022 to October 31, 2022. Our audit report number 23-21 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from Magisterial District Court #31-2-03.
- The Magisterial District Court was in general compliance with the applicable financial AOPC guidelines.
- Based on tracking information provided by the United States Postal Service (USPS), forms 1099-NEC and 1096 for constable payments were not received by the Internal Revenue Service (IRS) by the January 31 deadline.

Attachment



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

Financial Audit
For the Period January 1, 2022 to October 31, 2022

REPORT NO. 23-21

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

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Magisterial District Court #31-2-03's Response	Not Used



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Nanton John, CFE
COUNTY CONTROLLER DEPUTY CONTROLLER

Carolynn Perry, Magisterial District Judge Administrator
Magisterial District Court #31-2-03 (Vacant)
Lehigh County Courthouse
503 W Hamilton Street
Allentown, PA 18101-1614

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Magisterial District Court #31-2-03 for the period January 1, 2022 to October 31, 2022 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the Schedules

In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Magisterial District Court #31-2-03 for the period January 1, 2022 to October 31, 2022, in accordance with the U.S. generally accepted accounting principles. **However, we noted deficiencies or other management issues that are described in the accompanying “Schedule of Audit Findings and Recommendations”.**

As discussed in Note 1, the Schedules 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 Schedules present only the Magisterial District Court 31-2-03’s 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 period January 1, 2022 to October 31, 2022 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023, 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* in considering management’s internal control over financial reporting and compliance.



MARK PINSLEY
County Controller

Date: October 3, 2023
Allentown, Pennsylvania

Audited by: Brian O’Donnell

Final Distribution:

- East Penn School District
- Emmaus Borough
- Lower Macungie Township
- Macungie Borough
- Upper Macungie Township
- Phillips Armstrong, County Executive
- Edward Hozza, Director of Administration
- Timothy Reeves, Chief Fiscal Officer
- Board of Commissioners
- The Honorable J. Brian Johnson, President Judge
- Andrew Simpson, Judicial Programs Administrator, AOPC
- Auditor General of Pennsylvania

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

*Statement of Receipts and Disbursements
and Changes in Cash Balance
for the Period January 1, 2022 to October 31, 2022
(NOTE 1)*

Receipts:		2022
Office Receipt Activity		334,218
Total Receipts.....		334,218
Disbursements:		
Commonwealth of Pennsylvania - Costs and Fines		219,377
County of Lehigh – Costs and Fines		55,037
Emmaus Borough – Costs and Fines		22,358
Server Fees (NOTE 2)		11,356
Refunds		51,545
Macungie Borough - Cost and Fines		1,436
East Penn School District – Costs and Fines		2,440
Restitution		181
Lower Macungie Township - Costs and Fines		690
Upper Macungie Township - Cost and Fines		3
Total Disbursements		364,422
Receipts Over (Under) Disbursements		(30,204)
Cash Balance, January 1		30,204
Cash Balance, October 31		0

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 Period January 1, 2022 to October 31, 2022

1. Summary of Significant Accounting Policy

A. Reporting Entity

A portion of 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 governmental 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

The position of Magisterial District Judge at this office has been vacant since July 31, 2021. As such, the position was filled by various Senior Magisterial District Judges from August 1, 2021 through October 28, 2022 on which date the office ceased operations.

2. Server Fees

Constables receive payment for services rendered from two sources. The magisterial district judge pays the constable for services rendered and recovers the cost from the defendant when the case is paid-in-full. However, when the defendant is found not guilty, sentenced to confinement, or cannot pay the assessments, the County of Lehigh pays the constable. As such, the costs represented in the financial statements are not inclusive of server costs incurred and paid for by the County of Lehigh.



OFFICE OF THE CONTROLLER

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COUNTY CONTROLLER DEPUTY CONTROLLER

Carolynn Perry, Magisterial District Judge Administrator
Magisterial District Court #31-2-03 (Vacant)
Lehigh County Courthouse
503 W Hamilton Street
Allentown, PA 18101-1614

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements and Changes in Cash Balance of Magisterial District Court #31-2-03 for the period January 1, 2022 to October 31, 2022 (hereinafter referred to as the Schedules) and have issued our report thereon dated October 3, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered Magisterial District Court 31-2-03's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

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. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Magisterial District Court 31-2-03’s Schedules 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*. Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

Management’s Response to the Audit

If provided, the Magisterial District Court 31-2-03’s response to our audit is included in this report. We did not audit Magisterial District Court 31-2-03’s response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Magisterial District Judge, the Court, 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.


MARK PINSLEY
County Controller

Date: October 3, 2023
Allentown, PA

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

Schedule of Audit Findings and Recommendations

Condition

The IRS requires that forms 1099-NEC and 1096 be filed annually, by January 31. After auditor request for an IRS receipt of the mailed-in forms, it was discovered that, based on USPS tracking information, the returns were still in transit as of April 13, 2023. The District Court subsequently re-submitted the forms which were then received by the IRS on May 3, 2023. The lack of a timely follow-up on the status of delivery increases the risk of non-compliance that the forms may not have been received by the deadline. If the tracking information provided by the USPS was accurate, the District Court could be subject to fines and penalties for late filing.

Recommendation

To help mitigate the risk of non-compliance with IRS submission deadlines, an extra control to monitor the receipt of the 1096 and 1099-NEC forms should be implemented by all District Courts. USPS tracking should be reviewed timely, and if it provides any status other than one indicating that the forms were delivered, the IRS should be contacted to verify receipt.

Management's Response

We received your recommendation to follow-up with the IRS regarding receipt of our 1099's ideally prior to the deadline date for submitting documents. We agree that this should be done sooner and will instruct the staff to be diligent to confirm receipt with the IRS at the time the forms would be expected to be received.