



**STEPHEN J. BARRON, JR., CFE**

**CONTROLLER OF NORTHAMPTON COUNTY**  
NORTHAMPTON COUNTY COURTHOUSE  
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## INDEPENDENT AUDITORS' REPORT

Members of the Northampton County Council  
John A. Brown, County Executive  
Honorable Stephen G. Baratta, President Judge  
County of Northampton, Pennsylvania

We have audited the Statements of Changes in Assets and Liabilities - Cash Basis of Magisterial District Court (MDC) 03-3-03 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2015 and December 31, 2016. These statements are the responsibility of MDC 03-3-03. Our responsibility is to express an opinion on these statements 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 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. Our tests did not include an examination of the State computer system/software. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1, the accompanying Statements of Changes in Assets and Liabilities - Cash Basis of MDC 03-3-03 of the County of Northampton, Pennsylvania, for the years ended December 31, 2015 and December 31, 2016 were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

These financial statements present only the MDC 03-3-03 financial activity and are not intended to present fairly the financial position and results of operations of the County of Northampton, in conformity with accounting principles generally accepted in the United States of America.

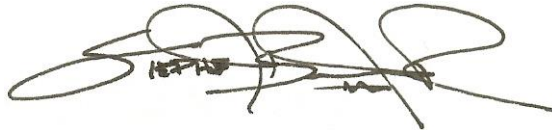
In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of MDC 03-3-03 of the County of Northampton, Pennsylvania, as of December 31, 2015 and December 31, 2016, on the basis of accounting described in Note 1.

Members of the Northampton County Council  
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County of Northampton, Pennsylvania  
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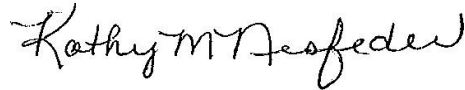
In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017, on our consideration of the MDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other 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.

This report is intended for the information and use of the management of the County of Northampton, Pennsylvania, the Administrative Office of Pennsylvania Courts and the PA Auditor General. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen J. Barron, Jr.", with a large, stylized flourish extending to the right.

Stephen J. Barron, Jr., CFE  
County Controller

A handwritten signature in black ink, appearing to read "Kathy M. Nesfeder", written in a cursive style.

Kathy M. Nesfeder, CRMA, CFE  
Staff Auditor

August 29, 2017

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-03  
Magisterial District Judge Alicia R. Zito, Esq.

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COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-03  
Statement of Changes in Assets and Liabilities - Cash Basis  
For the Year Ended December 31, 2015

	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2015</u>
<u>Assets</u>				
Cash	\$ 15,518	\$ 322,777	\$ 318,185	\$ 20,110
Total Assets	<u>\$ 15,518</u>	<u>\$ 322,777</u>	<u>\$ 318,185</u>	<u>\$ 20,110</u>
<u>Liabilities</u>				
State costs and fines	\$ 3,869	\$ 176,122	\$ 176,445	\$ 3,546
County costs and fines	2,909	53,574	51,025	5,458
Local fines:				
Bangor Area School District	-	2,034	1,829	205
Bangor Borough	1,173	20,902	20,226	1,849
East Bangor Borough	199	2,600	2,469	330
Lower Mt. Bethel Township	760	15,624	15,948	436
Portland Borough	631	7,043	6,244	1,430
Roseto Borough	627	3,138	3,717	48
Tatamy	(18)	-	-	(18)
Upper Mount Bethel Township	69	3,943	2,800	1,212
Washington Township	101	3,836	3,351	586
Escrow	5,198	33,961	34,131	5,028
Total Liabilities	<u>\$ 15,518</u>	<u>\$ 322,777</u>	<u>\$ 318,185</u>	<u>\$ 20,110</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-03  
Statement of Changes in Assets and Liabilities - Cash Basis  
For the Year Ended December 31, 2016

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2016</u>
<u>Assets</u>				
Cash	\$ 20,110	\$ 380,566	\$ 372,477	\$ 28,199
Total Assets	<u>\$ 20,110</u>	<u>\$ 380,566</u>	<u>\$ 372,477</u>	<u>\$ 28,199</u>
<u>Liabilities</u>				
State costs and fines	\$ 3,546	\$ 208,022	\$ 202,323	\$ 9,245
County costs and fines	5,458	55,784	57,266	3,976
Local fines:				
Bangor Area School District	205	2,280	2,393	92
Bangor Borough	1,849	20,231	20,854	1,226
East Bangor Borough	330	5,846	5,373	803
Lower Mt. Bethel Township	436	4,712	4,905	243
Pen Argyl Borough	-	3,960	3,797	163
Pen Argyl School District	-	1,781	1,534	247
Plainfield Township	-	705	640	65
Portland Borough	1,430	27,289	24,186	4,533
Roseto Borough	48	3,056	2,966	138
Tatamy Borough	(18)	-	-	(18)
Upper Mt Bethel Township	1,212	3,083	4,144	151
Washington Townshp	586	3,951	4,317	220
Wind Gap Borough	-	38	38	-
Escrow	5,028	39,828	37,741	7,115
Total Liabilities	<u>\$ 20,110</u>	<u>\$ 380,566</u>	<u>\$ 372,477</u>	<u>\$ 28,199</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-03  
Notes to Financial Statement

NOTE 1: Summary of Significant Accounting Policies

Basis of Presentation - Fund Accounting

The accounts of a governmental entity are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. An agency fund is used to account for assets held by the MDC as an agent for individuals, private organizations or other governmental units. Since agency funds are custodial in nature, they do not involve measurement of operations.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting. Under this basis, only cash transactions are recognized. Since the Commonwealth of Pennsylvania does not require the reporting of accounts receivable balances or accounts payable balances, they are not presented.



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Solicitor

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Northampton County Council  
John A. Brown, County Executive  
Honorable Stephen G. Baratta, President Judge  
County of Northampton, Pennsylvania

We have audited the Statements of Changes in Assets and Liabilities - Cash Basis of Magisterial District Court (MDC) 03-3-03 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2015 and December 31, 2016, and have issued our report thereon dated August 29, 2017. 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.

Internal Control over Financial Reporting

Management of the MDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the MDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statements of Changes in Assets and Liabilities - Cash Basis, but not for the purpose of expressing an opinion on the effectiveness of the MDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MDC'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

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material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MDC'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 the MDC in the accompanying schedule of audit findings and recommendations.

The MDC's response to the findings identified in our audit is described in the accompanying schedule of audit findings and recommendations. We did not audit the MDC's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania, the Administrative Office of Pennsylvania Courts and the PA Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Stephen J. Barron, Jr., CFE  
County Controller



Kathy M. Nesfeder, CRMA, CFE  
Staff Auditor

August 29, 2017



County of Northampton Magisterial District Court 03-3-03  
Schedule of Audit Findings and Recommendations  
Years Ending 12/31/15 & 12/31/16

**A. Voids**

OBSERVATION

We found that this office did not obtain approval from the MDJ or a second CT for six of the ten voids tested for 2015 and 2016. A memo was issued by Court Administration on July 18, 2014 stating that “In any voided transaction, the technician will need to notify the MDJ of such and document a detailed notation of the void(s) in the system; and request the MDJ to initial (upon availability) that he/she is aware of the void. In the event the MDJ is not available, a subsequent employee is required to initial/witness said voided transaction(s).”

RECOMMENDATION

When a CT voids a receipt, they should obtain the initials of the MDJ or a second CT to provide evidence that a second individual has reviewed the void.

MANAGEMENT RESPONSE – Magisterial District Judge, Alicia R. Zito, Esquire

When a CT voids a receipt, they will immediately obtain the full signature of the MDJ to provide evidence that a second individual has reviewed the void. The CT must also place a written explanation on the voided receipt as well as process a case note in the system.

**B. Warrant Process**

OBSERVATIONS

We found that this office was not rotating the warrant responsibilities. One CT is currently handling all the warrants and noted that they have made great strides in bring the MDC up-to-date. A memo was issued by Court Administration on January 7, 2016 stating that “duties such as deposits, receiving payments, daily cash balancing, bank reconciliation, opening mail, warrants, etc. should be rotated.”

RECOMMENDATION

The warrant process should be rotated among the office staff.

MANAGEMENT RESPONSE – Magisterial District Judge, Alicia R. Zito, Esquire

The warrant process will be rotated on a weekly basis by the office staff. All three staff members will have warrant responsibilities. This procedure has been implemented effective August 16, 2017.