



**County Controller**

Tony E. Bassil

**Audit Manager**

Anthony Sabino, CIA

**Solicitor**

Robert A. Nitchkey, Jr., Esq.

**County Executive**

Lamont G. McClure, Jr.

**County Council**

Lori Vargo Heffner, President  
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Margaret L. Ferraro  
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Financial Audit Report

**MAGISTERIAL  
DISTRICT JUDGE  
ROBERT A. HAWKE  
COURT #03-3-01**

Years Ended December 31, 2018  
and December 31, 2019

**Office of the Controller  
County of Northampton  
Pennsylvania**

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-01  
Magisterial District Judge Robert A. Hawke  
For the Years Ended December 31, 2018 and December 31, 2019

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**TONY E. BASSIL**

**CONTROLLER OF NORTHAMPTON COUNTY**

NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
EASTON, PENNSYLVANIA 18042

**ANTHONY SABINO, CIA**  
Audit Manager

**ROBERT A. NITCHKEY, JR., ESQ.**  
Solicitor

**PHONE (610) 829-6617**  
**FAX (610) 559-3137**

**Independent Auditor's Report**

Members of the Northampton County Council  
Lamont G. McClure, Jr., County Executive  
Honorable Michael J. Koury, Jr., President Judge  
County of Northampton, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying Statement of Changes in Assets and Liabilities – Cash Basis of Magisterial District Court (MDC) 03-3-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2018 and December 31, 2019, and the related notes to the financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. 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 financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Changes in Assets and Liabilities – Cash Basis as of December 31, 2018 and December 31, 2019 in accordance with the cash 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.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

As discussed in Note 1, the accompanying financial statements are intended to present only the MDC 03-3-01 financial activity and are not intended to present fairly the financial position and results of operations of the County of Northampton, Pennsylvania. They do not purport to, and do not, present fairly the financial position and results of operations of the County of Northampton, Pennsylvania, as of December 31, 2018 and December 31, 2019, in accordance with accounting principles generally accepted in the United States of America. Our tests did not include an examination of the State computer system/software. Our opinion is not modified with respect to these matters.

### ***Restriction on Use***

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.

### **Other Reporting Required by Government Auditing Standards**

As described in Note 1, the accompanying financial statement was prepared for the purpose of complying with the 16 P.S. 1720 (a) (3) reporting requirements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, 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* in considering the MDC's internal control over financial reporting and compliance.

Very truly yours,



Tony E. Bassil  
County of Northampton Controller  
Easton, Pennsylvania



Stacy L. Duke  
Staff Auditor

October 23, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-01  
Statement of Changes in Assets and Liabilities – Cash Basis  
For the Year Ended December 31, 2018

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2018</u>
<u>Assets</u>				
Cash	\$ 49,438	\$ 672,177	\$ 671,265	\$ 50,350
Total Assets	<u>\$ 49,438</u>	<u>\$ 672,177</u>	<u>\$ 671,265</u>	<u>\$ 50,350</u>
<u>Liabilities</u>				
State costs and fines	\$ 10,847	\$ 396,011	\$ 386,636	\$ 20,222
County costs and fines	9,956	121,057	119,956	11,057
Local fines:				
Allen Township	232	1,149	1,346	35
Catasauqua Area School District	250	2,374	2,243	381
Lehigh Township	2,759	41,646	40,889	3,516
Moore Township	690	12,202	11,962	930
North Catasauqua Borough	909	8,953	9,277	585
Northampton Area School District	149	5,196	4,701	644
Northampton Borough	1,591	20,593	20,761	1,423
Walnutport Borough	876	15,472	15,637	711
Washington Township	-	163	163	-
Escrow	<u>21,179</u>	<u>47,361</u>	<u>57,694</u>	<u>10,846</u>
Total Liabilities	<u>\$ 49,438</u>	<u>\$ 672,177</u>	<u>\$ 671,265</u>	<u>\$ 50,350</u>

The accompanying notes are an integral part of the financial statement.

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-01  
Statement of Changes in Assets and Liabilities – Cash Basis  
For the Year Ended December 31, 2019

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2019</u>
<u>Assets</u>				
Cash	\$ 50,350	\$ 786,445	\$ 797,236	\$ 39,559
Total Assets	<u>\$ 50,350</u>	<u>\$ 786,445</u>	<u>\$ 797,236</u>	<u>\$ 39,559</u>
<u>Liabilities</u>				
State costs and fines	\$ 20,222	\$ 429,803	\$ 439,963	\$ 10,062
County costs and fines	11,057	167,010	166,391	11,676
Local fines:				
Allen Township	35	2,261	2,192	104
Catasauqua Area School District	381	3,300	3,560	121
Freemansburg Borough	-	200	200	-
Hanover Township	-	100	100	-
Lehigh Township	3,516	48,589	48,751	3,354
Lower Saucon Township	-	50	100	(50)
Moore Township	930	10,966	11,411	485
North Catasauqua Borough	585	11,261	10,792	1,054
Northampton Area School District	644	4,762	5,215	191
Northampton Borough	1,423	28,072	27,747	1,748
Walnutport Borough	711	17,481	17,429	763
Wilson Borough	-	100	100	-
Escrow	<u>10,846</u>	<u>62,490</u>	<u>63,285</u>	<u>10,051</u>
Total Liabilities	<u>\$ 50,350</u>	<u>\$ 786,445</u>	<u>\$ 797,236</u>	<u>\$ 39,559</u>

The accompanying notes are an integral part of the financial statement.

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-01  
Notes to Financial Statement  
For the Years Ended December 31, 2018 and December 31, 2019

NOTE 1: Summary of Significant Accounting Policies

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.

Basis of Presentation – Fund Accounting

The accounts of the County of Northampton, Pennsylvania, are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

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.

Financial Reporting Entity

The Magisterial District Courts Agency Fund represents one of many divisions accounted for by the County of Northampton, Pennsylvania, in its Agency Funds.

Northampton County Controller's Office – Statute Requiring Audit of Magisterial District Justice Offices

Under 16 P.S. 1720.1 (a) (3), "it shall be the duty of the controller or county auditors to audit, settle and adjust the accounts of each magistrate or district justice within the county and report the results of the audits to the county commissioners, the Auditor General and to the governing body of each political subdivision which is entitled or has a right to receive any money or funds collected by a magistrate or district justice." Since the assets and liabilities of the Magisterial District Judge are accounted for in the combined County's Magisterial District Agency fund and not separately, a Balance Sheet is not presented.



**TONY E. BASSIL**

**CONTROLLER OF NORTHAMPTON COUNTY**

NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
EASTON, PENNSYLVANIA 18042

**ANTHONY SABINO, CIA**  
Audit Manager

**PHONE (610) 829-6617**  
**FAX (610) 559-3137**

**ROBERT A. NITCHKEY, JR., ESQ.**  
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**

**Independent Auditor's Report**

Members of the Northampton County Council  
Lamont G. McClure, Jr., County Executive  
Honorable Michael J. Koury, Jr., President Judge  
County of Northampton, Pennsylvania

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Changes in Assets and Liabilities – Cash Basis of Magisterial District Court (MDC) 03-3-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2018 and December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the MDC's internal control.

*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 by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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 MDC in the accompanying Schedule of Audit Findings and Recommendations as item A.

## MDC's Response to Findings

The MDC's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Recommendations. The MDC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on 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.

Very truly yours,



Tony E. Bassil  
County of Northampton Controller  
Easton, Pennsylvania



Stacy L. Duke  
Staff Auditor

October 23, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-01  
Schedule of Audit Findings and Recommendations  
For the Years Ended December 31, 2018 and December 31, 2019

**A. Voiding Receipt Transactions**

OBSERVATION

Approval of the Magisterial District Judge (MDJ) or a second Clerical Technician was not present for three of the ten voided receipt transactions tested. Approving voids as they occur verifies and documents the validity of the voided transactions.

An Interoffice Policy Memo was issued by Court Administration on July 18, 2014 that included instructions to obtain approval for all voids. Subsequent memos with instructions on voids were also distributed on February 3, 2016, August 25, 2016, and August 1, 2017. This is a repeat finding from our 2015-2016 MDC Audit which had two voided transactions without approval from the MDJ or a second Clerical Technician.

RECOMMENDATION

When a Clerical Technician voids a receipt, they should obtain the initials or signature of the MDJ or a second Clerical Technician to provide evidence that a second individual reviewed the void for validity.

MANAGEMENT RESPONSE – **Robert A. Hawke, Magisterial District Judge**

The Judge elected not to respond to the audit finding and recommendation.