



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY
NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

PAUL L. ALBERT, CIA
Audit Manager

PHONE (610) 829-6615
FAX (610) 559-3137

MICHAEL P. SHAY, ESQ.
Solicitor

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 period ended December 31, 2016 and December 31, 2017, 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 accounting principles generally accepted in the United States of America; this includes 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, 2016 and December 31, 2017 in accordance with accounting principles generally accepted in the United States of America. 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 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, 2016 and December 31, 2017, in accordance with accounting principles generally accepted in the United States of America. 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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018, on our consideration of the MDC 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 internal control over financial reporting and compliance.

Very truly yours,



Richard J. Szulborski
County of Northampton Controller
Easton, Pennsylvania



Stacy L. Duke
Auditor II

September 7, 2018

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-01
Magisterial District Judge Robert A. Hawke

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Statement of Changes in Assets and Liabilities - Cash Basis For the Year Ended December 31, 2016	4
Statement of Changes in Assets and Liabilities - Cash Basis For the Year Ended December 31, 2017	5
Notes to Financial Statement	6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	7-8
Schedule of Audit Findings and Recommendations	9

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, 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	\$ 30,508	\$ 601,226	\$ 593,117	\$ 38,617
Total Assets	<u>\$ 30,508</u>	<u>\$ 601,226</u>	<u>\$ 593,117</u>	<u>\$ 38,617</u>
<u>Liabilities</u>				
State costs and fines	\$ 2,982	\$ 321,226	\$ 315,000	\$ 9,208
County costs and fines	7,633	108,320	106,933	9,020
Local fines:				
Allen Township	13	1,119	1,003	129
Bangor Borough	47	484	483	48
Catasauqua Area School District	196	6,085	6,072	209
Chapman Borough	300	-	300	-
Lehigh Township	3,681	49,848	50,641	2,888
Moore Township	1,465	10,711	11,207	969
Northampton Area School District	221	7,591	7,099	713
Northampton Borough	1,256	23,360	23,142	1,474
North Catasauqua Borough	365	4,062	4,364	63
Walnutport Borough	350	11,756	11,517	589
Wind Gap Borough	7	93	100	-
Escrow	<u>11,992</u>	<u>56,571</u>	<u>55,256</u>	<u>13,307</u>
Total Liabilities	<u>\$ 30,508</u>	<u>\$ 601,226</u>	<u>\$ 593,117</u>	<u>\$ 38,617</u>

The notes to the financial statement are an integral part of this 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, 2017

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2017</u>
<u>Assets</u>				
Cash	\$ 38,617	\$ 637,177	\$ 626,356	\$ 49,438
Total Assets	<u>\$ 38,617</u>	<u>\$ 637,177</u>	<u>\$ 626,356</u>	<u>\$ 49,438</u>
<u>Liabilities</u>				
State costs and fines	\$ 9,208	\$ 352,674	\$ 351,035	\$ 10,847
County costs and fines	9,020	115,250	114,314	9,956
Local fines:				
Allen Township	129	1,575	1,472	232
Bangor Borough	48	142	190	-
Catasauqua Area School District	209	3,875	3,834	250
Freemansburg Borough	-	16	16	-
Hanover Township	-	200	200	-
Lehigh Township	2,888	45,216	45,345	2,759
Moore Township	969	9,947	10,226	690
Northampton Area School District	713	5,689	6,253	149
Northampton Borough	1,474	22,128	22,011	1,591
North Catasauqua Borough	63	5,920	5,074	909
Walnutport Borough	589	14,626	14,339	876
Escrow	13,307	59,919	52,047	21,179
Total Liabilities	<u>\$ 38,617</u>	<u>\$ 637,177</u>	<u>\$ 626,356</u>	<u>\$ 49,438</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-01
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.



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY
NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

PAUL L. ALBERT, CIA
Audit Manager

PHONE (610) 829-6615
FAX (610) 559-3137

MICHAEL P. SHAY, 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, 2016 and December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2018.

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 the 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 the MDC in the accompanying Schedule of Audit Findings and Recommendations as items noted on pages 9 and 10 of this report.

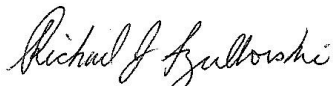
MDC's Response to Findings

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,



Richard J. Szulborski
County of Northampton Controller
Easton, Pennsylvania



Stacy L. Duke
Auditor II

September 7, 2018

A. Bank Reconciliations

OBSERVATION

Bank reconciliations were performed by the alternate authorized signer for two months during the audit period when there were three Clerical Technicians (CTs) in the office. This is a repeat finding from our 2014-2015 Magistrate District Court (MDC) audit where the alternate authorized signer continued in rotation after the 3rd CT was added to the office. One of these instances occurred before the previous audit report was released.

RECOMMENDATION

The alternate authorized signer should not be included in the rotation to perform bank reconciliations when there are more than two CTs in the office. The additional two CTs who are not authorized signers should rotate the duties of performing the monthly bank reconciliation.

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

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

B. Receipts

OBSERVATION

We found that there were two citations where the county court costs were not properly charged to the defendant. In both instances the defendant received multiple citations at one time. Proper procedures require that only one citation, usually the lead citation, receive the county court costs when a defendant has multiple cases. In both instances the defendant took the lead docket to trial and at the hearing plead guilty to a lesser charge which required no county court costs. The county court costs were not included on any other dockets included with the incident.

RECOMMENDATION

When a defendant's lead docket is dropped to a lesser charge that requires no county costs, the CTs should determine if there are additional dockets attached and move the county court costs to another docket if available.

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

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

C. Voided Receipts

OBSERVATION

Approval of the Magistrate District Judge (MDJ) or a second clerical technician was not present for two of the five voided transactions tested for 2016. Both voids were cash transactions that were not receipted again for two to five days after the void. The validity of these voids could not be determined because one of the voids included an explanation that did not adhere to the MDJ's stated office procedures. The other void did not include an explanation on the receipt or voided transaction report. Both of these receipts were collected, voided and re-receipted by the same CT. Due to these findings an additional 48 voided transactions were selected for testing. We found that:

- 30 of 48 voids tested from 2016 and 2017 were not approved by the MDJ or a second clerical technician. All but four of these voids were done by the same CT, who was responsible for the two exceptions noted above.
- The validity of two voids could not be determined due to the lack of documentation or an explanation on the receipts, voided transaction reports or case dockets. Both cases were included in the 30 voids not approved and were voided by the same CT as the other findings. One payment was for a check receipt and the other was for cash.
- This clerical technician is no longer working at this office but is still employed with the County. This was discussed with the Magisterial District Judge.

This is a repeat finding from our 2014-2015 MDJ audit. At that time four of six voids were not signed by the MDJ or second CT but management responded that "all voids are currently being endorsed since the February 2016 policy and procedure reminder which was sent by Court Administration."

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. Also, all voided receipts should include proper documentation to prove validity.

MANAGEMENT RESPONSE MDJ Robert A. Hawke, Magisterial District Judge

The Judge did not respond to the audit findings and recommendation.