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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) 03-2-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2014 and December 31, 2015. These statements are the responsibility of MDC 03-2-01. 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 03-2-01 of the County of Northampton, Pennsylvania, for the years ended December 31, 2014 and December 31, 2015 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 03-2-01 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.

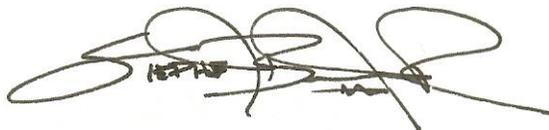
In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of MDC 03-2-01 of the County of Northampton, Pennsylvania, as of December 31, 2014 and December 31, 2015, on the basis of accounting described in Note 1.

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 25, 2016, 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,



Stephen J. Barron, Jr., CFE
County Controller

August 25, 2015



Stacy L. Duke
Staff Auditor

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Magisterial District Judge Roy A. Manwaring II, Esq.

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COUNTY OF NORTHAMPTON, PENNSYLVANIA
 Magisterial District Court 03-2-01
 Statement of Changes in Assets and Liabilities - Cash Basis
 For the Year Ended December 31, 2014

	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2014</u>
<u>Assets</u>				
Cash	\$ 28,937	\$ 475,856	\$ 474,527	\$ 30,266
Total Assets	<u>\$ 28,937</u>	<u>\$ 475,856</u>	<u>\$ 474,527</u>	<u>\$ 30,266</u>
<u>Liabilities</u>				
State costs and fines	\$ 1,686	\$ 166,585	\$ 167,373	\$ 898
County costs and fines	9,297	120,253	119,976	9,574
Local fines:				
Bethlehem Area Public Library	-	22	22	-
Bethlehem City	11,611	137,514	136,800	12,325
Escrow	6,340	51,473	50,347	7,466
Miscellaneous	<u>3</u>	<u>9</u>	<u>9</u>	<u>3</u>
Total Liabilities	<u>\$ 28,937</u>	<u>\$ 475,856</u>	<u>\$ 474,527</u>	<u>\$ 30,266</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
 Magisterial District Court 03-2-01
 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	\$ 30,266	\$ 461,264	\$ 462,166	\$ 29,364
Total Assets	<u>\$ 30,266</u>	<u>\$ 461,264</u>	<u>\$ 462,166</u>	<u>\$ 29,364</u>
<u>Liabilities</u>				
State costs and fines	\$ 898	\$ 175,059	\$ 172,917	\$ 3,040
County costs and fines	9,574	115,214	114,806	9,982
Local fines:				
Bethlehem Area Public Library	-	25	25	-
Bethlehem City	12,325	123,672	123,480	12,517
Hanover Township	-	25	25	-
Hellertown Borough	-	17	17	-
Escrow	7,466	47,252	50,896	3,822
Miscellaneous	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total Liabilities	<u>\$ 30,266</u>	<u>\$ 461,264</u>	<u>\$ 462,166</u>	<u>\$ 29,364</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
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.



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**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) 03-2-01 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2014 and December 31, 2015, and have issued our report thereon dated August 25, 2016. 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

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in internal control over financial reporting that might be deficiencies, 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.

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



Stacy L. Duke
Staff Auditor

August 25, 2015

County of Northampton
M.D.J. Roy A. Manwaring II, Esq.
Schedule of Audit Findings and Recommendations
Years Ended 12/31/14 and 12/31/15

A. Voids

OBSERVATION

We found that this office did not obtain approval of the MDJ or a second clerical technician for four voided transactions. A memo was issued by Court Administration on July 18, 2014 that included instructions to obtain approval for voids, but this portion of the memo was overlooked by the staff.

RECOMMENDATION

When a clerical technician voids a receipt, she should obtain the initials of the MDJ or a second clerical technician to provide evidence that a second individual reviewed the void.

MANAGEMENT RESPONSE **Roy A. Manwaring II, Esq., Magisterial District Judge**

Due to the fact that the proposed Audit Report fails to specifically identify the four (4) voided transactions in question, I am unable to properly respond to this observation. However, the Office of Controller can rest assured that it is the firm practice of District Court 03-2-01 to always follow the policy as outlined in the recommendations.

AUDITOR'S COMMENT

The voided receipts listed above were discussed with the Magisterial District Court's staff on July 15, 2016.

B. Bank Reconciliations

OBSERVATION

The secondary bank account authorized signer continued to be included in the rotation of performing the bank reconciliations in 2015, though the office included three or more trained clerical technicians. Reconciliations should not be performed by an authorized signer on the bank account when there are three or more clerical technicians in the office.

RECOMMENDATION

The three clerical technicians that are not a bank account authorized signer should rotate the duties of the bank reconciliations monthly.

MANAGEMENT RESPONSE **Roy A. Manwaring II, Esq., Magisterial District Judge**

The observation as noted in the draft report is conceded and the recommendation has already been implemented. On behalf of the Court, I apologize for this oversight.

County of Northampton
M.D.J. Roy A. Manwaring II, Esq.
Schedule of Audit Findings and Recommendations
Years Ended 12/31/14 and 12/31/15

C. Unauthorized Personnel in Secretarial Area

OBSERVATION

During our audit it was discovered that the constables had key access into the secretarial area of the Magisterial District Court. An internal controls memo issued by Deputy Court Administrator on November 11, 2012 included controls that stated constables, police officers and members of the public should not have access to case records, cash, financial records, etc. and should never be in the secretarial area.

RECOMMENDATION

Constables, police officers and members of the public should not be allowed access into the secretarial area of the Magisterial District Court.

MANAGEMENT RESPONSE Roy A. Manwaring II, Esq., Magisterial District Judge

It is my position that the objection of the Controller's office regarding the issue of who should have access to the office area of the Court exceeds the proper scope and authority of a financial audit. Rather, I believe this issue rests within the sound discretion of the Magisterial District Judge who was elected to manage and run the court.

I must also note that from its inception, it has always been the policy and practice at District Court 03-2-01 to permit both police officers and constables to have access to the office area of the Court for the limited purpose of conducting necessary paperwork. In addition, to discontinue this practice and procedure would create an additional burden on myself and my staff which I believe is both unnecessary and unwarranted.

Finally, I must note that if one were to take the "Recommendation" as outlined in the memo, dated 11/13/12, to its extreme, does this mean that the Court would be precluded from procuring the services of a custodian to clean the Court or a contractor to perform necessary repairs or maintenance at the Court? Hopefully, we can all agree that this would be an absurd result.