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Financial Audit Report

**MAGISTERIAL
DISTRICT JUDGE
ROY A.
MANWARING, II, ESQ.
COURT #03-2-01**

Years Ended December 31, 2018
and December 31, 2019

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Magisterial District Judge Roy A. Manwaring II, Esq.
For the Years Ended December 31, 2018 and December 31, 2019

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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) 03-2-01 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 03-2-01 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 26, 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 26, 2020

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, 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	\$ 27,826	\$ 573,050	\$ 566,913	\$ 33,963
Total Assets	<u>\$ 27,826</u>	<u>\$ 573,050</u>	<u>\$ 566,913</u>	<u>\$ 33,963</u>
<u>Liabilities</u>				
State costs and fines	\$ -	\$ 218,780	\$ 214,310	\$ 4,470
County costs and fines	11,064	138,215	138,808	10,471
Local fines:				
Bangor Borough	-	150	150	-
Bethlehem City	11,390	156,058	153,666	13,782
Hanover Township	-	100	100	-
Escrow	5,335	59,747	59,845	5,237
Miscellaneous	<u>37</u>	<u>-</u>	<u>34</u>	<u>3</u>
Total Liabilities	<u>\$ 27,826</u>	<u>\$ 573,050</u>	<u>\$ 566,913</u>	<u>\$ 33,963</u>

The accompanying notes are an integral part of the financial 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, 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	\$ 33,963	\$ 637,428	\$ 628,898	\$ 42,493
Total Assets	<u>\$ 33,963</u>	<u>\$ 637,428</u>	<u>\$ 628,898</u>	<u>\$ 42,493</u>
<u>Liabilities</u>				
State costs and fines	\$ 4,470	\$ 250,929	\$ 251,799	\$ 3,600
County costs and fines	10,471	147,975	144,478	13,968
Local fines:				
Bethlehem Area School District	-	641	634	7
Bethlehem City	13,782	136,097	144,170	5,709
Bethlehem Parking Authority	-	40,476	29,626	10,850
Escrow	5,237	61,310	58,191	8,356
Miscellaneous	3	-	-	3
Total Liabilities	<u>\$ 33,963</u>	<u>\$ 637,428</u>	<u>\$ 628,898</u>	<u>\$ 42,493</u>

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

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



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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**

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) 03-2-01 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 26, 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 26, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Schedule of Audit Findings and Recommendations
For the Years Ended December 31, 2018 and December 31, 2019

A. Unauthorized Personnel in Secretarial Area

OBSERVATION

During our audit it was discovered that the constables continued to have key access into the secretarial area of the MDC. This could allow unsupervised access to cash, financial records, etc. This is a repeat audit finding reported in the 14/15 audit. At that time the MDC was informed that this was a violation of an internal control memo issued by Deputy Court Administrator on November 11, 2012 which advised that constables, police officers and members of the public should not have access to cash records, cash, financial records, etc. and should never be in the secretarial area. We discussed the matter with the MDJ, and he disagrees with the position of the Deputy Court Administrator. He believes constables should have key access to the secretarial area.

RECOMMENDATION

Constables, police offices and members of the public should not have key or unsupervised access into the secretarial area of the MDC. The Court should follow the guidance of Court Administration.

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

Initially, even though the proposed Financial Audit Report fails to directly state, it must be noted that the Audit of D.C. 03-2-01 for the years 2018-2019 is “clean” and otherwise without any Findings and Recommendations of a true financial nature. For this reason, I believe that my capable staff deserves a hearty congratulations from the County. Instead, the proposed Audit Report again chooses to focus on the issue of “Unauthorized Personnel in Secretarial Area” which is listed as an “Observation” in the Schedule of Audit Findings and Recommendations. Specifically, according to the Report, I “disagree” with the position of the Deputy Court Administrator, and believe that constables should have “key access” to the secretarial area. For a more accurate statement of the Court’s position with respect to this issue, it is respectfully suggested that the Controller’s Office refer to the Court’s prior Response, dated September 27, 2016. For your convenience, I have included a copy of the Court’s prior Response.

Below is the Court’s prior response from September 27, 2016.

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.

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-01
Schedule of Audit Findings and Recommendations
For the Years Ended December 31, 2018 and December 31, 2019

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.