



County Controller

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Financial Audit Report

**MAGISTERIAL
DISTRICT JUDGE
NANCY MATOS
GONZALEZ
COURT #03-2-10**

**Years Ended December 31, 2017
and December 31, 2018**

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-10
Magisterial District Judge Nancy Matos Gonzalez

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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 Statements of Changes in Assets and Liabilities – Cash Basis of Magisterial District Court (MDC) 03-2-10 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2017 and December 31, 2018, 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 Statements of Changes in Assets and Liabilities – Cash Basis as of December 31, 2017 and December 31, 2018 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 03-2-10 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, 2017 and December 31, 2018, 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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, 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
December 16, 2019



Kathy M. Nesfeder, CRMA, CFE
Auditor II

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-10
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	\$ 23,895	\$ 389,319	\$ 384,955	\$ 28,259
Total Assets	<u>\$ 23,895</u>	<u>\$ 389,319</u>	<u>\$ 384,955</u>	<u>\$ 28,259</u>
 <u>Liabilities</u>				
State costs and fines	\$ -	\$ 167,773	\$ 165,222	\$ 2,551
County costs and fines	4,734	57,956	58,923	3,767
Local fines:				
Bethlehem City	7,568	95,419	98,201	4,786
Hellertown Borough	(100)	-	-	(100)
Macungie Borough	-	2	2	-
Escrow	11,686	68,169	62,600	17,255
Miscellaneous	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>
Total Liabilities	<u>\$ 23,895</u>	<u>\$ 389,319</u>	<u>\$ 384,955</u>	<u>\$ 28,259</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-10
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	\$ 28,259	\$ 340,261	\$ 348,218	\$ 20,302
Total Assets	<u>\$ 28,259</u>	<u>\$ 340,261</u>	<u>\$ 348,218</u>	<u>\$ 20,302</u>
<u>Liabilities</u>				
State costs and fines	\$ 2,551	\$ 167,136	\$ 169,687	\$ -
County costs and fines	3,767	51,289	50,899	4,157
Local fines:				
Bethlehem City	4,786	76,254	74,730	6,310
Hellertown Borough	(100)	3,150	3,050	-
Escrow	<u>17,255</u>	<u>42,432</u>	<u>49,852</u>	<u>9,835</u>
Total Liabilities	<u>\$ 28,259</u>	<u>\$ 340,261</u>	<u>\$ 348,218</u>	<u>\$ 20,302</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-10
Notes to Financial Statements

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*

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 Statements of Changes in Assets and Liabilities – Cash Basis of Magisterial District Court (MDC) 03-2-10 of the County of Northampton, Pennsylvania, as of and for the years ended December 31, 2017 and December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

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 page 8 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
December 16, 2019



Kathy M. Nesfeder, CRMA, CFE
Auditor II

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-10
Schedule of Audit Findings and Recommendations
Years Ending December 31, 2017 and December 31, 2018

A. Constable Cost Sheets

OBSERVATION

During our sample testing of Constable cost sheets, we found one that was not approved by the MDJ and two that the Constable did not indicate the start and stop times when holding a prisoner and an arrestee. By not reviewing the Constable cost sheets for accuracy, timeliness and completeness, the Constables could have been overpaid for fees.

RECOMMENDATION

Constable cost sheets should be reviewed for completeness and all costs should be recalculated to ensure accuracy. The MDJ should approve and sign the Constable cost sheets once a complete review has been completed.

MANAGEMENT RESPONSE - **Nancy Matos Gonzalez, Magisterial District Judge**

By practice, I review constable payment sheets to assure Constables are strictly compensated for services performed and verify such by signature. Although the few lapses noted in the findings are the exception, I do believe they are worthy of mention. As a safeguard I have instituted a new practice between my staff and myself to double check the signatures and specific custody times to avoid the potential for overpayment of services.