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Financial Audit Report

**MAGISTERIAL  
DISTRICT JUDGE  
DOUGLAS H.  
SCHLEGEL, SR.  
COURT #03-3-02**

Years Ended December 31, 2018  
and December 31, 2019

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-02  
Magisterial District Judge Douglas H. Schlegel, Sr.  
For the Years Ended December 31, 2018 and December 31, 2019

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report	1 - 3
Statement of Changes in Assets and Liabilities – Cash Basis For the Year Ended December 31, 2018	4
Statement of Changes in Assets and Liabilities – Cash Basis For the Year Ended December 31, 2019	5
Notes to Financial Statement	6
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	7 - 8
Schedule of Audit Findings and Recommendations	9



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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) 03-3-02 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 03-3-02 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 September 1, 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

September 1, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-02  
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	\$ 19,120	\$ 502,152	\$ 505,589	\$ 15,683
Total Assets	<u>\$ 19,120</u>	<u>\$ 502,152</u>	<u>\$ 505,589</u>	<u>\$ 15,683</u>
<u>Liabilities</u>				
State costs and fines	\$ 4,885	\$ 346,464	\$ 351,349	\$ -
County costs and fines	5,219	74,162	73,022	6,359
Local fines:				
Bethlehem Area School District	124	360	484	-
Bangor Borough	-	18	18	-
Bushkill Township	1,530	18,342	18,980	892
Moore Township	552	10,333	10,215	670
Northampton Area School District	-	27	27	-
Pen Argyl Borough	2	999	919	82
Pen Argyl School District	-	232	215	17
Plainfield Township	73	4,932	4,796	209
Pleasant Valley School District	-	100	100	-
Pocono Mountain School District	-	73	73	-
Stroudsburg Area School District	-	1	1	-
Wilson School District	-	50	50	-
Wind Gap Borough	444	7,984	7,704	724
Escrow	6,371	38,075	37,618	6,828
Miscellaneous	(80)	-	18	(98)
Total Liabilities	<u>\$ 19,120</u>	<u>\$ 502,152</u>	<u>\$ 505,589</u>	<u>\$ 15,683</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-02  
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	\$ 15,683	\$ 487,369	\$ 486,077	\$ 16,975
Total Assets	<u>\$ 15,683</u>	<u>\$ 487,369</u>	<u>\$ 486,077</u>	<u>\$ 16,975</u>
<u>Liabilities</u>				
State costs and fines	\$ -	\$ 338,827	\$ 335,441	\$ 3,386
County costs and fines	6,359	73,347	73,295	6,411
Local fines:				
Bethlehem Area School District	-	527	486	41
Bethlehem City	-	300	300	-
Bushkill Township	892	13,141	12,953	1,080
Chapman Borough	-	13	4	9
East Stroudsburg Area School District	-	94	61	33
Easton Area School District	-	8	8	-
Lehigh Township	-	50	50	-
Moore Township	670	10,321	10,435	556
Nazareth Area School District	-	50	50	-
Pen Arygl Borough	82	1,481	1,378	185
Pen Arygl School District	17	81	47	51
Plainfield Township	209	5,782	5,742	249
Pocono Mountain School District	-	63	63	-
Walnutport Borough	-	8	3	5
Wind Gap Borough	724	7,102	7,449	377
Escrow	6,828	36,174	38,313	4,689
Miscellaneous	(98)	-	(1)	(97)
Total Liabilities	<u>\$ 15,683</u>	<u>\$ 487,369</u>	<u>\$ 486,077</u>	<u>\$ 16,975</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-02  
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 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**

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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) 03-3-02 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 September 1, 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 the 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

September 1, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-3-02  
Schedule of Audit Findings and Recommendations  
For the Years Ended December 31, 2018 and December 31, 2019

**A. Disbursements**

OBSERVATION

Thirteen canceled checks did not include an authorized signature on the check signature line. All checks should be authorized for approval by the Judge or the second Bank Signer before being sent to the payee. It appears these checks were not reviewed for proper authorization before they were mailed. If checks are not signed it cannot be determined if they were approved for proper payment.

RECOMMENDATION

All checks should be signed by the Judge or the second Bank Signer in the absence of the Judge to approve all payments. These checks should be reviewed by someone other than the person signing, to verify proper authorization before they are mailed to the payees.

MANAGEMENT RESPONSE –**Douglas H. Schlegel, Jr., Magisterial District Judge**

Your audit conducted of our office #03-3-03 determined that there were thirteen (13) checks that were sent out without signatures. Quite honestly, myself and my staff have no idea how this actually occurred or why. However, we have taken steps to ensure that a signature is on all checks sent out.

We have implemented a new procedure that all checks will be double and triple checked by myself and my staff. Initials will be put on the check stub to show it has been signed and verified.

I wish to express my gratitude to you for your thorough observation and audit of our office. Myself and my staff are very committed to having this office run as smoothly as possible and to avoid any shortcomings or findings. With this finding we will strive to be more accurate.