



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) 03-2-09 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 03-2-09 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 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.

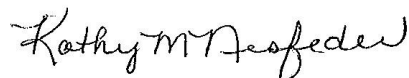
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 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 Controller



Kathy M. Nesfeder, CFE, CRMA
Auditor II

September 27, 2018

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-09
Magisterial District Judge Jacqueline M. Taschner, Esq.

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	9-10

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-09
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	\$ 23,047	\$ 581,411	\$ 582,190	\$ 22,268
Total Assets	<u>\$ 23,047</u>	<u>\$ 581,411</u>	<u>\$ 582,190</u>	<u>\$ 22,268</u>
<u>Liabilities</u>				
State costs and fines	\$ -	\$ 359,230	\$ 359,230	\$ -
County costs and fines	6,843	81,674	81,428	7,089
Local fines:				
Easton Area School Dist.	8	235	177	66
Easton City	-	300	300	-
Forks Township	3,210	40,057	40,080	3,187
Palmer Township	2,790	35,987	36,773	2,004
Tatamy Borough	824	17,327	16,814	1,337
Stockertown	-	2	2	-
Escrow	9,457	46,599	47,293	8,763
Miscellaneous	(85)	-	93	(178)
Total Liabilities	<u>\$ 23,047</u>	<u>\$ 581,411</u>	<u>\$ 582,190</u>	<u>\$ 22,268</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-09
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	\$ 22,268	\$ 543,450	\$ 547,148	\$ 18,570
Total Assets	<u>\$ 22,268</u>	<u>\$ 543,450</u>	<u>\$ 547,148</u>	<u>\$ 18,570</u>
<u>Liabilities</u>				
State costs and fines	\$ -	\$ 330,206	\$ 330,206	\$ -
County costs and fines	7,089	78,882	79,498	6,473
Local fines:				
Easton Area School Dist.	66	62	129	(1)
Forks Township	3,187	32,597	34,133	1,651
Palmer Township	2,004	33,274	32,782	2,496
Tatamy Borough	1,337	19,035	19,340	1,032
North Londonderry Township	-	11	11	-
Escrow	8,763	49,383	50,902	7,244
Miscellaneous	(178)	-	147	(325)
Total Liabilities	<u>\$ 22,268</u>	<u>\$ 543,450</u>	<u>\$ 547,148</u>	<u>\$ 18,570</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-2-09
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) 03-2-09 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 27, 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.

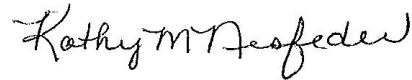
Purpose of this Report

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 Controller



Kathy M. Nesfeder, CFE, CRMA
Auditor II

September 27, 2018

County of Northampton Magisterial District Court 03-2-09
Schedule of Audit Findings and Recommendations
Years Ending 12/31/2016 and 12/31/2017

A. Petty Cash

OBSERVATION

During our audit we performed a count of the Petty Cash fund and found that it was short \$20. A second count was performed to verify the shortage. The count was witnessed and verified by the Petty Cash Custodian. The shortage was discussed at the exit conference with the MDJ and the Clerical Technician. It was thought that the shortage was caused by removing \$20 from the Petty Cash fund to open a bank account at Lafayette Ambassador Bank in February 2016 and then not replenishing the account because they did not have a receipt from the bank. We instructed them to use the bank statement as a receipt and replenish the account to the proper account.

On September 27, 2018 the Clerical Technician notified the Controller's Office that they found notes on a daily cash summary report from April 14, 2016. The notes read "Per Deb Chambers from AOPC take \$20 cash from this money and replace it to petty cash (was used to open the new acct at Lafayette Ambassador Bank on 2/23/16)." The auditor advised them if that was done, the petty cash should not be short.

The Controller's Office checked their 2014-2015 audit and determined that the petty cash count performed on September 28, 2016 was not short and there were no outstanding receipts.

A short time after the Clerical Technician initially notified the Controller's Office, she reported that they recounted the Petty Cash and the amount was \$150 with no shortage. They provided a breakdown of the petty cash and the count now had one extra \$20 bill from the original count made on September 20, 2018.

During our audit we also noted that a replenishment of the 2017 expenses was not submitted until February 2018.

RECOMMENDATION

A periodic review of Petty Cash should be performed to ensure there is a balance of \$150 and that expenses are reimbursed during the year that they occur.

MANAGEMENT RESPONSE **Jacqueline M. Taschner, Esq., Magisterial District Judge**

Please see attached.

B. Deposit Slips

OBSERVATION

We determined that four deposit slips of the 26 tested were not signed by the MDJ. All other deposit slips were signed multiple times evidencing a thorough review was being performed by the MDJ.

RECOMMENDATION

The MDJ should sign/initial all deposit slips as evidence of their review after agreeing the deposit amount to the validated deposit slip and the daily summary report.

MANAGEMENT RESPONSE **Jacqueline M. Taschner, Esq., Magisterial District Judge**

Please see attached.

C. Manual Receipts

OBSERVATION

We determined that two manual receipts were issued in 2017 but the manual receipt numbers were not entered into the Administrative Office of Pennsylvania Courts (AOPC) system. When the manual receipt report was generated, it showed that no manual receipts were issued for 2017.

RECOMMENDATION

Whenever a manual receipt is used, the Clerical Technician should enter this receipt number in the AOPC system for traceability of the transaction and funds.

MANAGEMENT RESPONSE **Jacqueline M. Taschner, Esq., Magisterial District Judge**

Please see attached.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF NORTHAMPTON

JACQUELINE M. TASCHNER

MAGISTERIAL DISTRICT JUDGE

Magisterial District 03-2-09

**3 Weller Place
Easton Pa 18045**

FORKS TOWNSHIP
PALMER TOWNSHIP
TATAMY BOROUGH

OFFICE:
TEL 610-258-7266
FAX 610-258-1713

November 15, 2018

Richard J. Szulborski
Controller of Northampton County
669 Washington Street
Easton, Pennsylvania 18042

RE: Audit Report for Magisterial District Court 03-2-09

Dear Mr. Szulborski:

I have had the opportunity to review the preliminary Audit Report for this Court for the years ending December 31, 2016 and December 31, 2017.

Several observations were noted in your report. In the past, I have implemented policies and procedures which address the issues you've raised; I have reiterated those policies to the staff. I note that the overwhelming nature of the job sometimes results in mistakes. I have cautioned my staff to be attentive to detail and to "double check" work so that future errors and deficiencies are avoided.

I have no explanation for the discrepancy noted by Ms. Nesfeder regarding petty cash. I will conduct periodic, random reviews of the petty cash with the Custodian to ensure all proper steps are taken to safeguard those funds.

With regard to the deposit slips, please be advised that after Ms. Nesfeder advised me of this issue, I reviewed ALL deposits from January 1, 2016 through present to make sure the daily summary report corroborated the deposit slip. Please note that most of the unvalidated deposit slips were prepared by one staff member who no longer works in the District Courts. Again, I reminded staff that I must review and validate all deposits.

Finally, when Ms. Nesfeder advised Cynthia Eck that two manual receipts were issued in 2017 but not entered into the AOPC system, Ms. Eck immediately contacted AOPC to correct the issue. The cases in which the manual receipts were issued are now properly linked to the corresponding receipts.

Richard J. Szulborski, County Controller
November 15, 2018
Page Two

Thank you for allowing me the opportunity to respond. If you require any additional information or clarification, please contact me.

Very truly yours,



Jacqueline M. Taschner

JMT:bms

cc: The Honorable Michael J. Koury, Jr., President Judge