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Tony E. Bassil

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**County Executive**

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Financial Audit Report

**MAGISTERIAL  
DISTRICT JUDGE  
RICHARD H. YETTER  
III, ESQ.  
COURT #03-2-12**

Years Ended December 31, 2018  
and December 31, 2019

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
Magisterial District Judge Richard H. Yetter III, Esq.  
For the Years Ended December 31, 2018 and December 31, 2019

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**TONY E. BASSIL**

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NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
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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) 03-2-12 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 03-2-12 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 December 16, 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



Kathy M. Nesfeder, CRMA, CFE  
Auditor II

December 16, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
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	\$ 19,888	\$ 511,335	\$ 503,828	\$ 27,395
Total Assets	<u>\$ 19,888</u>	<u>\$ 511,335</u>	<u>\$ 503,828</u>	<u>\$ 27,395</u>
<u>Liabilities</u>				
State costs and fines	\$ -	\$ 226,948	\$ 217,626	\$ 9,322
County costs and fines	11,366	159,894	160,862	10,398
Local fines:				
Bethlehem City	-	11	3	8
Easton City	2,953	29,509	30,233	2,229
West Easton Borough	-	319	251	68
Wilson Area School District	(462)	696	177	57
Wilson Boro Tax Office	-	900	900	-
Wilson Borough	2,487	33,809	34,100	2,196
Escrow	<u>3,544</u>	<u>59,249</u>	<u>59,676</u>	<u>3,117</u>
Total Liabilities	<u>\$ 19,888</u>	<u>\$ 511,335</u>	<u>\$ 503,828</u>	<u>\$ 27,395</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
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	\$ 27,395	\$ 504,406	\$ 503,751	\$ 28,050
Total Assets	<u>\$ 27,395</u>	<u>\$ 504,406</u>	<u>\$ 503,751</u>	<u>\$ 28,050</u>
<u>Liabilities</u>				
State costs and fines	\$ 9,322	\$ 223,439	\$ 229,398	\$ 3,363
County costs and fines	10,398	156,555	153,859	13,094
Local fines:				
Bangor Borough	-	13	13	-
Bethlehem City	8	14	22	-
Easton City	2,229	30,871	30,863	2,237
West Easton Borough	68	531	599	-
Wilson Area School District	57	1,613	1,497	173
Wilson Boro Tax Office	-	600	600	-
Wilson Borough	2,196	29,466	28,625	3,037
Escrow	3,117	61,304	58,233	6,188
Miscellaneous	-	-	42	(42)
Total Liabilities	<u>\$ 27,395</u>	<u>\$ 504,406</u>	<u>\$ 503,751</u>	<u>\$ 28,050</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
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) 03-2-12 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 December 16, 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 items noted on page 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,



Tony E. Bassil  
County of Northampton Controller  
Easton, Pennsylvania



Kathy M. Nesfeder, CRMA, CFE  
Auditor II

December 16, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
Schedule of Audit Findings and Recommendations  
For the Years Ended December 31, 2018 and December 31, 2019

**A. Stale-Dated Checks**

OBSERVATION

During our review of the MDC bank account, we determined that eight checks were outstanding over one year and were not remitted to the County in a timely manner. This was caused by office turnover and delays in training a new hire.

An Interoffice Policy Memo issued by the Deputy Court Administrator dated January 24, 2017 states that when a check issued by the Magisterial District Judge (MDJ) is outstanding (not cashed) after 180 days has passed, the check should be voided and stale-dated in the Magisterial District Judge System (MDJS). The court should make an attempt to contact the intended recipient prior to stale-dating the check.

Once a check is stale-dated, the monies should be turned over to the County as unclaimed money. Failing to remit stale-dated checks to the County could cause a violation of state escheat laws which require uncashed checks to be transferred to the state after three years. Money on deposit to cover checks which are not cashed over a long period of time is prone to misappropriation.

RECOMMENDATION

All stale-dated checks should be remitted to the County as per the Interoffice Policy Memo issued by the Deputy Court Administrator dated January 24, 2017.

MANAGEMENT RESPONSE – **Richard H. Yetter III, Esq., Magisterial District Judge**

See MDJ Richard H. Yetter III, Esq. response on pages 11-12.

AUDITOR'S COMMENT

See Auditor's comment to MDJ Richard H. Yetter III, Esq. response on page 13.

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
Schedule of Audit Findings and Recommendations  
For the Years Ended December 31, 2018 and December 31, 2019

**B. Voided Receipts**

OBSERVATION

Approval of the Magisterial District Judge (MDJ) or a second clerical technician was not present for three of the ten voided transactions tested. Approving voids as they occur verifies and documents the validity of the void, thereby reducing the potential for fraud.

An Interoffice Policy Memo was issued by Court Administration on July 18, 2014 that included instructions to obtain approval for all voids. Subsequent memos with instructions on voids were also distributed on February 3, 2016, August 25, 2016 and on August 18, 2017. This is a repeat finding from our 2016-2017 MDC audit.

RECOMMENDATION

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

MANAGEMENT RESPONSE – **Richard H. Yetter III, Esq., Magisterial District Judge**

See MDJ Richard H. Yetter III, Esq. response on pages 11-12.

AUDITOR'S COMMENT

See Auditor's comment to MDJ Richard H. Yetter III, Esq. response on page 13.

# COMMONWEALTH OF PENNSYLVANIA



NORTHAMPTON COUNTY  
City Of Easton  
Wards 7 and 8  
Wilson Borough  
West Easton Borough

**RICHARD H. YETTER III, Esq.**

Magisterial District Judge  
Magisterial District 03-2-12

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December 7, 2020

Kathy Nesfeder  
Northampton County Controller  
669 Washington Street  
Easton, Pa 18042

**VIA FIRST CLASS MAIL AND FAX 610-559-3137**

**RE: Independent Auditor's Report of District Court 03-2-12**

Dear Kathy Nesfeder:

I acknowledge receipt of the draft audit report and accompanying Schedule of Audit Findings and Recommendations (hereinafter "Report") as of and for the years ended December 31, 2018 and December 21, 2019. Please accept this correspondence as response thereto. Once again, just as your department did in its last audit of this District Court for years 2016 and 2017, the audit findings contained in the Report (2 in total) are those which may result from performing a "procedural audit" not that of a "fiscal audit" which is contrary to Pennsylvania law. This correspondence shall serve as response to the Report, specifically to pages 9 and 10.

As previously stated, the Report includes two (2) findings identified as an "Observation." It is beyond imperative that it is noted that this District Court experienced 2/3rds employee turn-over this past eighteen (18) months. A District Judge relies heavily on their staff to maintain the finances of the Court in addition to the many numerous job tasks that they already handle on a daily basis. A change in staff can be a brief disruption in the overall conduciveness of the staff. Again, this office lost two staff members over the course of 18 months: (1) Jenelle (last names of clerks are purposely left out) left at the end of April 2019. Jenna replaced her in June of 2019. This Court relied on a "floater" clerk to come in and work as needed. When a floater is assigned, they are not necessarily the same person; and (2) Tina retired December 2019. We hired Julie to replace Tina in April of 2020. Thus, we went three (3) months again with a floater. I realize that your audit does not cover the year 2020, but this is certainly worth mentioning.

In addition to the staff changes, the following are brief responses to the two (2) observations in the Report:

### A. Stale-Dated Checks

As mentioned, this District Court lost two (2) of its staff members in the span of eighteen (18) months, Jenelle took a job with the Northampton Court of Common Pleas and Tina retired. The third Clerk, Yasmine, was not trained how to handle stale-dated checks as the two (2) Clerical Technicians that left appear to have handled the stale-dated checks between the two of them. The undersigned was unaware that Yasmine had not been trained how to handle the Stale-Dated check and it remained unnoticed because the overall efficiency of the office was thriving. It is also worth noting that in spite of those eight (8) checks remaining outstanding for over one year, at no time was the bank account out of balance and there was no presence of fraud.

### B. Voided Receipts

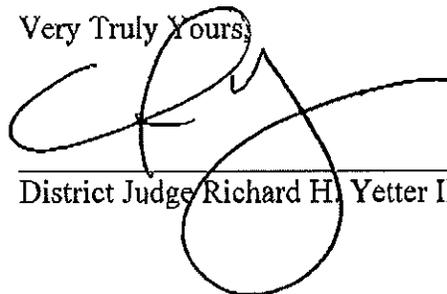
Again, it is worth noting the staff turnover at District Court 03-2-12. That said, there were three receipts found over a two-year period that did not have a second set of initials. I can wholeheartedly say that this issue was addressed with my staff previously. I informed them that I wanted to be the second set of initials on voided receipts. I will not speculate as to why there were three voided receipts without a second set of initials, however, there was no unauthorized spending, misallocated expenses, or other accounting errors nor was there any presence of fraud.

I would request the scheduling of a meeting between yourself, your supervisor, and Deputy Court Administrator Debbie French to discuss these matters. Kindly contact my office to schedule same.

That said, please be advised that I have discussed these two (2) issues with my staff and instructed each Clerical Technician to follow the recommendations made within the Report. Thus, moving forward, this District Court shall remain fully compliant and fiscally responsible.

Notwithstanding the responses to the findings provided above, the undersigned hereby reserves the right to file a mandamus in Pennsylvania Commonwealth Court for your department's performance of a procedural audit.

Very Truly Yours,



District Judge Richard H. Yetter III, Esquire

RHY:  
CC: Debbie French

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Magisterial District Court 03-2-12  
Schedule of Audit Findings and Recommendations  
For the Years Ended December 31, 2018 and December 31, 2019

AUDITOR'S COMMENT

In the response from MDJ Richard H. Yetter III, Esq., he states that the inclusion of audit findings in the report indicate that the audit would be classified as a "procedural audit" rather than a "fiscal audit" and, as such, would be in violation of Pennsylvania law. This is not accurate. To clarify, our office follows the standards for Financial Audits set forth by the American Institute of Certified Public Accountants (AICPA) and Government Auditing Standards issued by the Comptroller General of the United States. These same standards are cited in audits conducted by the Commonwealth of Pennsylvania Department of the Auditor General. These standards require us to assess internal controls and compliance with laws and regulations in all Financial Audits to ensure that financial statements are free of material misstatements. It would be impossible for us to conclude that such misstatements do not exist if we did not perform tests in these areas, and we would be in violation of these standards if we neglected to do so. We are also required to report on findings related to our testing in the body of our report.

One other area which needs clarification relates to our finding on voided receipts. In the response from MDJ Richard H. Yetter III, Esq., he states that our audit found that there were three receipts found over a two-year period that did not have a second set of initials. This is not accurate. Our audit clearly indicates that we selected a sample of ten from the two-year period. Three errors constitutes an error rate of 30%; our audit correctly concludes as a result of this error rate that internal controls can be improved.