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Financial Audit Report

**MAGISTERIAL
DISTRICT JUDGE
ALICIA R. ZITO, ESQ.
COURT #03-3-03**

Years Ended December 31, 2017
and December 31, 2018

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-03
Magisterial District Judge Alicia R. Zito, Esq.
For the Years Ended December 31, 2017 and December 31, 2018

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, 2017	4
Statement of Changes in Assets and Liabilities – Cash Basis For the Year Ended December 31, 2018	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 - 10



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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) 03-3-03 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 Statement 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 03-3-03 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

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 17, 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 17, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-03
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	\$ 28,199	\$ 414,825	\$ 429,943	\$ 13,081
Total Assets	<u>\$ 28,199</u>	<u>\$ 414,825</u>	<u>\$ 429,943</u>	<u>\$ 13,081</u>
<u>Liabilities</u>				
State costs and fines	\$ 9,245	\$ 218,422	\$ 227,667	\$ -
County costs and fines	3,976	71,715	69,886	5,805
Local fines:				
Bangor Area School District	92	3,427	3,459	60
Bangor Borough	1,226	15,285	15,356	1,155
East Bangor Borough	803	3,835	4,458	180
Easton City	-	100	100	-
Lower Mt. Bethel Township	243	2,126	2,137	232
Lower Saucon Township	-	25	25	-
Pen Argyl Borough	163	6,262	5,739	686
Pen Argyl School District	247	1,254	1,471	30
Plainfield Township	65	2,106	2,090	81
Portland Borough	4,533	26,212	29,523	1,222
Roseto Borough	138	3,166	3,175	129
Tatamy Borough	(18)	-	(12)	(6)
Upper Mount Bethel Township	151	2,569	2,632	88
Washington Township	220	5,463	5,332	351
Wind Gap Borough	-	12	12	-
Escrow	7,115	52,846	56,893	3,068
Total Liabilities	<u>\$ 28,199</u>	<u>\$ 414,825</u>	<u>\$ 429,943</u>	<u>\$ 13,081</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-03
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	\$ 13,081	\$ 450,421	\$ 449,968	\$ 13,534
Total Assets	<u>\$ 13,081</u>	<u>\$ 450,421</u>	<u>\$ 449,968</u>	<u>\$ 13,534</u>
<u>Liabilities</u>				
State costs and fines	\$ -	\$ 256,279	\$ 255,846	\$ 433
County costs and fines	5,805	76,357	76,665	5,497
Local fines:				
Bangor Area School District	60	1,168	1,154	74
Bangor Borough	1,155	14,399	14,569	985
East Bangor Borough	180	4,054	4,026	208
Hellertown Borough	-	1,238	1,238	-
Lower Mt. Bethel Township	232	2,162	1,920	474
Northampton Borough	-	125	125	-
Pen Argyl Borough	686	7,812	8,183	315
Pen Argyl School District	30	1,237	1,123	144
Plainfield Township	81	1,161	1,161	81
Portland Borough	1,222	21,454	21,057	1,619
Roseto Borough	129	4,941	4,534	536
Tatamy Borough	(6)	-	-	(6)
Upper Mount Bethel Township	88	2,648	2,574	162
Washington Township	351	8,312	7,506	1,157
Wind Gap Borough	-	25	25	-
Escrow	3,068	47,049	48,262	1,855
Total Liabilities	<u>\$ 13,081</u>	<u>\$ 450,421</u>	<u>\$ 449,968</u>	<u>\$ 13,534</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-03
Notes to Financial Statement
For the Years Ended December 31, 2017 and December 31, 2018

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.



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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) 03-3-03 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 September 17, 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 items A, B, and C.

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 17, 2020

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-03
Schedule of Audit Findings and Recommendations
For the Years Ended December 31, 2017 and December 31, 2018

A. Voids

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 voided transactions.

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 August 1, 2017. This is a repeat finding from our 2015-2016 MDC Audit which had six voided transactions without approval from the MDJ or a second Clerical Technician.

RECOMMENDATION

When a Clerical Technician voids a receipt, they should then obtain the initials or signature of the MDJ or a second Clerical Technician to provide evidence that a second individual reviewed the void for validity.

MANAGEMENT RESPONSE –**Alicia R. Zito, Esq., Magisterial District Judge**

When the Clerical Technician voids a receipt, the receipt shall be taken directly to the magisterial district judge or another clerical technician for review. The magisterial district judge or clerical technician shall review the reason for the voided receipt, check that a proper case note has been added on the case file, stamp the voided receipt “approved” and sign or initial.

B. Constables – Improper Payment

OBSERVATION

One constable improperly charged for custody and conveyance to or from court while performing a transport of an incarcerated prisoner. We discovered that this constable was overpaid because the payment sheet was not reviewed for proper fees by the staff. The total overpayment was only \$10, but it appears the staff were unaware of the proper fees for this type of service, as they did not have a copy of the Constable Quick Reference Guide that was issued by Court Administration via an Interoffice Policy Memo dated January 24, 2014. Comparing constable payment sheets to the Constable Fee Schedule and Quick Reference Guide when warrants are served ensures that constables are charging the proper fees and no overpayments are occurring. We provided a copy of the Quick Reference Guide to the court during our audit.

RECOMMENDATION

All constable payment sheets should be reviewed and all costs verified to the Constable Fee Schedule and Quick Reference Guide by a Clerical Technician at the time the warrant is served and payment sheets are collected for payment.

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Magisterial District Court 03-3-03
Schedule of Audit Findings and Recommendations
For the Years Ended December 31, 2017 and December 31, 2018

MANAGEMENT RESPONSE – Alicia R. Zito, Esq., Magisterial District Judge

A copy of the current Constable Fee Schedule will be placed on each clerical technician's desk. A copy of the Quick Reference Guide was placed at the front window so that it is accessible to all clerical technicians. All constable payment sheets will be verified by referencing both the Fee Schedule and Quick Reference Guide by the clerical technician after which it shall be placed in the magisterial district judge's bin for signature and approval.

C. Constables Server Fees – Reimbursement to County

OBSERVATION

We found that one constable server fee, which was referred to the County for payment, was entered into the AOPC System then later deleted with no explanation or reason. When defendants cannot immediately pay fees associated with their cases, the County pays the constable fees; when the defendant does pay, the County is reimbursed for this prior payment. If fees are removed from the defendant's case docket assessments in the AOPC System, the County will not be reimbursed the money paid to the constable if or when the defendant pays their fees and fines to the MDC. This resulted in the County not being reimbursed for a total of \$32.95.

RECOMMENDATION

All constable server fees referred to the County should be included on the defendant's case docket assessments to ensure that the County receives reimbursement for constable payments. If constable server fees are removed from a defendant's case docket assessment because of a valid reason, such as being found not guilty, the Clerical Technician should make sure to document the reason in the case docket.

MANAGEMENT RESPONSE – Alicia R. Zito, Esq., Magisterial District Judge

It should be noted that the observation/finding was attributable to a prior employee in the magisterial district court. All constable server fees referred to the County should be included on the defendant's docket assessments to ensure the County receives reimbursement for constable payments. If the constable fees are removed from the defendant's case docket assessment because of a valid reason, such as being found not guilty, the clerical technician will document that reason in a detailed case note.