

Westmoreland County
Controller

AUDITING DEPARTMENT

Jeffrey Balzer

County Controller

Audit of

Magisterial District Court 10-1-03

Financial Statements – Modified Cash Basis
For the period January 1, 2019 to December 31, 2019

Prepared for

Westmoreland County
Board of Commissioners
and
Honorable Rita D. Hathaway, President Judge

Audit of

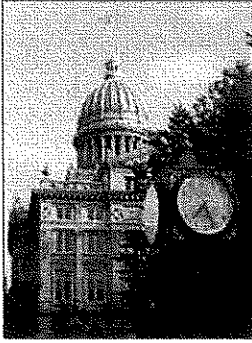
Magisterial District Court 10-1-03

Presented by

Jeffrey Balzer
County Controller

And

Westmoreland County Auditing Department



Westmoreland County Controller's Office

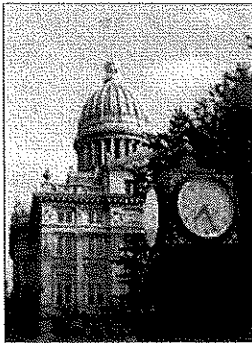
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Magisterial District Court 10-1-03
Audit Distribution List
For the period January 1, 2019 to December 31, 2019

1. District Court 10-1-03
2. Board of Commissioners
3. Honorable Rita D. Hathaway, President Judge
4. Amy DeMatt, Court Administrator
5. Donald Heagy, Special Courts Administrator
6. Eugene DePasquale, Pennsylvania Auditor General
7. City of Monessen, c/o Secretary
8. Monessen School District, c/o Secretary
9. Rostraver Township Supervisors, c/o Secretary
10. North Belle Vernon Borough, c/o Secretary
11. Andrew M. Simpson, Judicial Programs Analyst



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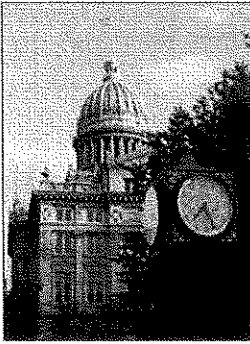
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Magisterial District Court 10-1-03
For the period January 1, 2019 to December 31, 2019

Table of Contents

Transmittal Letter.....	1
Independent Auditor's Report	2
Financial Statements – Modified Cash Basis:	
Statement of Assets, Liabilities and Undisbursed Receipts as of December 31, 2019	4
Statement of Cash Receipts, Disbursements and Balance for the Period January 1, 2019 to December 31, 2019	5
Notes to the Financial Statements.....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Schedule of Findings.....	9
Schedule I.....	10
Controller's Note	11



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June 1, 2020

Magisterial District Court 10-1-03
303 Riverview Drive
Monessen, PA 15062

Dear District Court:

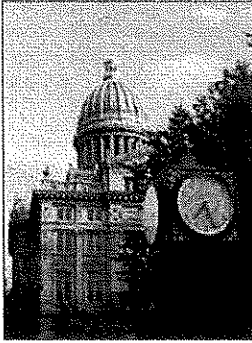
Transmitted herewith for your information is a copy of the audit of the Magisterial District Court 10-1-03, the purpose of which is to express an opinion on the fairness of the presentation of the financial statements for the period January 1, 2019 to December 31, 2019.

In line with the policy of this office under which all official audit reports are considered to be public information, a report will be released to the news media or general public upon request.

If there are any questions you may have or comments you desire to make concerning this report, please do not hesitate to contact this office.

Sincerely,

Jeffrey Balzer
County Controller



Westmoreland County Controller's Office

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Jeffrey Balzer, Controller

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Independent Auditor's Report

June 1, 2020

Magisterial District Court 10-1-03
303 Riverview Drive
Monessen, PA 15062

Dear District Court:

We have audited the Statement of Assets, Liabilities and Undisbursed Receipts- Modified Cash Basis, of Magisterial District Court 10-1-03 as of December 31, 2019, and the related Statement of Cash Receipts, Disbursements and Balance-Modified Cash Basis for the year then ended, as listed in the Table of Contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified 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 from 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 Magisterial District Court 10-1-03'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 Magisterial District Court 10-1-03'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 Assets, Liabilities, and Undisbursed Receipts-Modified Cash Basis, of Magisterial District Court 10-1-03, as of December 31, 2019 and its Cash Receipts, Disbursements, and Balance-Modified Cash Basis for the year then ended on the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the modified 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.

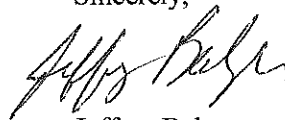
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2020 on our consideration of Magisterial District Court 10-1-03's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Other Matters

As discussed in Note 1, the financial statements present only the Magisterial District Court 10-1-03's agency fund activity for the year ended December 31, 2019, and is not intended to be a complete presentation of the Magisterial District Court 10-1-03's financial position or results of operation on the modified cash basis of accounting.

Sincerely,



Jeffrey Balzer
County Controller

Magisterial District Court 10-1-03
Statement of Assets, Liabilities and Undisbursed Receipts-
Modified Cash Basis
As of December 31, 2019

Assets	
Petty Cash	\$ 75.00
Cash	17,231.01
Due to District Court-Unreimbursed Prior Years Fees	<u>12.00</u>
Total Assets	<u><u>17,318.01</u></u>
Liabilities & Undisbursed Receipts	
Fund Balance	75.00
Unidentified System Error/Escrow (2009)	(10.00)
Due to Individuals	7,554.63
Due to Various Taxing Units	9,684.01
Due to Commonwealth - December 2019 Interest	<u>14.37</u>
Total Liabilities & Undisbursed Receipts	<u><u>\$ 17,318.01</u></u>

Note: The accompanying notes are an integral part of the financial statements.

Magisterial District Court 10-1-03
Statement of Cash Receipts, Disbursements and Balance-
Modified Cash Basis
For the Period January 1, 2019 to December 31, 2019

Cash Balance 12/31/18		\$ 11,669.72
Receipts		
State	148,445.25	
County	31,532.39	
Local	34,586.75	
Escrow	26,180.78	
Interest Income	<u>173.39</u>	
Total Receipts		<u>240,918.56</u>
Disbursements		
State	146,956.47	
County	30,446.86	
Local	34,280.82	
Serving	8,224.20	
Restitution	950.75	
Refunds	14,326.70	
State Interest	<u>171.47</u>	
Total Disbursements		<u>235,357.27</u>
Results of Operations		5,561.29
Adjustments (See Schedule I)		<u>-</u>
Cash Balance 12/31/19		\$ 17,231.01
Undisbursed Receipts 12/31/19		<u>17,243.01</u>
Variance		<u>\$ (12.00)</u>

Note: The accompanying notes are an integral part of the financial statement

Magisterial District Court 10-1-03
Notes to the Financial Statements
For the period January 1, 2019 to December 31, 2019

Note # 1: Nature of Entity and Summary of Significant Accounting Policies

The Reporting Entity-The financial statements present only the agency fund account of the Magisterial District Court office for the year ended December 31, 2019 on the modified cash basis of accounting, and is not intended to be a complete presentation of the Magisterial District Court's financial position or results of operation on the modified cash basis of accounting.

Basis of Accounting - The books and records of the Magisterial District Court are maintained on the modified cash basis of accounting and, therefore, the financial statements presented herein do not purport to present the results of operations in conformity with accounting principles generally accepted in the United States of America.

Receipts, which include state fines and costs, County fines and costs, local fines, serving costs, restitution, etc., are recorded when monies are actually received. Disbursements, which include payments to the Pennsylvania Department of Revenue, Westmoreland County Treasurer, local municipalities, serving costs, restitution, etc., are recorded when paid, rather than incurred.

The Magisterial District Court recognizes undisbursed receipts held for future payment to individuals and taxing entities, when cash is received.

Note 2: Scope of the Examination:

The scope of our audit did not include a sufficient examination of the Comprehensive Statewide Automated Magisterial District Judge System, which was implemented by the Administrative Office of the Pennsylvania Courts in the Magisterial District Judge office in 1992, which was updated in 2010, to enable us to, and we do not, express an opinion on the Comprehensive Statewide Automated Magisterial District Judge System.

Note 3: Cash:

Deposits:

All of the Community Bank deposits of the Magisterial District Court 10-1-03 are either insured or collateralized per Act 72 of the Commonwealth of Pennsylvania. Deposits collateralized per Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971 (act 72) are secured by pooled collateral as permitted per the Act.

At December 31, 2019, the Magisterial District Court 10-1-03's Community Bank deposits had a carrying value of \$17,231.01 and a bank balance of \$17,417.76. This balance was covered by federal depository insurance. At December 31, 2019, the Magisterial District Court 10-1-03's petty cash fund totaled \$75.00.

Magisterial District Court 10-1-03
Independent Auditor's 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

June 1, 2020

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 financial statements of the District Court 10-1-03, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2020

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District Court 10-1-03'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District Court 10-1-03's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Court 10-1-03'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items that we consider to be significant deficiencies.

Item #1: Case Balance Adjustments

Magisterial District Court 10-1-03
Independent Auditor's 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
(Continued)

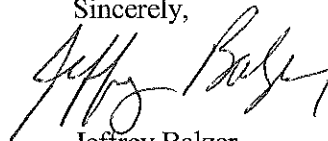
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District Court 10-1-03's financial statement(s) are free from 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*.

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 District Court 10-1-03'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 District Court 10-1-03's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Jeffrey Balzer
County Controller

Magisterial District Court 10-1-03
Schedule of Findings
For the Period January 1, 2019 to December 31, 2019

Item #1: Case Balance Adjustments

Criteria:

Case balance adjustments should include documentation in the case files and must be approved by the Magisterial District Judge. This approval should be documented in writing.

Condition/Cause:

We noted various case balance adjustments due to Jail Time Compensation and Defendant Deceased in which there was insufficient documentation. For two cases where Defendant Deceased is the reason for the adjustment there was no obituary or supporting documentation. We noted three cases adjusted for Jail Time Compensation that did not have proper supporting documentation.

Effect:

Lack of management oversight over case balance adjustments increases the risk of fraud.

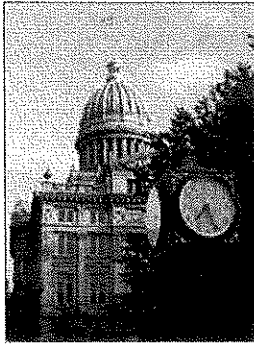
Recommendation:

We recommend that all case balance adjustments include documentation in the case files and the Magisterial District Judge's approval be documented with a signature.

Magisterial District Court 10-1-03
Analysis of Variance Schedule
For the Period January 1, 2019 to December 31, 2019

Variance at 12/31/18	\$	(12.00)
Total Adjustments in 2019		<u>-</u>
Total Variance at 12/31/19	\$	<u><u>(12.00)</u></u>

Note: The accompanying notes are an integral part of the financial statement



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Controller's Note

Magisterial District Court 10-1-03

For the Period January 1, 2019 to December 31, 2019

June 1, 2020

This report was released as a draft on May 6, 2020. The finding was reviewed with the Special Court Administrator on May 6, 2020. The Controller's Office requires a written response within ten days of receipt of this report from the Court Administrator. No response was received from the Special Court Administrator. This report is final effective June 1, 2020.