

# COUNTY OF BERKS, PENNSYLVANIA

## Office of the Controller



Services Center, 12th Floor  
633 Court Street  
Reading, PA 19601-4311

Phone: 610.478.6150  
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Mark C. Scott, Commissioner Chair  
Christian Y. Leinbach, Commissioner  
Kevin S. Barnhardt, Commissioner

**Sandra M. Graffius, Controller**  
Jack A. Linton, Esq., Solicitor

November 19, 2012

Magisterial District Judge Timothy M. Dougherty  
Magisterial District Court 23-2-02  
401 Walnut Street  
West Reading, PA 19611

Re: Internal Auditor's Report

Dear Magisterial District Judge Dougherty:

We have completed our compilation of the financial statements for Magisterial District Court 23-2-02 for the year ended December 31, 2011 and have attached the report for your review and response.

I ask that you respond to me no later than November 14, 2012. For each significant finding, please state whether or not you agree. If you do not agree, please state why. If you agree, please state:

- ◆ The corrective action to be taken;
- ◆ The anticipated date for implementation;
- ◆ Who will perform and implement the corrective action.

Once we receive your response, we will issue a final report, including your response, to the individuals listed on the distribution list. If we do not receive your response to the report by November 14, 2012, the report will be issued without a response. This report is intended for Magisterial District Court 23-2-02's management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

I would like to thank you for your cooperation and for the courtesies extended by your staff to mine. If you have any questions concerning the attached report, I would be glad to discuss them with you.

Yours truly,

Sandra M. Graffius

**Magisterial District Court 23-2-02  
County of Berks, Pennsylvania**

**Magisterial District Judge Timothy M. Dougherty**

**Annual Financial Report**

**As of December 31, 2011**

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## **Report Distribution List**

1. Timothy M. Dougherty, Magisterial District Judge
2. Christian Y. Leinbach, County Commissioner Chair
3. Kevin S. Barnhardt, County Commissioner
4. Mark C. Scott, County Commissioner
5. Carl Geffken, Chief Operations Officer
6. Jeffrey L. Schmehl, President Judge
7. Steve Weber, District Court Administrator
8. Faith I. Phillips, Special Courts Administrator
9. Jack Wagner, Pennsylvania Auditor General
10. Andrew M. Simpson, Judicial Programs Department
11. Reinsel, Kuntz, Leshner LLP, Certified Public Accountants
12. Sheryl Rowan, Secretary, Township of Spring (West Lawn)
13. Richard Sichler, Secretary, West Reading Borough
14. Martha Heim-Hozey, Secretary, Wyomissing Borough
15. Audit File

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### Internal Auditor's Report

Magisterial District Judge Timothy M. Dougherty  
Magisterial District Court 23-2-02  
401 Walnut Street  
West Reading, PA 19611

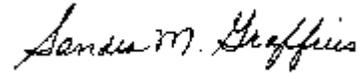
We have compiled the accompanying statement of assets, liabilities and fund balance – cash basis as of December 31, 2011 for Magisterial District Court 23-2-02, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

As described in Note 1, the accounts of Magisterial District Court 23-2-02 are maintained, and the accompanying financial statements are prepared, on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We have included a report on our consideration of Magisterial District Court 23-2-02's internal control structure and on its compliance with laws and regulations. We have reviewed compliance and internal control matters in accordance with the Commonwealth of Pennsylvania Third Class County Code and County of Berks ordinances and resolutions and have included applicable comments related thereto in the respective report.

A handwritten signature in cursive script that reads "Sandra M. Graffius".

Sandra M. Graffius, Controller  
October 2, 2012

**Magisterial District Court 23-2-02**  
**County of Berks, Pennsylvania**  
**Statement of Assets, Liabilities and Fund Balance – Cash Basis**  
**As of December 31, 2011**

Assets	
Cash in bank	\$ 32,244
Cash on hand	<u>150</u>
Total assets	<u><u>\$ 32,394</u></u>
Liabilities and Fund Balance	
Liabilities	
Due to the County of Berks	\$ 6,394
Due to Commonwealth of PA	8,385
Due to local authorities	4,598
Funds held in escrow	<u>12,867</u>
Total liabilities	<u>32,244</u>
Fund balance	<u>150</u>
Total liabilities and fund balance	<u><u>\$ 32,394</u></u>

The accompanying notes are an integral part of these financial statements.  
See accountant's compilation report.

**Magisterial District Court 23-2-02  
County of Berks, Pennsylvania  
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis  
For the Year Ended December 31, 2011**

Receipts	\$ 543,321
Disbursements	
County of Berks	143,944
Commonwealth	283,597
Local authorities	100,036
Constable fees	5,400
Restitution, bail and collateral	29,372
Other	<u>71</u>
Total disbursements	<u>562,420</u>
Cash disbursements in excess of receipts	(19,099)
Cash account balance as of January 1	<u>51,343</u>
Cash account balance as of December 31	<u>\$ 32,244</u>

The accompanying notes are an integral part of these financial statements.  
See accountant's compilation report.

**Magisterial District Court 23-2-02**  
**County of Berks, Pennsylvania**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note 1: Nature of the office and significant accounting policies**

**Nature of the office:**

Magisterial district courts have jurisdiction over the preliminary stages of all criminal cases. They have jurisdiction over all traffic and non-traffic summary cases and jurisdiction in civil cases where the amount in controversy is \$12,000 or less. They do not have jurisdiction over matters pertaining to real estate, except landlord and tenant matters. Magisterial district courts collect fines, costs, restitution, and bail from defendants. The funds are then distributed to the Commonwealth, the County of Berks, local authorities, constables, and victims of illegal activities. Magisterial district courts are component units of Pennsylvania's Unified Judicial System.

Magisterial district courts are presided over by magisterial district judges. Appeals from magisterial district judge judgments are taken to the Court of Common Pleas.

Magisterial district judges are employees of the Commonwealth and the court secretaries are employees of the County of Berks.

**Basis of accounting:**

The books and records of Magisterial District Court 23-2-02 are maintained on the cash basis of accounting and, therefore, the financial statements presented herein do not purport to present the account balances and results of operations in conformity with generally accepted accounting principles. The cash basis of accounting is an other comprehensive basis of accounting.

**Cash and cash equivalents:**

Magisterial District Court 23-2-02 considers cash and equivalents to be cash on hand, on deposit and investments with a maturity of three months or less when purchased.

**Cash accounts:**

The financial statements compiled for Magisterial District Court 23-2-02 by the Office of the Controller reflect only cash account activity. The cash account is primarily a trust and agency account maintained and reconciled by Magisterial District Court 23-2-02. Administrative costs and expenses incurred by Magisterial District Court 23-2-02 are reflected on the books and records of the County of Berks and not on these financial statements.

**Magisterial District Court 23-2-02**  
**County of Berks, Pennsylvania**  
**Notes to Financial Statements - Continued**  
**December 31, 2011**

**Note 2: Cash and equivalents**

The following cash accounts are in the name of Magisterial District Court 23-2-02, County of Berks, and are not reflected in the County of Berks financial statements:

Bank	Account Type	Bank Balance	Carrying Value
M&T Bank	checking	\$ 48,793	\$ 32,244
Cash	cash on hand	150	150
		\$ 48,943	\$ 32,394

Magisterial District Court 23-2-02 is a component unit of Pennsylvania's Unified Judicial System. The cash account for Magisterial District Court 23-2-02 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-2-02 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-2-02 is restricted.

Amounts on deposit do not exceed \$250,000 and therefore are fully covered by FDIC insurance.

**Note 3: Due to County of Berks**

The amount due to the County of Berks is for collection of certain fines and costs related to violations of law within the County.

**Note 4: Due to Commonwealth of Pennsylvania**

The amount due to the Commonwealth is for collection of certain fines and costs that are either shared with or remitted in full to the Commonwealth. The amount is related to violations of law that occurred within the County.

**Note 5: Due to local authorities**

The amount due to local authorities is for collection of certain fines and costs shared with local jurisdictions. The amount is related to violations of law that occurred within the local jurisdictions.

**Magisterial District Court 23-2-02  
County of Berks, Pennsylvania  
Notes to Financial Statements - Continued  
December 31, 2011**

**Note 6: Escrow accounts**

Escrow accounts are comprised of the following:

Collateral	\$ 11,086
Server fees	1,531
Bail	<u>250</u>
	<u>\$ 12,867</u>

Collateral includes amounts paid by defendants that will be applied against fines, costs, bail and restitution when the amounts are determined by the court. Server fees are to be paid to constables for serving complaints, summons or notices, executing warrants, attendance at arraignments or hearings, providing courtroom security, and other services. Bail is the security or guarantee required and given for the release of a person, conditioned upon a written undertaking, in the form of a bail bond that the person will appear in court.

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### Independent Internal Auditor's Report on Internal Controls and Compliance

Timothy M. Dougherty  
Magisterial District Judge  
Magisterial District Court 23-2-02  
County of Berks, Pennsylvania

In completing our internal audit of the Magisterial District Court 23-2-02 for the year ended December 31, 2011, we performed tests for compliance with certain financial provisions of laws, regulations, contracts, grants, and applicable policies. Noncompliance is considered a significant finding when it could have a direct and material effect on related financial information. The results of our tests disclosed the following instance of noncompliance.

- Noncompliance with Magisterial District Judge System Manual
- Noncompliance with Court Order Concerning Magisterial District Judge Office Procedures – The Court of Common Pleas of Berks County on November 21, 1994
- Noncompliance with Administrative Order Concerning Warrant Procedures – The Court of Common Pleas of Berks County on March 14, 2007

We also performed tests of Magisterial District Court 23-2-02's internal control over financial information and noted no significant findings in internal controls. Significant findings involve matters coming to our attention relating to deficiencies in the design or operation of the internal control over financial information that, in our judgment, could adversely affect Magisterial District Court 23-2-02's ability to adequately and properly record, process, summarize and report financial data.

This report is intended for the information and use of the County of Berks Board of Commissioners and Magisterial District Court 23-2-02's management. However, this report is a matter of public record and its distribution is not limited.

Sandra M. Graffius, Controller  
October 2, 2012

**Magisterial District Court 23-2-02**  
**County of Berks, Pennsylvania**  
**Report on Internal Controls as of October 2, 2012**  
**Schedule of Findings and Responses**

**Significant Findings and Auditee's Response**

**Untimely deposit of receipts**

We tested to determine timely depositing of cash and check receipts in the bank. We found that receipts for 34 days in audit year 2011 were deposited two business days after the date of collection, receipts for 5 days in audit year 2011 were deposited three business days after the date of collection and receipts for 1 day in audit year 2011 were deposited seven business days after the date of collection.

As a result, there was lack of compliance with the *Magisterial District Judge System Manual* and the *Court of Common Pleas of Berks County, Pennsylvania, Court Order Concerning Magisterial District Judge Office Procedures dated November 21, 1994*, and an increased risk of misappropriation.

Internal accounting controls require that all moneys collected be deposited in the bank at the end of every day. The *Magisterial District Judge System Manual* established the uniform internal control structure policies and procedures for all district courts. The daily cash balancing section of the manual states:

*"All money, including partial payments received by the Magisterial District Judge office (e.g. cash, checks, and money orders), must be deposited in the bank at the end of every business day. A bank night depository may be used by all (night) courts as well as by any court that cannot get to the bank during banking hours. Money should not be taken home, left in the office overnight or unattended. The Daily Cash Balancing procedures must be completed every day."*

The *Court of Common Pleas of Berks County, Pennsylvania, Court Order Concerning Magisterial District Judge Office Procedures dated November 21, 1994* states:

*"All cash, checks and money orders received in the magisterial district court office must be deposited in the appropriate checking account at the end of every day. Monies shall not be left in the office overnight."*

We recommend Magisterial District Court 23-2-02:

- Consistently deposit cash and check receipts in the bank on a daily basis in a manner consistent with the *Magisterial District Judge System Manual*.
- Document and retain an explanation with any deposit that is not made at the end of the business day.

**Auditee's Response:**

Auditee declined to respond to the audit finding

**Magisterial District Court 23-2-02  
County of Berks, Pennsylvania  
Report on Internal Controls as of October 2, 2012  
Schedule of Findings and Responses (continued)**

**Backlog of unserved warrants subject to recall**

During our review of the timeliness of recalling warrants, we noted that Magisterial District Court 23-2-02 was not current in performing this duty. At the time of the audit, there were 2,164 outstanding warrants with an issue date aged beyond 60 days. As a result, the court is not in compliance with the *Magisterial District Judge System Manual* and the *Court of Common Pleas of Berks County, Pennsylvania, Administrative Order Concerning Warrant Procedures dated March 14, 2007*.

The *Magisterial District Judge System Manual* states:

*“For summary traffic and non-traffic cases, outstanding warrants should be returned to the Magisterial District Judge office within 60 days of issuance.”*

The *Court of Common Pleas of Berks County, Pennsylvania, Administrative Order Concerning Warrant Procedures dated March 14, 2007* states:

*“Where the ordinary means of service of a warrant in a misdemeanor or felony case have failed after sixty (60) days, the Magisterial District Judge shall recall the warrant (REIS) and the server shall immediately return the warrant.”*

We recommend Magisterial District Court 23-2-02 staff review warrant control reports and notify servers to return warrants where the ordinary means of service has failed after 60 days. Returned warrants can either be recorded in the Magisterial District Judge System (MDJS) as unserved, if the defendant is unable to be located; or they can be recalled for reissue, if the server has not exhausted all means of finding the defendant.

**Auditee’s Response:**

Auditee declined to respond to the audit finding.

**Magisterial District Court 23-2-02  
County of Berks, Pennsylvania  
Report on Internal Controls as of October 2, 2012  
Status of Prior Year Results**

<u>Description of Condition</u>	<u>Corrective Action Implemented</u>
Untimely deposit of receipts	No
Backlog of unserved warrants subject to recall	No