

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

May 13, 2013

Magisterial District Judge Thomas H. Xavios
Magisterial District Court 23-3-09
1259 North 10th Street
Reading, PA 19604

Re: Internal Auditor's Report

Dear Magisterial District Judge Xavios:

We have completed our compilation of the financial statements for Magisterial District Court 23-3-09 for the year ended December 31, 2012 and have attached the report for your review and response.

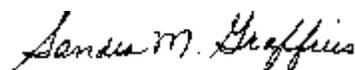
I ask that you respond to me no later than May 10, 2013. For each significant finding, please state whether or not you agree. If you do not agree, please state why. If you agree, please state:

- ◆ 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 May 10, 2013 the report will be issued without a response. This report is intended for Magisterial District Court 23-3-09'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 23-3-09
County of Berks, Pennsylvania**

Magisterial District Judge Thomas H. Xavios

Annual Financial Report

As of December 31, 2012

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Report Distribution List

1. Thomas H. Xavios, 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
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8. Faith I. Phillips, Special Courts Administrator
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10. Andrew M. Simpson, Judicial Programs Department
11. Reinsel, Kuntz, Leshner LLP, Certified Public Accountants
12. Carole Snyder, Managing Director, City of Reading
13. Robert Peters, Chief Financial Officer, Reading School District
14. Patrick B. Mulligan, Executive Director, Reading Parking Authority
15. Audit File

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Internal Auditor's Report

Magisterial District Judge Thomas H. Xavios
Magisterial District Court 23-3-09
1259 North 10th Street
Reading, PA 19604

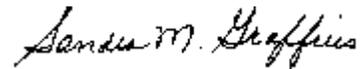
We have compiled the accompanying statement of assets, liabilities and fund balance – cash basis as of December 31, 2012 for Magisterial District Court 23-3-09, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year then ended. We have not audited or 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 23-3-09 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 23-3-09'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 black ink that reads "Sandra M. Graffius". The signature is written in a cursive style with a large initial 'S'.

Sandra M. Graffius, Controller
April 10, 2013

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Statement of Assets, Liabilities and Fund Balance – Cash Basis
As of December 31, 2012**

Assets	
Cash in bank	\$ 142,051
Cash on hand	<u>400</u>
Total assets	<u><u>\$ 142,451</u></u>
Liabilities and Fund Balance	
Liabilities	
Due to the County of Berks	\$ 55,308
Due to Commonwealth of PA	7,566
Due to local authorities	55,507
Funds held in escrow	<u>23,670</u>
Total liabilities	<u>142,051</u>
Fund balance	<u>400</u>
Total liabilities and fund balance	<u><u>\$ 142,451</u></u>

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

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2012**

Receipts		\$ 1,663,679
Disbursements		
County of Berks		507,039
Commonwealth		420,148
Local authorities		511,664
Constable fees		31,570
Restitution, bail and collateral		111,294
Other		<u>1,330</u>
Total disbursements		<u>1,583,045</u>
Cash disbursements in excess of receipts		80,634
Cash account balance as of January 1		<u>61,417</u>
Cash account balance as of December 31		<u>\$ 142,051</u>

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

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Notes to Financial Statements
December 31, 2012**

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 23-3-09 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 23-3-09 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 23-3-09 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 23-3-09. Administrative costs and expenses incurred by Magisterial District Court 23-3-09 are reflected on the books and records of the County of Berks and not on these financial statements.

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2012**

Note 2: Cash and equivalents

The following cash accounts are in the name of Magisterial District Court 23-3-09, County of Berks, and are not reflected in the County of Berks financial statements:

Bank	Account Type	Bank Balance	Carrying Value
Vist	Checking	\$ 150,531	\$ 142,051
Cash	cash on hand	400	400
		\$ 150,931	\$ 142,451

Magisterial District Court 23-3-09 is a component unit of Pennsylvania's Unified Judicial System. The cash account for Magisterial District Court 23-3-09 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-3-09 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-3-09 is restricted.

During 2012 amounts on deposit did not exceed the amount of FDIC coverage.

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 23-3-09
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2012**

Note 6: Escrow accounts

Escrow accounts are comprised of the following:

Collateral	\$ 20,155
Restitution	242
Server fees	<u>3,273</u>
	<u>\$ 23,670</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. Restitution is to be paid to victims of criminal activity, such as theft or vandalism. Injured parties include individuals, businesses, and other entities. 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.

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Internal Auditor's Report on Compliance and Internal Controls

Thomas H. Xavios
Magisterial District Judge
Magisterial District Court 23-3-09
County of Berks, Pennsylvania

In completing our internal audit of the Magisterial District Court 23-3-09 for the year ended December 31, 2012, 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 instances of noncompliance.

- Noncompliance with Magisterial District Judge System manual
- 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 23-3-09'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 23-3-09's ability to adequately and properly record, process, summarize and report financial data.

This report is intended for the information of the County of Berks Board of Commissioners and the Magisterial District Court 23-3-09's management. However, this report is a matter of public record and its distribution is not limited.

Sandra M. Graffius, Controller
April 10, 2013

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Report on Internal Controls as of April 10, 2013
Schedule of Findings and Responses**

Significant Findings and Auditee's Response

1. Backlog of unserved warrants

During our review of the timeliness of recalling warrants, we noted that Magisterial District Court 23-3-09 was not current in performing this duty. At the time of the audit, there were 15,687 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 23-3-09 staff continue to 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:

For the findings of backlog of unserved warrants and backlog of warrants to print I would like to respond that both backlogs are not the fault of the Court or staff. Due to the elimination of Court 23-1-04 at the end of 2011 AOPC informed us that all warrants needed to be cancelled. This resulted in all cases that had Failure to respond warrants issued being put on Summons to issue list, and cases that had failure to pay warrants issued being put on Impending warrant list. After relabeling all files and several months of starting to work on the lists, AOPC said they had given us incorrect information and we would not have had to cancel all warrants. In November of 2012, AOPC agree to remove the appx. 8,000 cases from the Summons list and issue warrants for Failure to respond. This took them until mid January 2013 to complete. My staff

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Report on Internal Controls as of April 10, 2013
Schedule of Findings and Responses, Cont.**

also began in November 2012 to print the over 16,000 Impending warrant notices and then printing/issuing the warrants.

We have received limited help from Court Administration. We did receive some overtime in 2012 to work on relabeling the files, but none for issuing warrants and we received limited floater help.

Once all the warrants are issued, we can then begin to return warrants unserved. Until we receive proper support from Court Administration in the way of overtime or floaters on a consistent basis we will remain behind.

2. Backlog of warrants to print

During our review of the timeliness of printing and issuing warrants, we noted that Magisterial District Court 23-3-09 was not current in performing these duties. At the time of the audit, there were 11,585 warrants to print that were aged greater than 90 days. As a result, the backlog of printing warrants and the delay in issuing those warrants increases the risk that offenders may not be located and that fines and costs may not be collected. There is also a greater opportunity for misappropriation of funds as non-posting of payments could go undetected.

We recommend Magisterial District Court 23-3-09 staff print and issue warrants on a timely basis to reduce the risk of not locating offenders, non-collection of fines, and misappropriation of funds.

Auditee's Response:

See response to finding #1 noted above.

**Magisterial District Court 23-3-09
County of Berks, Pennsylvania
Report on Internal Controls as of April 10, 2013
Status of Prior Year Results**

<u>Description of Condition</u>	<u>Corrective Action Implemented</u>
Backlog of unserved warrants	Yes ¹

¹ Corrective action is currently in progress. The large volume of the remaining backlog will continue as a Significant Finding for audit year 2012.