



County of Berks, Office of the Controller

Berks County Services Center

633 Court Street, 12th Floor

Reading, PA 19601-4311

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Sandra M. Graffius, County Controller

Jack A. Linton, Esq., Solicitor

November 2, 2015

Magisterial District Judge Michael J. Leonardziak
Magisterial District Court 23-1-02
1150 Muhlenberg Street
Reading, PA 19602

Re: Internal Auditor's Report

Dear Magisterial District Judge Leonardziak:

We have completed our audit of the financial statement for Magisterial District Court 23-1-02 for the year ended December 31, 2014 and have attached the Final report.

This report is intended for the use of Magisterial District Court 23-1-02'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 23-1-02
County of Berks, Pennsylvania**

Magisterial District Judge Michael J. Leonardziak

Financial Audit

For the Period January 1, 2014 to December 31, 2014

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Internal Auditor's Report

Magisterial District Judge Michael J. Leonardziak
Magisterial District Court 23-1-02
1150 Muhlenberg Street
Reading, PA 19602

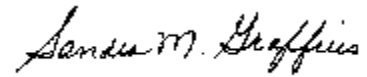
We have audited the Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis of December 31, 2014. The financial statement is the responsibility of Magisterial District Court 23-1-02's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above present fairly, in conformity with the cash basis of accounting, the cash account balance of Magisterial District Court 23-1-02, as of December 31, 2014, and the revenues it received and expenditures it paid for the years then ended on the basis of accounting described in Note 1.

This report is intended for the information of the County of Berks Board of Commissioners and Magisterial District Court 23-1-02's management. However, this report is a matter of public record and its distribution is not limited.

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
November 2, 2015

Magisterial District Court 23-1-02
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2014

Receipts	\$ 940,711
Disbursements	
County of Berks	291,428
Commonwealth	292,767
Local authorities	285,422
Constable fees	31,272
Restitution, bail and collateral	41,693
Other	<u>2</u>
Total disbursements	<u>942,584</u>
Cash disbursements in excess of receipts	(1,873)
Cash account balance as of January 1	<u>63,231</u>
Cash account balance as of December 31	<u><u>\$ 61,358</u></u>

Magisterial District Court 23-1-02
County of Berks, Pennsylvania
Notes to Financial Statements
December 31, 2014

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 23-1-02 are maintained on the cash basis of accounting and, therefore, the financial statement presented herein do not purport to present the account balance 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 23-1-02 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 statement compiled for Magisterial District Court 23-1-02 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 23-1-02. Administrative costs and expenses incurred by Magisterial District Court 23-1-02 are reflected on the books and records of the County of Berks and not on this financial statement.

Magisterial District Court 23-1-02
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2014

Note 2: Cash and equivalents

The following cash account is in the name of Magisterial District Court 23-1-02, County of Berks, and are not reflected in the County of Berks financial statements:

<u>Bank</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
National Penn	checking	<u>\$ 63,937</u>	<u>\$ 61,358</u>
		<u>\$ 63,937</u>	<u>\$ 61,358</u>

Magisterial District Court 23-1-02 is a component unit of Pennsylvania's Unified Judicial System. The cash account for Magisterial District Court 23-1-02 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-1-02 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-1-02 is restricted.

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



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Internal Auditor's Report on Compliance and Internal Controls

Michael J. Leonardziak
Magisterial District Judge
Magisterial District Court 23-1-02
County of Berks, Pennsylvania

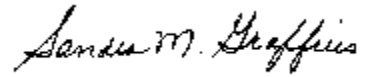
In planning and performing our audit of the financial statement of Magisterial District Court 23-1-02 as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Magisterial District Court 23-1-02's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Magisterial District Court 23-1-02's internal control. Accordingly, we do not express an opinion on the effectiveness of Magisterial District Court 23-1-02'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and communicated them in writing to management and those charged with governance. 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. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

- 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

This report is intended for the information of the County of Berks Board of Commissioners and Magisterial District Court 23-1-02's management. However, this report is a matter of public record and its distribution is not limited.

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Sandra M. Graffius, Controller
November 2, 2015

Schedule of Findings and Responses

Significant Finding and Auditee's Response

1. Backlog of unserved warrants

During our review of the timeliness of recalling warrants, we noted that Magisterial District Court 23-1-02 was not current in performing this duty. The court monitors unserved warrants as time permits. At the time of the audit, there were 4,230 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 23-1-02 staff review warrant management 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: I've been aware of the issue for the past 23 years.