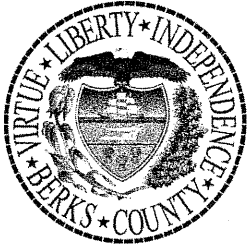


COUNTY OF BERKS, PENNSYLVANIA

Office of the Controller



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Reading, PA 19601-4311

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

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

May 12, 2015

Senior Magisterial District Judge Paul Hadzick
Magisterial District Court 23-1-03
101 North 9th Street
Reading, PA 19601

Re: Exit Conference Confirmation

Dear Senior Magisterial District Judge Hadzick:

This is to confirm the exit conference tentatively scheduled for May 19, 2015, at 9:00 at a location to be determined.

We have completed our audit of the financial statements for Magisterial District Court 23-1-03 for the year ended December 31, 2014 and have attached an advanced draft copy of the report for your review prior to the meeting. At this time we will be discussing findings and other necessary items.

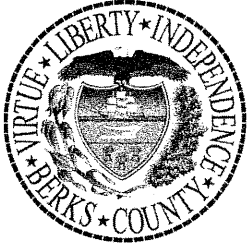
I would like to thank you for your cooperation and for the courtesies extended by your staff to mine. If you have any questions prior to the exit conference, please contact our office.

Sincerely,

Dean A. Bickel

COUNTY OF BERKS, PENNSYLVANIA

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

March 31, 2015

Senior Magisterial District Judge Paul Hadzick
Magisterial District Court 23-1-03
101 North 9th Street
Reading, PA 19601

Re: Internal Auditor's Report

Dear Senior Magisterial District Judge Hadzick:

We have completed our audit of the financial statements for Magisterial District Court 23-1-03 for the year ended December 31, 2014 and have attached the report for your review and response.

I ask that you respond to me no later than April 14, 2015. 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 April 14, 2015, the report will be issued without a response. This report is intended for Magisterial District Court 23-1-03'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
March 31, 2015

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www.co.berks.pa.us

**Magisterial District Court 23-1-03
County of Berks, Pennsylvania**

Senior Magisterial District Judge Paul Hadzick

Annual Financial Report

As of December 31, 2014

Contents

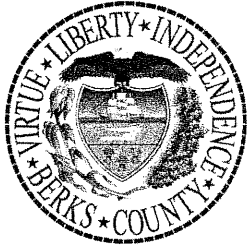
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Report Distribution List

1. Paul Hadzick, Senior 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. Paul M. Yatron, President Judge
7. Steve Weber, District Court Administrator
8. Faith I. Phillips, Special Courts Administrator
9. Eugene A. DePasquale, Pennsylvania Auditor General
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. Audit File

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Mark C. Scott, Esq., Commissioner

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

Internal Auditor's Report

Senior Magisterial District Judge Paul Hadzick
Magisterial District Court 23-1-03
101 North 9th Street
Reading, PA 19601

We have audited the Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis for the year ended December 31, 2014. The financial statement is the responsibility of Magisterial District Court 23-1-03's management. Our responsibility is to express an opinion on the financial statement based on our audit.

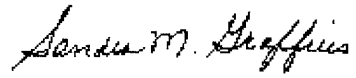
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 accounts of Magisterial District Court 23-1-03 are maintained, and the accompanying financial statement is 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 23-1-03, as of December 31, 2014, and the revenues it received and expenditures it paid for the year 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 23-1-03's management. However, this report is a matter of public record and its distribution is not limited.

We have included a report on our consideration of Magisterial District Court 23-1-03'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.



Sandra M. Graffius, Controller
October 8, 2015

**Magisterial District Court 23-1-03
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2014**

| | |
|--|-------------------------|
| Receipts | \$ 553,608 |
| Disbursements | |
| County of Berks | 201,196 |
| Commonwealth | 217,530 |
| Local authorities | 96,053 |
| Constable fees | 33,867 |
| Restitution, bail and collateral | <u>14,557</u> |
| Total disbursements | <u>563,203</u> |
| Cash receipts in excess of disbursements | (9,595) |
| Cash account balance as of January 1 | <u>43,679</u> |
| Cash account balance as of December 31 | <u><u>\$ 34,084</u></u> |

**Magisterial District Court 23-1-03
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 23-1-03 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 23-1-03 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 23-1-03 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 23-1-03. Administrative costs and expenses incurred by Magisterial District Court 23-1-03 are reflected on the books and records of the County of Berks and not on these financial statements.

**Magisterial District Court 23-1-03
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2014**

Note 2: Cash and equivalents

The following cash accounts are in the name of Magisterial District Court 23-1-03, 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>\$ 34,923</u> | <u>\$ 34,084</u> |
| | | <u>\$ 34,923</u> | <u>\$ 34,084</u> |

Magisterial District Court 23-1-03 is a component unit of Pennsylvania's Unified Judicial System. The cash account for Magisterial District Court 23-1-03 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-1-03 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-1-03 is restricted.

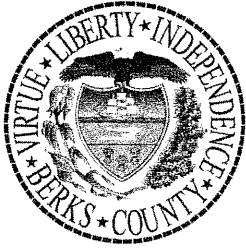
Amounts on deposit do not exceed \$250,000 and therefore are fully covered by FDIC insurance.

Note 3: Related Parties

It was noted during the audit of Magisterial District Court 23-1-03 that Mallory Scott and Ashley Scott are related to Magisterial District Judge Wally Scott who was the presiding Judge for the entire year of 2014. Mallory Scott is the brother and Ashley Scott is the daughter of Magisterial District Judge Wally Scott. Constables are publicly elected positions for a term of six years. Mallory Scott and Ashley Scott were elected in the eighth ward in the City of Reading. Magisterial District Court 23-1-03 paid server fees in the amount of \$11,101 to Mallory Scott and \$14,058 to Ashley Scott in 2014.

COUNTY OF BERKS, PENNSYLVANIA

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Internal Auditor's Report on Compliance and Internal Controls

Senior Magisterial District Judge Paul Hadzick
Magisterial District Court 23-1-03
101 North 9th Street
Reading, PA 19601

In planning and performing our audit of the financial statements of Magisterial District Court 23-1-03 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 23-1-03'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 statements, but not for the purpose of expressing an opinion on the effectiveness of Magisterial District Court 23-1-03's internal control. Accordingly, we do not express an opinion on the effectiveness of Magisterial District Court 23-1-03'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 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.

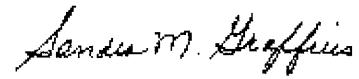
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control 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 Magisterial District Court 23-1-03's internal control to be significant deficiencies:

- Lack of rotation of duties with regards to bank reconciliations

This report is intended for the information of the County of Berks Board of Commissioners and Magisterial District Court 23-1-03's management. However, this report is a matter of public record and its distribution is not limited.

Dedicated to public service with integrity, virtue & excellence

This report is intended for the information of the County of Berks Board of Commissioners and Magisterial District Court 23-1-03's management. However, this report is a matter of public record and its distribution is not limited.

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

Sandra M. Graffius, Controller
October 8, 2015

**Magisterial District Court 23-1-03
County of Berks, Pennsylvania
Report on Internal Controls as of February 4, 2015
Schedule of Findings and Responses**

Significant Finding and Auditee's Response

1. Lack of rotation of duties with regards to bank reconciliations

The financial duties of Magisterial District Court 23-1-03 were not properly rotated among the staff members. A former secretary performed the bank reconciliation for ten of twelve months in 2011, all twelve months of 2012, and the first five months of 2013. Another secretary has now performed the bank reconciliation for the last seven months of 2013 and all twelve months of 2014. As a result, there is an increased risk errors or misappropriation of funds may not be detected in a timely manner or at all.

It is critical that daily as well as monthly financial duties (including bank reconciliations) are rotated to ensure one individual does not have sole responsibility and control of financial reporting and bank reconciliations.

This finding was noted in last year's audit and has not been addressed by the court. We strongly recommend Magisterial District Court 23-1-03 consistently rotate the financial duties including, but not limited to, bank reconciliations.

Auditee's Response:

With regards to the lack of rotation of duties during bank reconciliation, this court will address the lack of rotation of duties during 2015. We already started the training process to train other staff to perform bank reconciliation and the end of the month reports.

**Magisterial District Court 23-1-03
County of Berks, Pennsylvania
Report on Internal Controls as of February 4, 2015
Status of Prior Year Results**

| <u>Description of Condition</u> | <u>Corrective Action Implemented</u> |
|---|--|
| Lack of rotation of duties with regards to bank reconciliations | No |

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF BERKS

CITY OF READING

PAUL J HADZICK
MAGISTERIAL DISTRICT JUDGE
Magisterial District 23-1-03

OFFICE:
TEL 610 378-5101
FAX 610 378-0441

101 N 9TH STREET
READING, PA 19601

June 9, 2015

This is a response to the Berks County Audit of Magisterial District Court 23-1-03 for the year ending December 31, 2014.

With regards to the lack of rotation of duties during bank reconciliation, this court will address the lack of rotation of duties during 2015. We already started the training process to train other staff to perform bank reconciliation and the end of the month reports.

We have also addressed the issues mentioned in the discussion items with regard to:

- 1) Untimely printing of warrants
- 2) DL 38 Processing
- 3) Warrant Recall
- 4) Voided Receipt Policies
- 5) Marriage Fee Collections

Thank you,


MDJ Paul J Hadzick