



County of Berks, Office of the Controller

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

Berks County Services Center
633 Court Street, 12th Floor
Reading, PA 19601-4311
Phone (610) 478-6150
Fax (610) 478-6890

December 11, 2015

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 audit of the financial statement for Magisterial District Court 23-2-02 for the year ended December 31, 2014 and have attached the report for your review and response.

This report is intended for the use of 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

Financial Audit

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

Contents

Report Distribution List	1
Internal Auditor's Report	2
Statement of Receipts, Disbursements and Changes in Cash Balance - Cash Basis	4
Notes to Financial Statements	5
Internal Auditor's Report on Compliance and Internal Controls	7
Significant Findings and Auditee's Responses	9

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. 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. Christina Gilfert, Finance Manager, Reading Parking Authority
14. West Reading Borough
15. Wyomissing Borough
16. Audit File



County of Berks, Office of the Controller

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

Berks County Services Center
633 Court Street, 12th Floor
Reading, PA 19601-4311
Phone (610) 478-6150
Fax (610) 478-6890

Internal Auditor's Report

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

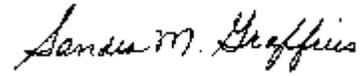
We have audited the Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis of December 31, 2014. The financial statement is the responsibility of Magisterial District Court 23-2-02's management. Our responsibility is to express an opinion on the financial statement based on our 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 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 account of Magisterial District Court 23-2-02 is 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 23-2-02, 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 23-2-02'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
December 11, 2015

**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, 2014**

Receipts	\$ 737,128
Disbursements	
County of Berks	214,222
Commonwealth	322,769
Local authorities	169,596
Constable fees	8,848
Restitution, bail and collateral	<u>36,306</u>
Total disbursements	<u>751,741</u>
Cash disbursements in excess of receipts	(14,613)
Cash account balance as of January 1	<u>51,488</u>
Cash account balance as of December 31	<u><u>\$ 36,875</u></u>

Magisterial District Court 23-2-02
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 23-2-02 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, 2014**

Note 2: Cash and equivalents

The following cash account is 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	<u>\$ 29,945</u>	<u>\$ 36,875</u>
		<u>\$ 29,945</u>	<u>\$ 36,875</u>

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.



County of Berks, Office of the Controller

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

Berks County Services Center
633 Court Street, 12th Floor
Reading, PA 19601-4311
Phone (610) 478-6150
Fax (610) 478-6890

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 planning and performing our audit of the financial statements of Magisterial District Court 23-2-02 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 23-2-02'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 statements, but not for the purpose of expressing an opinion on the effectiveness of Magisterial District Court 23-2-02's internal control. Accordingly, we do not express an opinion on the effectiveness of Magisterial District Court 23-2-02's internal control.

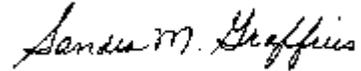
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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 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

This report is intended for the information 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
December 11, 2015

Magisterial District Court 23-2-02
County of Berks, Pennsylvania
Report on Internal Controls as of October 6, 2015
Schedule of Findings and Responses

Significant Findings and Auditee’s Response

Untimely deposit of receipts

We tested to determine the timely depositing of cash and check receipts in the bank for audit year 2014. The following is a summary of our findings that shows the time elapsed from the date of collection to the date of deposit as well as the number of occurrences for each time period:

2 business days to date of deposit	19
3 business days to date of deposit	18
4 business days to date of deposit	7
5 business days to date of deposit	6
6 business days to date of deposit	5
7 business days to date of deposit	4
8 business days to date of deposit	9
9 business days to date of deposit	3
10 business days to date of deposit	5
11 business days to date of deposit	4
Total # of Occurrences	80

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.”

Magisterial District Court 23-2-02
County of Berks, Pennsylvania
Report on Internal Controls as of October 6, 2015
Schedule of Findings and Responses (continued)

This is a recurring finding. We strongly recommend that 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 and the County of Berks Court of Common Pleas Court Order of November 21, 1994.
- 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 audit finding.

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 4,381 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."

This is a recurring finding. We strongly recommend Magisterial District Court 23-2-02 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: Auditee declined to respond to audit finding.

**Magisterial District Court 23-2-02
County of Berks, Pennsylvania
Report on Internal Controls as of October 6, 2015
Schedule of Findings and Responses (continued)**

Missing docket files

Seventeen case files could not be located by Internal Audit or by Magisterial District Court 23-2-02 office personnel. The seventeen files are listed below:

TR-5176-13	TR-0490-12
TR-0229-12	TR-1742-14
TR-1255-12	TR-0359-14
NT-0153-14	TR-0653-14
TR-0248-14	TR-1341-14
TR-1504-14	NT-0040-14
TR-2863-13	TR-8632-13
TR-3364-09	TR-7301-13
TR-1918-14	

This is a recurring finding. We strongly recommend Magisterial District Court 23-2-02 create a temporary file to include reprinted documents from the MDJS and a copy of the citation from the issuing agency for each of the above listed dockets if the original files cannot be located. We further recommend that care be exercised going forward when handling and processing docket files.

Auditee's Response: Auditee declined to respond to audit finding.