



County of Berks, Office of the Controller

Berks County Services Center

633 Court Street, 12th Floor

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Sandra M. Graffius, County Controller

Jack A. Linton, Esq., Solicitor

October 25, 2016

Magisterial District Judge David L. Yoch

Magisterial District Court 23-2-04

1786 Welsh Road

Mohnton, PA 19540

Re: Exit Conference confirmation

Dear Magisterial District Judge Yoch:

This is to confirm the exit conference scheduled for November 15, 2016, at 1:00 pm that will be held at your office.

We have completed our audit of the financial statements for Magisterial District Court 23-2-04 for the year ended December 31, 2015 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,

Oliver J. Arthur



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October 25, 2016

Magisterial District Judge David L. Yoch
Magisterial District Court 23-2-04
1786 Welsh Road
Mohnton, PA 19540

Re: Internal Auditor's Report

Dear Magisterial District Judge Yoch:

We have completed our audit of the financial statements for Magisterial District Court 23-2-04 for the year ended December 31, 2015 and have attached the report for your review and response.

I ask that you respond to me no later than November 14, 2016. For each material weakness/significant deficiency, 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 10, 2016, the report will be issued without a response. This report is intended for Magisterial District Court 23-2-04'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 23-2-04
County of Berks, Pennsylvania**

Magisterial District Judge David L. Yoch

Annual Financial Statement Audit

For the Year Ended December 31, 2015

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Report Distribution List

1. David L. Yoch, Magisterial District Judge
2. Christian Y. Leinbach, County Commissioner Chair
3. Kevin S. Barnhardt, County Commissioner
4. Mark C. Scott, County Commissioner
5. Ronald Seaman, Chief Administrative Officer
6. Paul M. Yatron, President Judge
7. Steve Weber, District Court Administrator
8. Faith I. Phillips, Special Courts Administrator
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13. Borough of Kenhorst
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15. City of Reading
16. Borough of Shillington
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Internal Auditor's Report

Magisterial District Judge David L. Yoch
Magisterial District Court 23-2-04
1786 Welsh Road
Mohnton, PA 19540

Report on the Financial Statements

We have audited the accompanying financial statements of Magisterial District Court 23-2-04, which comprise the statement of assets and liabilities – cash basis as of December 31, 2015, and the related statement of receipts, disbursements and changes in cash balance – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Magisterial District Court 23-2-04 as of December 31, 2015, and its cash receipts, disbursements and cash balance for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

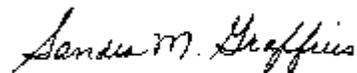
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The Supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated October 25, 2016 on our evaluation of the Magisterial District Court 23-2-04 internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of the audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of the audit.



Sandra M. Graffius, Controller
October 25, 2016

**Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Statement of Assets and Liabilities – Cash Basis
As of December 31, 2015**

Assets

Cash - Checking Account	\$ 51,156
Cash - Petty Cash/Change Fund	<u>150</u>
Total Assets	<u><u>\$ 51,306</u></u>

Liabilities

Funds held in escrow	\$ 24,899
Due to the County of Berks	10,870
Due to Commonwealth of PA	8,881
Due to local authorities	6,506
Due to County - Petty Cash/Change Fund	<u>150</u>
Total Liabilities	<u><u>\$ 51,306</u></u>

The accompanying notes are an integral part of these financial statements.

**Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis
For the Year Ended December 31, 2015**

<u>Receipts</u>		\$ 514,298
<u>Disbursements</u>		
Commonwealth		\$ 305,211
County of Berks		86,134
Local authorities		64,228
Constable fees		13,167
Restitution, bail and collateral		22,846
		491,586
Total Disbursements		491,586
Cash receipts in excess of disbursements		22,712
Cash account balance as of January 1		28,444
Cash account balance as of December 31		\$ 51,156

The accompanying notes are an integral part of these financial statements.

Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Notes to Financial Statements
For the Year Ended December 31, 2015

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 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.

Reporting Entity:

The financial statements of the Magisterial District Court include only those transactions handled directly by the Magisterial District Court. These transactions include the collection of costs, fines, bail, and restitution, as well as the subsequent disbursement of these funds to the Commonwealth of Pennsylvania, to related political subdivisions, and to the citizens served by the Magisterial District Court. As such, the Magisterial District Court acts as a conduit for the Commonwealth, local municipalities, and constituents it serves. Consequently, the Magisterial District Court's cash balance at any point in time represents undisbursed funds to one (or all) of these parties. For financial statement purposes, these undisbursed funds are included as a liability of the Magisterial District Court.

The actual operating expenses of the Magisterial District Court are paid by the County of Berks, except for the Magisterial District Judge's salary which is paid by the Commonwealth. These costs include the salaries and wages of district court employees, fringe benefits, office rent, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Basis of accounting:

The books and records of Magisterial District Court 23-2-04 are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balances in accordance with generally accepted accounting principles.

**Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Notes to Financial Statements - Continued
December 31, 2015**

Note 2: Cash and equivalents

The following cash accounts are in the name of Magisterial District Court 23-2-04, 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	\$ 47,401	\$ 51,156

Magisterial District Court 23-2-04 is a component unit of Pennsylvania's Unified Judicial System. The cash account for Magisterial District Court 23-2-04 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-2-04 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-2-04 is restricted.

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

Note 3: Legal Matters

Our audit disclosed no pending litigation involving the Magisterial District Court or Magisterial District Judge (David L. Yoch) that would affect the financial statements for the year ended December 31, 2015.

SUPPLEMENTAL INFORMATION

**Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Schedule of County of Berks
Revenues and Direct Expenditures
For the Year Ended December 31, 2015
(Unaudited)**

<u>Revenues</u>	<u>\$ 88,563</u>
<u>Direct Expenditures</u>	
Salaries and Wages	\$ 91,342
Fringe Benefits	26,087
Constable Costs	25,232
Rent Expense	24,260
Postage	11,393
Contracted Services	5,295
Office Supplies	2,866
Utilities	2,600
Telephone/Internet	2,453
Professional Fees/Interpreter	2,226
Software/Hardware Maintenance	2,166
Books and Subscriptions	1,891
Equipment	895
Maintenance Costs and Supplies	315
Printing Expense	300
Training/Parking	<u>35</u>
Total Direct Expenditures	<u><u>\$ 199,356</u></u>



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Internal Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Magisterial District Judge David L. Yoch
Magisterial District Court 23-2-04
1786 Welsh Road
Mohnton, PA 19540

In planning and performing our audit of the financial statements of Magisterial District Court 23-2-04 as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Magisterial District Court 23-2-04'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 the Magisterial District Court 23-2-04's internal control. Accordingly, we do not express an opinion on the effectiveness of the Magisterial District Court 23-2-04'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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Recommendations that we consider to be significant deficiencies:

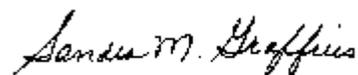
- ◆ Lack of rotation of duties with regard to bank reconciliations
- ◆ Undisbursed funds not distributed in a timely manner

The Magisterial District Court 23-2-04's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The Magisterial District Court 23-2-04's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

As part of obtaining reasonable assurance about whether the Magisterial District Court 23-2-04's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Magisterial District Court 23-2-04 in a separate letter dated October 25, 2016, regarding the backlog of unserved warrants subject to recall; backlog of warrants, pre-warrants and DL-38's to print; checks not escheated to the County of Berks in a timely manner; untimely monthly remits to the County of Berks; untimely posting to General Ledger for monthly remits to the County of Berks; missing docket files and receipts; errors in Constable Service of Process forms and fees charged, and returned deposit items improperly processed and recorded.

This report is intended for the information and use of the County of Berks Board of Commissioners and Magisterial District Court 23-2-04's management. This report is, however, a matter of public record and its distribution is not limited.



Sandra M. Graffius, Controller
October 25, 2016

**Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Schedule of Audit Findings and Recommendations**

Material Weakness/Significant Deficiency and Management's Response

1. Lack of rotation of duties for bank reconciliations, inconsistent sign off of reconcilment and controller's checklist, lack of timely reconciliations performed

Condition: The financial duties of Magisterial District Court 23-2-04 were not properly rotated among the staff members. One secretary performed the bank reconciliations for five months in a row in 2015, for a total of 8 out of 12 months. Sign offs on the controller's checklist versus the username on reconcilment were inconsistent in two instances. Often both secretaries split the checklist each month, thus performing the same division of duties each month, as opposed to each completing the entire checklist on a rotating basis. In three instances, the reconciliation was performed in an untimely manner (after the 25th of the following month). As a result of all these factors, there is an increased risk of errors or misappropriation of funds that 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 and petty cash custodian duties) are rotated and performed in a timely manner to ensure one individual does not have sole responsibility and control of financial reporting and bank reconciliations.

Recommendation: We recommend Magisterial District Court 23-2-04 consistently rotate financial duties including, but not limited to, bank reconciliations, and sign off appropriately and in a timely manner.

2. Undisbursed funds aged greater than one year with no valid reason for remaining open.

Condition: As of December 31, 2015, the Undisbursed Funds Report for Magisterial District Court 23-2-04 contained \$3,750.00 representing twenty-three cases in undisbursed receipts aged greater than one year with no valid reason for remaining open.

As a result, taxing districts and/or individuals including constables are not receiving timely payments and the district court is not in compliance with the Constable Fee Bill.

Recommendation: We recommend Magisterial District Court 23-2-04 research old cases on the Undisbursed Funds Report and take the necessary action to have the funds distributed to the appropriate individuals/taxing districts.

**Magisterial District Court 23-2-04
County of Berks, Pennsylvania
Schedule of Audit Findings and Recommendations**

Material Weakness/Significant Deficiency and Management's Response - continued

Management's Response from Judge Yoch:

I am in receipt of your letter and report dated October 25, 2016 regarding the audit report issued for Magisterial District Court 23-2-04 for the year ended December 31, 2015.

Pursuant to your request in the letter dated October 25, 2016 and the exit conference held at District Court 23-2-04 on Tuesday, November 15, 2016 please accept this letter as my response to the Schedule of Audit Findings and Recommendations found on page 11 of the report.

Let me first say that my staff and I take very seriously the responsibility and trust placed in the Court by the citizens of the communities we serve and the entire Berks County community.

In regards to item 1 on page 11, I have reviewed these findings with my staff and requested they alternate the duties as recommended.

In regards to item 2 on page 11, I have reviewed these findings with my staff. I would note earlier this year, we recognized the need to address the undisbursed funds list. We have been working on this issue as time permits in an effort to take the necessary action to have the funds distributed to the appropriate individuals/taxing districts.

The staff and I will continue to do our best to follow the recommendations in the report. As we discussed at the exit interview, our court like many others, continue to be plagued by inadequate and inconsistent staffing, thus leading to mistakes and the inability to process items in a timely basis.

In closing, would like to thank the audit staff for discussing the audit findings in an open manner.