



**County of Chester
Office of the Controller
Internal Audit Department**

**Management Letter
For the Year Ended
December 31, 2015**

County of Chester
Office of the Prothonotary

Management Letter

Norman MacQueen, Controller

To: Matthew Holliday, Prothonotary

Introduction

On May 11, 2016, Internal Audit completed an audit of the Office of the Prothonotary (*Prothonotary*) for the year ended December 31, 2015. Pat Lenzi was the auditor-in-charge. Internal Audit is required by County Code to review county offices annually to ensure compliance with policies and procedures and to assess their overall internal control structure. The scope of our audit included a review of the following:

- Cash and Petty Cash
- Federal Tax Lien Filings / Releases
- State Tax Lien Filings
- Liabilities
- Suspense Account Entries
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Escheats / Unclaimed Property
- Automation Fund Disbursements

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* published by the Comptroller of the United States. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters concurrent with this management letter. Disclosures and other information in that Report (also dated May 11, 2016) should be considered in conjunction with this Management Letter.

Executive Summary

For the year ended 12/31/15, Internal Audit has determined that the *Prothonotary's* system of internal controls is adequately *designed, in-place* and *operative*. The results of this audit indicate that, in all material respects:

- Assets are properly safeguarded from employee theft, robbery and unauthorized use
- Responsibility / Authority is established and assigned to specific individuals
- Duties (specifically authorization, custody and recordkeeping) are properly segregated
- Documents are available to provide evidence that transactions and events have occurred
- Transactions and events are properly recorded in a timely manner
- Reconciliations of internal records with bank statements occur monthly

In addition, the *Prothonotary* was found to be in compliance with policies and procedures mandated by the County of Chester except as outlined on the pages that follow. ***Audit Findings and Recommendations*** are provided herein for your review, comment and corrective action. The courtesy of a response is requested by May 11, 2016, otherwise in accordance with Internal

Audit Policy, the absence of a response by the due date will be inferred as management's acceptance of the finding(s) and recommendation(s).

We thank the management and staff of the *Prothonotary* for their cooperation and assistance during the course of this review. Please feel free to contact our office at (610) 344-6797 should you have any questions or concerns or if you wish to schedule an exit conference. An exit conference is held at the request of the auditee to discuss specific concerns that were not resolved during the closing conference.

A final copy of this management letter and the corresponding Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters will be transmitted electronically to your attention upon receipt of your responses. In addition, since audit reports are a matter of public record, your final report and management letter will be posted on the Controller's webpage within one week of issuance.

A handwritten signature in blue ink, appearing to read 'N MacQueen', with a large circular flourish at the end.

Norman MacQueen
Controller

May 11, 2016

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash and Petty Cash

Cash is reconciled and reviewed at 100%. Petty cash is counted on a surprise basis during the course of the on-site fieldwork.

Finding 1: Cash Adjustments

- On November 12, 2015, a receipt was recorded in CourtView incorrectly creating an \$.80 difference with the bank. The *Prothonotary* accountant (without investigating the transaction) concluded that the bank's records were incorrect when in fact the *Prothonotary's* cashier erroneously applied change that had been refunded at the window. To further complicate the matter, the accountant deposited \$.80 of his own money to try to balance with the bank. It was not until late January 2016, (after the audit had already commenced) that the matter was resolved and the December bank reconciliation was successfully completed.
- An electronic deposit was recorded incorrectly on October 1, 2015 but not corrected until January 29, 2016.

Cause

Improper steps taken to solve bookkeeping issues.

Recommendation

Internal Audit recommends that the *Prothonotary* accountant make a concerted effort to resolve any discrepancies between the office's book balance and the balance in the bank in a timely manner to prevent outstanding differences from carrying over month-to-month.

Auditee Response

See page 10 for Auditee Responses.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Tax and State Liens

Federal Tax Lien filings and releases are tested on a pre-determined sample basis specifically to ensure that processing of these transactions occurs in a timely manner. For the year ended 12/31/15, Internal Audit tested 12 liens filed and 12 liens released. State lien voucher / payment packets were reviewed at 100% for the year ended 12/31/15.

Although there were no internal control or procedural weaknesses found which relate to the *filing* of IRS or State liens, Internal Audit did note some concerns over the “receipting” process for IRS liens. Since the issue is not a “finding” but rather a procedural inefficiency, the matter was discussed with *Prothonotary* management at the Audit closing meeting.

Liabilities

Liability balances are reconciled and reviewed at 100%; specifically to ensure accurate recording of liabilities and the verification of subsequent payments following year end.

There were no internal control or procedural weaknesses noted.

Suspense Account Entries

Entries made to the suspense account are reviewed at 100% to ensure that only overpayments or declined filings are recorded here and that they are subsequently refunded in a timely manner.

There were no internal control or procedural weaknesses noted.

For the following areas, transactions are reviewed on a sample basis according to risk. The current year risk assessment is based on prior year audit results.

Cash Receipts

The sample size tested for the year ended 12/31/15 was 20 out of a population of 29,004 receipts generated during the year.

There were no internal control or procedural weaknesses noted within our sample.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Manual Receipts

The sample size tested for the year ended 12/31/15 was 15 out of a population of 23 receipts generated during the year.

Finding 2: Manual Receipts

In one (1) instance, a manual receipt was missing from sequence and could not be accounted for.

Cause

The Office of the *Prothonotary* does not maintain a log for their manual receipts.

Recommendation

Internal Audit recommends that the *Prothonotary* accountant create and maintain a log for all generated manual receipts that tracks receipts as they are used and subsequently entered into the system.

Auditee Response

See page 10 for Auditee Responses.

Cash Disbursements

The sample size tested for the year ended 12/31/15 was as follows:

- 9 Operating Account disbursements out of a population of 146 checks created in 2015
- 11 Escrow Account disbursements out of a population of 194 checks created in 2015

Finding 3: Cash Disbursements

In one (1) instance, a Form W-9 was not properly completed for an interest disbursement greater than \$10 issued to a third party in order for the bank to file a Form 1099-INT.

Cause

Oversight

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Disbursements (continued)

Finding 3: Cash Disbursements (continued)

Recommendation

Internal Audit recommends that the *Prothonotary* accountant adhere to proper banking standards and guidelines set forth by the IRS.

Auditee Response

See page 10 for Auditee Responses.

Finding 4: Cash Disbursements

- In one (1) instance, the date on an Escrow Account check did not match the date entered on the corresponding check stub. In addition, neither of these two dates matched the date the check was entered into the CourtView system.
- In two (2) instances, checks for the Escrow Account were inadvertently written out of the Operating Account.

Cause

Oversight, insufficient controls, manual processes

Recommendation

Prothonotary accountant should exercise greater due diligence when issuing checks out of the checkbooks. Checks should be entered into the system the same day they are written out of the checkbook. Furthermore, the office should look to move away from manually written checks and seek to employ a computer-generated system.

Auditee Response

See page 10 for Auditee Responses.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Voided Receipts

The sample size tested for the year ended 12/31/15 was 16 out of a population of 385 receipts voided during the year.

There were no internal control or procedural weaknesses noted within our sample.

Voided Disbursements

The sample size tested for the year ended 12/31/15 was 11 out of a population of 16 disbursements voided during the year.

Finding 5: Voided Disbursements

- In three (3) instances, the original check stub was not marked “void.”
- In one (1) instance, the original voided check was not attached to its check stub.

Cause

Oversight, insufficient controls, manual processes

Recommendation

Internal Audit recommends that when a check is voided, the *Prothonotary* accountant should properly mark the corresponding check stub “void” to provide an adequate audit trail. When applicable, the physical voided check should be attached to the back of the corresponding check stub. Furthermore, the office should look to move away from manually written checks and seek to employ a computer-generated system.

Auditee Response

See page 10 for Auditee Responses.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Escheats / Unclaimed Property

Monies that have been escheated to the state are tested on a predetermined sample basis. For the year ended 12/31/15, the sample size was determined to be 10 transactions.

There were no internal control or procedural weaknesses noted.

Automation Fund Disbursements

Automation Fund disbursements are tested at 100% specifically to ensure that money in the account is used in accordance with PA House Bill 1715, Act 98-164.

There were no internal control or procedural weaknesses noted.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was not warranted for the audit of the Office of the Prothonotary. The Prothonotary, Matthew Holliday has accepted the report as presented.



OFFICE OF THE PROTHONOTARY

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General Response to Internal Audit's Findings:

As a result of the November General Election of 2015 we had a new Prothonotary and First Deputy starting in January of 2016. We have since had the office's accountant retire as well, and as of March we now have a new person in that position too.

While we were happy to see that there were no material findings under the old administration, the new team is determined to address the findings that were reported in this audit, and we are committed to making the changes needed to work towards the goal of having finding free audits going forward.

Thank you for your assistance in this matter.

Sincerely,



Matthew Holliday

May 10th, 2016