



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

**Management Letter
For the Year Ended
December 31, 2012**

County of Chester

Office of the Prothonotary

Management Letter

A handwritten signature in blue ink that reads "Valentino F. DiGiorgio III".

Valentino F. DiGiorgio, III, Controller

To: Bryan Walters, Prothonotary

Introduction

On April 30, 2013, Internal Audit completed an audit of the *Office of the Prothonotary (Prothonotary)*. Sharon Kaye Jones, CIA was the auditor-in-charge. Internal Audit is required by the Pennsylvania 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
- 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 April 30, 2013) should be considered in conjunction with this Management Letter.

Executive Summary

The management and staff of the *Prothonotary* are in all material respects, in compliance with policies and procedures imposed by the County of Chester and by the *Prothonotary*. There were no matters of a significant nature related to internal controls or overall compliance noted during this audit. Matters of an insignificant nature are included within this management letter and have been formally addressed with the *Prothonotary*.

We want to thank the management and staff of the *Prothonotary* for their cooperation and assistance during the course of this audit.

Please feel free to contact our office at (610) 344-5913 should you have any questions or concerns.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

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.

- There were no internal control or procedural weaknesses noted.

Federal Tax 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 12/31/12, Internal Audit tested 20 liens filed and 20 liens released.

- There were no internal control or procedural weaknesses noted.

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 suspense are reviewed at 100%, specifically to ensure that they only represent overpayments or declined filings which need to be refunded.

- There were no internal control or procedural weaknesses noted.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 12/31/12 was 20 out of a population of 31,647 receipts generated in 2012.

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

Manual Receipts

The sample size tested for the year ended 12/31/12 was 15 out of a population of 23 manual receipts used in 2012.

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

Cash Disbursements

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

- 10 Operating Account disbursements out of a population of 130 checks created in 2012.
- 15 Escrow Account disbursements out of a population of 136 checks created in 2012

Finding 1: Cash Disbursements

In November 2012, the *Prothonotary* Accountant inadvertently recorded five (5) “Operating Account” disbursements on “Escrow Account” check numbers in Courtview. The Accountant realized the error and voided the checks in the system and reissued the disbursements correctly using the Operating Account check number series. Later that same month however, the system allowed the Accountant to issue the same voided check numbers for actual “Escrow Account” disbursements.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 1: Cash Disbursements (continued)

Recommendation

Although Internal Audit understands that different checking accounts can use the same check series, in this case it was clear that the escrow check numbers were incorrectly “used” and “recorded” in Courtview for Operating Account disbursements. Since manual checkbooks are still being used, when the checks were “voided” in Courtview, the actual physical checks should have been cancelled as well preventing the use of these checks altogether in the future.

Auditee Response

See response summary attached.

Voided Receipts

The sample size tested for the year ended 12/31/12 was 20 out of a population of 379 receipts voided in 2012.

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

Voided Disbursements

The sample size tested for the year ended 12/31/12 was 24 out of a population of 24 disbursements voided in 2012. The original sample size based on risk was increased due to an unexplained variance between the numbers of checks voided in 2011 as compared to 2012.

Finding 2: Voided Disbursements

Although checks are properly voided if uncashed after 60 days, it should be noted that the *Prothonotary* Accountant is reissuing the “cancelled” disbursement without a stop payment order and/or without having the physical check in hand. This practice exposes the *Prothonotary* to the unnecessary risk of both checks being cashed. In January 2012, the value of one of the stale / reissued checks was almost \$3,000.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2: Voided Disbursements (continued)

Recommendation

The *Prothonotary* Accountant informed Internal Audit that he contacts the related attorney when a payment remains outstanding after 60 days. It is only upon the attorney's direction that the Accountant reissues a stale dated payment. Although this process provides a "safety net" should a payment be cashed twice, it should be noted that this correspondence between the Accountant and attorney is not documented.

Internal Audit strongly recommends that in the future, such correspondence related to stale dated checks be documented via email to provide an acceptable audit trail and to document responsibility should both the voided and the reissued check be cashed.

Auditee Response

See response summary attached.

Finding 3: Voided Disbursements

The *Prothonotary* Accountant inadvertently skipped over nine (9) checks when manually issuing a disbursement in April 2012. Check number 8344 was properly processed on 4/19/12; but on 4/20/12 the accountant issued check 8354 instead of check 8345. On April 30, the accountant completed and issued check 8345. The *Prothonotary* Accountant realized the mistake on May 1 and properly voided checks 8346 through 8353; however check 8345 had already been disbursed.

Recommendation

All checks should be issued in numerical sequence. In the event of an accidental omission of a check(s), the missed check(s) should be properly voided.

Auditee Response

See response summary attached.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Escheats / Unclaimed Property

Monies that have been escheated to the state are tested on a predetermined sample basis. For the year ended 12/31/12, the sample size was determined to be 20 transactions. Since there were only 13 reportable items escheated in 2012, Internal Audit tested at 100%.

- 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.

General

Finding 4: Physical Safeguards

The *Prothonotary's* signature stamp is not properly secured and/or safeguarded when not in use.

Recommendation

Internal Audit strongly suggests that the *Prothonotary's* signature stamp be kept locked at all times to prevent its unauthorized use.

Auditee Response

See response summary attached.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 5: Recording of Transactions

Interest earned on the Automation Fund Account in November 2012 was not posted to the Courtview system until January 2013.

Recommendation

All debit and credit adjustments to the *Prothonotary's* bank accounts should be entered into Courtview in a timely manner to ensure that the bank, manual checkbook and system balances all agree.

Auditee Response

See response summary attached.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2012

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



OFFICE OF THE PROTHONOTARY

Chester County, Pennsylvania
201 West Market Street, Suite 1425
PO Box 2746
West Chester, PA 19380-0989

610-344-6300 FAX 610-344-5903

Bryan D. Walters
Prothonotary

Teena A. Peters
First Deputy

Holly L. Setzler
Solicitor

To: Valentino F. DiGiorgio, III, Controller
From: Bryan D. Walters, Prothonotary
Re: Auditee Prothonotary's Response to 2012 Audit
Date: April 30, 2013

2013 APR 30 PM 12:01
RECEIVED
COUNTY OF CHESTER
CONTROLLERS OFFICE

The Prothonotary acknowledges and understands the findings of the 2012 audit. Those findings will be used as a tool for implementing future management policy. In addition, the Prothonotary makes the following responses to the findings of the Management Letter:

Finding 1: Cash Disbursements

The Prothonotary acknowledges this finding and our accountant will take more time to make certain to follow proper procedure.

Finding 2: Voided Disbursements

The Prothonotary agrees with this finding and will comply with the recommendation.

Finding 3: Voided Disbursements

The Prothonotary agrees and acknowledges that a mistake occurred.

Finding 4: Physical Safeguards

The Prothonotary has had the signature stamp placed in a secure location when not in use.

B.D.W.