



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

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

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*County of Chester  
Magisterial District Court  
15-2-06*

Management Letter

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

Valentino F. DiGiorgio, III, Controller

**To: Elizabeth Dumond, Minor Judiciary Administrator**

**Introduction**

On July 30, 2013, Internal Audit completed an audit of Magisterial District Court 15-2-06 (*District Court*). Sharon Jones was the auditor-in-charge. Internal Audit is required by County Code to review district courts annually to ensure compliance with policies and procedures mandated by the Administrative Office of Pennsylvania Courts and/or District Justice Administration and to assess their overall internal control structure. The scope of our audit included a review of the following:

- Cash and Petty Cash
- Undisbursed Funds
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Overall Compliance

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 July 30, 2013) should be considered in conjunction with this Management Letter.

**Executive Summary**

The management and staff of the *District Court* are, in all material respects, in compliance with policies and procedures set forth by the Administrative Office of Pennsylvania Courts and directives imposed by District Justice Administration. Internal Audit noted no significant deficiencies or material weaknesses in the overall internal control structure.

Internal Audit did, however, note several matters of a lesser significance involving internal controls and compliance with policies and procedures. These matters have all been included within this management letter. Based on Internal Audit's testing and observations, it is our opinion that these deficiencies are not the result of negligence or deliberate misconduct, but are instead the consequence of one or more of the following:

- Oversight / Human error
- Staff turnover

We want to thank the management and staff of the *District Court* for their cooperation and assistance during the course of this audit. We have provided herein a copy of our "Audit Findings and Recommendations" for your review and comment.

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

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-2-06**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Cash and Petty Cash**

Cash adjustments are reviewed at 100%. Petty cash is counted on a surprise basis during the course of the review.

Finding 1: Cash and Cash Adjustments

A review of debit, credit and deposit adjustments made throughout the year suggests that the *District Court* was often confused by which adjustment needed to be processed to reconcile the book balance to the bank. Although at year-end the adjustments were ultimately corrected, and the cash balance was properly stated, it should be noted that in each of four (4) instances, debit and credit adjustments were originally processed incorrectly and later reversed.

A debit adjustment made by the *District Court* in August 2012 to correct a bank deposit error remained outstanding at year end. This unresolved status suggests that there was insufficient follow-up with the bank to ensure that the error was corrected in a timely manner.

IOLTA interest earned by the *District Court* and paid to the AOPC in June 2012 was not properly recorded on the books. Although the receipt and disbursement occurred in the same month, the transactions should have been recorded in the Magisterial District Judge System (*MDJS*).

A check made payable to the Chester County Clerk of Courts in July 2012 remained outstanding at year end. Internal Audit contacted the Clerk of Courts bookkeeper to inquire about the circumstances related to the payment; however the individual was unaware of the pending transaction.

In twelve (12) instances, the *District Court* did not escheat stale-date checks in a timely manner.

Recommendation

*District Court* staff (particularly Office Managers) should be properly trained with respect to basic bookkeeping procedures. Such training should be repeated periodically to ensure that new and less experienced clerks fully understand the difference between debit and credit cash adjustments. Office Managers should also be reminded that they are responsible

**COUNTY OF CHESTER**

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**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding 1: Cash and Cash Adjustments

Recommendation (continued)

for conducting frequent and timely follow-up with the bank to ensure that out-of-balance conditions are corrected as soon as possible. *District Court* staff should be reminded that all transactions must be recorded in *MDJS* even if they cancel out during the same month.

Checks that are made payable to a County Row Office should be properly investigated when they remain outstanding after the first accounting cycle (first monthly reconciliation process) since payee and address information for these checks should never be in question. Checks issued from the *District Court* to the Clerk of Courts usually imply further action related to the case in the Court of Common Pleas. The transfer of a case and related payment should be considered time sensitive and properly monitored by the *District Court*.

Internal Audit further recommends that District Court management exercise greater care to ensure that outstanding checks (other than those described above) are voided within 120 days as directed by the District Justice Automated Office of Clerical Procedures Manual. All voided checks should have proper due diligence completed prior to escheatment.

Auditee Response

District Court management concurs with the finding and recommendation.

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-2-06**

**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.*

**Undisbursed Funds**

The sample size for the year ended 12/31/12 was determined to be 20; however there was only a total population of 19 cases which were greater than or equal to 90 days.

Finding 2: Undisbursed Funds

In five (5) instances, funds were not applied / disbursed in a timely manner. In four (4) cases, sufficient identifying information (defendant name, docket number) was not listed on the Undisbursed Funds report and as a result, Internal Audit could not determine why the funds were not properly paid out. Three (3) of the cases related to server fee transactions while one (1) of the cases related to collateral that was receipted back in March 2010.

Recommendation

Internal Audit recommends that *District Court* management re-emphasize to the staff the importance of disbursing/applying funds as soon as allowable on cases which have been adjudicated and/or closed. To this end, the Undisbursed Funds Report should be reviewed/monitored on a monthly basis.

Auditee Response

District Court management concurs with the finding and recommendation.

**Cash Receipts**

The sample size for the year ended 12/31/12 was determined to be 20 out of a population of 8,641 receipts issued during the year.

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

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**MAGISTERIAL DISTRICT COURT 15-2-06**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Manual Receipts**

There were no manual receipts used for the year ended 12/31/12.

**Cash Disbursements**

The sample size for the year ended 12/31/12 was determined to be 20 out of a population of 1,038 checks issued during the year.

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

**Voided Receipts**

The sample size for the year ended 12/31/12 was determined to be 15 out of a population of 131 receipts voided during the year.

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

**Voided Disbursements**

The sample size for the year ended 12/31/12 was determined to be 10 out of a population of 106 disbursements voided during the year.

**Finding 3: Voided Disbursements**

“Night Duty” case files for 2012 could not be located. As a result, all related audit steps could not be completed for one of the voided checks selected as part of our sample.

**Recommendation**

District Justice Administration should determine if the files were inadvertently sent to Archives and if so, retrieve them in case they are needed for future audits to be conducted by the AOPC (Automated Office of Pennsylvania Courts) or State auditors.

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**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
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Finding 3: Voided Disbursements (Continued)

*Auditee Response*

District Court management concurs with the finding and recommendation.

**Overall Compliance**

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 25 case files out of a total population of 6,473 case files created in 2012. The sample size was divided equally among the four (4) case types: traffic, non-traffic, civil/landlord tenant, and criminal.

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

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**MAGISTERIAL DISTRICT COURT 15-2-06**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

An exit conference was not warranted for the audit of Magisterial District Court 15-2-06. Elizabeth Dumond, Minor Judiciary Administrator accepted the report and management letter as presented.