



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

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

County of Chester
Office of Adult Probation
Management Letter

Valentino F. DiGiorgio, III, Controller

To: Christopher Murphy, Chief Probation Officer

Introduction

On October 11, 2013, Internal Audit completed an audit of the Office of Adult Probation (*APO*). 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
- Liabilities
- Cash Receipts
- Retained Unapplied Balances
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Unclaimed Property / Escheats

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 October 11, 2013) should be considered in conjunction with this Management Letter.

Executive Summary

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

We want to thank the management and staff of *APO* 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 ADULT PROBATION
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.

Finding 1: Cash Adjustments

In the prior year audit, Internal Audit identified that the APO Collections Supervisor (*Supervisor*) processed a number of debit and credit adjustments to the *Fines, Costs, and Restitution* account in order to offset errors made by either the bank or the APO staff when processing checks and deposits. Although these adjustments were necessary at the time to balance the bank and book records during the monthly reconciliation process, the *Supervisor* had since failed to follow-up with the bank to correct the original mistakes and to reverse the corresponding debit and/or credit adjustments. It was strongly recommended that the *Supervisor* review all outstanding debit and credit adjustments that were on the books at that time to see how they could be reversed. In addition, Internal Audit recommended that, going forward, any necessary adjustments to the *Fines, Costs, and Restitution* account be properly researched, corrected and reversed as soon as possible.

As of December 31, 2012 the debit and credit adjustments identified during the previous audit have not yet been corrected and remain outstanding on the books. In addition, Internal Audit found a number of additional debit and credit adjustments processed throughout 2012 that also need to be researched and corrected.

Recommendation

Once again, Internal Audit strongly recommends that the *Supervisor* research, correct and reverse all current outstanding debit and credit adjustments made to the *Fines, Costs, and Restitution* account. In addition, it is also recommended that either Internal Audit or the Clerk of Courts Deputy review all future monthly reconciliations of the *Fines, Costs, and Restitution* account to ensure that any new debit and credit adjustments are properly corrected and reversed in a timely manner.

Auditee Response

Findings will be reviewed with Internal Audit during the month of October 2013. Going forward, all necessary adjustments will be reviewed and corrected as soon as possible.

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Finding 1: Cash Adjustments (continued)

Internal Audit will be notified of any debit/credit adjustments made during the monthly bank reconciliation process.

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.

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 30 out of a population of 47,144 receipts generated in 2012.

There were no internal control or procedural weaknesses noted.

Retained Unapplied

Retained unapplied balances are reviewed at 100%; specifically to ensure that monies are either refunded or applied in a timely manner.

Finding 3: Retained Unapplied

Internal Audit noted the following:

- In one (1) instance, an overpayment received in May 2012 was not properly refunded to the remitter or applied to a related case. Instead, as of July 2013, the monies remain in escrow.
- In one (1) instance, an overpayment was refunded to the “defendant” on the case rather than to the remitter of the payment.

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Finding 3: Retained Unapplied (continued)

- In one (1) instance, a payment had been made by the defendant (as per the Receipt Tracking report). System comments provided on the case however indicate that the mother of the defendant was acting as his power of attorney and that “she” has been making all payments and, as such, would receive any refund. Either the remitter information on the Receipt Tracking report was recorded incorrectly or the refund in this particular case was paid to the wrong party.

Recommendation:

APO staff should be reminded to review and process overpayments in a timely manner and that monies should only be refunded to the individual who originally remitted the funds.

Auditee Response

Account Clerks were made aware after the last audit and reminded again recently, that the remitter is the person that should be entered into the payment screen if the payment is from someone other than the defendant. This reminder should also resolve the issue of the refund being sent to the defendant if someone else has made the payment on behalf of the defendant. **All refunds will be reviewed before a check is created via the “Checks to be Created query”.**

The first finding under this heading was not refunded due to a hold being placed on the assessment as the defendant was incarcerated in State Prison. This hold has since been removed and refunded to SCI-Camp Hill to be put back into the inmate’s account.

Manual Receipts

The sample size tested for the year ended 12/31/12 was 35 out of a population of 218 manual receipts issued in 2012.

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Manual Receipts (continued)

Finding 4: Manual Receipts

Internal Audit noted the following:

- In five (5) instances, remitter information was not recorded correctly in the Common Pleas Case Management System (*CPCMS*).
- In 25 instances, a manual receipt was not entered into *CPCMS* in a timely manner. In addition, since the money deposited in the bank must match the *CPCMS* daily deposit record each day, the monies associated with these receipts (sometimes large sums of cash) were held until the receipt was entered into the system. In some instances, both the receipt and the monies were held for as long as a month. This is a recurring finding for the last four (4) years.

Recommendation

Internal Audit would like to emphasize the importance of entering information from manual receipts into the computerized system accurately. Information entered should be reviewed and verified before being accepted into *CPCMS*. Necessary corrections or changes should be reflected on the manual receipt and manual receipt log in order to provide an audit trail.

For the fourth consecutive year, Internal Audit found that manual receipts were not being entered into *CPCMS* in a timely manner. Although many manual receipts are issued for payments related to family court drug tests and DUI program fees (situations which require the creation of a new case / docket); others are issued when computers are down or during normal cashier breaks. Internal Audit noted that even when a case was already established, the receipt was not entered on the same or next business day. An analysis performed by Internal Audit determined that in most cases, the number of manual receipts issued in a given day is three (3) or less. Based on this minimal amount, Internal Audit strongly suggested that manual receipts related to drug testing or DUI programs be given to the *Supervisor* at the end of each day so that new cases / dockets may be created.

It should be noted that after the conclusion of the prior year audit in October 2012, there was significant improvement in this area.

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Finding 4: Manual Receipts (continued)

Auditee Response

Account Clerks were made aware after the last audit and reminded again recently, to put the remitter on the hand receipt if it's someone other than the defendant and that they also need to apply the payment with the remitter's name if other than the defendant. **The Collection Supervisor will review all receipts generated from a manual receipt the day the manual receipt is entered into CPCMS.**

Hand receipts are now being applied the next day as this finding was resolved after the last audit. The only instances of the hand receipt now not being applied the next day is when the Collection Supervisor is on vacation or if there is an issue with the case. **A backup will be designated to review manual receipts for instances when the Collections Supervisor is out of the office.**

Cash Disbursements

The sample size tested for the year ended 12/31/12 was determined to be 25. The sample was to be allocated between the five (5) accounts maintained and reconciled by the Office of the Clerk of Courts (*Clerk*) and the one (1) Restitution account belonging to the *Clerk* but maintained and reconciled by *APO*. The allocation was as follows:

- ✚ Five (5) *CPCMS* Fines, Costs, Restitution disbursements from the Wells Fargo checking account out of a population of 1,664 checks created in 2012. (Account now closed.)
- ✚ Twelve (12) *CPCMS* Fines, Costs, Restitution disbursements from the DNB First checking account out of a population of 4,190 checks created in 2012.

(The remaining eight (8) disbursements were allocated between the Wells Fargo and DNB First *CPCMS* Bail Escrow, Summary Appeal Escrow, Filing Fee accounts and the Legacy Bail and Summary Appeal escrow accounts which were tested as part of the Audit of the *Clerk*. These results are addressed under separate cover to the *Clerk*.)

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Cash Disbursements (continued)

Finding 5: Cash Disbursements

In three (3) instances, restitution was not paid to the individual or party documented on the sentencing sheet for the related case. Although the *Supervisor* was able to provide other information to validate where the restitution was paid, this documentation was not provided to the *Clerk* to include in their “victim / restitution” file. As a result, criminal court records were inaccurate and incomplete.

Recommendation

A formal process should be developed and documented to ensure that any restitution recipient changes are properly communicated to the *Clerk*.

Auditee Response

The Clerk of Courts office will be provided documentation to support any changes made to victim information subsequent to what was formally entered on the defendant’s sentencing sheet.

Voided Receipts

The sample size tested for the year ended 12/31/12 was determined to be 15 out of a population of 198 receipts voided in 2012. The sample was allocated between the five (5) accounts maintained and reconciled by the *Clerk* and the one (1) Restitution Account belonging to the *Clerk* but maintained and reconciled by *APO*. The allocation was as follows:

- ✚ Twelve (12) *CPCMS* Fines, Costs, Restitution receipts out of a population of 161 receipts voided in 2012.
- ✚ There were no Legacy account receipts issued or voided in 2012.
(The remaining three (3) voided receipts were selected from the *CPCMS* Bail Escrow, Summary Appeal Escrow, and Filing Fee accounts which were tested as part of the Audit of the *Clerk*. These results were addressed under separate cover to the *Clerk*.)

There were no internal control or procedural weaknesses noted within our sample of receipts voided by *APO*.

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Voided Disbursements

The sample size tested for the year ended 12/31/12 was 10 out of a population of 173 disbursements voided in 2012. The sample was allocated between the five (5) accounts maintained and reconciled by the *Clerk* and the one (1) Restitution account belonging to the *Clerk* which is maintained and reconciled by *APO*. The allocation was as follows:

- Seven (7) *CPCMS* Fines, Costs, Restitution disbursements out of a population of 146 checks voided in 2012.

(The remaining three (3) voided disbursements were selected from the *CPCMS* Bail Escrow, Summary Appeal Escrow and Legacy Summary Appeal Escrow accounts which were tested as part of the Audit of the *Clerk*. These results are addressed under separate cover to the *Clerk*.)

Finding 6: Voided Disbursements

Internal Audit noted the following:

- In four (4) instances voided checks were not referenced to a replacement. In three (3) of these instances, Internal Audit was able to confirm that a replacement was in fact issued. In the fourth instance, a replacement was requested by the recipient of the original check but its issuance could not be verified (see details below).
- In one (1) instance a payment in the amount of \$895.25 made payable to PECO was returned to *APO* along with a letter requesting that a replacement check be issued for a lesser amount (\$250.00) as payment for the only account that was still “in open status”. Internal Audit could find no evidence that the replacement check was ever issued. In addition, it is unclear why *APO* originally sent approximately \$600 more to PECO than what was owed them.
- In three (3) instances, the check copy was not marked “void”.
- In two (2) instances, stale dated checks were reissued without evidence that the original was returned or that a stop payment was placed on the original checks. Since the amounts of the checks were significant in value (\$969 and \$417.84), *APO* should have taken preventative measures to ensure that both the original and the replacement checks were not in circulation with risk of both being presented for payment.

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Finding 6: Voided Disbursements (continued)

Recommendation

Unless required by the Administrative Office of Pennsylvania Courts (*AOPC*), *APO*, or the *Clerk*, Internal Audit will no longer require that copies of checks be made and retained for audit purposes. Going forward, Internal Audit will utilize information provided in *CPCMS* to perform various audit procedures related to voiding and replacing checks. Once it has been determined that the need for paper copies of disbursements are not required by any of the three (3) parties identified above, Internal Audit will meet with members of both the *Clerk* and *APO* to establish alternative procedures for documenting voided checks and their replacements in a manner which will still provide an acceptable audit trail.

With regard to the voiding of “actual physical checks” *APO* will still be required to label the check as “void” and to ensure that the signature line is removed or defaced. The reason for the void should be clearly indicated and any replacement should be properly referenced. It is also requested that these checks continue to be retained for audit purposes in a separate binder.

It is further recommended that before any outstanding check is reissued, the original check either be in *APO*'s possession or that a stop payment be requested from the bank.

Auditee Response

Check # 29967 that was in question was not re-issued to PECO due to a hold being placed on the assessment. Check # 29967 was comprised of 3 different cases that owed money to PECO. For two of those cases, PECO stated that they had closed their interest in the matter. A hold was placed on case # 1425-10 to facilitate the removal of the other 2 payments on the check. The hold was never removed. (A hold is placed on all PECO restitution payments that are on ARD due to the fact that eventually the defendant's insurance company may pay PECO directly. In order to avoid duplicate payment, a hold is placed on the case for a period of time to see if the defendant's insurance company makes a payment. After a period of time, the hold is removed. These holds are reviewed via the “Held Disbursement report” in *CPCMS*.) The hold on this particular case has since been removed.

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Finding 6: Voided Disbursements (continued)

All escrow is reviewed each month after the Master Account report is created via the 1205E Escrow Detail Report.

Check # 29967 as mentioned above was made up of 3 cases involving 3 different defendants - case 1425-10 for \$250.00, case 2034-11 for \$5.00 and case 4616-11 for \$604.25. The total check amount was \$895.25. CPCMS combines multiple payments due to a recipient if the recipient and address are the same. In this case the recipient for each of the 3 cases was PECO. Prior to issuing check #29967, PECO had closed interest in 2 of the 3 cases included in the one payment and was only seeking \$250.00 from one of the defendants.

We will no longer be keeping a copy of each restitution check that is sent out. As a result, this will no longer be an issue. Auditors will utilize information in CPCMS to perform their audit procedures.

The 2 checks in question, # 29455 and # 30376 were created when the account was with Wells Fargo Bank. The procedure then was to contact the bank to verify that the outstanding checks weren't cashed. Once confirmed, the checks were voided in CPCMS and re-issued. The bank was not asked to place a stop payment on the outstanding/stale dated check. This business practice was put in place by the previous Clerk of Courts who did not want to pay the stop payment fee each time a lost or stale check was being reissued. **Going forward with our new bank, DNB, anytime a check needs to be re-issued and the original check is not in our possession, DNB will be notified to put a stop payment on the check if it hasn't already been cashed. We will pay the stop payment fee of \$30.00. This practice has already taken place a few times with DNB.**

Unclaimed Property / Escheats

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 30 transactions.

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Unclaimed Property / Escheats (continued)

Finding 7: Escheats

In two (2) instances, the wrong recipient information was recorded on the *APO* escheat report. In one (1) instance, the defendant in the case was listed as the recipient when in fact *CPCMS* records indicate this to be another individual. In the second instance, the recipient should have been a husband and wife, but only the husband's name was listed on the state report.

Recommendation

Internal Audit recommends that the report be reviewed by a second individual to verify that information has been entered correctly before transmission to the Bureau of Unclaimed Property (*Bureau*). It is further recommended that the *Supervisor* contact the *Bureau* to have the mistakes corrected.

Auditee Response

This was the first time an escheat report was completed by Adult Probation. In the future, the report will be thoroughly reviewed before sending to the Bureau of Unclaimed Property in Harrisburg.

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SUMMARY OF EXIT CONFERENCE
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An exit conference was not warranted for the audit of the Adult Probation. The Chief Probation Officer, Christopher Murphy has accepted the report as presented.