



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

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

*County of Chester
Magisterial District Court
15-1-03*

Management Letter

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

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Gregory V. Hines

Introduction

On December 9, 2013, Internal Audit completed an audit of Magisterial District Court 15-1-03 (*District Court*). Carissa M. Petrelia 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 December 9, 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

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) 344-6064 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-03

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

Cash and Petty Cash

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

Finding 1: Cash Adjustments

In one (1) instance, the *District Court* inappropriately processed a debit adjustment to offset the bank cashing a stale check that had been voided by the *District Court*. The debit adjustment remained outstanding at 12/31/12.

To further complicate matters, prior to voiding the aforementioned check, the *District Court* contacted the payee and a replacement check was sent out. The payee found the original check, cashed it and returned the replacement check to the *District Court*. The *District Court* confused the two and escheated the replacement check.

Recommendation

Internal Audit recommends that the *District Court* review all debit and credit adjustments during the year to ensure that they have corresponding offsetting entries. It is further recommended that *District Court* management work with District Justice Administration to resolve the existing out of balance condition on the books and to properly remove the error on the 2012 Escheat Report.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-03

SUMMARY OF FINDINGS AND RECOMMENDATIONS

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General Finding

Finding 2: Escheats

Internal Audit noted that in seven (7) instances, a check was not escheated in a timely manner.

Recommendation

Internal Audit recommends that *District Court* management exercise greater care to ensure that outstanding checks are voided within 120 days as outlined in the District Judge Automated Office of Clerical Procedures Manual.

Auditee Response

District Court management concurs with the finding and recommendation.

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 tested for the year ended 12/31/12 was determined to be 10 out of a total population of 13 cases which were greater than or equal to 90 days.

Finding 3: Undisbursed Funds

Internal Audit noted that in one (1) instance, funds were not applied/disbursed in a timely manner.

Recommendation

Internal Audit recommends that the *District Court* applies/disburses funds as soon as allowable on cases which have been adjudicated and/or closed as directed by the District Justice Automated Office of Clerical Procedures Manual. To this end, the Undisbursed Funds Report should be reviewed/ monitored on a monthly basis.

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Finding 3: Undisbursed Funds (continued)

Auditee Response

District Court management concurs with the finding and recommendation.

Cash Receipts

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 9,734 receipts issued during the year.

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

Manual Receipts

There were no manual receipts used in 2012.

Cash Disbursements

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 601 checks issued during the year.

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

Voided Receipts

The sample size tested for the year ended 12/31/12 was determined to be 15 out of a population of 74 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 12/31/12 was determined to be 10 out of a population of 48 disbursements voided during the year.

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

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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 5,455 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.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-03

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2012

An exit conference was not warranted for the audit of Magisterial District Court 15-1-03. Magisterial District Judge Gregory V. Hines chose to accept the report as presented.