



**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
15-2-07

Management Letter

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Lori Novak Donatelli

Introduction

On December 23, 2013, Internal Audit completed an audit of Magisterial District Court 15-2-07 (*District Court*). Pat Lenzi 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 23, 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) 344-6797 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

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 on-site fieldwork.

There were no internal control or procedural weaknesses noted.

General Finding

Escheated checks are tested at 100% for the year.

Finding 1: Escheats

Internal Audit noted that in thirteen (13) instances, a check was not escheated in a timely manner.

Recommendation

Internal Audit recommends that the *District Court* staff adhere to the stale-dated check procedures as outlined in the District Judge Automated Office Clerical Procedures Manual.

Auditee Response

With respect to escheated checks, my Office Manager has followed the procedure outlined in the training manual for office managers provided by District Justice Administration. The procedure is as follows. On a monthly basis she checks our Court's bank statement for checks that are over 60 days old. With respect to those checks, the Court then sends out a letter giving the payee 30 days to obtain payment. After the 30 days expires, my office manager waits for the next bank statement to confirm that the check was never cashed. Due to the timing with respect to the date the check was written and the date our Court receives the second bank statement, the entire process takes around 120 days, in some cases slightly longer. In light of the Auditor's finding, we are changing our process to shorten the time given to the payee to obtain payment to 10 days. In addition, we will use the AOPC Bank Reconciliation Report and Outstanding Checks by Date Report to avoid having to wait for the mail to deliver our bank statements. By doing so we should be able to escheat checks within 90 days in the future.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

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 tested for the year ended 12/31/12 was determined to be 10; however there was only a total population of 3 cases which were greater than or equal to 90 days.

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

Cash Receipts

The sample size tested 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.

Manual Receipts

There was 1 manual receipt used and tested for the year ended 12/31/12.

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 determined to be 20 out of a population of 617 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 sample of 83 receipts voided during the year.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

Voided Disbursements

The sample size tested for the year ended 12/31/12 was determined to be 10 out of a population of 60 disbursements voided during the year.

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

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 6,957 case files created in 2012. The sample size was divided equally among five (5) 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 15-2-07

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2012

Magisterial District Judge Lori Novak Donatelli indicated through a written confirmation that an exit conference would be waived for this year. The Magisterial District Judge has accepted the audit report and management letter as presented.