

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



*Management Letter
Office of Domestic Relations
For the year ended December 31, 2007*

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: Joseph Waters, Director

Introduction

On April 22, 2008, Internal Audit completed an audit of the *Office of Domestic Relations* for the year ended December 31, 2007. Carissa Petrelia was the auditor-in-charge under the supervision of Sharon Kaye Jones, CIA, Internal Audit Manager. This audit was conducted as a result of a risk re-assessment that occurred in 2006. The scope of our audit was limited to a review of the Domestic Relations checking account.

Executive Summary

Internal Audit noted significant internal control weaknesses with respect to the recording, balancing and safeguarding of Domestic Relations *over the counter* cash receipts. It is recommended that Management take corrective action immediately to minimize further risk to the County and/or the Office of Domestic Relations. Based on our testing and observations, it is our opinion that these deficiencies are not the result of negligence or deliberate misconduct, but instead are the consequence of one or more of the following:

- Lack of sufficient management supervision and review
- Improper accounting procedures
- Lack of sufficient attention to County policies
- Lack of segregation of duties
- Oversights and human error

Internal Audit would like to thank the management and staff of the *Office of Domestic Relations* 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.

Cc: President Judge Paula F. Ott

COUNTY OF CHESTER
OFFICE OF DOMESTIC RELATIONS
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING/RECONCILIATION

Finding 1: Cash

Internal Audit noted the following:

- The checking account should function as a “zero-balance” account but instead maintains an unsupported balance of \$4,202.70.
- There was no department follow-up on an October, 2005 support payment which belongs to DPW but remains on Domestic Relations’ books as a deposit in transit.
- Refund checks are written out of the “zero-balance” account. Over the counter petition payments are deposited into the checking account to offset the disbursement.
- There is no independent review of account reconciliations prepared by the bookkeeper.
- A check was issued out of sequence with no description provided on the stub. The check was presumed by the department to be void.
- The department is not requesting reimbursement from the County or from the bank for fees charged by the bank and deducted from the checking account.
- The department is not preparing standard monthly book to bank reconciliations. There is currently no running balance in the checkbook to compare and reconcile to the bank.

COUNTY OF CHESTER
OFFICE OF DOMESTIC RELATIONS
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING/RECONCILIATION

Finding 1: Cash (continued)

Recommendation

Internal audit recommends that the department follow generally accepted accounting principals when performing monthly book to bank reconciliations and that the monthly book to bank reconciliations be reviewed by an independent third party who is not involved with performing day to day accounting records for over the counter child support payments. Since the checking account maintained by Domestic Relations functions strictly as a “pass through” account, no disbursements other than those initiated by the state are appropriate. Due to the fact that “check” disbursements will no longer be allowed, a checkbook is not necessary and should be properly destroyed. For refunds that are deemed necessary, Internal Audit recommends that the department submit a voucher to the Controller’s Accounts Payable Department for payment. It is recommended that the department maintain an account balance roll forward, in order to support the above mentioned records. Domestic Relations should write a check to the County to return the unsupported balance of \$4,202.70. (This should be the last check to be written out of the account). Domestic Relations also needs to contact DPW to make sure that they get the money owed to them.

Auditee Response

Thank you for the opportunity to comment on the audit recently completed in this office. I concur with your single finding and agree to make changes internally to improve our record keeping/reconciliation of the DRO checking account. I would like to take this opportunity to comment that all funds audited for 2007 were accounted for. The closing of the checking account will, in and of itself eliminate the concerns of the auditor.

COUNTY OF CHESTER
OFFICE OF DOMESTIC RELATIONS
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

SAFEGUARDING OF ASSETS

Finding 1: Cash Receipts

Internal Audit noted the following:

- A daily deposit slip was not dated; therefore Internal Audit could not verify that the money was deposited within one business day.
- The cashier's backup during lunch and breaks uses the same cash drawer as the primary cashier.
- There is no verification by the primary cashier upon her return that the \$100 bank is still intact.
- Monies receipted after 12:30 are kept in an unsealed envelope in the safe until the next business day. The money is not counted or verified by an independent person at the end of the day.
- The \$100 cash drawer is kept in the safe until the next business day. The money is not counted at the start of everyday to ensure that the \$100 remains intact.
- There was a check stub that was not filled out.
- There is only one authorized signer on this account.
- The only authorized signer has access to checkbook.
- There is a signature stamp for this account, which again only requires one signature.

COUNTY OF CHESTER
OFFICE OF DOMESTIC RELATIONS
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

SAFEGUARDING OF ASSETS

Finding 1: Cash Receipts (continued)

Recommendation

Internal Audit recommends that members of the staff exercise greater care to ensure that deposit slips are completed accurately prior to taking the funds to the bank. Internal Audit also recommends that the management and staff follow generally accepted accounting principals. Separate cash drawers should be established for the primary cashier and her backup. This will provide accountability for shortages/overages that may occur from time to time. At no time should an authorized signer have access to unused checks or the checkbook. By the nature of this account, disbursements other than those initiated by the Commonwealth are inappropriate and should be discontinued immediately. For future refunds the department should follow established county procedures. Internal Audit further recommends that the checks to this account be destroyed along with the signature stamp. The destruction process should be documented and witnessed by two individuals. Cash receipts held over night should be secured in a locked box or bag within the safe until the deposit the next day. Monies should be counted by an independent person at the end of the day.

Auditee Response

Domestic Relations management concurs with the findings and recommendation.

SUMMARY OF EXIT CONFERENCE
COUNTY OF CHESTER
OFFICE OF DOMESTIC RELATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

An exit conference was not warranted for the audit of the Office of Domestic Relations. Joseph Waters, Director has accepted the management letter as presented.