

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



*Management Letter
Magisterial District Court 15-1-05*

For the year ended December 31, 2006

Valent D. Giorgio

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Grover E. Koon

Introduction

On September 5, 2007, Internal Audit completed an audit of Magisterial District Court 15-1-05 (*District Court*). Robert Pinkos, CIA, was the auditor-in-charge and was assisted by one additional auditor. 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.

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. Minor findings involving internal controls and compliance are 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:

- Oversights
- Human error
- Bank error

Internal Audit would like to commend the management and staff of the *District Court* for their dedication and hard work performed to improve the overall conditions in the court. Internal Audit noted and observed great improvements during this year's audit compared to prior year audits.

We would like 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) 344-5906 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-05

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash/Escrow Payable

Internal Audit noted that several cash adjustments processed by the bank to correct prior year errors were made incorrectly. As a result, the *District Court's* account still needs to be adjusted (credited) by \$0.04.

Recommendation

Internal Audit recommends that *District Court* management contact the bank and request reimbursement for the \$0.04. Also, when requesting the bank to make cash adjustments to the account, it is the *District Court's* responsibility to verify that the bank's cash adjustments are done correctly. If the bank does not make the correct adjustments, the *District Court* needs to follow up with the bank until the account is adjusted correctly.

Auditee Response

District Court management concurs with the audit finding and recommendation.

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 45 case files out of a total population of 5,547 case files created in 2006. In addition, we performed other related tests of cash receipts, cash disbursements, manual receipts, undisbursed funds, and voided transactions. Sample size for the tested areas was determined through a risk assessment analysis based on the results of the *District Court's* prior year audit and current year case load. We believe the results of our tests are representative of the entire population on the basis of accepted audit sampling principles.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-05

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Cash Receipts

Internal Audit noted 1 instance, where a receipt was not included in the corresponding case file.

Recommendation

Internal Audit recommends that *District Court* staff exercise greater care to ensure that every receipt entered into the State system is then printed out and included in the corresponding case file.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Manual Receipts

Internal Audit noted 1 instance, where an incorrect manual receipt number was entered on the State system receipt.

Recommendation

Internal Audit recommends that *District Court* staff exercise greater care when entering manual receipt information into the State system receipt to ensure that the information is identical.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 3: Voided Disbursements

Internal Audit noted the following:

- In 23 instances, stale checks were not escheated in a timely manner.
- In 6 instances, a copy of the voided check was not attached to the corresponding case file.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-05
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 3: Voided Disbursements (continued)

Recommendation

Internal Audit recommends that *District Court* management review all voided disbursement transactions to ensure that a copy of the voided check is included in the corresponding case file. Also, management should be reviewing the list of outstanding checks monthly in order to void and escheat stale dated checks in a timely manner.

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-05
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2006

An exit conference was not warranted for the audit of Magisterial District Court 15-1-05. Magisterial District Judge Grover E. Koon has accepted the report as presented.