

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



*Management Letter
Magisterial District Court 15-2-01*

For the year ended December 31, 2006

Valent D. DiGiorgio

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Theodore Michaels

Introduction

On August 30, 2007, Internal Audit completed an audit of Magisterial District Court 15-2-01 (*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

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 15-2-01

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 the following:

- In December 2005, the *District Court's* bank account earned a total of \$73.17 in interest for the period. However, the bank only transferred \$69.09 to the State for this period and the remaining \$4.08 still remains in the bank account. The *District Court* made a credit adjustment for the \$4.08 to reconcile the account instead of contacting the bank to have them transfer the remaining interest to the State.
- A check in the amount of \$110.95 was receipted by the *District Court* in error for only \$110.50. The correct amount of \$110.95 was deposited into the bank account leaving the *District Court's* Daily Cash Balancing Report short by \$0.45.

Recommendation

Internal Audit recommends that *District Court* management contact the bank to have them transfer the remaining \$4.08 of interest earned from December 2005 to the State. Once the bank transfers the interest, the District Court can then make the offsetting debit adjustment to reconcile. For the second finding, Internal Audit recommends the District Court void the original receipt that was entered and create a new receipt to reflect the correct amount received. The District Court can then create an offsetting debit adjustment for the \$0.45 credit adjustment, which was made to reconcile.

Auditee Response

The bank interest will be adjusted and the \$0.45 credit adjustment was made.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-01

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 30 case files out of a total population of 8,574 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.

Finding 1: Cash Disbursements

Internal Audit noted that a copy of a disbursement check was not attached to the appropriate case file.

Recommendation

Internal Audit recommends that *District Court* staff take greater care to ensure that a copy of every cash disbursement check is included in the appropriate case file for proper documentation purposes.

Auditee Response

District Court management concurs with the audit finding and recommendation and has made the appropriate correction.

Finding 2: Voided Transactions

Internal Audit noted in 6 instances, a copy of a voided disbursement check was not attached to the appropriate case file.

Recommendation

Internal Audit recommends that *District Court* staff take greater care to ensure that a copy of every voided disbursement check is included in the appropriate case file for proper documentation purposes.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-2-01
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Voided Transactions (continued)

Auditee Response

District Court management concurs with the audit finding and recommendation and has made the appropriate corrections.

Finding 3: Overall Compliance

Internal Audit noted that a citation was not initialed by the clerk upon receipt into the *District Court*.

Recommendation

Internal Audit recommends that *District Court* staff exercise greater care to ensure that all citations are initialed upon receipt into the *District Court*.

Auditee Response

District Court management concurs with the audit finding and recommendation and has made the appropriate correction. Greater care will be exercised.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-2-01
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2006

An exit conference was not warranted for the audit of Magisterial District Court 15-2-01. Magisterial District Judge Theodore Michaels has accepted the report as presented.