

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



*Management Letter
Magisterial District Court 15-2-07*

For the year ended December 31, 2006

Valent D. DiGiorgio

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Stanley Scott

Introduction

On August 6, 2007, Internal Audit completed an audit of Magisterial District Court 15-2-07 (*District Court*). Robert Pinkos, CIA, 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.

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 matters of a significant nature in the area of compliance or in the overall internal control structure.

Internal Audit did, however, note several matters of lesser significance involving internal controls and compliance with policies and procedures. These matters have 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:

- Oversights
- Human 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 15-2-07

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash / Escrow Payable

In the prior year audit, Internal Audit recommended that a \$0.02 bank adjustment was necessary to correct a deposit error made in 2005. This adjustment has not yet been made, nor has the *District Court* performed any follow up with the bank. As a result, the *District Court* checking account balance remains overstated by \$0.02.

Recommendation

Internal Audit recommends that *District Court* management needs to follow up with audit findings in a timely manner in order to correct them as soon as possible. Internal Audit also recommends that *District Court* management contact District Justice Administration for instructions on how to correct the prior year audit finding so that the bank account balance will be corrected.

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

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 25 case files out of a total population of 7,019 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: Undisbursed Funds

Internal Audit noted that money remained in server fees escrow as of 12/31/06 even though the constable services had been completed on 3/22/06.

Recommendation

Internal Audit recommends that the *District Court* apply the funds to the case as soon as possible. Internal Audit also recommends that funds in escrow be disbursed as soon as the services have been completed or the case has been closed. *District Court* management should review the Undisbursed Funds Report on a monthly basis to ensure that funds are disbursed in a timely manner.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Manual Receipts

Internal Audit noted that a manual receipt was not entered into the computer system within one business day of the manual receipt date.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-2-07
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Manual Receipts (continued)

Recommendation

Internal Audit recommends that *District Court* management exercise greater care to ensure that manual receipt information is entered into the state computer system within one business day. Internal Audit also recommends that management review the manual receipt log daily to monitor the use of manual receipts and follow-up with the clerks when manual receipts are used to ensure that manual receipts are entered in the computer system in a timely manner.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 3: Cash Disbursements

Internal Audit noted that the *District Court* disbursed a check made payable to a District Judge.

Recommendation

Internal Audit recommends that the *District Court* not disburse checks made payable to a District Judge. Instead, when transferring money to another court, cash disbursements should be made payable only to the District Court .

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-07

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 4: Voided Transactions

Internal Audit noted the following:

- In 1 instance, a voided receipt in the case file was not marked “void.”
- In 18 instances, stale dated checks were not escheated in a timely manner.
- In 1 instance, the office and case file copy of a disbursement check was not marked “stale/void/lost.”

Recommendation

Internal Audit recommends that the *District Court* staff exercise greater care in the proper labeling of voided transactions. Internal Audit also recommends that *District Court* management monitor the list of outstanding checks monthly in order to perform due diligence and to 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 15-2-07
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2006

An exit conference was not warranted for the audit of Magisterial District Court 15-2-07. Magisterial District Judge Stanley Scott has accepted the report as presented.