

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



*Management Letter
Magisterial District Court 15-4-03*

For the year ended December 31, 2006

Valent D. DiGiorgio

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Larry Smith

Introduction

On January 7, 2008, Internal Audit completed an audit of Magisterial District Court 15-4-03 (*District Court*). Gretchen W. Sohn, 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 Judge 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 Judge Administration. Minor findings involving internal control and compliance are included within this Management Letter. There were no significant weaknesses identified. Based on Internal Audit's testing and observations, it is our opinion that these exceptions are not the result of negligence or deliberate misconduct, but are instead the consequence of the following:

- Oversights
- Human error.

Internal Audit 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) 344-6797 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Reconciliation/Recordkeeping

Finding 1: Cash Adjustments

A credit memo totaling 10¢ on the *District Court's* April, 2006 bank statement was processed by the *District Court* as a credit adjustment to reconcile their month-end bank account on their books. 2¢ of the credit memo was an error on the bank's part because, although the check was listed incorrectly on the deposit slip, the receipt was processed for the correct amount of the check and agreed with the bank's records. For the remaining 8¢, the *District Court* should have voided the receipt and reprocessed it for the correct amount of the check.

Recommendation

Internal Audit recommends that the *District Court* exercise greater care when processing cash adjustments. Every credit adjustment requires a subsequent debit adjustment and vice-versa. In this case there would never have been an offsetting debit adjustment. Internal Audit recommends that the *District Court* contact their bank and request they reverse 2¢ of the credit memo. For the 8¢, the original receipt should be voided and reprocessed for the correct amount. When this is completed, the *District Court* can process the offsetting 10¢ debit adjustment.

Auditee Response

The District Court has contacted their bank and a 10¢ debit memo will be processed by the bank (12/07).

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies, procedures, and regulations, Internal Audit selected a statistical sample of 25 case files out of a total population of 7,881 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 caseload. 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 15-4-03
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Stale-dated Checks

Internal Audit noted that stale-dated checks are not being voided/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

Outstanding check letters have been sent on all outstanding checks through 9/30/07. After receiving December, 2007 checking account statement, they will be escheated.

Finding 2: Manual Receipts

Internal Audit noted the following:

- In 2 instances, the manual receipt copy was not attached to the case file.
- In 1 instance, the manual receipt payment information does not agree with the system receipt payment information.

Recommendation

Internal Audit recommends that *District Court* staff adhere to the manual receipt procedures as outlined in the District Justice Automated Office Clerical Procedures Manual. Information entered in the system should agree with the information on the manual receipt.

Auditee Response

- *The manual receipts have been attached to the case files.*
- *The amount received was changed on the manual receipt ledger and case file.*

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-03
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 3: Voided Disbursements

Internal Audit noted the following:

- In 1 instance, the office check copy was not labeled “void/lost/stale”.
- In 1 instance, a copy of the voided check was not attached to the case file.

Recommendation

Internal Audit recommends that the *District Court* staff exercise greater care to ensure that voided check copies are labeled as such and attached to the appropriate case file.

Auditee Response

- *Labeled the office check copy “stale” 5/3/06 - MD-65-06; signature line cut out.*
- *Attached copy of voided check to the case file.*

Finding 4: Overall Compliance

Internal Audit noted the following:

- In 1 instance, a warrant was not recalled within 60 days of issuance.

Recommendation

Internal Audit recommends that the *District Court* adhere to the Commonwealth regulations with respect to the issuance and recalling of warrants. The *District Court* has procedures in place to send letters to the constables requesting the return of warrants over 60 days old. The constables do not always respond/comply with the request.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-03
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2006

On January 1, 2008, Magisterial District Judge Larry Smith 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.