



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

**Management Letter
For the Year Ended
December 31, 2014**

County of Chester
Magisterial District Court
15-1-04

Management Letter

Norman MacQueen, Controller

To: Magisterial District Judge Gwenn S. Knapp

Introduction

On October 23, 2015, Internal Audit completed an audit of Magisterial District Court 15-1-04 (*District Court*). Christian J Kriza 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
- Escheats/Stale Dated Checks

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* published by the Comptroller of the United States. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters concurrent with this management letter. Disclosures and other information in that Report (also dated October 23, 2015) should be considered in conjunction with this Management Letter.

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 significant deficiencies or material weaknesses in the overall internal control structure.

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

- Oversight
- Human error

We want 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 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

Cash and Petty Cash

Cash is reconciled and cash adjustments are reviewed at 100%. Petty cash is counted during the course of the on-site fieldwork.

Finding 1: Cash Adjustments

Cash adjustment errors reported in 2013 were still unresolved in 2014.

Finding 2: Cash Adjustments

In two (2) instances, a credit/debit adjustment was made without an offsetting credit/debit adjustment.

Finding 3: Cash Adjustments

In two (2) instances, the *District Court* incorrectly processed a debit adjustment for an NSF check instead of the appropriate deposit adjustment.

Recommendation

Internal Audit recommends that the *District Court* review all debit and credit adjustments during the year to ensure that they have corresponding offsetting entries. It is further recommended that *District Court* management work with District Justice Administration to resolve the existing out of balance condition on the books.

Auditee Response

District Court management concurs with the finding and recommendation and notes that there is no existing out of balance condition on the books.

For the following areas, transactions are reviewed on a sample basis according to risk. The current year risk assessment is based on prior year audit results.

Undisbursed Funds

The sample size tested for the year ended 12/31/14 was determined to be 10 out of a total population of 67 cases which were greater than or equal to 90 days.

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

Undisbursed Funds (continued)

Finding 4: Undisbursed Funds

Internal Audit noted that in four (4) instances, funds were not applied/disbursed in a timely manner.

Recommendation

Internal Audit recommends that the *District Court* apply/disburse funds as soon as allowable on cases which have been adjudicated and/or closed as directed by the District Justice Automated Office of Clerical Procedures Manual. To this end, the Undisbursed Funds Report should be reviewed/ monitored on a monthly basis.

Auditee Response

District Court management concurs with the finding and recommendation.

Cash Receipts

The sample size tested for the year ended 12/31/14 was determined to be 20 out of a population of 14,450 receipts issued during the year.

There were no internal control or procedural weaknesses noted within our sample.

Manual Receipts

The sample size tested for the year ended 12/31/14 was determined to be 15; however there was only a total population of 12 manual receipts issued during the year.

Finding 5: Manual Receipts

Internal audit noted that the *District Court* skipped a sequence of manual receipts without valid reason.

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

Manual Receipts (continued)

Recommendation

Internal Audit recommends that *District Court* management ensure that manual receipts are not used out of sequence and any voids be appropriately documented.

Auditee Response

District Court management concurs with the finding and recommendation.

Cash Disbursements

The sample size tested for the year ended 12/31/14 was determined to be 20 out of a population of 695 checks issued during the year.

There were no internal control or procedural weaknesses noted within our sample.

Voided Receipts

The sample size tested for the year ended 12/31/14 was determined to be 15 out of a population of 114 receipts voided during the year.

There were no internal control or procedural weaknesses noted within our sample.

Voided Disbursements

The sample size tested for the year ended 12/31/14 was determined to be 15 out of a population of 119 disbursements voided during the year.

Finding 6: Voided Disbursements

Internal Audit noted that in four (4) instances, the voided check copy was not included in the case file.

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MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

Voided Disbursements (continued)

Recommendation

Internal Audit recommends that *District Court* management ensure all relevant documentation related to a transaction is included in the case file.

Auditee Response

District Court management concurs with the finding and recommendation.

Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, 10 out of a population of 43 escheated items were tested for compliance with escheat/stale dated check procedures.

Finding 7: Escheats

Internal Audit noted that in seventeen (17) instances, a check was not escheated in a timely manner.

Finding 8: Escheats

In one (1) instance, Internal Audit was unable to locate evidence that the required due diligence was performed prior to escheatment.

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

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2014

An exit conference was not warranted for the audit of Magisterial District Court 15-1-04. Magisterial District Judge Gwenn S. Knapp chose to accept the report as presented.