



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

**Management Letter
For the Year Ended
December 31, 2015**

***County of Chester
Magisterial District Court
15-3-01***

Management Letter

Norman MacQueen, Controller

To: Vicky Bartholomew, Minor Judiciary Administrator

Introduction

On September 14, 2016, Internal Audit completed an audit of Magisterial District Court 15-3-01 (*District Court*) for the year ended December 31, 2015. Carissa M. Petrelia 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 September 14, 2016) should be considered in conjunction with this Management Letter.

Executive Summary

For the year ended December 31, 2015, Internal Audit has determined that the *District Court's* system of internal controls is adequately *designed, in-place* and *operative*. The results of this audit indicate that, in all material respects:

- Assets are properly safeguarded from employee theft, robbery and unauthorized use
- Responsibility / Authority is established and assigned to specific individuals
- Duties (specifically authorization, custody and recordkeeping) are properly segregated
- Documents are available to provide evidence that transactions and events have occurred
- Transactions and events are properly recorded in a timely manner
- Reconciliations of internal records with bank statements occur monthly.

In addition, the District Court was found to be in compliance with policies and procedures mandated by the County of Chester and the Administrative Office of Pennsylvania Courts except as outlined on the pages that follow. ***Audit Findings*** and ***Recommendations*** are provided herein for your review, comment and corrective action. The courtesy of a response is requested by September 14, 2016, otherwise in accordance with Internal Audit Policy, the absence of a response by the due date will be inferred as management's acceptance of the finding(s) and recommendation(s).

We thank the management and staff of the *District Court* for their cooperation and assistance during the course of this review. Please feel free to contact our office at (610) 344-6064 should you have any questions or concerns or if you wish to schedule an exit conference. An exit conference is held at the request of the auditee to discuss specific concerns that were not resolved during the closing conference.

A final copy of this management letter and the corresponding Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters will be transmitted electronically to your attention upon receipt of your responses. In addition, since audit reports are a matter of public record, your final report and management letter will be posted on the Controller's webpage within one week of issuance.

A handwritten signature in blue ink, appearing to read 'N MacQueen', with a large circular flourish at the end.

Norman MacQueen
Controller

September 14, 2016

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-01

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

General Finding

Finding 1: Disbursement Signatures

Internal Audit noted that in one (1) instance, a check was issued and subsequently cashed by the bank without an authorized signature. However, the check was deemed valid and appropriate.

Cause

Oversight

Recommendation

Internal Audit recommends that greater care be exercised to ensure that all checks contain an authorized signature before issuance.

Auditee Response

District Court Management concurs with the findings and recommendations.

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 2: Cash Adjustments

In one (1) instance, the District Court erroneously recorded a non-sufficient funds (NSF) check as a debit adjustment when the transaction should have been processed as a deposit adjustment.

Cause

Human Error

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-01

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cash and Petty Cash (continued)

Finding 2: Cash Adjustments (continued)

Recommendation

Internal Audit recommends that the *District Court* take greater care when processing cash adjustments to ensure that deposit adjustments are processed for all NSF check transactions. Debit adjustments need to have corresponding credit adjustments and vice versa.

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 findings and recommendations.

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 12/31/15 was determined to be 10 out of a total population of 53 cases which were greater than or equal to 90 days.

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

Cash Receipts

The sample size tested for the year ended 12/31/15 was determined to be 20 out of a population of 8,441 receipts issued during the year.

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

Manual Receipts

There were no manual receipts used in 2015.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-01

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Disbursements

The sample size tested for the year ended 12/31/15 was determined to be 20 out of a population of 759 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 12/31/15 was determined to be 15 out of a population of 67 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 12/31/15 was determined to be 10 out of a population of 46 disbursements voided during the year.

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

Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, 10 out of a population of 36 escheated items were tested for compliance with escheat/stale dated check procedures.

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

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-01
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was not warranted for the audit of Magisterial District Court 15-3-01. Minor Judiciary Administrator Vicky Bartholomew chose to accept the report as presented.