



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

**Management Letter  
For the Year Ended  
December 31, 2010**

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*Magisterial District Court  
15-4-02*

Management Letter

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A handwritten signature in blue ink that reads "Valentino F. DiGiorgio III".

Valentino F. DiGiorgio, III, Controller

**To: Magisterial District Judge Jeffrey J. Valocchi**

**Introduction**

On January 31, 2012, Internal Audit completed an audit of Magisterial District Court 15-4-02 (*District Court*). 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
- Overall Compliance

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 January 31, 2012) 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 Judge 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:

- 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) 344-6064 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

FINDING AND RECOMMENDATION

FOR THE YEAR ENDED DECEMBER 31, 2010

I. INTERNAL CONTROL FINDING AND RECOMMENDATION

RECONCILIATION

Finding 1: Cash Adjustments

Internal Audit noted the following:

- The *District Court* properly recorded a credit adjustment on the books for a bank error which occurred on 4/6/10. There has not been proper follow up with the bank to correct their error and as a result an offsetting debit adjustment has not been processed. While this adjustment is not material, all credit adjustments need an offsetting debit adjustment and vice-versa.
- The *District Court* recorded a deposit adjustment to correct a processing error when in fact they should have made a receipt.

Recommendation

- Internal Audit recommends that the *District Court* contact the bank to follow up on future errors in a timely manner.
- The Administrative Office of Pennsylvania Courts corrected the erroneous deposit adjustment in January 2011.

Auditee Response

*District Court management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-02**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**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 6,354 case files created in 2010. In addition, we performed other related tests of cash receipts, cash disbursements, manual receipts, undisbursed funds, and voided transactions. Sample sizes for the tested areas were 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 the following:

- In two instances, funds were held at year end without an appropriate reason.
- In one instance, funds were not applied in a timely manner.

Recommendation

Internal Audit recommends that the *District Court* monitor the Undisbursed Funds Report monthly to ensure the funds are disbursed/applied as soon as possible on cases which have been adjudicated.

Auditee Response

*District Court management concurs with the findings and recommendations.*

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-02**

**SUMMARY OF EXIT CONFERENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

An exit conference was not warranted for the audit of Magisterial District Court 15-4-02. Magisterial District Judge Jeffrey J. Valocchi chose to accept the report as presented.