

*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, 2009

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Larry Smith

Introduction

On May 26, 2010, 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 an additional audit staff member. 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 Compliance and Internal Control over Financial Reporting concurrent with this Management Letter. Disclosures and other information in that Report (also dated May 26, 2010) 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. Minor findings involving internal control and compliance are included within this Management Letter. There were no significant deficiencies or material 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, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION/RECORDING

Finding 1: Cash Adjustments

Internal Audit noted the following:

- In 2 instances, the appropriate debit adjustments were processed by the *District Court* because of differences between book and bank deposit amounts. To date, the bank has not been contacted to explain their postings and/or to reverse the entries.

Recommendation

Internal Audit recommends that the *District Court* exercise greater care when processing cash adjustments needed to reconcile their bank account at month-end. Every debit adjustment requires a subsequent credit adjustment and vice-versa. Corrective action should be taken as soon as discrepancies between book and bank deposits occur. Continuous follow-up is required until the items are corrected and the *District Court* can process the appropriate debit/credit adjustment.

Auditee Response

District Court management concurs with the finding and recommendation.

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 8,715 case files created in 2009. 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.

Finding 1: Stale-dated Checks

Internal Audit noted that stale-dated checks were not being voided/escheated in a timely manner.

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MAGISTERIAL DISTRICT COURT 15-4-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Stale-dated Checks (continued)

Recommendation

Internal Audit recommends that District Court staff adhere to the stale-dated check procedures as outlined in the District Justice Automated Office Clerical Procedures Manual.

Auditee Response

District Court management concurs with the finding and recommendation.

Finding 2: Cash Disbursements

Internal Audit noted the following:

- In 1 instance, a check was made payable to the Magisterial District Judge's name as well as the district court's number.

Recommendation

Internal Audit recommends that checks issued to another district court be made payable to the district court's number and not the MDJ's name as dictated in the District Justice Automated Office Clerical Procedures Manual.

Auditee Response

District Court management concurs with the finding and recommendation.

Finding 3: Voided Disbursements

Internal Audit noted the following:

- In 5 instances, a copy of the voided check was not attached to the case file.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-03
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 3: Voided Disbursements (continued)

Recommendation

Internal Audit recommends that a copy of all voided checks be attached to the appropriate case file and be labeled as “void/stale/lost” to ensure complete and accurate records.

Auditee Response

District Court management concurs with the finding and recommendation. All 5 case files have been corrected.

Finding 4: Overall Compliance

Internal Audit noted the following:

- In 1 instance, a check copy for a refund on a civil case was not attached to the case file.

Recommendation

Internal Audit recommends that a copy of all checks be attached to the appropriate case file to ensure complete and accurate records.

Auditee Response

District Court management concurs with the finding and recommendation. The case file has been corrected.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-03
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009

On May 24, 2010, 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.