

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



*Management Letter
Magisterial District Court 15-2-03
For the year ended December 31, 2008*

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge William Kraut

Introduction

On October 6, 2009, Internal Audit completed an audit of Magisterial District Court 15-2-03 (*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 Compliance and Internal Control over Financial Reporting concurrent with this Management Letter. Disclosures and other information in that Report (also dated October 6, 2009) 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:

- Oversights
- Human error.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Reconciliation

Finding 1: Cash Adjustments

Internal Audit noted the following:

- A debit adjustment did not have a corresponding credit adjustment. On the 2/1/08 deposit the bank shorted the District Court \$0.50.
- A credit adjustment did not have a corresponding debit adjustment. On the 5/7/08 deposit the bank gave the District Court \$0.05 too much.

Recommendation

Internal Audit recommends that the Office Manager get in touch with the bank and explain that they owe the District Court a net credit of \$0.45. When the bank gives the District Court the \$0.45 then the Office Manager should make a credit adjustment.

Auditee Response

See Management's responses on pages 5 and 6.

Finding 2: Escheated Checks

Internal Audit noted the following:

- Checks were not escheated in a timely manner.

Recommendation

Internal Audit recommends that the District Court take greater care in escheating checks in a timely manner.

Auditee Response

See Management's responses on pages 5 and 6.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 6,474 case files created in 2008. 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: Cash Disbursements

Internal Audit noted the following:

- In 1 instance, a check was issued without an authorized signature.
- In 1 instance, a copy of a check was not attached to the case file.

Recommendation

Internal Audit recommends that members of the staff exercise greater care to ensure that disbursement checks contain an authorized signature and that copies of disbursement checks are attached to the corresponding case files.

Auditee Response

See Management's responses on pages 5 and 6.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2008

Magisterial District Judge William Kraut 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.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF CHESTER

GOVERNMENT SERVICES CENTER
601 WESTTOWN ROAD, SUITE 110
P. O. BOX 2747
WEST CHESTER, PA 19380-0990

WILLIAM D. KRAUT
MAGISTERIAL DISTRICT JUDGE
Magisterial District 15-2-03

OFFICE:
TEL: (610) 436-5757
FAX (610) 431-5755

September 29, 2009

Carissa Petrelia
County Of Chester
Office Of The Controller
2 N. High Street, Suite 540
P O Box 2748
West Chester, PA 19380

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COUNTY OF CHESTER
CONTROLLERS OFFICE

Dear Carissa:

In response to audit finding 1 : Cash Adjustments:

* The error made by First National Bank that caused our account to be \$0.50 short has since been credited .

* The credit error that was made by First National Bank after adding \$0.55 incorrectly to our account has since been corrected.

Recommendation response: The credit and debit errors caused by First National Bank have since been adjusted and all monies have been applied to our account by the bank.

In response to audit finding 2) Escheated checks:

* Checks were not escheated in a timely manner.

Recommendation response: The staff have been instructed to take greater care in this matter.

II: Compliance with policies and procedures.

In response to audit finding 1) Cash Disbursements:

* Internal audit noted the following:

* In one instance a check was issued by the court without an authorized signature.

Recommendation response:

The First National Bank was informed that one of it's employees cashed

a check without the Judges signature. The Court staff as well as the Bank staff were asked to use greater care when processing checks in the future.

In response to audit finding 2) Cash Disbursements:

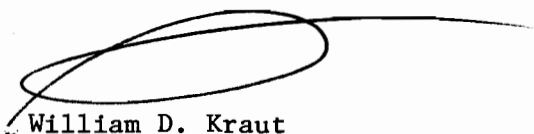
* In 1 instance a copy of a check was not attached to the case file.

Recommendation response: The staff have been instructed to take greater care when closing out a file. Also to ensure that all the appropriate copies have been attached to the file.

The enclosed written responses are that of Magisterial District Justice William D. Kraut, District Court 15-2-03 . We ask that they be written as such and printed for the public to see.

Thanking you in advance for your cooperation.

Sincerely,



William D. Kraut
Magisterial District Justice
District Court 15-2-03