

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



*Management Letter
Magisterial District Court 15-3-06
For the year ended December 31, 2008*

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: District Judge Michael J. Cabry III

Introduction

On November 4, 2009, Internal Audit completed an audit of Magisterial District Court 15-3-06 (*District Court*). Robert Pinkos, CIA, was the auditor-in-charge. Internal Audit is required by the Pennsylvania 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 this report (also dated November 4, 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. Minor findings involving internal controls and compliance are included within this Management Letter.

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) 344-5906 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-06

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash / Escrow Payable

Internal Audit noted the following:

- The *District Court's* bank account was charged two bank fees for supplies on 1/18/08 and 10/3/08. The bank fees were in the amounts of \$11.45 and \$13.57, respectively. The *District Court* did not notify District Justice Administration of the bank fees in order to receive reimbursement from the County of Chester. Therefore, the *District Court's* bank account is currently understated by \$25.02 from these bank fees.
- In 3 instances, the bank cashed checks out of the *District Court's* bank account for more than the checks were written out for. The bank withdrew an extra \$2.00 from these three check clearing errors. The *District Court* did not have the bank adjust these errors and credit their bank account. Therefore, the *District Court's* bank account is currently understated by \$2.00 from these check clearing errors.
- The *District Court* used the wrong amount on the postage meter. The Post Office gave the *District Court* a cash refund in the amount of \$13.47. *District Court* management deposited the cash into the *District Court's* bank account instead of sending it over to the County of Chester. This also occurred in the prior year audit in the amount of \$19.59. On 7/2/09 the *District Court's* bank issued the County of Chester a check for \$33.06 but this check was not withdrawn from the District Court's bank account nor did the bank debit the *District Courts's* account. Therefore, the *District Court's* bank account is currently overstated by \$33.06 from these deposits of postage refunds.

Recommendations

Internal Audit recommends that *District Court* management request District Justice Administration put in a voucher to the County of Chester for reimbursement of the bank fees in the amount of \$25.02. When the *District Court* receives the reimbursement check, a separate deposit should be made and a credit adjustment must be recorded to reconcile the account.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-06

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash / Escrow Payable (continued)

Recommendations (continued)

Internal Audit recommends that *District Court* management contact the bank and request that the bank credit the *District Court's* account for the check clearing errors in the amount of \$2.00. Once the account is credited for the \$2.00, the *District Court* must record a corresponding credit adjustment to reconcile the account.

Internal Audit recommends that *District Court* management contact the bank to have them debit their account in the amount of \$33.06 for the check the bank sent to the County of Chester. After the bank debits the account, the *District Court* must record a corresponding debit adjustment to reconcile the account.

Auditee Response

District Court management concurs with the audit finding and recommendation.

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 30 case files out of a total population of 6,782 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 sizes for each of the tested areas are 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 1 instance, where bail was not disbursed in a timely manner. The funds were disbursed eight months after the case was withdrawn.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-06
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Undisbursed Funds (continued)

Recommendation

Internal Audit recommends that all funds should be disbursed or applied as soon as allowable on cases which have been closed and/or adjudicated. Also, the undisbursed funds report should be reviewed, at least, on a monthly basis to follow up on any dated funds.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Voided Disbursements

Internal Audit noted the following:

- In 3 instances, a voided check copy attached to the case file was not properly marked “void/stale/lost.”
- In 2 instances, a “due diligence” letter was not sent to the payee prior to escheating the stale dated check.
- In 4 instances, the office check copy was not properly marked “void/stale/lost.”
- In 1 instance, a replacement check copy was not attached to the appropriate case file.
- In several instances, stale dated checks were not voided and escheated in a timely manner.

Recommendations

Internal Audit recommends that the *District Court* staff exercise greater care in labeling all voided disbursements and to ensure that all forms and records pertaining to the case file are included. Internal Audit also recommends that *District Court* management monitor the list of outstanding checks monthly in order to perform due diligence and to escheat stale dated checks in a timely manner.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-06
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Voided Disbursements (continued)

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-06
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2008

An exit conference was not warranted for the audit of Magisterial District Court 15-3-06. District Judge Michael Cabry III chose to accept the report as presented.