



County of Chester
Office of the Controller
Internal Audit Department

Management Letter
For the Year Ended
December 31, 2019

County of Chester
Office of the Prothonotary

Management Letter

Margaret Reif, Controller

Office of the Prothonotary - Executive Summary

Are there any MAJOR issues that require management’s immediate action and/or attention? **Yes**
(Sufficient controls are not in place to address the associated risk.)

Are there any LESSER SIGNIFICANT issues that require management’s action and/or attention? **Yes**
(Process is not critical to the overall operation.)

Are there any MINOR issues that do not require management’s action and/or attention? **Yes**
(Sufficient controls are in place and issue is strictly a result of human error and oversight.)

Recap of Findings Identified	
1	Major Findings
2	Lesser Significant Findings
4	Minor Findings



Margaret Reif, Controller

Introduction

On December 14, 2020, Internal Audit completed an audit of the Office of the Prothonotary (*Prothonotary*) for the years ended December 31, 2019. Christian J. Kriza was the auditor-in-charge. Internal Audit is required by Pennsylvania County Code to review county offices annually to ensure compliance with policies and procedures and to assess their overall internal control structure. The scope of the audit included a review of the following:

- Cash and Petty Cash
- Liabilities
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Escheats/Unclaimed Property
- Automation Fund
- Federal and State Tax Lien Filings/Releases
- Suspense Account Entries

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General 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 December 14, 2020) should be considered in conjunction with this Management Letter (*Letter*).

Summary

During our audit, we became aware of several findings and matters that represent opportunities for strengthening internal controls and operating efficiency. The Schedule of Findings (The Schedule) on Page 3 of this *Letter* summarizes our comments and recommendations concerning those matters.

We will transmit a final copy of this *Letter* and the audit report to you electronically once you provide your responses to each finding documented in the Schedule.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with various *Office* personnel and will be pleased to discuss them in further detail at your convenience.

Methodology

Internal Audit interviewed key personnel, observed operations, reviewed written policies, procedures, system reports and source documents, and tested specific transaction activity where applicable.

Cash is reconciled and reviewed at 100%.

Petty Cash is counted during the course of the on-site fieldwork. Outstanding vouchers are reviewed.

Liability balances are reconciled and reviewed at 100%.

Cash receipts are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 30 out of a population of 28,033 receipts generated in 2019.

Manual receipts are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 2 out of a population of 11 receipts generated in 2019.

Cash disbursements are tested on a sample basis. The sample size tested for the year ended 12/31/19 was as follows:

- 9 Operating Account disbursements out of a population of 86 checks created in 2019.
- 15 Escrow Account disbursements out of a population of 148 checks created in 2019.
- 2 Automation Account disbursements out of a population of 4 checks created in 2019.
- 2 E-Filing Account disbursements out of a population of 4 checks created in 2019.

Voided receipts are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 25 out of a population of 253 receipts voided in 2019.

Voided disbursements are tested on a sample basis. The sample size tested for the year ended 12/31/19 was as follows:

- 1 Operating Account disbursements out of a population of 1 checks voided in 2019.
- 1 Escrow Account disbursements out of a population of 1 checks voided in 2019

Escheats are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 4 out of a population of 15 unclaimed property transactions.

Automation Fund are tested at 100% specifically to ensure that money in the account is used in accordance with PA House Bill 1715, Act 98-164.

Federal and State Tax Lien Filings/Releases are tested on a sample basis specifically to ensure that processing of these transactions occurs in a timely manner. The sample size tested for the year ended 12/31/19 was as follows:

- 30 Filed liens out of a population of 655 in 2019.
- 30 Lien Releases out of a population of 320 in 2019
- 2 Lien Revocations out of a population of 6 in 2019
- 30 State Lien Filings out of a population of 2030 in 2019.

Suspense account entries are tested on a sample basis. The sample size tested for the year ended 12/31/19 was 4 out of a population of 16 suspense account entries.

Schedule of Findings

Finding 1: Segregation of Duties

Rating: Major

Condition

There are insufficient segregation of duties within the accounting and bookkeeping functions in the Office. Bookkeeping receives bank statements, performs bank reconciliations, records accounting transactions, and maintains petty cash accounts. In addition, there is no independent review of bank reconciliations.

Criteria

The intent of segregation of duties is to reduce excessive control over a process by one individual thus reducing the risk of error, fraud or theft.

Cause

The limited size of the fiscal and managerial staff prevents segregation of duties found in larger organizations. The staff size, in addition to prior management's limited governance and oversight over accounting functions.

Effect or Potential Effect

Insufficient segregation of duties controls can increase risk of error, fraud, or theft.

Recommendation

Internal Audit recommends the Prothonotary's Office identify, assess, implement and monitor independent checks and balances in high risk or sensitive processes, which lack proper segregation of duties. Where applicable, management should also implement and maintain new procedures to address segregation of duties as they relate to the accounting and bookkeeping functions.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.

Finding 2: Cash and CourtView

Rating: Lesser Significant

Condition

The Outstanding Check Listing Report included eight (8) checks with future dates.

Criteria

When reconciling checks in CourtView, reconciled dates should be the dates the Bookkeeper reconciled checks to the respective bank statement.

Cause

CourtView system issue that permits individuals reconciling accounts to enter a future date for any transaction.

Effect or Potential Effect

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation process, and could result in the reporting of inaccurate account balances.

Recommendation

Internal Audit recommends that the Prothonotary's Office review and assess the reasons future dates were used, and implement processes to detect or prevent the future dating of transactions.. The Prothonotary should also discuss the matter with DCIS to consider possible solutions around future dating.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.

Finding 3: Cash

Rating: Lesser Significant

Condition

Incorrect bank reconciliation methods resulted in inaccurate account balances.

The Office's prior Bookkeeper deducted interest from the December 31, 2019 bank balance instead of adding it to the book balance, thus resulting in inaccurate reconciled account balances.

Criteria

Interest credited within the fiscal year or month should be properly recorded as an addition to the cash book balances as part of monthly and year-end reconciliations.

Cause

Insufficient training and knowledge; prior management's lack of independent review of bank reconciliations.

Effect or Potential Effect

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation process. Multiple instances of improper recordkeeping can cause inaccurate or incomplete account balances in the accounting records and contribute to a higher risk environment.

Recommendation

Internal Audit recommends the Office review and update its reconciliation process to ensure that cash account balances are reported accurately. In addition, Management should implement an independent review and approval of cash reconciliations performed.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.

Finding 4: Cash Receipts

Rating: Minor

Condition

Slips for two daily deposits were missing for receipting transactions. These deposits were distributed into four bank accounts of which two of the four sets of deposit slips were unable to be found.

Criteria

Deposit slips should be maintained on file as the evidence to support the daily deposit work and the bank deposit.

Cause

Lack of checks and balances to ensure appropriate source documents are maintained.

Effect or Potential Effect

The lack of supporting documentation for cash receipts can increase the risk of error in the reconciliation and reporting processes.

Recommendation

Internal Audit recommends the Prothonotary's Office review, assess and update its processes to perform periodic reviews that verify source documentation is maintained accordingly.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.

Finding 5: Cash Disbursements

Rating: Minor

Condition

Manual check stubs for five disbursements were not found across multiple accounts.

Criteria

The Prothonotary writes checks manually, and check stubs provide a record of the payment details which the Bookkeeper uses to reconcile manual checks written to the system of record, CourtView.

Cause

Lack of adequate processes to ensure appropriate source documents are maintained.

Effect or Potential Effect

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation process.

Recommendation

Internal Audit recommends the Prothonotary's Office review, assess and update its processes to perform periodic reviews that verify source documentation is maintained accordingly.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.

Finding 6: Voided Disbursements **Rating: Minor**

Condition

Voided disbursement documentation was not accurately maintained for two (2) transactions.

Criteria

In the event a check is voided, the check stub, CourtView transaction, and the original check (if in possession) should be notated as void. Any re-issuance should be noted and cross-referenced as such between the void and the replacement check.

Cause

Lack of adequate processes to ensure appropriate source documents are maintained and updated.

Effect or Potential Effect

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation process.

Recommendation

Internal Audit recommends the Prothonotary's Office review, assess and update its processes to perform periodic reviews that verify source documentation is maintained accordingly.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.

Finding 7: Escheats

Rating: Minor

Condition

Due diligence documentation for one escheated transaction was unable to be located by the Prothonotary's Office.

Criteria

The Office should maintain evidence of due diligence prior to funds being escheated to the State.

Cause

Lack of adequate processes to ensure appropriate source documents are maintained.

Effect or Potential Effect

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation process.

Recommendation

Internal Audit recommends the Prothonotary's Office review, assess and update its processes to perform periodic reviews that verify source documentation is maintained accordingly.

Auditee Response

Prothonotary Management concurs with the audit finding and recommendation.