



County of Chester
Office of the Controller
Internal Audit
Department

Management Letter
For the Year Ended
December 31, 2020

County of Chester
Magisterial District Court
15-1-01

Management Letter

Margaret Reif, Controller

Magisterial District Court 15-1-01 - Executive Summary

Are there any MAJOR issues that require management's immediate action and/or attention?
(Sufficient controls are not in place to address the associated risk.) **No**

Are there any LESSER SIGNIFICANT issues that require management's action and/or attention?
(Process is not critical to the overall operation.) **No**

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

Recap of Findings Identified	
0	Major Findings
0	Lesser Significant Findings
2	Minor Findings

Margaret Reif

Margaret Reif, Controller

Introduction

On June 17, 2022, Internal Audit completed an audit of Magisterial District Court 15-1-01 (*District Court*) for the year ended December 31, 2020. Christian J. Kriza was the auditor-in-charge and was assisted by Laura McMahon. 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
- Undisbursed Funds
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Escheats/Stale Dated Checks

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 June 17, 2022) should be considered in conjunction with this Management Letter (*Letter*).

Summary

During our audit, we became aware of 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*. In addition, since audit reports are a matter of public record, your final report will be posted on the Controller's webpage.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with various *District Court* 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.

Cash receipts are tested on a sample basis. The sample size tested for the year ended 12/31/20 was 30 out of a population of 8,573 receipts generated in 2020.

Manual receipts are tested on a sample basis. There were no manual receipts used in 2020.

Cash disbursements are tested on a sample basis. The sample size tested for the year ended 12/31/20 was 30 out of a population of 393 checks.

Voided receipts are tested on a sample basis. The sample size tested for the year ended 12/31/20 was 8 out of a population of 80 receipts voided in 2020.

Voided disbursements are tested on a sample basis. The sample size tested for the year ended 12/31/20 was 5 out of a population of 32 disbursements voided in 2020.

Escheats are tested on a sample basis. The sample size tested for the year ended 12/31/20 was 4 out of a population of 22 unclaimed property transactions.

Undisbursed funds are tested on a sample basis. The sample size tested for the year ended 12/31/20 was 4 out of a population of 13 cases which were greater than or equal to 90 days.

Schedule of Findings

Finding 1: Cash – Bank Signature Card

Rating: Minor

Condition

The bank signature card was not formally updated to remove the Judge upon leaving office. The lapse of time between the Judge leaving office and updating the signature card was in excess of six months, a significant portion of which was during the COVID-19 pandemic.

Criteria

Upon leaving office, a Judge should be immediately removed as an authorized signer on the bank signature card.

Cause

Deviation from policies and procedures.

Effect or Potential Effect

Unauthorized access to cash increases the risk of fraud and misappropriation of funds.

Recommendation

Internal Audit recommends that the Court review their procedures for when the Judge leaves office to ensure all action steps are taken in a timely manner.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Undisbursed Funds

Rating: Minor

Condition

An overpayment attached to a disposition was not disbursed in a timely manner.

Criteria

Funds noted on the undisbursed funds report should be applied or disbursed as soon as allowable on cases which have been adjudicated and/or closed.

Cause

Oversight

Effect or Potential Effect

The respective owner of the funds being held in escrow would not receive their funds timely and the undisbursed funds report would be overstated for an amount that should have been applied or disbursed.

Recommendation

Internal Audit recommends that the Undisbursed Funds Report be reviewed monthly to ensure that funds are being held for appropriate reasons and that they are ultimately disbursed in a timely manner.

Auditee Response

District Court management concurs with the audit finding and recommendation.