



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

**Management Letter
For the Year Ended
December 31, 2011**

***Magisterial District Court
15-3-06***

Management Letter

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Michael J. Cabry, III

Introduction

On August 29, 2012, Internal Audit completed an audit of Magisterial District Court 15-3-06 (*District Court*). Christian J. Kriza 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 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 August 29, 2012) 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 Judge Administration. Minor findings involving recordkeeping, internal control and compliance with policies and procedures are included within this management letter. It was also noted that there were an excessive number of cash adjustments processed throughout the year. 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:

- Oversight
- Human Error

We want 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, 2011

I. REPORTING ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RECONCILIATION

Finding 1: Cash Adjustments

Internal Audit noted the following:

- In eight (8) instances, a cash adjustment was not properly offset or researched. Failure to follow up has caused outstanding cash adjustments to remain on the books.

Recommendation

Internal Audit recommends that the Office Manager follow up to offset the outstanding adjustments. It should be noted that all debit adjustments need an offsetting credit adjustment and vice-versa. In the event that the bank is responsible for an error, contact should be made immediately to allow a timely correction.

Auditee Response

District Court management concurs with the finding and recommendation.

RECORDKEEPING

Finding 1: Missing Files

Internal Audit noted the following:

Three (3) case files selected randomly for testing could not be located.

Recommendation

Internal Audit suggests that greater care be exercised to ensure that case files are properly maintained. It is the responsibility of the *District Court* to maintain complete and accurate case files.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-06

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 5,346 case files created in 2011. In addition, we performed other related tests of cash receipts, cash disbursements, manual receipts, undisbursed funds, and voided transactions. Sample sizes for the tested areas were 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 the following:

- In three (3) instances, funds were not held at year end for an appropriate reason.
- In one (1) instance, the *District Court* failed to issue a “Summary Trial Notice” to a defendant. The trial was scheduled in an untimely fashion after the defendant notified the *District Court* of their failure to schedule a trial. As a result, the funds were not being held for an appropriate reason.

Recommendation

Internal Audit recommends that *District Court* management re-emphasize to the staff the importance of monitoring the Undisbursed Funds Report on a monthly basis. Also, “Summary Trial Notices” should be sent in a timely manner to defendants who request a trial.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-06

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Cash Disbursements

Internal Audit noted the following:

In one (1) instance, a “check run” was incorrectly processed. The system check information did not match the physical check information, causing the inability to properly reconcile the checks. As a result, a refund due to a defendant was never issued but was subsequently escheated for being outstanding in the system. This error also caused a refund to be issued twice to a defendant, which was initially cashed but subsequently refunded by the defendant.

Recommendation

Internal Audit recommends that *District Court* recover the money that was escheated in error and issue the proper refund to the defendant. In the future, the employee printing checks should pay closer attention to ensure that physical checks are in order and that the system information matches. If they do not, the checks should be voided, properly canceled, and re-issued.

Auditee Response

District Court management concurs with the finding and recommendation.

Finding 3: Voided Receipts

Internal Audit noted the following:

In one (1) instance, a receipt in the case file was not labeled as void.

Recommendation

Internal Audit recommends that *District Court* staff ensure all voided receipts are labeled as such.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-06

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 4: Voided Disbursements

Internal Audit noted the following:

- In forty-two (42) instances, a check was not escheated in a timely manner.
- In one (1) instance, the check copy attached to the case file was not labeled as “void/lost/stale.”
- In one (1) instance, a check was escheated in error and never corrected. This is a separate instance than the one mentioned in Finding 2 above.

Recommendation

Internal Audit recommends that the *District Court* staff adhere to the stale-dated check procedures as outlined in the District Judge Automated Office Clerical Procedures Manual. It should also be noted that all checks that are “void/lost/stale” should be labeled as such.

Internal Audit also recommends that *District Court* management recover the money that was escheated in error and issue the proper refund to the defendant.

Auditee Response

District Court management concurs with the finding and recommendation.

Finding 5: Overall Compliance

Internal Audit noted the following:

- In two (2) instances, a warrant was not recalled within 60 days.
- In one (1) instance, the time payment order was not signed by the defendant.
- In two (2) instances, a bench warrant was not issued after 10 days of no response.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-06

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 5: Overall Compliance (continued)

Recommendation

Internal Audit recommends that the *District Court* staff adhere to AOPC policies and procedures. All warrants should be recalled within 60 days, 30 days if they are criminal. All documentation should be properly completed. Non-Traffic warrants should be issued after 10 days of no response from the defendant.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-06
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2011

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