Magisterial District Court 15-3-05

Management Letter

Valentino F. DiGiorgio, III, Controller

To: District Justice Administration

Introduction

On December 17, 2012, Internal Audit completed an audit of Magisterial District Court 15-3-05 (*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 December 17, 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 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:

- 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 15-3-05

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

I.   INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash

Internal Audit noted that the *District Court* failed to correct a finding from the annual audit for the year ending December 31, 2010:

"In one (1) instance, the *District Court* failed to process an offsetting credit adjustment. With regard to the same transaction, the debit adjustment should have been processed as a deposit adjustment."

Recommendation

The District Court should offset the debit adjustment with a credit. Every debit adjustment requires an offsetting credit adjustment and vice-versa.

Auditee Response

District Court management concurs with the 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 25 case files out of a total population of 5,379 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 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.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-05

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

II.   COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Cash Disbursements

- In one (1) instance, a refund for the incorrect amount was issued to the defendant.

- 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.

- In two (2) instances, the check copy was not attached to the case file.

Recommendation

Internal Audit recommends that *District Court* follow disbursement procedures to ensure that checks are issued in the proper amount, account and payee. Copies of checks should also be included in the individual case files.

Auditee Response

District Court management concurs with the finding and recommendation.

Finding 2: Voided Disbursements

In seven (7) instances, a check was not voided in a timely manner.

In one (1) instance, a due diligence letter was not sent to the payee prior to escheating the check.

Recommendation

Internal Audit recommends that *District Court* management exercise greater care to ensure outstanding checks are voided within 120 days as directed by the District Justice Automated Office Clerical Procedures Manual. All voided checks should have proper due diligence completed prior to escheatment.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-05

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2011

Magisterial District Judge Scott Massey 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.