

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



*Management Letter
Magisterial District Court 15-2-03*

For the year ended December 31, 2006

Valentino F. DiGiorgio

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Justice William Kraut

Introduction

On December 20, 2007, Internal Audit completed an audit of Magisterial District Court 15-2-03 (*District Court*). Sharon Kaye Jones, CIA, was the auditor-in-charge and was assisted by one additional auditor. 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

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. In addition, there were no significant internal control weaknesses identified. Our observations and testing revealed a knowledgeable and well-trained staff.

Internal Audit did, however, note a few matters of lesser significance involving internal controls and compliance with policies and procedures. These matters have been 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) 344-5913 should you have any questions or concerns.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-2-03
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Reconciliation

Finding 1: Cash Adjustments

Internal Audit noted that the Bank did not automatically transfer IOTA interest to the State. The *District Court's* Office Manager attempted to rectify this problem, however was unable to do so, due to bank policy. The Office Manager was not an authorized signer for the *District Court*, therefore the bank refused to speak with them. To date, this problem had not been resolved. The bank is to transfer IOTA interest totaling \$33.90 to the State, therefore allowing the *District Court* to process the debit IOTA adjustments to the corresponding credit IOTA adjustments.

Recommendation

Internal Audit recommends that the *District Court* monitors the bank statements to ensure that the bank is transferring IOTA interest to the State, therefore allowing the *District Court* to process the corresponding debit adjustments.

Auditee Response

The court would object to this finding. The management of the court tried to comply with the county procedure. The bank was notified every time a credit was not made properly. The management was told that the bank would not speak to us because we were not authorized on the account. District Justice Administration was advised of same and bank would not speak to them either. Judge felt this was not his job to correct.

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 5,693 case files created in 2006. 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.

COUNTY OF CHESTER
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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

II. COMPLIANCE WITH POLICIES AND PROCEDURES (continued)

Finding 1: Cash Disbursements

Internal Audit noted the following:

- In 1 instance, a copy of the receipt was not attached to the case file, to verify that funds were received.
- In 1 instance, a copy of the disbursement check to another District Court was not attached to the case file.

Recommendation

Internal Audit recommends that management re-emphasize to the staff the importance of attaching all system forms relating to case actions to the appropriate case file to ensure complete and accurate case file documentation.

Auditee Response

The court agrees with this finding and has talked to the staff. They have been instructed to take greater care when processing files in the District Court.

Finding 2: Voided Transactions

Internal Audit noted the following:

- In 1 instance, the receipt attached to the case file was not marked “void.”
- In 2 instances, there was no documentation that a due diligence letter was sent to the payee prior to escheating the stale dated check.

Recommendation

Internal Audit recommends that members of the staff exercise greater care to ensure that a copy of all voided transactions are attached to the corresponding case file and that each voided transaction is properly marked “void.” Internal Audit also recommends that management performs due diligence and provides the proper documentation in the case file for escheated checks.

COUNTY OF CHESTER
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FINDINGS AND RECOMMENDATIONS
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II. COMPLIANCE WITH POLICIES AND PROCEDURES (continued)

Auditee Response

We agree with this finding. The court has instructed the staff to take greater care when processing files at the District Court.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-2-03
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2006

An exit conference was not warranted for the audit of Magisterial District Court 15-2-03. Magisterial District Judge William Kraut chose to accept the report as presented.