

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



*Management Letter
Magisterial District Court 15-4-02
For the year ended December 31, 2008*

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: Minor Judiciary Administrator, Patricia Norwood-Foden

Introduction

On August 3, 2009, Internal Audit completed an audit of Magisterial District Court 15-4-02 (*District Court*). Robert Pinkos, CIA, 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 Compliance and Internal Control over Financial Reporting concurrent with this management letter. Disclosures and other information in this report (also dated August 3, 2009) 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. Minor findings involving internal controls and compliance are 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) 344-5906 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash/Escrow Payable

Internal Audit noted the following:

- Two prior year audit exceptions, totaling \$0.70 have not yet been corrected. The two exceptions dealt with bank adjustments done in error, which *District Court* management failed to follow up with the bank and have the bank correct them. The \$0.70 needs to be credited to the *District Court's* bank account and the appropriate credit adjustments to the *District Court's* books should also be made once the bank adjusts the account.
- The *District Court's* deposit on 7/7/08 was for a total of \$6,872.21, but the bank credited their account for only \$6,871.71. Therefore, the *District Court's* bank account was \$0.50 short of the actual amount deposited for that day. The *District Court* recorded a debit adjustment to reconcile their books to the bank account for that month. However, management did not follow up with the bank in order to correct this bank error and have their account adjusted to reflect the correct amount deposited on that day.

Recommendation

Internal Audit recommends that management contact the bank to have them correct the bank errors, which total \$1.20. This amount needs to be credited to the *District Court's* bank account and then a offsetting credit adjustment needs to be done to the *District Court's* books in order to reconcile to the bank account. Internal Audit also recommends that management reify these bank errors with the bank at the time they occur. Management should be reminded that recording a debit/credit adjustment to reconcile with the bank account does not correct and complete the situation.

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

I. 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 7,238 case files created in 2008. 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 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:

- Server fees in the amount of \$40.75 were paid in escrow on 1/3/08. The constable provided the service and a server fee notice was issued on 1/7/08. However, the fees in escrow remained undisbursed as of 12/31/08. Internal Audit did note that these fees were on the Undisbursed Funds Report until May 2009.
- Sever fees in the amount of \$95.10 were paid in escrow on 2/29/08, in order to pay constable services for an execution sale of property. On 4/21/08, the execution sale was cancelled and the sever fees in escrow should have been refunded to the remitter. However, the fees in escrow remained undisbursed as of 12/31/08. Internal Audit did note that these fees were on the Undisbursed Funds Report until May 2009 but was not able to determine that the funds were disbursed to the proper payee according to the documents in the case file.
- A clerk processed a receipt in error causing a negative balance with a case on the Undisbursed Funds Report. This negative balance has not been corrected yet.

Recommendation

Internal Audit recommends that management review the Undisbursed Funds Report monthly to see what case files have undisbursed fund balances, which the *District Court* has been holding for three or more months. These case files should be reviewed to make sure that the funds are being held for an appropriate reason. If the case is closed or services have been completed, the funds should be disbursed to the appropriate payee immediately. Also, any negative balance associated with a case file should be investigated and rectified in a timely manner.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-02
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Undisbursed Funds (continued)

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Voided Disbursements

Internal Audit noted 4 instances, where stale dated checks were not voided and escheated in a timely manner.

Recommendation

Internal Audit recommends that management review the outstanding check list after performing the monthly bank reconciliation in order to identify checks that have been outstanding for more than 60 days. A due dilligence letter should be sent to the payee and if there is no response within two weeks, the check should be voided and escheated

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-02
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2008

An exit conference was not warranted for the audit of Magisterial District Court 15-4-02. District Justice Administration has accepted the report as presented.