

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



*Management Letter  
Magisterial District Court 15-4-03  
For the year ended December 31, 2008*

*Valentino F. DiGiorgio III*

Valentino F. DiGiorgio, III, Controller

**To: Magisterial District Judge Larry Smith**

**Introduction**

On October 13, 2009, Internal Audit completed an audit of Magisterial District Court 15-4-03 (*District Court*). Gretchen W. Sohn, 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 that Report (also dated October 13, 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 control and compliance are included within this Management Letter. There were no significant deficiencies or material weaknesses identified. Based on Internal Audit's testing and observations, it is our opinion that these exceptions are not the result of negligence or deliberate misconduct, but are instead the consequence of the following:

- Shortage of staff
- Oversights
- Human error.

Internal Audit 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) 344-6797 should you have any questions or concerns.

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-03**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECONCILIATION/RECORDING

Finding 1: Cash Adjustments

Internal Audit noted the following:

- In 1 instance, a deposit and the offsetting deposit adjustment remained outstanding at year-end.
- In 1 instance, a debit adjustment was recorded in April, 2008 for bank charges for supplies. As of year-end, the District Court had not requested reimbursement from the County.

Recommendation

Internal Audit recommends that no deposit and/or deposit adjustment be left outstanding when performing the month-end bank reconciliation unless it is a deposit-in-transit. Internal Audit also recommends that reimbursement be requested for any bank charges and that when received and deposited, a credit adjustment be processed to offset the debit adjustment.

Auditee Response

*A receipt was voided on 12/31/08 after final deposit was done on that day. Per instructions from DJA, a “dummy receipt” was done to correct this.*

RECORDING

Finding 1: Undisbursed Funds

Internal Audit noted the following:

- In 2 instances, monies on civil cases were entered in the system as “server fees” and should have been entered as “constable education and training”. These input errors were not corrected in a timely manner.

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-03**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECORDING

Finding 1: Undisbursed Funds (continued)

- In 1 instance, a civil case “server fee notice” was printed and issued to the constable in July, 2008, but the funds were not transferred to the County and remained undisbursed at year-end.

Recommendation

Internal Audit recommends that the *District Court* management review/monitor the Undisbursed Funds Report on a monthly basis to ensure that funds were posted correctly and are properly disbursed/applied in a timely manner.

Auditee Response

*District Court management concurs with the findings and recommendation.*

Finding 2: Cash Disbursements

Internal Audit noted the following:

- In 3 instances, a numbered check form was manually labeled “void” due to a “misprint”. However, the check numbers were never voided in the State system, therefore they are missing from the check number sequence and neither appear on the system Check Register Report nor the Voided Disbursement Report.

Recommendation

Internal Audit recommends that management review all voided transactions daily to ensure that they have been properly voided in the system. All check numbers should be accounted for and appear on the Check Register Report.

Auditee Response

*District Court management concurs with the finding and recommendation.*

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

In order to test compliance with all applicable policies, procedures, and regulations, Internal Audit selected a statistical sample of 25 case files out of a total population of 7,910 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 caseload. We believe the results of our tests are representative of the entire population on the basis of accepted audit sampling principles.

Finding 1: Stale-dated Checks

Internal Audit noted that stale-dated checks were not being voided/escheated in a timely manner.

Recommendation

Internal Audit recommends that District Court staff adhere to the stale-dated check procedures as outlined in the District Justice Automated Office Clerical Procedures Manual.

Auditee Response

*There was a backlog of stale checks when the new Office Manager assumed responsibility for the monthly accounting. These stale checks were brought up-to-date in a timely manner.*

Finding 2: Undisbursed Funds

Internal Audit noted the following:

- In 4 instances, collateral was not applied in a timely manner.

Recommendation

Internal Audit recommends that management review/monitor the Undisbursed Funds Report on a monthly basis to ensure that funds are properly disbursed in a timely manner.

Auditee Response

*District Court management concurs with the findings and recommendations.*

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-03**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

Finding 3: Manual Receipts

Internal Audit noted the following:

- In 1 instance, a manual receipt was used out of sequence.

Recommendation

Internal Audit recommends that *District Court* staff adhere to the manual receipt procedures as outlined in the District Justice Automated Office Clerical Procedures Manual. Manual receipts should be used in numeric sequence.

Auditee Response

*This was a clerical error. A new employee used manual receipt #A990199 out of sequence - #A990198 was skipped. The Office Manager had voided #A990198 in order for the next time a manual receipt is used it will follow numerically and be #A990200.*

Finding 4: Cash Disbursements

Internal Audit noted the following:

- In 1 instance, a copy of an issued check was not attached to the case file.

Recommendation

Internal Audit recommends that a copy of an issued check be attached to the appropriate case file to ensure complete and accurate records.

Auditee Response

*District Court management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-4-03**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 5: Voided Disbursements

Internal Audit noted the following:

- In 2 instances, a copy of the voided check was not attached to the case file.
- In 1 instance, the copy of the voided check attached to the case file was not labeled as “void/stale/lost”.

Recommendation

Internal Audit recommends that a copy of all voided checks be attached to the appropriate case file and be labeled as “void/stale/lost” to ensure complete and accurate records.

Auditee Response

*District Court management concurs with the findings and recommendation.*

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-4-03**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

On October 9, 2009, Magisterial District Judge Larry Smith 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.