



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

**Management Letter
For the Year Ended
December 31, 2012**

County of Chester
Magisterial District Court
15-2-03

Management Letter

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge William Kraut

Introduction

On October 15, 2013, Internal Audit completed an audit of Magisterial District Court 15-2-03 (*District Court*). Pat Lenzi 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 October 15, 2013) 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) 344-6797 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

Cash and Petty Cash

Cash is reconciled and cash adjustments are reviewed at 100%. Petty cash is counted during the course of the on-site fieldwork.

Finding 1: Cash and Petty Cash

A debit adjustment and debit IOLTA adjustment processed in error were incorrectly offset by a single credit adjustment.

Recommendation

The erroneous \$0.91 debit and \$0.71 debit IOLTA adjustments should have been offset with a credit adjustment and credit IOLTA adjustment, respectively. Although the “combined” \$1.62 credit adjustment offset both debits in total, it had a negative impact on monies remitted to the County. Internal Audit recommends that District Court Management work with DJ Admin to resolve this matter.

Auditee Response

See page 7 for Auditee Responses.

General Finding

Escheated checks are tested at 100% for the year.

Finding 2: Escheats

Internal Audit noted that in one (1) instance, a check was not escheated in a timely manner.

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.

Auditee Response

See page 7 for Auditee Responses.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

For the following areas, transactions are reviewed on a sample basis according to risk. The current year risk assessment is based on prior year audit results.

Undisbursed Funds

The sample size tested for the year ended 12/31/12 was determined to be 10 out of a total population of 24 cases which were greater than or equal to 90 days.

There were no internal control or procedural weaknesses noted within our sample.

Cash Receipts

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 8,064 receipts issued during the year.

There were no internal control or procedural weaknesses noted within our sample.

Manual Receipts

There were no manual receipts used for the year ended 12/31/12.

Cash Disbursements

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 679 checks issued during the year.

Finding 3: Cash Disbursements

Internal Audit noted that in two (2) instances, the check copy was not included in the case file.

Recommendation

Internal Audit recommends that the *District Court* staff be diligent in including all proper documentation in each case file.

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MAGISTERIAL DISTRICT COURT 15-2-03
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 3: Cash Disbursements (continued)

Auditee Response

See page 7 for Auditee Responses.

Voided Receipts

The sample size tested for the year ended 12/31/12 was determined to be 15 out of a population of 52 receipts voided during the year.

Finding 4: Voided Receipts

Internal Audit noted that in one (1) instance, the receipt was not marked void and a reason for the void was not written on the receipt in the case file.

Recommendation

Internal Audit recommends that the *District Court* staff be diligent in properly recording necessary information in each case file.

Auditee Response

See page 7 for Auditee Responses.

Voided Disbursements

The sample size tested for the year ended 12/31/12 was determined to be 10 out of a population of 37 disbursements voided during the year.

There were no internal control or procedural weaknesses noted within our sample.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-2-03
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Overall Compliance

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 6,063 case files created in 2012. The sample size was divided equally among the four (4) case types: traffic, non-traffic, civil/landlord tenant, and criminal.

There were no internal control or procedural weaknesses noted within our sample.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2012

Magisterial District Judge William Kraut 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.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF CHESTER

William D. Kraut

Magisterial District Judge
Magisterial District 15-2-03
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West Chester, Pennsylvania 19380

West Goshen Township
Westtown Township
Thornbury Township

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October 03, 2013

Magisterial District Court 15-2-03 Audit Response

Finding 1: Cash:

The procedure staff followed in debit and debit IOLTA adjustments were based upon the recommendation of last years auditor from the controllers office. The total amount was \$1.62. Court personal did everything humanly possible to rectify the issue in a timely manner.

Finding 2: Escheats:

Greater care will be taken by staff in the future.

Finding 3: Cash Disbursements:

Greater care will be taken by staff in the future.

Finding 4: Voided Receipts:

Greater care will be taken by staff in the future.

District Court 15-2-03 Thanks the Controller's office for their diligence and positive report for the 2013 audit.