



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

**Management Letter
For the Year Ended
December 31, 2013**

*County of Chester
Magisterial District Court
15-1-04*

Management Letter

Norman MacQueen, Controller

To: Magisterial District Judge Gwenn S. Knapp

Introduction

On May 2, 2014, Internal Audit completed an audit of Magisterial District Court 15-1-04 (*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
- Escheats

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 May 2, 2014) 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 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

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 Adjustments

The *District Court* failed to reconcile and offset multiple cash adjustments made during 2013 on the bank reconciliation and cash adjustments report. As a result, these items remained outstanding at 12/31/13 and were included as adjustments to the financial statements by Internal Audit.

Recommendation

Internal Audit recommends that the *District Court* review all cash adjustments during the year to ensure that they have corresponding offsetting entries and are reconciled on the bank reconciliation. It is further recommended that *District Court* management work with District Justice Administration to resolve the existing out of balance condition on the books.

Auditee Response

District Court management concurs with the finding and recommendation.

General Finding

Finding 2: Missing Case File

In one (1) instance, a case file randomly selected for testing could not be located.

Recommendation

Internal Audit suggests that greater care be exercised to ensure that case files are properly maintained. It is the responsibility of the *District Court* to maintain complete and accurate case files.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

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 12/31/13 was determined to be 20 out of a total population of 28 cases which were greater than or equal to 90 days.

Finding 3: Undisbursed Funds

Internal Audit noted that in six (6) instances, funds were not applied/dispursed in a timely manner.

Recommendation

Internal Audit recommends that the *District Court* apply/dispurse funds as soon as allowable on cases which have been adjudicated and/or closed as directed by the District Justice Automated Office of Clerical Procedures Manual. To this end, the Undisbursed Funds Report should be reviewed/ monitored on a monthly basis.

Auditee Response

District Court management concurs with the finding and recommendation.

Cash Receipts

The sample size tested for the year ended 12/31/13 was determined to be 20 out of a population of 13,357 receipts issued during the year.

Finding 4: Cash Receipts

Internal Audit noted the following:

In one (1) instance, a copy of the issued receipt was not included in the respective case file.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

Finding 4: Cash Receipts (continued)

Recommendation

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

Auditee Response

District Court management concurs with the finding and recommendation.

Manual Receipts

The sample size tested for the year ended 12/31/13 was determined to be 15; however there was only a total population of 10 manual receipts issued during the year.

Finding 5: Manual Receipts

Internal audit noted that in one (1) instance, a copy of the manual receipt was not included in the respective case file.

Recommendation

Internal Audit recommends that *District Court* management ensure that manual receipt copies are included in their respective case files.

Auditee Response

District Court management concurs with the finding and recommendation.

Cash Disbursements

The sample size tested for the year ended 12/31/13 was determined to be 20 out of a population of 667 checks issued during the year.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

Voided Receipts

The sample size tested for the year ended 12/31/13 was determined to be 15 out of a population of 119 receipts voided during the year.

Finding 6: Voided Receipts

Internal Audit noted that in one (1) instance, a copy of the issued receipt was not included in the respective case file.

Recommendation

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

Auditee Response

District Court management concurs with the finding and recommendation.

Voided Disbursements

The sample size tested for the year ended 12/31/13 was determined to be 10 out of a population of 68 disbursements voided during the year.

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

Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, 15 out of a population of 38 escheated items were tested for compliance with escheat/stale dated check procedures.

Finding 7: Escheats

Internal Audit noted that in eighteen (18) instances, a check was not escheated in a timely manner.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

Finding 8: Escheats

Internal Audit noted that in one (1) instance, no documentation was available to prove due diligence was performed prior to escheating a check.

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

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2013

An exit conference was not warranted for the audit of Magisterial District Court 15-1-04. Magisterial District Judge Gwenn S. Knapp chose to accept the report as presented.