



**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
15-1-05*

Management Letter

A handwritten signature in blue ink, appearing to read "N MacQueen".

Norman MacQueen, Controller

To: Grover E. Koon, Magisterial District Judge

Introduction

On November 21, 2014, Internal Audit completed an audit of Magisterial District Court 15-1-05 (*District Court*). Carissa M. Petrelia 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 November 21, 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 matters of a lesser significance involving internal controls. These matters have 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 the following:

- 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) 344-6064 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-05

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

Three (3) cash adjustments were processed incorrectly. The District Court erroneously recorded interest adjustments as “ordinary” credit/debit adjustments when the adjustments should have been credit/debit IOLTA transactions. IOLTA adjustments should be used to record interest postings and payments to the State.

Recommendation

Internal Audit recommends that the District Court take greater care when processing cash adjustments to ensure that IOLTA credit/debit adjustments are used to record interest postings and payments to the State, rather than “ordinary” credit/debit adjustments. In addition, it is recommended that District Court management work with District Justice Administration to resolve the existing out-of-balance conditions on the books between IOLTA and “ordinary” debit and credit adjustments.

Auditee Response

District Court management concurs with the finding and recommendation.

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 10 out of a total population of 55 cases which were greater than or equal to 90 days.

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

COUNTY OF CHESTER

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Cash Receipts

The sample size tested for the year ended 12/31/13 was determined to be 20 out of a population of 8,423 receipts issued during the year.

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

Manual Receipts

The sample size tested for the year ended 12/31/13 was determined to be 15; however there were only 4 manual receipts used for the year.

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

Cash Disbursements

The sample size tested for the year ended 12/31/13 was determined to be 20 out of a population of 620 checks issued during the year.

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

Voided Receipts

The sample size tested for the year ended 12/31/13 was determined to be 15 out of a population of 104 receipts voided during the year.

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

Voided Disbursements

The sample size tested for the year ended 12/31/13 was determined to be 10 out of a population of 43 disbursements voided during the year.

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

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MAGISTERIAL DISTRICT COURT 15-1-05
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Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, 15 out of a population of 27 escheated items were tested for compliance with escheat/stale dated check procedures.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-05

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2013

An exit conference was not warranted for the audit of Magisterial District Court 15-1-05. Magisterial District Judge Grover E. Koon chose to accept the report as presented.