



**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
15-2-03*

Management Letter

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

Norman MacQueen, Controller

To: Magisterial District Judge William Kraut

Introduction

On December 30, 2014, 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
- Escheats/Stale Dated Checks

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 December 30, 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 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, 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

A \$15.00 debit adjustment was left outstanding at year end and was not properly addressed/resolved with the bank at the time of the audit.

Recommendation

Internal Audit recommends that the *District Court* review all debit and credit adjustments during the year to ensure that they have corresponding offsetting entries. It is further recommended that *District Court* follow up with the bank to reverse the outstanding return check fee so that a reversing credit can be made.

Auditee Response

See page 6 for Auditee Responses.

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 population of 13 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

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Receipts

The sample size tested for the year ended 12/31/13 was determined to be 20 out of a population of 9,520 receipts issued during the year.

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

Manual Receipts

There was 1 manual receipt used and tested for the year ended 12/31/13.

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 774 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 47 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 34 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, 2013

Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, a sample of escheated items was tested for compliance with escheat/stale dated check procedures. This sample was determined to be 15 out of a population of 26 items escheated during the year ended 12/31/13.

Finding 2: Escheats/Stale Dated Checks

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 6 for Auditee Responses.

Finding 3: Escheats/Stale Dated Checks

Internal Audit noted that in one (1) instance, an escheated check was not included in the case file.

Recommendation

Internal Audit recommends that *District Court* management ensure all relevant documentation related to a transaction is included in the case file.

Auditee Response

See page 6 for Auditee Responses.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2013

An exit conference was not warranted for the audit of Magisterial District Court 15-2-03. Magisterial District Judge William Kraut chose to accept the report as presented.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF CHESTER

William D. Kraut

Magisterial District Judge

Magisterial District 15-2-03

601 Westtown Road

Suite 110

West Chester, Pennsylvania 19380

West Goshen Township
Westtown Township
Thornbury Township

OFFICE:
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December 23, 2014

Magisterial District Court 15-2-03 Audit Response

Finding 1: Cash Adjustment:

The bank has been notified and the \$15.00 N.S.F. fee was returned to the court account . The bank acknowledges that the fee should have never been charged to the court.

Finding 2: Escheats:

This finding was noted as human error. Greater care will be taken by staff in the future.

Finding 3: Escheats:

This finding was also noted as human error. Staff member overlooked making a copy of the check. This will not happen again. The staff has been instructed to take greater care in the future.

District Court 15-2-03 Thanks the Controller's office for their diligence and positive report for the 2014 audit and wishes the staff a Merry Christmas and a Happy and Healthy New Year.

Very truly yours,
Magisterial District Judge


William D. Kraut
Wdk