



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

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

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*County of Chester  
Magisterial District Court  
15-4-03*

Management Letter

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

Norman MacQueen, Controller

**To: John R. Bailey, Magisterial District Judge**

**Introduction**

On December 23, 2014, Internal Audit completed an audit of Magisterial District Court 15-4-03 (*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 December 23, 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:

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-03

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

Three (3) cash adjustments were processed incorrectly. The District Court erroneously recorded NSF fees as credit/debit IOLTA adjustments, when the adjustments should have been recorded as “ordinary” credit/debit adjustments. 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 fees and other bank charges are processed as “ordinary” credit/debit adjustments rather than IOLTA credit/debit adjustments which are used to record interest postings and payments to the State. 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 “ordinary” and IOLTA debit and credit adjustments.

Auditee Response

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

Finding 2: Cash Adjustments

Internal Audit noted the following:

- The *District Court* was overcharged for deposit slips that were ordered in 2013. Although the *District Court* initially contacted the bank to inform them of the error, there was no subsequent follow-up by the *District Court*. As a result the *District Court* was not properly reimbursed prior to 12/31/13.
- A credit adjustment was left outstanding at year end and was not properly addressed/resolved with the bank at the time of the audit.

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

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

Finding 2: Cash Adjustments (continued)

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. Offsetting entries that differ in amount should be communicated to the bank immediately and resolved in a timely manner.

Auditee Response

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

Finding 3: Cash Adjustments

Prior year cash adjustment exception was not properly resolved and corrected.

Recommendation

Internal Audit again recommends that the *District Court* review prior year audit exceptions and work with District Justice Administration to resolve the existing out-of-balance conditions on the books between “ordinary” and IOLTA debit and credit adjustments.

Auditee Response

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

**COUNTY OF CHESTER**

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

**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 10 out of a total population of 36 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 12/31/13 was determined to be 20 out of a population of 10,266 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 no manual receipts used for the year.

**Cash Disbursements**

The sample size tested for the year ended 12/31/13 was determined to be 20 out of a population of 877 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 57 receipts voided during the year.

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

**COUNTY OF CHESTER**  
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**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Voided Disbursements**

The sample size tested for the year ended 12/31/13 was determined to be 10 out of a population of 64 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 49 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 15-4-03**

**SUMMARY OF EXIT CONFERENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

An exit conference was not warranted for the audit of Magisterial District Court 15-4-03. Magisterial District Judge John R. Bailey chose to accept the report as presented.