

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



*Management Letter
Magisterial District Court 15-1-04*

For the year ended December 31, 2007

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Gwenn S. Knapp

Introduction

On November 19, 2008, Internal Audit completed an audit of Magisterial District Court 15-1-04 (*District Court*). Sharon Kaye Jones, CIA, was the auditor-in-charge and was assisted by one additional auditor. 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.

Auditor's Note

Over the past year, Management of the *District Court* has implemented new procedures which were designed to prevent and/or correct significant weaknesses previously identified by Internal Audit with respect to the recording, balancing and adjusting of the *District Court's* cash receipts. Management's prompt attention and resolve to effect change was evidenced in this year's audit of the *District Court*. For the year ended 12/31/07, Internal Audit noted considerable improvement over the processing and reconciling of cash adjustments.

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. There were no significant deficiencies or material weaknesses disclosed during this audit. Several matters of a lesser significance involving internal controls and non-compliance are included within this management letter. It does not appear that these matters are the result of deliberate misconduct but are instead the consequence of human error, oversight, and /or a misunderstanding of AOPC directives.

It should be noted that in the case of bail refunds, the conclusion date of the 2006 audit (November 14, 2007) did not allow sufficient time for the staff of the *District Court* to implement procedural changes in 2007 related to Criminal Court Rule (*Rule*) 535 (D).4.. According to the *Rule*, "within (20) days after full and final disposition of a case in which percentage bail has been posted, the issuing authority shall retain forty (40) percent of the amount deposited". This obligation also applies to those cases in which criminal charges have been withdrawn and the violations are reduced to non-traffic offenses. Because of this timing issue, the *District Court* again failed to retain the required commission on three criminal cases which had been moved to non-traffic status "prior to" and "immediately following" the close of the 2006 audit. Internal Audit recognizes that this was

not the result of management's refusal to correct a reportable condition, but is based on the fact that the District Court was not provided the correct interpretation of the *Rule* until the end of the year.

We would like 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) 344-5913 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

DOCUMENTATION / RECORDKEEPING / SAFEGUARDING OF ASSETS

Finding 1: Manual Receipts

On 1/3/07, the *District Court* accepted a check payment from a defendant and issued a manual receipt. The processing clerk completed the entry on the Manual Receipt Log and placed the receipt and check in the corresponding case file. The file was then situated with the clerk's other closed cases.

Since manual receipts are usually only issued when the state system is down, they are not used often. As a result, the next manual receipt was not issued until February, 2007. At that time, the Office Manager noticed that the manual receipt issued on 1/3/07 (according to information on the manual receipt log) had not been entered into the state computer system. Follow-up with the processing clerk confirmed the oversight. The clerk investigated the matter and found the manual receipt and the check in the defendant's case file where she originally put it a month prior. On 2/9/07, the payment was recorded in the state system and deposited into the bank.

It should be noted that upon discovery, the matter was properly documented in the defendant's case file and corrected immediately.

Recommendation

Although this appears to be an isolated incident and the result of human error, Internal Audit would like to remind the staff of the *District Court* that manual receipts must be entered into the state computer system within one business day of issuance. Correspondingly, all cash (check) receipts are to be deposited into the *District Court's* checking account on the same or next business day. It is further recommended that Management consider a daily review of the manual receipt log to ensure that all collections are accounted for even if they are not yet entered into the state system.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Petty Cash

A physical count of the *District Court's* combined change / petty cash fund exceeded the balance recorded on the County's General Ledger by \$1.06.

Recommendation

Internal Audit recommends that the *District Court* transfer the excess funds (\$1.06) to the County for deposit into the General Fund. The *District Court's* combined change / petty cash fund balance must always agree to the amount recorded on the General Ledger.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 30 case files out of a total population of 14,327 case files created in 2007. In addition, we performed other related tests of cash receipts, cash disbursements, manual receipts, undisbursed funds, and voided transactions. Sample size for the tested areas was determined through a risk assessment analysis based on the results of the District Court's prior year audit and current year caseload. We believe the results of our tests are representative of the entire population on the basis of accepted audit sampling principles.

Finding 1: Cash Disbursements

On 3 separate occasions, the *District Court* refunded the entire amount of percentage bail to the defendant / surety on cases where the charges were withdrawn and moved to non-traffic dockets.

COUNTY OF CHESTER
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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1 (continued)

Recommendation

Under Criminal Court Rule 535(D).4., “within twenty (20) days after full and final disposition of a case in which percentage bail has been posted, the issuing authority shall retain forty (40) percent of the amount deposited, but in no event less than fifty dollars (\$50) as administrative costs for the Chester County Court Bail Agency.” This rule also applies to those cases in which charges have been withdrawn and moved to non-traffic dockets.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

Finding 2: Manual Receipts

In 1 instance, only one copy of a “voided” manual receipt was properly cancelled.

Recommendation

Internal Audit would like to remind the *District Court* that complete and accurate records should be maintained for all manual receipts. When cancelling a manual receipt, *District Court* staff should exercise caution to ensure that both copies are properly marked “void”.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-04
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 3: Voided Disbursements

Out of a sample of 30 case files tested, Internal Audit noted the following:

- In 4 instances, the original check was not properly notated as “void / stale / lost”. The signature line however, was properly removed or defaced.
- In 8 instances, the check copy attached to the case file was not properly notated as “void / stale / lost”.
- In 12 instances, a copy of the voided check was not contained in the applicable case file.
- In 1 instance, the original check, the office copy, and the case file copy for the same disbursement were not properly notated as “void / stale / lost”.

Recommendation

Internal Audit recommends that the *District Court* take greater care to ensure that all cancelled disbursements are properly voided. A copy of each voided check should also be contained in the applicable case file as a permanent record.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

Finding 4: Cash / Voided Disbursements

Internal Audit identified 5 checks issued in 2007 which remained un-cashed after 60 days but were not properly voided and transferred to the County as “Unclaimed” until 5 months after the issue date.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-04
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 4 (continued)

Recommendation

Internal Audit recommends that *District Court* management monitor the list of outstanding checks monthly in order to void stale dated checks in a timely manner once due diligence has been performed.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

Finding 5: Overall Compliance

Internal Audit noted the following:

- In 1 instance, a citation was not date stamped and initialed by the clerk upon receipt into the *District Court*.
- In 1 instance, a warrant was not issued within the appropriate time frame after the defendant failed to respond to a summons.
- In 3 instances, a warrant was not recalled within the appropriate time frame from the date of issuance.
- In 1 instance, Internal Audit was unable to verify that the collateral posted on a case was appropriately disbursed or applied based on the information contained in the case file.

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MAGISTERIAL DISTRICT COURT 15-1-04
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 5 (continued)

Recommendation

Internal Audit recommends that *District Court* staff re-familiarize themselves with Administrative Office of Pennsylvania Courts (AOPC) directives related to the issuing and recalling of warrants. In addition, Internal Audit would like to remind the *District Court* that all traffic and non-traffic citations must be date stamped and initialed upon receipt. Lastly, Internal Audit strongly urges the *District Court* to maintain complete and well-organized records in order to provide a full account of activity on a case.

Auditee Response

This finding is acknowledged and internal control procedures have been changed.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-04
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2007

Magisterial District Judge Gwenn S. Knapp indicated that an exit conference would be waived for this year and has accepted the audit report as presented.