

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



*Management Letter  
Office of the Clerk of Court and Adult Probation  
For the year ended December 31, 2006*

*Valentino F. DiGiorgio*

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Valentino F. DiGiorgio, III, Controller

**To: Teena A. Peters, Clerk of Courts  
Christopher Murphy, Director-Adult Probation**

### **Introduction**

On April 24, 2007, Internal Audit completed an audit of the *Office of the Clerk of Courts (Clerk)* and *Adult Probation (APO)*. Sharon Kaye Jones, CIA, and Jeff Slaymaker, Jr., CPA were the auditors-in-charge. Internal Audit is required by Pennsylvania County Code to review county offices annually to ensure compliance with policies and procedures and to assess their overall internal control structure. The scope of our audit included a review of the following:

- Cash and Petty Cash
- Liabilities
- Manual Receipts
- Cash Receipts
- Cash Disbursements
- Voided Transactions
- Automation Fund
- Unclaimed Property - Escheats

### **Executive Summary**

The management and staff of the *Clerk* and *APO* are, in all material respects, in compliance with policies and procedures imposed by the County of Chester and the Commonwealth of Pennsylvania. Despite their overall compliance, Internal Audit did identify several internal control and procedural weaknesses. These matters appear to be the result of oversight and human error and not deliberate misconduct. They are outlined within this Management Letter.

It is also noteworthy to mention that both the *Clerk* and *APO* underwent 2 system conversions within a five month period. The two departments converted to the CourtView system in October 2005 and then to the Commonwealth of Pennsylvania's CPCMS system in February 2006.

Internal Audit would like to thank the management and staff of the *Clerk* and *APO* for their cooperation and assistance during the course of this audit. Please feel free to contact our office at (610) 344-5913 should you have any questions or concerns.

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS / ADULT PROBATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECONCILIATION

Finding 1: Automation Fund (Clerk)

The balance of the *Clerk's* Automation Fund at December 31, 2006 is understated by \$635.00. A journal entry made to transfer 2006 monies into the deferred revenue account did not include the December accrual for Clerk of Courts. As a result, the deferred balance at December 31, 2006 is \$49,868.30 and not \$50,503.40.

Recommendation

Although the journal entries were functioned by the Accounting Department, the *Clerk* as owner of the Automation Fund should have reviewed the deferred account to ensure that their internal records agreed to the County's general ledger.

Auditee Response

*See Summary Management Response included at the end of this document.*

AUTHORIZATION

Finding 1: Cash Disbursements (Clerk)

Monies held in escrow for a summary appeal case were refunded to the wrong party. Evidence in the case file suggests that the original remitter of the funds and the refunded party are not the same.

Recommendation

Internal Audit would like to remind the staff of the *Clerk* that escrow monies that are being refunded should only be returned to the original remitter. The original remitter can be identified from the physical receipt generated at the District Court and transferred along with monies to the *Clerk*.

Auditee Response

*See Summary Management Response included at the end of this document.*

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS / ADULT PROBATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECORDING / RECORDKEEPING

Finding 1: Cash Disbursements (Clerk)

Payee and defendant information recorded on a check stub did not agree with the actual check. Although the names were the same, their roles were reversed.

Recommendation

Internal Audit would like to remind the staff of the *Clerk* that information on the check stub and the actual check should always agree.

Auditee Response

*See Summary Management Response included at the end of this document.*

Finding 2: Manual Receipts (Clerk and APO)

In 3 instances, all three parts of a manual receipt that had been voided were not attached to the manual receipt book.

In 2 instances, the “yellow” or department manual receipt copy was not attached to the applicable day’s work.

Recommendation

Internal Audit would like to emphasize the importance of retaining all receipt and disbursement source documents in order to provide complete and accurate accounting records.

Auditee Response

*See Summary Management Response included at the end of this document.*

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS / ADULT PROBATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECORDING / RECORDKEEPING

Finding 3: Voided Disbursements (Clerk and APO)

“Documentation of” and “controls over” voided disbursements must be improved and strengthened. The following weaknesses were noted out of a sample of 30 items tested:

- In 23 instances, the reason for the void was not indicated on the check stub or check copy.
- In 28 instances, there was no indication that the check was replaced and reissued.
- In 24 instances, the signature line on the original check was not properly removed or defaced.
- In 2 instances, the check stub or office copy of the check was not labeled “void”.
- In 1 instance, the original check and/or copy of the check was not available for review.

Recommendation

Internal Audit would like to emphasize the need to properly cancel voided disbursements. At a minimum, the department should label the disbursement as “void”, remove or deface the signature line, document the reason for canceling the payment and reference any replacement.

Auditee Response

*See Summary Management Response included at the end of this document.*

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 1: Cash (APO)

There were numerous outstanding checks issued from the Costs, Fines, and Restitution account that were aged over 60 days. Checks that remain un-cashed for a long period of time are stale-dated and no longer valid. These checks should be voided, and upon adequate follow-up and “due-diligence”, should be placed in an “Unclaimed” account until escheatable to the State.

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS / ADULT PROBATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 1: Cash (continued)

Recommendation

Internal Audit strongly suggests that all “Costs, Fines, Restitution Account” payments that remain outstanding longer than 60 days (the official *void date* printed on the check) should be considered stale and non-negotiable. The department should perform adequate follow-up with the payee to determine if the check is lost or in the process of being cashed. Should “due diligence” procedures be unsuccessful, the check should be voided and transferred to “Unclaimed”.

Auditee Response

*See Summary Management Response included at the end of this document.*

Finding 2: Voided Receipts (Clerk and APO)

In situations involving “NSFs”, copies of voided receipts are not printed and retained by either of the two departments with their daily deposit records. Excluding these types of transactions, Internal Audit still noted 5 instances in which a copy of the voided receipt was not available for review. In 3 instances where a cancelled receipt was on file, it was not referenced to its replacement.

Recommendation

Internal Audit would like to again emphasize the importance of retaining all receipt and disbursement source documents in order to provide complete and accurate accounting records. It is recommended that both departments commence keeping copies of all voided receipts involving “NSFs”. Once the receipt is voided, a copy should be printed and placed in a separate folder with any related information.

Auditee Response

*See Summary Management Response included at the end of this document.*

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS / ADULT PROBATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 3: Cash Disbursements

Summary appeal monies were not refunded within a timely manner for 5 of the court cases tested.

Recommendation

Internal Audit suggests that although there is no specific timeframe for refunding these monies, every effort should be made to do so within a one month period which is relatively consistent with bail escrow disbursement procedures (35 days after final disposition).

Auditee Response

*See Summary Management Response included at the end of this document.*

Finding 4: Unclaimed Property / Escheats

In 16 instances, Internal Audit could not verify that “due diligence” had been performed prior to transferring monies to *Unclaimed*. **This continues to be an area of concern for APO.**

The *Clerk* failed to complete and file a 2005 Escheat Report.

Recommendation

Internal Audit again recommends that “due diligence” be performed on all un-cashed stale checks and that sufficient documentation be retained to support this.

The absence of the bookkeeper does not exempt or relieve the *Clerk* from their normal obligations, duties, or tasks. The *Clerk* should ensure that there is sufficient cross-training within the department to allow normal daily operations to continue in the absence of any employee.

Auditee Response

*See Summary Management Response included at the end of this document.*

**COUNTY OF CHESTER**  
**OFFICE OF THE CLERK OF COURTS**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDING DECEMBER 31, 2006**

Due to the nature of the audit findings and recommendations, an exit conference was not warranted for the 2006 audit. Management of the Office of the Clerk of Courts and Adult Probation have chosen to accept the report as presented.