

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



*Management Letter  
Magisterial District Court 15-4-02*

*For the year ended December 31, 2006*

*Valent D. Giorgio*

---

Valentino F. DiGiorgio, III, Controller

**To: Magisterial District Judge James J. Charley, Jr.**

### **Introduction**

On June 13, 2007, Internal Audit completed an audit of Magisterial District Court 15-4-02 (*District Court*). Robert Pinkos, CIA, 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
- Overall Compliance.

### **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. Minor findings involving internal controls and compliance are 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:

- Oversights
- Human error

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) 344-5906 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Daily Cash Balancing

Internal Audit noted 1 instance, where the cash and check total per the Daily Cash Balancing Report did not reconcile to the total of the deposit slip taken to the bank.

Recommendation

Internal Audit recommends that the *District Court* staff needs to reconcile the total of the Daily Cash Balancing Report to the deposit slip. Any difference must be investigated and corrected prior to taking the deposit to the bank.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Cash/Escrow Payable

Internal Audit noted the following:

- According to the Daily Balancing Report, the *District Court* receipted money totaling \$5,026.41 on 9/15/06. However, the bank credited the *District Court's* account for \$5,026.42, which was \$0.01 too much for that day's deposit. The *District Court* made a credit adjustment to reconcile with the bank, but there was no follow up with the bank in order to correct the bank error and adjust the account's balance to reflect the proper amount of money receipted on 9/15/06.
- A defendant owed fines and costs of \$116.50. The defendant paid the *District Court* a money order for only \$116.00, however the *District Court* receipted this money order for the total costs of \$116.50 in error. The bank credited the *District Court's* account for the correct amount of \$116.00 for that day's deposit. The *District Court* made a debit adjustment to reconcile the difference, instead of voiding the receipt and receipting the money order for the correct amount and then collecting the remaining \$0.50 due from the defendant.

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-02**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECONCILIATION

Finding 2: Cash/Escrow Payable (continued)

Recommendation

Internal Audit recommends that the *District Court* follow up with the bank in order to debit their account for the \$0.01 difference from the deposit on 9/15/06. Once the account is debited by the bank the *District Court* should then make a debit adjustment to reconcile the account. For the second finding, Internal Audit recommends that the *District Court* reverse the debit adjustment by making an off-setting credit adjustment for the \$0.50. They should then void the original receipt entered in error and create a new receipt for the correct amount. Finally the *District Court* needs to collect the remaining \$0.50 from the defendant for fines and costs still due.

Auditee Response

District Court management concurs with the audit finding and recommendation.

**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 8,379 case files created in 2006. 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 case load. We believe the results of our tests are representative of the entire population on the basis of accepted audit sampling principles.

Finding 1: Undisbursed Funds

Internal Audit noted the following:

- In 4 instances, bail or collateral to be refunded was not disbursed to the remitter in a timely manner.

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-02**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 1: Undisbursed Funds (continued)

- In 1 instance, money remains in undisbursed funds even though a final disposition has been made and the case has been closed.

Recommendation

Internal Audit recommends that members of the staff exercise greater care to ensure that the Undisbursed Funds Report is monitored at least on a monthly basis to ensure that collateral, bail and server fees are properly processed in a timely manner. Internal Audit also recommends that *District Court* management reemphasize to the staff the importance of disbursing funds as soon as allowable on cases which have been closed and/or adjudicated.

Auditee Response

District Court management concurs with the audit finding and recommendation.

Finding 2: Voided Transactions

Internal Audit noted the following:

- In 1 instance, a voided receipt in the case file was not marked “void.”
- In 19 instances, stale dated checks were not escheated in a timely manner.

Recommendation

Internal Audit recommends that the *District Court* staff exercise greater care in the proper labeling of voided receipts. Internal Audit also recommends that *District Court* management monitor the list of outstanding checks monthly in order to perform due diligence and to escheat stale dated checks in a timely manner.

Auditee Response

District Court management concurs with the audit finding and recommendation.

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-02**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 3: Overall Compliance

Internal Audit noted 1 instance, where a warrant was not recalled after 60 days, on a non-criminal case.

Recommendation

Internal Audit recommends that *District Court* management emphasize to the staff the importance of adhering to procedures as outlined in the District Justice Automated Office Clerical Procedures Manual relating to the issuance of warrants.

Auditee Response

District Court management concurs with the audit finding and recommendation.

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-4-02**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

An exit conference was not warranted for the audit of Magisterial District Court 15-4-02. Magisterial District Judge James Charley, Jr. has accepted the report as presented.