



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

**Management Letter
For the Year Ended
December 31, 2015**

County of Chester
Magisterial District Court
15-1-04

Management Letter

Norman MacQueen, Controller

To: Magisterial District Judge Marian T. Vito

Introduction

On May 2, 2016, Internal Audit completed an audit of Magisterial District Court 15-1-04 (*District Court*) for the year ended December 31, 2015. 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/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 May 2, 2016) should be considered in conjunction with this Management Letter.

Executive Summary

For the year ended 12/31/15, Internal Audit has determined that the *District Court's* system of internal controls is adequately *designed, in-place* and *operative*. The results of this audit indicate that, in all material respects:

- Assets are properly safeguarded from employee theft, robbery and unauthorized use
- Responsibility / Authority is established and assigned to specific individuals
- Duties (specifically authorization, custody and recordkeeping) are properly segregated
- Documents are available to provide evidence that transactions and events have occurred
- Transactions and events are properly recorded in a timely manner
- Reconciliations of internal records with bank statements occur monthly.

In addition, the District Court was found to be in compliance with policies and procedures mandated by the County of Chester and the Administrative Office of Pennsylvania Courts except as outlined on the pages that follow. ***Audit Findings*** and ***Recommendations*** are provided herein for your review, comment and corrective action. The courtesy of a response is requested by May 2, 2016, otherwise in accordance with Internal Audit Policy, the absence of a response by the due date will be inferred as management's acceptance of the finding(s) and recommendation(s).

We thank the management and staff of the *District Court* for their cooperation and assistance during the course of this review. Please feel free to contact our office at (610) 344-6064 should you have any questions or concerns or if you wish to schedule an exit conference. An exit conference is held at the request of the auditee to discuss specific concerns that were not resolved during the closing conference.

A final copy of this management letter and the corresponding Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters will be transmitted electronically to your attention upon receipt of your responses. In addition, since audit reports are a matter of public record, your final report and management letter will be posted on the Controller's webpage within one week of issuance.

A handwritten signature in blue ink, appearing to read 'N MacQueen', with a large circular flourish at the end.

Norman MacQueen
Controller

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

- Cash adjustment errors reported during the 2013 and 2014 audits have not been properly corrected. In addition, the *District Court*, once again during the current year audit processed two debit / credit adjustments without corresponding offsetting entries.
- A bank error, initially recorded on the books properly as a debit adjustment by the *District Court*, was subsequently negated when the Office Manager voided the original receipt (for the correct payment amount) and then created a new receipt to reflect the amount recorded by the bank which was incorrect.

Cause

Inadequate training and lack of follow up on prior year findings.

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* management work with District Justice Administration to resolve the existing out of balance condition on the books and to obtain additional guidance and training on debit/credit adjustment processing.

Auditee Response

District Court Management concurs with the findings and recommendations.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 12/31/15 was determined to be 10 out of a total population of 76 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 12/31/15 was determined to be 20 out of a population of 11,396 receipts issued during the year.

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

Manual Receipts

There were no manual receipts used in 2015.

Cash Disbursements

The sample size tested for the year ended 12/31/15 was determined to be 20 out of a population of 607 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 12/31/15 was determined to be 15 out of a population of 88 receipts voided during the year.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

Voided Disbursements

The sample size tested for the year ended 12/31/15 was determined to be 10 out of a population of 67 disbursements voided during the year.

Finding 2: Voided Disbursements

- For the second year in a row, Internal Audit noted that in one (1) instance, a voided check copy was not included in the case file.
- Internal Audit noted that in one (1) instance a check was not properly marked “void”.

Cause

Oversight

Recommendation

Internal Audit recommends that *District Court* management ensure that all relevant documentation related to a transaction is included in the case file and that voids are properly marked as such.

Auditee Response

District Court management concurs with the finding and recommendation.

Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, 10 out of a population of 34 escheated items were tested for compliance with escheat/stale dated check procedures.

Finding 3: Escheats

Internal Audit noted that two (2) outstanding checks were not escheated within 6 months of their issuance date. According to the Uniform Commercial Code, (a standard set of business laws adopted by most states), a bank should not accept a check more than 6 months old. Internal Audit has adopted this financial gauge for Chester County audit purposes; however individual departments should continue to follow their own policies and procedures for escheatment if less than 180 days.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-04
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Escheat/Stale Dated Checks (continued)

Finding 3: Escheats (continued)

Cause

Oversight

Recommendation

Internal Audit recommends that the *District Court* staff adhere to stale-dated check procedures mandated by the AOPC and by District Justice Administration and that under no circumstances should a check remain outstanding for a period of time greater than 180 days.

Auditee Response

District Court management concurs with the finding and recommendation.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-04
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was not warranted for the audit of Magisterial District Court 15-1-04. Magisterial District Judge Marian T. Vito chose to accept the report as presented.