



**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
15-3-04***

Management Letter

Norman MacQueen, Controller

To: Minor Judiciary Administrator Vicky Bartholomew

Introduction

On November 7, 2016, Internal Audit completed an audit of Magisterial District Court 15-3-04 (*District Court*) for the year ended December 31, 2015. Pat Lenzi 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 November 7, 2016) should be considered in conjunction with this Management Letter.

Executive Summary

For the year ended December 31, 2015, 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 November 16, 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) 344-6797 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.



Norman MacQueen
Controller

November 7, 2016

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-04

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

District Court management made a deposit adjustment in advance of receiving a notice from the bank, creating an “out of balance” situation at year end.

Cause

Improper steps taken.

Recommendation

Internal Audit recommends that the *District Court* should only make a deposit adjustment after receiving a notice from the bank.

Auditee Response

District Court Administration concurs with the findings and recommendations.

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 15; however, there was only a total population of 10 cases which were greater than or equal to 90 days.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-04

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Receipts

The sample size tested for the year ended 12/31/15 was determined to be 20 out of a population of 7,251 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 559 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 63 receipts voided during the year.

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

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-3-04

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 33 disbursements voided during the year.

Finding 2: Voided Disbursements

Internal Audit noted that in four (4) instances, a check was not voided in a timely manner.

Cause

Letters notifying check recipients of stale dated checks are not consistently being sent out in a timely manner. Escheat report is not being reviewed in a timely manner as well.

Recommendation

District Court staff should review Escheat Report monthly to ensure checks are escheated within a timely manner. Staff should send due diligence letters out earlier and should void checks immediately if they are found to be lost or missing.

Auditee Response

District Court Administration concurs with the findings and recommendations.

Escheat/Stale Dated Checks

Escheats were reviewed at 100% for timeliness. In addition, 10 out of a population of 20 escheated items were tested for compliance with escheat/stale dated check procedures.

Finding 3: Escheats

Internal Audit noted that eighteen (18) 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. This has been a consistent finding for the court.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-04
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Escheat/Stale Dated Checks (continued)

Finding 3: Escheats (continued)

Cause

Letters notifying check recipients of stale dated checks are not consistently being sent out in a timely manner. Escheat report is not being reviewed in a timely manner as well.

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 Administration concurs with the findings and recommendations.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-3-04
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was not warranted for the audit of Magisterial District Court 15-3-04. Minor Judiciary Administrator Vicky Bartholomew chose to accept the report as presented.