



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

**Management Letter
For the Year Ended
December 31, 2016**

County of Chester
Office of the Prothonotary

Management Letter

Norman MacQueen, Controller

To: Matthew Holliday, Prothonotary

Introduction

On May 8, 2017, Internal Audit completed an audit of the Office of the Prothonotary (*Prothonotary*) for the year ended December 31, 2016. Carissa Petrelia was the auditor-in-charge. Internal Audit is required by 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
- Federal Tax Lien Filings / Releases
- State Tax Lien Filings
- Liabilities
- Suspense Account Entries
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Escheats / Unclaimed Property
- Automation Fund Disbursements

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 8, 2017) should be considered in conjunction with this Management Letter.

Executive Summary

For the year ended December 31, 2016, Internal Audit has determined that the *Prothonotary'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 *Prothonotary* was found to be in compliance with policies and procedures mandated by the County of Chester 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 12, 2017, 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 *Prothonotary* 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

May 8, 2017

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash and Petty Cash

Cash is reconciled and reviewed at 100%. Petty cash is counted on a surprise basis during the course of the on-site fieldwork.

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

Federal Tax and State Liens

Federal Tax Lien filings and releases are tested on a pre-determined sample basis specifically to ensure that processing of these transactions occurs in a timely manner. For the year ended 12/31/16, Internal Audit tested 12 liens filed and 12 liens released. State lien voucher / payment packets were reviewed at 100% for the year ended 12/31/16.

Finding 1: State Liens

The *Prothonotary* did not follow up with the Commonwealth until directed to do so by Internal Audit as a result of the audit to receive payment for state liens processed in December 2016.

Cause:

Oversight

Recommendation:

Internal Audit recommends that the *Prothonotary* ensure that the proper voucher and payment have been received in a timely manner.

Auditee Reponse

See page 8 for Auditee Responses.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Liabilities

Liability balances are reconciled and reviewed at 100%; specifically to ensure accurate recording of liabilities and the verification of subsequent payments following year end.

There were no internal control or procedural weaknesses noted.

Suspense Account Entries

Entries made to the suspense account are reviewed at 100% to ensure that only overpayments or declined filings are recorded here and that they are subsequently refunded in a timely manner.

There were no internal control or procedural weaknesses noted.

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.

Cash Receipts

The sample size tested for the year ended 12/31/16 was 20 out of a population of 28,531 receipts generated during the year.

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

Manual Receipts

The sample size tested for the year ended 12/31/16 was determined to be 15; however there were only 3 manual receipts generated in 2016.

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

Cash Disbursements

The sample size tested for the year ended 12/31/16 was as follows:

- 9 Operating Account disbursements out of a population of 121 checks created in 2016
- 11 Escrow Account disbursements out of a population of 138 checks created in 2016

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Disbursements (continued)

Finding 2: Cash Disbursements

In one (1) instance, a check was not entered into Courtview.

Cause

Oversight

Recommendation

Internal Audit recommends that checks be entered into the Courtview system the same day that they are written out of the checkbook. Furthermore, the office should look to move away from manually written checks and seek to employ a computer-generated system.

Auditee Response

See page 8 for Auditee Responses.

Voided Receipts

The sample size tested for the year ended 12/31/16 was 15 out of a population of 383 receipts voided during the year.

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

Voided Disbursements

The sample size tested for the year ended 12/31/16 was 10 out of a population of 10 disbursements voided during the year.

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

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Escheats / Unclaimed Property

Monies that have been escheated to the state are tested on a predetermined sample basis. For the year ended 12/31/16, the sample size was determined to be 10 transactions.

There were no internal control or procedural weaknesses noted.

Automation Fund Disbursements

Automation Fund disbursements are tested at 100% specifically to ensure that money in the account is used in accordance with PA House Bill 1715, Act 98-164.

There were no internal control or procedural weaknesses noted.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2016

An exit conference was not warranted for the audit of the Office of the Prothonotary. The Prothonotary, Matthew Holliday has accepted the report as presented.



OFFICE OF THE PROTHONOTARY

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Matthew Holliday Prothonotary	Tracy L. Christman, Esq First Deputy	Melissa Hery Accountant	Patrick M. McKenna, Esq Solicitor
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May 8th, 2017

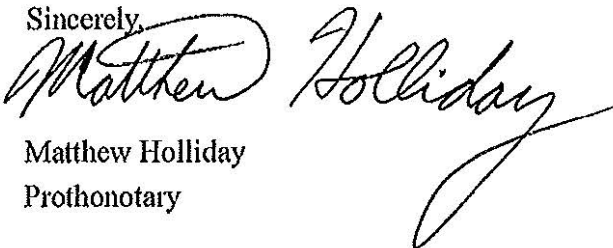
General Response to Internal Audit's Findings:

In response to the Auditor's comment regarding the December state liens payment, I personally spoke with Robin McNeal, who is Chief of the PA Department of Revenue Bureau of Compliance, Enforcement Division. She apologized and informed me that their office is having issues paying their invoices on their end due to staffing changes. As a way of making sure that this doesn't happen again we came up with a solution. We will now email our invoices directly to Ms. McNeal as well as two other state staff members to ensure timely payment.

Our office's only response to the cash disbursement finding is that this one instance occurred under our previous accountant, and we are hopeful that it won't happen again. Our new accountant has been fantastic and has not missed an entry of a check since joining us last March.

Thank you for your assistance in this matter.

Sincerely,



Matthew Holliday
Prothonotary