



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

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

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***County of Chester  
Magisterial District Court  
15-4-03***

**Management Letter**

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Norman MacQueen, Controller

**To: Magisterial District Judge John R. Bailey**

### **Introduction**

On November 22, 2017, Internal Audit completed an audit of Magisterial District Court 15-4-03 (*District Court*) for the year ended December 31, 2016. Austin F. Kelly 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 22, 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 *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 December 5, 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 *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.

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

Norman MacQueen  
Controller

November 22, 2017

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-03**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**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.

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

*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 12/31/16 was determined to be 10 out of a total population of 12 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 12/31/16 was determined to be 20 out of a population of 8,908 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 2016.

**Cash Disbursements**

The sample size tested for the year ended 12/31/16 was determined to be 20 out of a population of 667 checks issued during the year.

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

**COUNTY OF CHESTER**

**MAGISTERIAL DISTRICT COURT 15-4-03**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Voided Receipts**

The sample size tested for the year ended 12/31/16 was determined to be 15 out of a population of 38 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 determined to be 10 out of a population of 47 disbursements voided during the year.

**Finding 1: Voided Disbursements**

Internal Audit noted that in one (1) instance, a case file that was needed for testing could not be located.

**Cause**

Human Error

**Recommendation**

Internal Audit recommends that the *District Court* retain all case files in an organized manner that allows for timely location of all files.

**Auditee Response**

*Please refer to page 7 for Auditee Response*

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-4-03**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Escheat/Stale Dated Checks**

Escheats were reviewed at 100% for timeliness. In addition, 10 out of a population of 35 escheated items were tested for compliance with escheat/stale dated check procedures.

Finding 2: Escheats

Internal Audit noted that in one (1) instance, the check number from the system did not match the check number on the physical check.

Finding 3: Escheats

Internal Audit noted that in one (1) instance, a check made payable to a Chester County Government Row Office was inappropriately escheated.

Cause

Human Error

Recommendation

Internal Audit recommends that the *District Court* pay close attention when printing checks to ensure that the physical check number matches the system check number. Under no circumstance should any check made payable to another Chester County Row Office, District Court, or department be escheated. Instead Internal Audit recommends that stale dated checks made payable to these entities be properly researched, voided if reissued when possible.

Auditee Response

*Please refer to page 7 for Auditee Response*

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-4-03**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

An exit conference was not warranted for the audit of Magisterial District Court 15-4-03. Magisterial District Judge John R. Bailey chose to accept the report as presented.



MAGISTERIAL DISTRICT COURT 15-4-03  
CHESTER COUNTY, PENNSYLVANIA

JOHN R. BAILEY  
MAGISTERIAL DISTRICT JUDGE

748 SPINGDALE DRIVE  
EXTON, PA. 19341

County of Chester Internal Audit Department  
FYE 12/31/16  
Regarding: District Court 15-4-03

With regards to the internal audit findings and recommendations which were adequately communicated to us (Judge Bailey and Fran Hard-Clerical Supervisor) on November 21<sup>st</sup>, 2017)

We wish to respond with the following comments/remarks associated with (2) of the findings.

**1) Escheat Check issue**

Action taken: Discussion on how to address this issue was instituted by this court after consultation with DJ Administration.

**2) Check # in system did not match printed check**

Action taken: The court contacted AOPC, who advised the court that this does periodically occur, and to balance the statement by Dollar Amount, as there was NO money missing.

Respectfully submitted,

John R. Bailey  
Magisterial District Judge  
11/21/2017

Frances M. Hard  
Clerical Supervisor  
11/21/2017