

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



*Management Letter  
Magisterial District Court 15-1-02  
For the year ended December 31, 2009*

*Valentino F. DiGiorgio III*

Valentino F. DiGiorgio, III, Controller

**To: Magisterial District Judge Thomas Tartaglio**

**Introduction**

On August 17, 2010, Internal Audit completed an audit of Magisterial District Court 15-1-02 (*District Court*). Carissa M. Petrelia was the auditor-in-charge and was assisted by 1 additional audit staff member. 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.

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 Compliance and Internal Control over Financial Reporting concurrent with this Management Letter. Disclosures and other information in that Report (also dated August 17, 2010) should be considered in conjunction with this Management Letter.

**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 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:

- Oversight
- Problem solving skills
- 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) 344-6064 should you have any questions or concerns.

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-1-02**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECONCILIATION/RECORDING

Finding 1: Cash Adjustments

In November 2008, the bank cashed a district court check for \$5.00 less than its stated value. The check, which was an overpayment refund, was made payable for \$68.00. The bank cashed the check and remitted to the payee \$63.00. This bank error not only created an out of balance situation between the bank and book balances, but also “shortchanged” the original remitter of the overpayment.

In order to balance at the end of the month, the District Court properly processed a \$5.00 credit adjustment to the book balance. However, in January 2009, since the error had not been resolved with the bank, the Office Manager was instructed by District Justice Administration to reverse the adjusting credit entry and instead process a \$5.00 receipt to the original remitter / defendant and then issue a second check to the individual for \$5.00.

Recommendation

Although the instructions provided by District Justice Administration ultimately resolved the out-of-balance situation between the bank and the books, Internal Audit suggests that this was not the proper way to correct the error. Since the bank processed the check incorrectly, the underpayment should have been resolved by the bank. Specifically, the District Court should have notified the bank of the check cashing error and requested that they issue a bank check to the individual. Once this was completed, the bank would have processed a \$5.00 debit adjustment to the District Court’s account at which time the Office Manager would have offset her adjusting credit entry.

Instead, the second check issued by the District Court to the remitter / defendant in the amount of \$5.00 was never cashed and is currently being held in the County’s Unclaimed Funds account to be escheated in 5 years.

Auditee Response

*District Court management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-1-02**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 20 case files out of a total population of 3,589 case files created in 2009. 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: Voided Disbursements

Internal Audit noted the following:

- In 2 instances, check copies were not included in the corresponding case files, therefore Internal Audit could not verify if the check was notated as “void/lost/stale”.
- In 1 instance, the replacement check copy was not attached to the corresponding case file.

Recommendation

Internal Audit recommends that the *District Court* staff exercise greater care in attaching check copies and their replacements to the corresponding case files.

Auditee Response

*District Court management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**  
**MAGISTERIAL DISTRICT COURT 15-1-02**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

An exit conference was not warranted for the audit of Magisterial District Court 15-1-02. Magisterial District Judge Thomas Tartaglio chose to accept the report as presented.