

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



*Management Letter
Magisterial District Court 15-2-03
For the year ended December 31, 2009*

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge William Kraut

Introduction

On July 15, 2010, Internal Audit completed an audit of Magisterial District Court 15-2-03 (*District Court*). Carissa M. Petrelia was the auditor-in-charge and was assisted by two additional members of the Internal Audit staff. 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 July 15, 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. Internal Audit noted no significant deficiencies or material weaknesses in the overall internal control structure.

Internal Audit did, however, note several matters of a lesser significance involving internal controls and compliance with policies and procedures. These matters have all been 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:

- Oversights
- 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 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash Adjustments

Internal Audit noted the following:

- The *District Court* processed the appropriate debit adjustment because the bank cashed a *District Court* check for more than the actual amount. To date, the bank has not been contacted to credit the amount back to the *District Court*.

Recommendation

Internal Audit recommends that the *District Court* exercise greater care when processing cash adjustments needed to reconcile their bank account at month-end. Every debit adjustment requires a subsequent credit adjustment and vice-versa. Corrective action should be taken as soon as discrepancies between book and bank occur. Continuous follow-up is required until the items are corrected and the *District Court* can process the appropriate debit/credit adjustment.

Auditee Response

See pages 6 & 7 for *District Court's* response

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 25 case files out of a total population of 6,311 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 caseload. We believe the results of our tests are representative of the entire population on the basis of accepted audit sampling principles.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Undisbursed Funds

Internal Audit noted the following:

- In 1 instance, funds held at year end were not held for an appropriate reason.
- In 1 instance, funds were not applied/disbursed in a timely manner.

Recommendation

Internal Audit recommends that *District Court* management re-emphasize to the staff the importance of disbursing/applying funds as soon as allowable on cases which have been adjudicated and/or closed. To this end, the Undisbursed Funds Report should be reviewed/ monitored on a monthly basis.

Auditee Response

See pages 6 & 7 for *District Court's* response

Finding 2: Voided Disbursements

Internal Audit noted the following:

- In 2 instances, a copy of the “due diligence” letter was not included in the respective case file.
- In 1 instance, a check to a County department was voided as stale and escheated instead of the *District Court* contacting the County department.

Recommendation

Internal Audit recommends that members of the staff exercise greater care to ensure that copies of “due diligence” letters are included in the corresponding case files. Internal Audit also recommends that the *District Court* contact the County department to inquire about the check. Internal Audit also recommends that checks made out to County departments not be staled.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Voided Disbursements (continued)

Auditee Response

See pages 6 & 7 for *District Court's* response

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2009

Magisterial District Judge William Kraut indicated through a written confirmation, that an exit conference would be waived for this year. The Magisterial District Judge has accepted the Audit Report and Management Letter as presented.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF CHESTER

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WILLIAM D. KRAUT
MAGISTERIAL DISTRICT JUDGE
Magisterial District 15-2-03

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Chester County Controllers Office
Carissa Petrelia
2 N. High Street, Suite 540
P O Box 2748
West Chester, Pa. 19380

Dear Carissa,

Below you will find the responses to our audit findings. We have opted to waive our exit conference.

Finding 1: Cash Adjustments

Immediately after being notified by the controllers office, the District Court contacted the bank about their error and a (.09) cent credit was initiated. The June, 2010 bank statement should reflect the same.

Finding 2: Undisbursed Funds

The District Court Management has re-emphasized to the staff the importance of disbursing/applying funds as soon as possible. In the future greater care will be exercised by the staff to comply with this procedure. We are now making a third copy to be kept in a separate file.

Finding 3: Voided Disbursements

The District Court Management expressed to the staff the importance of placing copies of all correspondence in the appropriate files. Greater care will be taken in the future.

In the instance of the staled check, the District Court made contact several times to the Clerk of Courts and spoke in great detail about the problem. District Justice Administration staff member Karen Dunn, was also contacted about the situation. She investigated the situation and informed the court not to stale the check just yet. The bank statement came 2 more months with the same check appearing not cashed. The next time District Justice Administration was contacted, the court was informed to stale the check.

This court knows it followed the direction of District Justice Administration and this should not be an exception. The court had no knowledge that a check should not be staled that was issued to a county department.

It is the desire of this court to follow all recommendations of the County Controllers office. We have spoken to the staff and these recommendations will go into affect immediately.

As always your efforts are greatly appreciated.

Thank you



William D. Kraut
Magisterial District Judge 15-2-03