

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



*Management Letter
Office of the Prothonotary
For the year ended December 31, 2009*

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Bryan Walters, Prothonotary

Introduction

On March 18, 2010, Internal Audit completed an audit of the *Office of the Prothonotary (Prothonotary)* for the year ended December 31, 2009. Gretchen W. Sohn, CIA, was the auditor-in-charge and was assisted by 1 additional auditor. 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/Escrow Payable
- Petty Cash/Change Fund
- Accounts Receivable
- Accounts Payable
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Unclaimed Property – Escheats
- Automation Fee Fund.

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 Controls over Financial Reporting concurrent with this Management Letter. Disclosures and other information in that Report (also dated March 18, 2010) should be considered in conjunction with this Management Letter.

Executive Summary

The management and staff of the *Prothonotary* are, in all material respects, in compliance with policies and procedures set forth by the County of Chester, the Commonwealth, and the *Prothonotary*. Findings involving the internal control structure are included in this Management Letter

On October 8, 2008, the legacy accounting system was discontinued and the CourtView receipting/disbursement system was implemented. Some of the findings in this Management Letter are due to the lack of experience with the CourtView system. However, most of the findings are due to human error and oversight on the part of the Accountant.

Internal Audit would like to thank the management and staff of the *Prothonotary* 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) 344-6797 should you have any questions or concerns.

COUNTY OF CHESTER

OFFICE OF THE PROTHONOTARY

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING/RECORDKEEPING

Finding 1: Bank Interest

Internal Audit noted the following:

- In 7 instances, bank interest from the operating and main escrow accounts was not posted timely in the CourtView system and therefore not paid to the County in a timely manner. The interest earned by the Automation Fee account was also not always posted in a timely manner.

Recommendation

Internal Audit recommends that all bank account interest be posted to the books as soon as the bank statements are received and paid to the County after posting.

Auditee Response

See management's responses on pages 7-9.

Finding 2: Escrow Payments

Internal Audit noted the following:

- In 2 instances, prior year cash adjustments for overpayment of escrow amounts were not done correctly.
- In 1 instance, an escrow check was issued for more than the amount transferred from the sub-account to the main account which will cause a negative bank balance when the interest is paid to the County.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING/RECORDKEEPING (continued)

Finding 2 (continued)

Recommendation

Internal Audit recommends that more care be exercised when issuing escrow checks. The amount transferred to the main account from the sub-account should be the amount of the check. Internal Audit also recommends that the supporting documentation be carefully reviewed by the check signers prior to signing the checks.

Auditee Response

See management's responses on pages 7-9.

Finding 3: System Entries

Internal Audit noted the following:

- In 2 instances, checks were issued from the Automation Fee account but not entered in the CourtView system.
- In 1 instance, an Automation Fee account check was not receipted in the CourtView system as required.

Recommendation

Internal Audit recommends that all checks issued from a bank account be entered in the CourtView system and also receipted when necessary.

Auditee Response

See management's responses on pages 7-9.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING/RECORDKEEPING (continued)

Finding 4: Cash Receipts

Internal Audit noted the following:

- In 1 instance, a receipt was entered in CourtView using the check # as the total amount received (166,293). The net received was \$10, therefore according to the receipt, \$166,283 was given to the filer as change. In actuality, a \$10 check was received and no change was given.

Recommendation

Internal Audit recommends that more care be taken when entering the “amount” and “reference description” on the receipt. This receipt should have been voided and reprocessed correctly.

Auditee Response

See management’s responses on pages 7-9.

Finding 5: Suspense Account

The Suspense Account (#240) is not being monitored on a monthly basis resulting in a negative balance at year end 2009.

Recommendation

Internal Audit recommends that the necessary corrective actions be taken to correct the negative balance and that the Suspense Account be monitored on a monthly basis.

Auditee Response

See management’s responses on pages 7-9.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDING/RECORDKEEPING (continued)

SAFEGUARDING OF ASSETS

Finding 1: Authorized Signers

Internal Audit noted the following:

- In 2 instances, checks issued from the Automation Fund bank account were not signed by authorized signers on the account.

Recommendation

Internal Audit recommends that the Prothonotary management and staff re-familiarize themselves with the authorized signers on their 3 bank accounts.

Auditee Response

See management's responses on page 7-9.

COUNTY OF CHESTER
OFFICE OF THE PROTHONOTARY
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009

On March 17, 2010, Prothonotary Bryan Walters indicated through a written confirmation that an exit conference would be waived for this year. All findings were discussed at length at the Closing Conference. The Prothonotary has accepted the report and management letter as presented.

OFFICE OF THE PROTHONOTARY
County of Chester, Pennsylvania
Corrective Action Plan for Internal Audit
Year ended December 31, 2009

Finding 1: Bank Interest: 7 instances of bank interest not posted in a timely manner.

Auditee Position: Prothonotary concurs with this finding.

Corrective Action: Bookkeeper will insure that all bank account interest will be posted as soon as he acquires appropriate statements. Bookkeeper also has included the posting of interest on his monthly checklist of actions to be completed at the end of the month. Joan Miller will be involved with checklist updates.

Finding 2: Escrow Payments:

- Prior year adjustments done incorrectly

Auditee position: Prothonotary concurs with this finding.

Corrective Action: Check # 7935 issued March 4, 2010 for \$3.85 from the General Operating Account was deposited in the Escrow Clearing Account at First National, Acct 444 687 8

- Check issued for more than amount transferred from sub-account

Auditee position: Prothonotary concurs. Bookkeeper contends First National was responsible for the double transfer and identified that amount as a negative. We will now tell First National Bank that, in the future, to expedite money into proper account.

Corrective action: Attached letter from First National show correction occurred on Feb 1, 2010.

Finding 3:

- 2 checks from Automation Account not entered in CourtView
- 1 check from Automation Account not receipted

Auditee position: Prothonotary concurs with this finding.

Corrective action: Bookkeeper will ensure that more care will be taken when using the Automation Account. Entering checks and receipts in CourtView when necessary. Joan Miller will ensure more time devoted to daily accounts.

Corrective Action for Internal Audit, Year ended 2009

Page 2

Finding 4: receipt with incorrect peripheral amounts.

Auditee position: Prothonotary concurs with this finding, with the understanding that the actual amount receipted was correct.

Corrective action: Bookkeeper will ensure that more vigilance will be taken when reviewing the post-set closing for the previous day. Any irregularities will be investigated and corrected if needed by Art and Joan's involvement.

Finding 5: Suspense had a negative balance an the close of 2009

Auditee position: Prothonotary concurs with this finding.

Corrective action: Bookkeeper will monitor the suspense account each month to ensure that the month end balance is zero. Monthly monitoring by checklist. Joan will ensure this happens.

Finding 1: Safeguarding of Assets: 2 instances of Automation Fund checks not signed by authorized signer.

Auditee position: Prothonotary concurs with this finding.

Corrective action: Bookkeeper has noted this finding very well. Bookkeeper has posted prominently on the front of Automation Fee Checkbook a notice **ONLY BRYAN SIGNS THESE CHECKS.**

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First National

Bank of Chester County

9 N. High Street
P.O. Box 523
West Chester, PA 19381

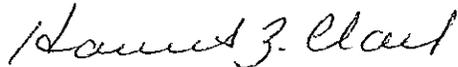
P 484.881.4000
W 1nbank.com

February 1, 2010

TO WHOM IT MAY CONCERN;

An error in posting was made to account # 6437 on 10-30-09. \$25.02 was posted to the wrong account. This error was corrected on Feb.1, 2010. Sorry for any inconvenience this may have caused.

Please call if there are any questions @ 484 881 4015.



Harriet Z Clark

RFS

First National Bank of Chester County
9 N High St. PO Box 523
West Chester Pa 19381