

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



*Management Letter
Magisterial District Court 15-4-02
For the year ended December 31, 2009*

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Jeffrey J. Valocchi

Introduction

On September 7, 2010, Internal Audit completed an audit of Magisterial District Court 15-4-02 (*District Court*). Christian Kriza 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
- 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 this report (also dated September 7, 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 noticed a significant finding with respect to a cash adjustment from 2007 which has yet to be corrected. Internal Audit strongly suggests management take corrective action to resolve this issue.** Minor findings involving internal controls and compliance are also included within this Management Letter.

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) 344-5906 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION/RECORDING

Finding 1: Cash Adjustments

Internal Audit noted the following:

- A Prior year audit exception regarding a bank error in 2007 has not yet been corrected. *District Court* management failed to follow up with the bank and have the bank correct the error. The error needs to be corrected by the *District Court's* bank so that the *District Court* can book the appropriate adjustment. If the bank will not reverse their error, the *District Court* should request the funds from the County.
- In 1 instance, the appropriate debit adjustment was processed by the *District Court* because of differences between book and bank deposit amounts. To date, the bank has not been contacted to explain their postings and/or to reverse the entries

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 deposits 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 management's responses, as attached on pages 7-8.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

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 25 case files out of a total population of 7,389 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: Undisbursed Funds

Internal Audit noted the following:

- A prior year exception has not yet been corrected. A clerk processed a receipt in error causing a negative balance (\$15.19) with a case on the Undisbursed Funds Report.

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. Also, any negative balance associated with a case should be investigated and rectified in a timely manner.

Auditee Response

See management's responses, as attached on page 7-8.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-02

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Cash Receipts

Internal Audit noted 5 instances, in which the civil case filing fee was waived. A First Class Township (non-exempt) was being treated as a Second Class Township (exempt) for filing purposes.

Recommendation

Internal Audit recommends that the *District Court* adhere to State law with regards to filing fee collection.

Auditee Response

See management's responses, as attached on page 7-8.

Finding 3: Voided Disbursements

Internal Audit noted 1 instance in which the replacement check copy was not attached to the case file.

Recommendation

Internal Audit recommends the *District Court* staff exercise greater care to ensure all necessary documents are included in the appropriate case file.

Auditee Response

See management's responses, as attached on page 7-8.

Finding 4: Compliance Testing

Internal Audit noted 1 instance, in which the original citation was not attached to the case file; therefore Internal Audit could not verify the citation was date stamped and initialed. Internal Audit also could not verify the citation was properly completed, signed and sealed by the Magisterial District Judge.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-02
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 4: Compliance Testing (continued)

Recommendation

Internal Audit recommends the *District Court* staff exercise greater care to ensure all necessary documents are included in the appropriate case file.

Auditee Response

See management's responses, as attached on page 7-8.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-4-02
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009

An exit conference was not warranted for the audit of Magisterial District Court 15-4-02. District Justice Administration has accepted the report as presented.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF CHESTER

Caln Township
East Brandywine Township

Jeffrey J. Valocchi
Magisterial District Judge
Magisterial District 15-4-02
Valley Run Shoppes
47 North Bailey Road
Thorndale, Pennsylvania 19372

OFFICE:
Telephone: 610 383-3490
Facsimile: 610 833-1093

August 31, 2010

County of Chester
Office of the Controller
2 N. High Street, Suite 540
P.O. Box 2748
West Chester, PA 19380-0991

Attention: Christian Kriza
Staff Auditor

Re: Magisterial District Court – 15-4-02
Audit as of December 31, 2009

Dear Mr. Kriza:

In reference to the above and, in particular, your letter of August 10, 2010 enclosing the Preliminary Audit Report and Management Letter received the afternoon of August 11, 2010, please be advised that I had departed for vacation on August 11 and did not return until the week of August 23 and was only recently able to review the reports.

I would like to note the following:

1. As regards Finding #1 - Cash Adjustments in the Internal Control Findings and Recommendations of the Audit Report, I believe that the bank error in 2009 refers to a 0.50 and 0.20 discrepancy with the bank which the bank had not explained or corrected. I would, at the least, request that the amounts be noted parenthetically as the term “substantial” is utilized in one of the paragraphs; Also please note that these matters have been corrected with the Bank;

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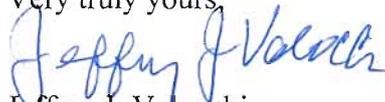
2. As regards undisbursed funds (\$15.19) from a prior year, this issue has been re-emphasized to the staff and the specific matter has been resolved; Also, this was from a 2004 file and has been corrected;
3. As regards the Management Letter Finding 2: Cash Receipts, that matter had been resolved in 2009 and the Second Class Township is being charged filing fees; and,
4. As regards Findings 3 and 4, the matters have been discussed with and emphasized to the Staff.

I would most appreciate if our comments could be made a part of the Final Reports.

Lastly, enclosed herein are the two signed letter as required.

Thanks you for your time and consideration.

Very truly yours,



Jeffrey J. Valocchi
Magisterial District Judge
15-4-02

JJV/dpp
cc: Patricia Daughtry