

*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, 2007*

Valentino F. DiGiorgio

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge William Kraut

Introduction

On October 9, 2008, Internal Audit completed an audit of Magisterial District Court 15-2-03 (*District Court*). Carissa M. Petrelia 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 Judge 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.

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 Judge 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, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Reconciliation

Finding 1: Cash Adjustments

Internal Audit noted that FYE 2006 the bank did not automatically transfer \$33.90 IOTA interest to the State. This caused the *District Court* to have credit IOTA adjustments with no corresponding debit IOTA adjustments. The *District Court's* Office Manger did contact the bank to make them aware that the transfer needed to be done, however, the bank has not transferred the IOTA interest as of yet. The bank is to transfer IOTA interest totaling \$33.90 to the State, therefore allowing the *District Court* to process debit IOTA adjustments to the corresponding credit IOTA adjustments.

Recommendation

Internal Audit recommends that the *District Court* again get in touch with the bank and explain that \$33.90 IOTA interest is to be transferred to the State.

Auditee Response

A letter was sent to First National Bank and Management at the bank was made aware of this problem. A response from the bank has been received and the interest will be taken care of with the September statement by the bank.

Finding 2: Daily Deposits

Internal Audit noted that a deposit from September, 2007 was left outstanding until January, 2008.

Recommendation

Internal Audit recommends that the *District Court* exercise greater care when performing the month-end bank account reconciliation. Deposits, with the exception of deposits in transit, should never be left outstanding.

Auditee Response

Greater care will be taken with the month-end statement. This issue stemmed from a \$0.50 credit card error.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

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 5,910 case files created in 2007. 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.

Finding 1: Undisbursed Funds

Internal Audit noted the following:

- In 2 instances, funds were not disbursed/applied in a timely manner.

Recommendation

Internal Audit recommends that *District Court* management review/monitor the Undisbursed Funds Report on a monthly basis to ensure that funds are properly disbursed/applied in a timely manner.

Auditee Response

The staff has been spoken to and greater care will be taken with this procedure in the future.

Finding 2: Voided Disbursements

Internal Audit noted the following:

- Checks were not escheated in a timely manner.
- In 1 instance, a check copy was not attached to the case file; therefore Internal Audit could not verify if the check was marked "void/stale/lost".

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Voided Disbursements (continued)

Recommendation

Internal Audit recommends that *District Court* management and staff adhere to the void check procedures as outlined in the District Justice Automated Office Clerical Procedures Manual. Internal Audit also recommends that *District Court* management monitor the list of outstanding checks monthly in order to perform due diligence and to escheat stale dated checks in a timely manner.

Auditee Response

Greater care will be taken in the future with this procedure.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-2-03

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2007

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.