

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



*Management Letter
Magisterial District Court 15-4-04*

For the year ended December 31, 2007

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Thomas E. Martin, Jr.

Introduction

On August 26, 2008, Internal Audit completed an audit of Magisterial District Court 15-4-04 (*District Court*). Sharon Kaye Jones, CIA, 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.

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 internal control and compliance are 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) 344-5913 should you have any questions or concerns.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-04

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash / Escrow Payable

A prior year cash adjustment remains unresolved with the bank. On 1/20/06 the *District Court* received a bail check payment for \$1. In preparing the deposit for the day, the dollar was included on the Daily Deposit listing and on the deposit slip, but the check was not physically placed in the deposit bag. The bank recorded the deposit amount as was listed on the deposit slip despite the missing check. At this point, the book balance and bank balance agreed. Upon discovering that the check had not been taken to the bank, the *District Court* prepared a separate deposit for the \$1 and took the check and deposit slip to the bank. As a result, the bank recorded the \$1 deposit twice and the account balance is now overstated by \$1.

Recommendation

Previously, Internal Audit recommended that the *District Court* contact the bank to inform them of the error and to request that the account balance be reduced by \$1. The bank, *The Peoples Bank of Oxford* has informed the *District Court* that their policy prohibits them from making adjustments that are monetarily inconsequential (\$1 or less). Although Internal Audit understands the bank's position, the fact of the matter is that the *District Court's* checking account needs to remain a "zero balance" account. This means that the cash balance, should at all times, equal the amount owed to another government agency or individual.

Should the bank continue to deny processing adjustments of \$1 or less, the *District Court* may need to process shortages and/or overages through the County's general fund. In this manner, account overages will be paid into the general fund and shortages will be paid out of the general fund.

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-04

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 2: Cash / Escrow Payable

On 8/31/07 the bank sent an advice to the *District Court* notifying them that a check deposited on 8/27/07 was returned for insufficient funds but was re-deposited. The *District Court* did not realize that the check was successfully re-deposited and voided the original receipt. They proceeded to contact the defendant and when all efforts failed, issued a warrant for “failure to pay”. Upon receipt of the bank statement, the Office Manager noticed that there was no deposit adjustment for the NSF check and contacted the bank. The Office Manager was informed that the check was re-deposited and successfully cleared. In order to reconcile, the Office Manager prepared a credit adjustment on the books instead of creating a new receipt. To further complicate the situation, the defendant remitted a second payment which included constable costs in addition to the original fine. This payment was also deposited into the bank. As of 10/24/07, the *District Court* checking account holds approximately \$600 in excess funds because the duplicate payment was never refunded to the defendant.

Recommendation

Internal Audit recommends that the *District Court* process a receipt for the original payment that was voided in error. This will put the money back on the books. The *District Court* can then process a debit adjustment to offset and clear the credit adjustment which was used to reconcile the book to the bank for September, 2007. The *District Court* should then discuss the matter with the Judge to determine which of the payments should be refunded back to the defendant (\$568.50 or \$615.50).

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-04

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 3: Cash / Escrow Payable

The *District Court* processed a debit adjustment on the books in error. In order to reconcile, the District Court left the adjustment “outstanding” and reversed it one month later.

Recommendation

Debit and credit adjustments should only be processed out of necessity to offset bank or clerical errors. As a result, these adjustments should clear immediately. An outstanding adjustment should suggest that there is a problem that needs further attention. The problem should be corrected before the reconciliation process for the month is complete.

Auditee Response

District Court management concurs with the audit finding and recommendation.

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 5,707 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.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-04

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

II. COMPLIANCE WITH POLICIES AND PROCEDURES (continued)

Finding 1: Undisbursed Funds

In 1 instance, bail was not forfeited in a timely manner.

Recommendation

Internal Audit would like to remind the *District Court* that once a defendant fails to appear for a preliminary hearing, a warrant should be issued. At this same time, a “Notice of Bail Forfeiture” should be given to the defendant and all sureties either personally or via first class and certified mail to their last known address. After 20 days, the bail should be forfeited to the county.

Auditee Response

District Court management concurs with the audit finding and recommendation.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-4-04

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2007

An exit conference was not warranted for the audit of District Court 15-4-04. Magisterial District Judge Thomas E. Martin, Jr. has accepted the report as presented.