

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



*Management Letter
Magisterial District Court 15-1-04
For the year ended December 31, 2008*

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: Magisterial District Judge Gwenn S. Knapp

Introduction

On May 26, 2009, Internal Audit completed an audit of Magisterial District Court 15-1-04 (*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.

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 May 26, 2009) should be considered in conjunction with this management letter.

Executive Summary

The management and staff of the *District Court* continue to implement new procedures designed to address and correct reportable conditions from previous audits. For the year ended December 31, 2008, there were no significant deficiencies or material weaknesses noted in the *District Court's* overall internal control structure. In fact, the *District Court* is, 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.

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 15-1-04
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash Adjustments

In January 2008, the bank erroneously processed two \$.01 adjustments to the *District Court's* checking account. Although the *District Court's* Office Manager contacted the bank in January and again in March; the bank failed to reverse the adjustments. Further follow-up was not performed by the *District Court*. As a result, the adjustments are still outstanding.

Recommendation

Internal Audit recommends that the *District Court* contact the bank again to request that their checking account be reduced by \$.02. Once this has been completed, the *District Court* will need to process a corresponding debit adjustment on their books to offset the two \$.01 credit adjustments made back in January, 2008.

Auditee Response

See Management's responses on pages 6 and 7.

II. COMPLIANCE WITH POLICIES AND PROCEDURES

In order to test compliance with all applicable policies and procedures, Internal Audit selected a statistical sample of 30 case files out of a total population of 13,817 case files created in 2008. 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 15-1-04
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FOR THE YEAR ENDED DECEMBER 31, 2008

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 1: Voided Receipts

A civil case was filed against a company and its owner. The civil clerk erroneously opened 2 cases when in fact only one was needed. Money receipted into the second case was removed and applied to the first docketed case. Since the second case was opened in error and would have no further activity, it should have been deleted from the state court system. A letter was written to the Administrative Office of PA Courts (AOPC) to have this done. Unfortunately the letter was placed in the case file and was never mailed.

Recommendation

Internal Audit recommends that the *District Court* draft and mail a revised letter to the AOPC requesting that this case be deleted from the state court system.

Auditee Response

See Management's responses on pages 6 and 7.

Finding 2: Cash / Voided Disbursements

Internal Audit identified 16 checks issued in 2008 which remained un-cashed after 60 days and were not voided and transferred to the County as "Unclaimed" in a timely manner. Twelve of these checks however, were stale dated prior to the end of the 2007 audit which did not take place until late October, 2008. As a result, the *District Court* did not have ample time to act upon recommendations made by Internal Audit until the beginning of 2009. Four of the 16 checks mentioned above were written in September 2008 but were not voided as "stale" until February 2009.

COUNTY OF CHESTER
MAGISTERIAL DISTRICT COURT 15-1-04
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

II. COMPLIANCE WITH POLICIES AND PROCEDURES

Finding 2: Cash / Voided Disbursements (continued)

Recommendation

Internal Audit recommends that *District Court* management monitor the list of outstanding checks monthly in order to void stale dated checks in a timely manner once due diligence has been performed. Checks should not be held outstanding beyond a 4 month period.

Auditee Response

See Management's responses on pages 6 and 7.

COUNTY OF CHESTER

MAGISTERIAL DISTRICT COURT 15-1-04

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2008

Magisterial District Judge Gwenn S. Knapp indicated that an exit conference would be waived for this year and has accepted the audit report as presented.

COMMONWEALTH OF PENNSYLVANIA



COUNTY OF CHESTER

BOROUGH OF
WEST CHESTER
(EASTERN SIDE)

GWENN S. KNAPP
MAGISTERIAL DISTRICT JUSTICE

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530 E. Union Street, Ste A
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May 21, 2009

Sharon Kaye Jones, CIA
County of Chester
Office of the Controller
2 North High Street, Ste. 540
PO Box 2748
West Chester, PA 19380-0991

Re: Audit Year Ended December 31, 2008;

Dear Ms. Jones:

District Court 15-1-04 is in receipt of the Audit Report for the year ended December 31, 2008. Please allow this written correspondence as the District Court's official response to the 2008 audit.

Finding 1: Cash Adjustments

District Court 15-1-04 has contacted TD Banknorth to debit the checking account of the court by \$.02. TD Banknorth has reduced the checking account of the court by \$.02 in May 2009. The adjustment in the District Justice System (hereinafter referred to as "DJS") in May 2009 to offset the two one-penny credit adjustments entered into the DJS in January of 2008.

Finding 1: Voided Receipts

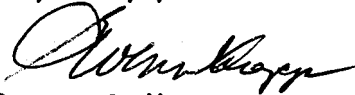
The drafted letter requesting deletion of a civil case to the Administrative Office of PA Courts (hereinafter referred to as "AOPC") has been revised and sent to AOPC. District Court 15-1-04 has re-organized the staff responsibilities. The court is also awaiting confirmation of the deletion of the civil case by AOPC.

Finding 2: Cash/Voided Disbursements

District Court 15-1-04 has tightened the time frame to process outstanding checks in order to void those outstanding checks within a four (4) month limit. Following the verbal direction of District Justice Administration, the voiding of any outstanding checks had been put off from processing until the bank statement was received for the following month after the due diligence letter has been performed. The District Court management has revised procedure in 2009 in order to not hold any outstanding checks beyond a four (4) month period.

District Court 15-1-04 would like to thank Sharon K. Jones for her cooperation and assistance during the course of this audit.

Very truly yours



Gwenn S. Knapp
Magisterial District Judge

:jls

Enclosures

CC: Patricia Norwood-Foden, District Court Administrator