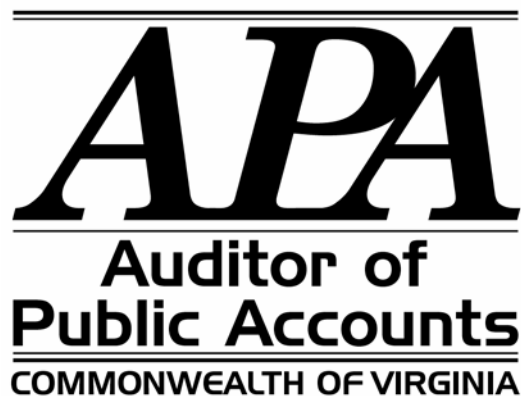


**VIRGINIA CIRCUIT COURTS
STATEWIDE REPORT**

**REPORT ON AUDITS
DURING THE PERIOD
July 1, 2004 THROUGH JUNE 30, 2005**



AUDIT SUMMARY

During our audits of Clerks of Circuit Court for the fiscal year 2005, we identified the following three findings that we consider statewide issues that are common to several circuit courts:

- Properly reconcile accounting records
- Properly manage accounts receivable
- Properly assess and record court fees and costs

Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the circuit court administrator, to consider issuing new guidelines or providing training to help specific clerks' offices improve. In addition, the Executive Secretary should consider including these issues when conducting statewide training for all clerks' offices.

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

November 15, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We are pleased to submit our statewide report on the **Virginia Circuit Court System**. This report represents the results of audits conducted in our 2005 work plan and covers fiscal periods through June 30, 2005. The Supreme Court of Virginia establishes the rules of practice and procedure for the circuit courts, while the Executive Secretary of the Supreme Court acts as the administrator of the circuit court system.

Our audits determined whether the Clerks of the Circuit Court have maintained accountability over collections, established internal controls, and complied with state laws and regulations. We used a risk-based audit approach for circuit courts that assessed risk for individual courts to determine the amount of testing we performed.

During this period, we conducted 102 Clerks of Circuit Court audits and noted findings in 18 offices. We previously communicated findings for individual circuit court audits to the appropriate Clerks of the Circuit Court, Chief Judges, local governing bodies, and the Executive Secretary of the Supreme Court.

This report summarizes the findings from our individual audits that we consider statewide issues that are common to several clerks' offices. Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the circuit court administrator, consider issuing new guidelines or provide training to help these offices improve. In addition, the Executive Secretary of the Supreme Court periodically holds training for all clerks' offices and should consider emphasizing these matters during future training sessions.

We identified the following three findings that we consider statewide issues common to several circuit courts:

- Properly Reconcile Accounting Records
- Properly Manage Accounts Receivable
- Properly Assess and Record Court Fees and Costs

We have included a further discussion of each of these statewide findings in the “Statewide Internal Control and Compliance Issues” section of this report.

This report is intended for the information of the Governor and General Assembly, court management, and the citizens of the Commonwealth of Virginia and is a public record. We discussed the findings contained in this report with court management at the completion of our individual clerk’s office audits during the period.

AUDITOR OF PUBLIC ACCOUNTS

JMS/sks
sks:28

STATEWIDE INTERNAL CONTROL AND COMPLIANCE ISSUES

We identified the following three findings that we consider statewide issues common to several circuit courts.

Properly Reconcile Accounting Records

Properly reconciling accounting records is one of the most important steps in maintaining strong internal controls. The most familiar process is the monthly reconciliation between the bank statement, the checkbook, and the automated accounting system. Comparing the day's collections to the daily bank deposit is another reconciliation important for maintaining fiscal accountability in clerks' offices.

When done properly and timely, the bank reconciliation helps determine that all transactions have been recorded, any errors have been detected and corrected, and the accounting records accurately reflect the amount of money in the bank. Conversely, failing to properly reconcile the bank account significantly increases the chances that errors, theft, omissions, or other irregularities could go undetected. We noted the following weaknesses regarding the reconciliation of clerks' bank accounts.

- Some clerks do not properly resolve differences between the bank statement and the court's automated financial system. We noted differences stemming from returned checks or routine bank service and new check fees not recorded in the system, and uncorrected deposit errors. In one court, we noted differences totaling more than \$13,200 that went unresolved for three months. In other courts, we noted differences in trust funds totaling more than \$6,100 went unresolved for up to five months. In still another court, we found unresolved differences carried forward month-to-month as far back as August 2004. In this case we determined that part of the difference was caused by an unidentified \$42 cash shortage.
- One factor hindering the monthly reconciliation process is failing to consistently reconcile daily collections. Oftentimes court staff does not identify and resolve differences between the amount collected by the court and the amount deposited in the bank. The automated system provides help in the process by printing out a daily reconciliation work sheet. But, staff does not always use this tool. We noted in one court that there was an unidentified \$30 overage in cash that had not been documented on the daily reconciliation worksheet nor was it appropriately reflected in the system. Properly completing the work sheet would help minimize the chance of errors when reconciling daily collections.

Clerks should properly reconcile their bank accounts to the checkbook and the automated financial system each month and resolve all differences timely. Clerks who may not fully understand the reconciliation process in an automated system environment should immediately seek assistance and training from the Supreme Court. Failing to reconcile the bank account and daily collections, or not resolving all differences promptly significantly increase the risk of errors, fraud, or other irregularities going undetected.

We noted reconciliation issues at the following Clerks of Circuit Court offices:

Accomack County*
Dinwiddie County
Pulaski County*
Rockingham County

Smyth County
City of Petersburg*
City of Salem

* Indicates repeat finding from prior year's audit

Improve Accounts Receivable Management

We found that many clerks do not properly establish, monitor, or collect accounts receivable. Specifically, we found the following conditions:

- Some clerks altered fines and costs due dates in the court's financial management system without a court order or obtaining a signed pay agreement in accordance with Section 19.2-354 of the Code of Virginia. All fines and costs are payable immediately upon final disposition unless otherwise ordered by the court or evidenced by a written payment plan. Court staff should not alter due dates unless they have an established or revised payment agreement, so that defendants understand their obligation to the court. Allowing due date changes without proper supporting documentation significantly raises the risk of loss of funds due the Commonwealth and the locality.
- Some clerks failed to promptly enter unpaid fines and costs in the court's automated financial system. We found instances where clerks did not enter fines and costs for periods up to two and one-half months after sentencing. Clerks should promptly enter all fines and costs in the automated financial system to ensure that the collection process can proceed.
- Some clerks failed to record judgments for delinquent accounts in the Judgment Lien Docket Book as required by Section 8.01-446 of the Code of Virginia. We found recording delays of up to 19 months or not recorded at all.
- Some clerks failed to promptly report delinquent accounts to the Department of Motor Vehicles. We noted reporting delays of up to 19 months after accounts became past due and eligible for license suspension. Section 46.2-395 of the Code of Virginia requires clerks to report all unpaid criminal and traffic cases. Driver license suspension is often an important tool for collecting delinquent fines and costs, therefore, clerks should promptly report delinquent accounts to the Department of Motor Vehicles.
- Some clerks failed to respond to the Department of Taxation's Set-Off Match reports timely resulting in lost opportunities to recover delinquent fines and costs.

Inadequate management of accounts receivable inhibits the collection of fines and costs. Clerks should follow Supreme Court guidance and the Code of Virginia requirements when establishing and managing the court's accounts receivable. The lack of such procedures, improper due date changes, untimely reports to the Department of Motor Vehicles, not responding to tax set-off reports all hinder collection efforts and the delayed recording of judgments result in lost revenue for the Commonwealth and localities.

We noted accounts receivable issues at the following Clerk of Circuit Court offices:

Arlington County	Powhatan County
Caroline County*	Rockingham County*
Culpeper County	Smyth County*
Dinwiddie County	Stafford County*
Green County	City of Petersburg
Fairfax County	

* Indicates repeat finding from prior year's audit

Properly Assess and Record Court Fees and Costs

Some clerks do not properly assess and record fees and costs in accordance with the Code of Virginia. We found errors in the assessment of such costs as time-to-pay administrative fees, court-appointed attorney/public defender fees, drug offender fees, forensic laboratory fees, sentencing fees, and the application of fixed felony or misdemeanor fees. Clerks need to be more diligent and assess court costs and fees in accordance with the Code of Virginia. Clerks should always use current fee schedules and, when practical, attend the Supreme Court's periodic regional training sessions to help keep staff abreast of any changes in costs and fees.

We noted improper assessing of fees or costs at the following Clerk of Circuit Court offices:

Caroline County*	Smyth County
Fairfax County	Stafford County
Prince William County*	Washington County
Pulaski County*	City of Petersburg*
Rockingham County	

* Indicates repeat finding from prior year's audit

APPENDIX

2005 Circuit Court Audits

Accomack County**	Goochland County	Pittsylvania County
City of Alexandria	Grayson County**	Powhatan County**
Albemarle County	Greene County**	City of Portsmouth
Alleghany County	Greensville County**	Prince Edward County
Amelia County	Halifax County	Prince George County
Amherst County	City of Hampton	Prince William County**
Appomattox County	Hanover County	Pulaski County**
Arlington County**	Henrico County	City of Radford
Augusta County	Henry County	Rappahannock County
Bland County	City of Hopewell	City of Richmond – Marshall
City of Bristol	Isle of Wight County	City of Richmond – Manchester
Brunswick County	James City County/Williamsburg	Richmond County
Buckingham County	King & Queen County	City of Roanoke
Campbell County	King George County	Roanoke County
Caroline County**	King William County	Rockbridge County
Charles City County	Lancaster County	Rockingham County**
Charlotte County	Lee County	Russell County
City of Chesapeake	Loudoun County	City of Salem**
Chesterfield County	Louisa County	Scott County
City of Colonial Heights	Lunenburg County	Smyth County**
Craig County	City of Lynchburg	Southampton County
Culpeper County**	Mathews County	Spotsylvania County
Cumberland County	Mecklenburg County	Stafford County**
City of Danville	Middlesex County	City of Staunton
Dickenson County	Montgomery County	Surry County
Dinwiddie County**	Nelson County	City of Suffolk
Essex County	New Kent County	Sussex County
Fairfax County**	City of Newport News	Tazewell County
Floyd County	City of Norfolk	City of Virginia Beach
Fluvanna County	Northampton County	Washington County**
Franklin County	Nottoway County	City of Waynesboro
Frederick County	Page County	Westmoreland County
City of Fredericksburg	Patrick County	Wythe County
Gloucester County	City of Petersburg**	York County

** Denotes audit with one or more findings.

SUPREME COURT OFFICIALS

The Honorable Leroy Rountree Hassell, Sr.
Chief Justice of the Supreme Court of Virginia

The Honorable F. Bruce Bach
Interim Executive Secretary
Office of the Executive Secretary of the Supreme Court of Virginia