

**REPORT ON
CLERK OF THE CIRCUIT COURT
OF THE
CITY OF SALEM, VIRGINIA
G. CHANCE CRAWFORD**

**FOR THE PERIOD
JULY 1, 2006 THROUGH FEBRUARY 29, 2008**





Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

Walter J. Kucharski, Auditor

May 29, 2008

The Honorable G. Chance Crawford
Clerk of the Circuit Court
City of Salem

City Council
City of Salem

Audit Period: July 1, 2006 through February 29, 2008
Court System: City of Salem

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System and for the period noted above. Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies.

Management's Responsibility

Court management has responsibility for establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Deficiencies in internal controls could possibly lead to the loss of revenues or assets, or otherwise compromise fiscal accountability.

Financial Matters

We noted no instances of improper recording and reporting of financial transactions in the Court's financial management system.

Internal Controls

We noted matters involving internal control and its operation necessary to bring to management's attention.

Compliance

The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance that are required to be reported.

The issues identified above are discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate these issues provided by the Clerk are included as an enclosure to this report.

The Clerk has taken adequate corrective action with respect to the internal control findings reported in the prior year that are not repeated in this letter.

We discussed these comments with the Clerk and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:kmk

cc: The Honorable James R. Swanson, Chief Judge
Kevin S. Boggess, City Manager
Robyn M. de Socio, Executive Secretary
Compensation Board
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia
Director, Admin and Public Records
Department of Accounts

COMMENTS TO MANAGEMENT

Internal Controls and Compliance

We noted the following matters involving internal control and its operation that could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability. The results of our tests of compliance with applicable laws and regulations also disclosed accompanying instances of noncompliance in the following:

Improve Controls over Cash Collections

On February 27, 2008, the Clerk's staff experienced a \$1,000 cash loss. The auditors and the Clerk could not determine how the loss occurred; who was responsible for the loss; or which transaction or employee handled the transaction. The Clerk does not require employees to use separate cash drawers for each cashier and does not have a separation of duties between who receipts collections and who prepares the daily deposit. These factors are the reason the Clerk could not determine who experienced the cash shortage.

The Clerk should immediately re-evaluate all of his internal controls in his office relating to cash collections and safeguards over daily collections. The Clerk should require each cashier to have a separate cash drawer, which only that employee uses. The cashier should close their cash drawers at the end of each day and turnover daily collection to an individual, who does not handle cash to do the deposit. The person preparing the deposit should also verify all collections for each cashier with the cash register application of the court accounting system by individual. These procedures are standard minimum internal controls, which the Supreme Court outlines in its financial accounting system user manual.

Strengthen Controls Over Bank Reconciliations

As noted in the past two audits and again in this audit for a 20-month period, the Clerk failed to have the bookkeeper properly reconcile the bank account and resolve reconciling items. The Clerk should ensure the bookkeeper reconciles the bank account promptly; and investigate and resolve any differences between the bank statement, checkbook and the automated system.

Failure to properly and promptly reconcile the bank account increases the risk of errors going undetected. Reconciliations are fundamental internal control of any accounting system to ensure the accurate and timely recording of transactions. Additionally, reconciliations identify problem and allow for timely correct.

Clerk of the Circuit Court

G. CHANCE CRAWFORD
CLERK
P.O. BOX 891
SALEM, VIRGINIA 24153
PH: 540-375-3067
FAX: 540-375-4039



TERMS OF COURT
THIRD FRIDAY
FEB. - MAY - JULY - SEPT.
SECOND FRIDAY
DECEMBER

City of Salem, Virginia

June 9, 2008

Mr. Walter J. Kucharski, Auditor
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Mr. Kucharski,

ITEM 1: BANK RECONCILIATION

With regards to the ongoing problems regarding bank reconciliation, our office has had a significant amount of turnover, including the retirement of a bookkeeper with twenty-eight years of service in the Clerk's Office. On March 10, 2008 and March 11, 2008, Martin Watts, FMS specialist with the Supreme Court of Virginia, met with myself and Steve Snyder (the current bookkeeper) to help resolve the long-term issues with the reconciliation. As you noted, these issues dated back to well before this last audit period; however, during the current audit period, we had no further issues with the reconciliation. There were four unreconciled figures that were carried over from previous audits and we were able to reconcile the statements to the FMS report using these figures.

A portion of the unreconciled difference was due to our locality paying for checks and deposit tickets on behalf of our office; however, the bank was still debiting our account for said items, resulting in our account being out of balance. Our bank no longer charges us for either checks or deposit tickets.

Another portion of the unreconciled difference was due to bad checks being entered into FMS, but when said checks were satisfied, the funds were directly deposited into our account, without being entered into FMS. We no longer directly deposit any funds into our account. Instead, all funds are run through FMS.

The remaining portion of the unreconciled difference was a result of two checks written for treasury deposit certificates being entered

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Clerk of the Circuit Court

G. CHANCE CRAWFORD

CLERK

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City of Salem, Virginia

TERMS OF COURT
THIRD FRIDAY
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incorrectly into FMS. FMS has now been corrected. The reconciliation remains correct through the latest reconciliation of June 9, 2008.

ITEM 2: CASH SHORTAGE AND INTERNAL CONTROLS

On February 27, 2008, we had a cash shortage of \$1,000.00. The next morning, we contacted the Virginia State Police, the Commonwealth's Attorney, the Supreme Court of Virginia, and the Auditor of Public Accounts. At this time, the matter is still under investigation by the Virginia State Police.

With regards to internal controls, we have installed a camera and recorder to oversee the counter and all transactions. We have discussed with the City Manager and have plans to renovate the counter, to include installing a glass barrier over the counter and installing individual cash drawers. We are continuing to discuss security measures with the Sheriff and City Manager to help ensure no further occurrences.

To the extent that is possible for an office of our size, we have separated duties for those employees handling transactions and the employee(s) who oversee the daily deposit.

With regards to my not being able to determine which transaction resulted in the loss, I spoke extensively with Randy Johnson, an auditor with your office, and he and I were able to determine the transaction where the loss occurred; however, we were not able to prove conclusively what transpired during this transaction that resulted in the loss.

This was a one-time issue, which had never occurred before and we anticipate will not occur again.

Sincerely,

Chance Crawford

Chance Crawford
Clerk, City of Salem