

**G. CHANCE CRAWFORD
CLERK OF THE CIRCUIT COURT
FOR THE
CITY OF SALEM**

**REPORT ON AUDIT
FOR THE PERIOD
APRIL 1, 2009 THROUGH MARCH 31, 2010**



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Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

August 20, 2010

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

City Council
City of Salem

Audit Period: April 1, 2009 through March 31, 2010
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.

We noted matters involving internal controls and its operation necessary to bring to management's attention. These matters are discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate these matters provided by the Clerk are included as an enclosure to this report.

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: clj

cc: The Honorable William D. Broadhurst, 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

We noted the following matters involving internal control and its operation that has led or could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability.

Properly Approve Financial Transactions

The Clerk did not authorize one of the Deputy Clerks to perform critical financial duties during his absence from the office for medical reasons from October 2009 through May 2010. In this office, the Clerk approves all financial transactions and purchase orders. The auditors noted the following:

- No one authorized the daily financial transactions;
- Multiple vendors did not receive payments timely after providing goods and services to the clerk's office; and
- No one reviewed and approved the January 2010 through April 2010 bank statements and reconciliations until June 2010 and the October 2009 and November 2009 bank statements and reconciliations until January 2010.

By not authorizing someone to perform critical financial duties, the Clerk incurs the risk of inappropriate transactions and problems that could lead to errors and irregularities going undetected. The Clerk should authorize someone to perform critical financial duties during an extended absence.

Properly Collect Recording Fees on Estates

The Clerk and his staff are not properly collecting the Clerk fee, the Library of Virginia fee, and the "Transfer" fee as required by Sections 17.1-275.A (2), 17.1-275.A (3) and 58.1-3314 of the Code of Virginia. In three of ten estates tested, the Clerk's staff did not charge individuals for Clerk's fees totaling \$49, Library of Virginia fees totaling \$3, and a "Transfer" fee totaling \$1. The Clerk and his staff should collect the appropriate recordation fees in accordance with the Code of Virginia.

Properly Retain Void Receipts

The Clerk and his staff do not consistently retain all copies of void receipts as required by the Financial Management System User's Guide. In three of 18 voids tested, the Clerk did not retain all copies of the void receipts. Retaining void receipts is a critical internal control that helps prevent a loss of funds from occurring. The Clerk and his staff should retain void receipts as required by the Financial Management System User's Guide.

Monitor and Disburse Liability Accounts

The Clerk is not monitoring his liability accounts monthly or performing due diligence as required by Sections 19.2-305.1 (F), 19.2-143, and 55-210.9:2 of the Code of Virginia and the Financial Management System User's Guide. Liability accounts record amounts that the Clerk is holding to disburse to individuals, other agencies, or others, or to pay fines and costs. The auditors noted the following errors:

- The Clerk has not remitted 21 unclaimed restitution accounts over a year old totaling \$7,377 to the Criminal Injuries Compensation Fund;

- The Clerk has not forfeited a cash bond totaling \$2,500. The Judge ordered the forfeiture of the bond in February 2010;
- The Clerk has not disbursed a \$500 cash bond on a closed case ending in September 2007; and
- The Clerk has not remitted three unclaimed accounts over a year old totaling \$55 to the Division of Unclaimed Property.

The Clerk should monitor liabilities, perform due diligence, and disburse liabilities on a monthly basis. Further, the Clerk should remit unclaimed property to the appropriate division or fund after due diligence procedures to locate the recipient have failed.

Clerk of the Circuit Court

G. CHANCE CRAWFORD

CLERK

P.O. BOX 891

SALEM, VIRGINIA 24153

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FAX: 540-375-4039



City of Salem, Virginia

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

August 5, 2010

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

Dear Mr. Kucharski,

ITEM 1: PROPERLY APPROVE FINANCIAL TRANSACTIONS

We are currently training another member of our staff to perform both the bookkeeping and financial system duties. By having a third person capable of handling bookkeeping and financial transactions, we will alleviate any further risk of financial error and irregularities going undetected.

ITEM 2: PROPERLY COLLECT RECORDING FEES ON ESTATES

We have made a conscientious effort to read again the fee schedule with regards to will and estates to insure that we always collect the proper fees in accordance with the Code of Virginia.

ITEM 3: PROPERLY RETAIN VOID RECEIPTS

We as management are instructing our employees to first and foremost be more careful when issuing receipts so that we can eliminate as many void receipts as possible. When a void should occur, we have firmly instructed all employees to ALWAYS retain all three copies of a voided receipt, as required by the Financial Management System User's Guide.

ITEM 4: MONITOR AND DISBURSE LIABILITY ACCOUNTS

We as management are reading again the particular sections of the Financial Management System User's Guide that pertains to liabilities and will work diligently to insure that liabilities will be disbursed properly on a monthly

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basis. We have taken steps to clear our books of the unclaimed liabilities noted during the most recent audit period.

Additionally, we would like to commend Randall Johnson and Nancy Tardiff for being at all times professional and courteous during this most recent audit.

Sincerely,

Chance Crawford

Chance Crawford
Clerk, City of Salem