



# Commonwealth of Virginia

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June 18, 2004

The Honorable Ray S. Campbell, Jr.  
Clerk of the Circuit Court  
County of Caroline

Board of Supervisors  
County of Caroline

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Caroline for the period April 1, 2003 through March 31, 2004.

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. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system. However, we noted weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

## Improve Bookkeeper's Performance

The bookkeeper has failed to follow accepted procedures, perform work timely, and properly resolve differences in several accounting areas. Following are the areas where we found problems.

- Inconsistent reconciliation of daily collections, improper recording of voided receipts, and not maintaining a separate account of daily overages/shortages resulted in an overstatement of more than \$141 in cash collections for the audit period. When a register has an overage the bookkeeper either removes the amount in cash to an unsecured desk drawer or leaves the overage in the cash drawer. When the deposit is short, the bookkeeper utilizes the accumulated overage to supplement the deposit in order to reconcile to the end of day report. The Financial Management System User's Guide requires clerks to

record overages and shortages in the accounting system. Recording the overage/shortage in the system allows a clerk to monitor daily differences and take appropriate action to resolve any potential training or personnel issues, and reduce the potential for fraud. Further, court funds should never be stored in an unsecured desk drawer.

- Since September 2003, the monthly bank reconciliations remained undone or done incorrectly, and our reconciliation found differences totaling more than \$1,160 between the bank account and the automated system. The differences consisted of unresolved reconciling items including returned checks and unrecorded bank fees.

Properly reconciling the bank account in a timely manner is an essential internal control. Failing to reconcile the bank account and resolve differences between bank statements and the automated financial system can lead to errors and irregularities going undetected. The Clerk should ensure that the bank account is reconciled correctly and promptly each month. If needed, the Clerk should immediately request assistance from the Supreme Court.

- Two tax set-off checks totaling \$292 remained in the safe for up to a year because the bookkeeper did not know which individual accounts to credit. The Court should immediately credit payments from the Department of Taxation to the appropriate individual accounts. Failing to record tax set-off payments timely could result in loss of revenue and defendants paying more than owed. The Clerk should take immediate action to ensure the court receipts all payments immediately.
- Inconsistent review of automated system reports resulted in errors and omissions going uncorrected for up to six months or not at all. For example, the bookkeeper failed to review the Daily Trial Balance Report which showed several disbursement errors including one \$100 check unrecorded in the financial system. We also found 27 individual accounts that been paid up to five years ago still listed as under review in the system. We noted negative balances in some state revenue accounts that remained for up to six months.
- A surprise check of the cash by the auditor found a shortage of \$156. The following day the bookkeeper found the money in a case file. Had the court followed standard practices, a daily cash settlement before the bank deposit would have shown the shortage. Further had the court used individual cashier drawers, the clerk could have determined which employee had made the error.

- Compared to courts of a similar size we found an unusual high number of journal entries many of which appeared to be correcting other previously made journal entries. This situation is an indication of a need for additional training or a lack of proper care preparation and understanding of the system.

The Clerk has the ultimate responsibility for the performance of his personnel and the internal controls within the Court. Therefore, the Clerk must evaluate the performance of each staff member and determine what is the best course of action for both the office and the employee. Sometimes, training or reassignment is the best solution to address an issue. Also, it is necessary to periodically review the operations of the court's internal control procedures and implement enhanced controls. We believe that the Clerk should begin using separate cash drawers for each employee, do daily cash settlements, and improve the timeliness and extent of his supervisory reviews. Any failure to address and correct these findings greatly increases the risk of the loss of funds due to errors, misappropriation, or theft going undetected.

#### Properly Manage Accounts Receivable

As noted in our previous audit report, the Clerk needs to strengthen the court's procedures for managing accounts receivable. Specifically, we found the following:

- In six of 20 cases tested, again the Clerk did not calculate the correct due dates for the payment of fines and fees as required in Section 19.2-354 of the Code of Virginia. Absent a court order or a signed payment agreement, all fines and costs are payable immediately upon sentencing.
- In five of 20 cases tested, the Clerk again failed to enter unpaid fines and costs on criminal cases into the Judgment Lien Docket Book from two to nine days late or not at all. Section 8.01-446 of the Code of Virginia, requires Clerk's to enter all judgments in the Judgment Lien Docket Book without delay.

Properly managing accounts receivable is important for collecting unpaid court fines and costs. The Clerk should properly calculate payment due dates and record delinquent accounts in the Judgment Lien Docket Book without delay.

#### Properly Assess Costs on Criminal Cases

As noted in our previous report, court staff do not consistently assess costs on criminal cases correctly. In six of eight eligible cases tested, staff again failed to assess the \$25 DNA Analysis Fee as required by the Code of Virginia. We also found that in 11 of 20 cases tested, the Clerk incorrectly charged a separate fee for courthouse maintenance in cases involving fixed fees. However, a courthouse maintenance fee is already included in fixed fees. Failing to properly

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assess the DNA Analysis Fee when applicable results in lost revenue for both the Commonwealth and the locality. Assessing the courthouse maintenance fee in fixed fee cases could result in defendants paying more in costs than required. The Clerk should ensure that staff assess all applicable fees properly on criminal cases in accordance with the Code of Virginia.

#### Properly Monitor Civil Cases

As noted in our previous report, the Clerk does not properly monitor inactive civil cases. The Code of Virginia establishes guidelines for removing inactive civil cases from the court's docket after one, two, and three years of inactivity. We noted that the court's docket lists more than 540 civil cases dating back as far as 1983. The Clerk should immediately identify inactive civil cases, petition the court to remove them from the docket, and refund any bonds.

We discussed these comments with the Clerk on June 18, 2004 and we acknowledge the cooperation extended to us by the court during this engagement.

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