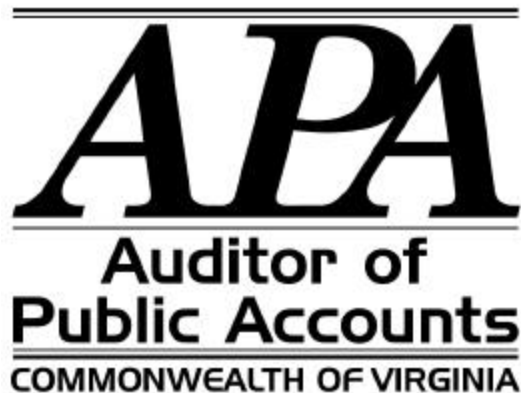


JOHN J. KARCHA
GENERAL RECEIVER OF THE CIRCUIT COURT
of the
COUNTY OF FAIRFAX

REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2002 THROUGH JUNE 30, 2003



- TABLE OF CONTENTS -

	<u>Pages</u>
Independent Auditor's Report	1-2
Major Finding	2
Exhibit A - Statement of Assets and Liabilities	3
Exhibit A-1 - Statement of Cash Receipts and Disbursements	4
Notes to Financial Statements	5

October 17, 2003

The Honorable Michael P. McWeeny
Chief Judge of the Circuit Court
County of Fairfax

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of assets and liabilities arising from cash transactions of

JOHN J. KARCHA
GENERAL RECEIVER OF THE CIRCUIT COURT
of the
COUNTY OF FAIRFAX

as of June 30, 2003, and the related statement of cash receipts and disbursements for the period July 1, 2002 through June 30, 2003. All records supporting these financial statements are the responsibility of the General Receiver. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the General Receiver of the Circuit Court of the County of Fairfax as of June 30, 2003, and the cash receipts and disbursements for the period July 1, 2002 through June 30, 2003, on the basis of accounting described in Note 1. However, we noted weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the General Receiver needs to address as described below.

MAJOR FINDING

We again noted instances of noncompliance with state laws, regulations, and policies that seriously hamper the General Receiver's ability to properly fulfill his responsibilities to effectively manage the accounts entrusted to him. In addition, the failure to detect and correct these errors creates an environment with weak internal controls that could allow the improper disbursement of assets to occur without detection.

Since the Court directly appoints the General Receiver, we recommend that the Chief Judge of the Fairfax County Circuit Court advise the General Receiver of his statutory responsibilities to properly record, report, and account for trust funds in accordance with Sections 8.02-582 and 585 of the Code of Virginia. The Chief Judge should periodically review the performance of the General Receiver to determine the most appropriate action to take. If the General Receiver does not show any appreciable improvement in the handling of trust funds, the Chief Judge should consider not only not assigning any additional trust funds to the General Receiver, but also reassigning all trust fund accounts presently under the General Receiver's control to the Fairfax County Clerk of the Circuit Court. The Clerk of the Circuit Court has personnel that have shown that they can accurately record, report and account for trust funds.

Properly Record and Report Trust Funds

The General Receiver continues to improperly record, reconcile, and report trust funds. During the audit period the General Receiver had approximately 37 accounts totaling nearly \$360,000. We found that the General Receiver had not reconciled his bank accounts to his manual ledgers or prepared a trial balance since June 2001. These errors carried forward to the General Receiver's Annual Trust Fund Report submitted to the Court. The report did not accurately state ending account balances, accrued interest, or General Receiver fees.

The General Receiver should more diligently perform the accounting necessary to accurately keep record of the trust funds given him. He has a statutory responsibility for the recording and reporting of trust funds in accordance with Sections 8.02-582 and 585 of the Code of Virginia. The General Receiver should properly record interest earned and fees deducted in the individual accounts, reconcile his accounts monthly, and ensure the Annual Report accurately reflects all funds he is holding. Without proper accountability, the General Receiver risks the improper disbursement of monies to trust fund recipients in addition to improper reporting to the Court. We encourage the General Receiver to submit his amended Annual Report as discussed during our audit.

We discussed these comments with the General Receiver on October 17, 2003 and we acknowledge the cooperation extended to us during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

JMS:cam
cam:7

COUNTY OF FAIRFAX
GENERAL RECEIVER OF THE CIRCUIT COURT
STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2003

Exhibit A

A S S E T S

Cash	<u>\$ 359,517</u>
Total assets	<u><u>359,517</u></u>

L I A B I L I T I E S

General receiver fees	\$ 599
Trust funds	<u>358,918</u>
Total liabilities	<u><u>\$ 359,517</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF FAIRFAX
GENERAL RECEIVER OF CIRCUIT COURT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD ENDING JUNE 30, 2003

Exhibit A-1

Receipts:

Trust funds	<u>\$ 229,356</u>
-------------	-------------------

Disbursements:

Trust funds	276,745
General receiver fees	946
Bond premiums	<u>1,227</u>

Total disbursements	<u>278,918</u>
---------------------	----------------

Excess (Deficiency) of receipts over (under)
disbursements

(49,562)

Trust fund balance at July 1, 2002 (Note 3)	<u>409,079</u>
---	----------------

Trust fund balance at June 30, 2003	<u><u>\$ 359,517</u></u>
-------------------------------------	--------------------------

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF FAIRFAX
GENERAL RECEIVER OF THE CIRCUIT COURT
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the General Receiver of the Circuit Court of the County of Fairfax have been prepared using the cash basis of accounting. Under the cash basis of accounting, revenues are recorded when received in cash and disbursements are recorded when made.

2. SURETY BOND

The General Receiver was bonded under a Trust Fund Administrators Bond with the Firemen's Insurance Company of Newark, New Jersey, as surety.

3. RESTATEMENT OF TRUST FUND BALANCE

The trust fund balance has been restated to correct an understatement of the amount of investments held by the General Receiver in the prior period. The trust fund balance for June 30, 2002 has been adjusted as follows:

Trust fund balance at June 30, 2002 as originally reported	\$360,772
Effect of restatement	<u>48,307</u>
Trust fund balance at July 1, 2003, as restated	<u>\$409,079</u>