

**DENISE F. BARB-ESTEP  
CLERK OF THE CIRCUIT COURT  
FOR THE  
COUNTY OF SHENANDOAH**

**REPORT ON AUDIT  
FOR THE PERIOD  
APRIL 1, 2010 THROUGH MARCH 31, 2011**



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# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

September 13, 2011,

The Honorable Denise F. Barb-Estep  
Clerk of the Circuit Court  
County of Shenandoah

Board  
County of Shenandoah

Audit Period: April 1, 2010 through March 31, 2011  
Court System: County of Shenandoah

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 control 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 James V. Lane, Chief Judge  
Douglas C. Walker  
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.

### Reimburse Secure Remote Access funds

The Clerk paid \$4,176 from Secure Remote Access funds during the first four months of 2011 to a full time employee, using a contract, to scan documents instead of paying overtime. The Compensation Board allows the Clerk to use secure remote access funds to pay over-time to employees, but only when it's part of their technology budget and the county pays the overtime and seeks reimbursement from the Compensation Board.

The contract served as a means to circumvent the Compensation Board's policy that requires expenses be part of the court's appropriation from the county. The Clerk should review with the County or Commonwealth Attorney, the Internal Revenue Service's regulations to have all appropriate employment taxes paid on amounts paid as part of the contract above.

The Clerk should discontinue using separate employment contracts for existing court staff and instead follow Compensation Board procedures to provide overtime pay from technology funds, if needed. The Clerk should contact the Compensation Board for assistance in determining how to file appropriate budget information and also contact the county regarding their process for paying overtime.

### Remit Excess Copy Fees to the State

The Clerk does not appropriately remit excess copy fees to the Commonwealth of Virginia or follow the guidelines for payment of reimbursement to the locality for maintenance or other cost for copies. The Clerk failed to remit excess copy fees collected for the month of March 2011 in the amount of \$966. The Clerk inappropriately held these fees to pay expenses for April 2011. Section 17.1-275A (8) of the Code of Virginia allows the Clerk to reimburse the locality for the cost of making a copy, including lease and maintenance agreements; however, the Clerk is inappropriately paying these directly to the vendors. Additionally, the Clerk is inappropriately receipting and disbursing overages on deed recordings from the copy fee account. The Clerk must recover the overpaid funds from the locality and immediately submit them to the Commonwealth. We also recommend the Clerk review her procedures concerning copy fees and implement reimbursement to the locality for expenses paid by them.

### Appropriate Back Up Personnel

The Court does not have two individuals certified on the Virginia Department of Taxation's Integrated Revenue Management System. Only the Deputy Clerk has this certification and in her absence, no one else in the office can intercept the funds. We recommend the Clerk have another employee obtain the certification.



## SHENANDOAH COUNTY CIRCUIT COURT

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**DENISE F. BARB-ESTEP, CLERK**

**DEPUTY CLERKS**  
Sarona S. Irvin  
Cynthia D. Kibler  
Karla S. Ortt  
Pamela J. Williams  
Suellen K. Gardner  
Daphne E. Bright

September 9, 2011

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

RE: Audit Report dated August 22, 2011

The following is my response to the Audit Report referenced above:

Reimburse Secure Remote Access funds

Due to the State taking all, but the funds necessary to pay expenses from the TTF this office no longer had funds to pay for back scanning of Shenandoah County records. Prior to January 2011 we did pay the same employee overtime through the locality; but funds now no longer exist. The APA did not like the fact that Secure Remote Access funds could be used to pay back scanning until this office provided proof from the Supreme Court of Virginia that these funds, could indeed be used for that purpose. This office also contacted a certified public accountant. The accountant confirmed using an existing employee to do this work was legitimate. The contract employee will be receiving a 1099 from this office so the State will get their taxes as required by law. The exit memorandum provided by the APA on July 15, 2011 only stated that an appropriate contract should have been in place prior to January 3, 2011 and stated nothing about this office trying to circumvent procedures and/or policies for paying overtime and inferring that illegal means were being implemented.

Remit Excess Copy Fees to the State

This office is now submitting all invoices for copy expenses to the locality for payment and then the locality will be reimbursed from 236 collections at the end of the month. Any excess will be submitted to the state. There were no overpaid funds to the locality. Therefore, there are none to be reimbursed to the State.

Appropriate Back Up Personnel

There are two individuals certified on the Virginia Dept. of Taxation's IRMS.

Denise F. Barb-Estep, Clerk