

January 21, 2003

The Honorable Annie L. Williams  
Clerk of the Circuit Court  
County of Dinwiddie

Board of Supervisors  
County of Dinwiddie

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Dinwiddie for the period October 1, 2001 through September 30, 2002.

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.

The Office of the Auditor of Public Accounts has been issuing some of the same findings for each of the last four years. We have also have had comments, to varying degrees, on improving internal controls and accounting procedures, as well as transaction process concerns for the past seven years. The results of our audits show that in many areas the Clerk does not follow sound accounting and internal control procedures, especially those for recording and processing financial and case data in the court's automated systems. Incorrect or improper procedures noted during previous audits remain uncorrected.

We have offered assistance, suggested training, and contacted the Office of the Executive Secretary of the Supreme Court of Virginia, who maintains the court's automated systems, to find ways to assist the Clerk and her personnel to correct this situation. It does not appear that any of our efforts have succeeded in helping the Clerk and her personnel.

Addressing these issues is the sole responsibility of the Clerk, who must provide the leadership and the discipline to correct this situation. While we, and the Office of the Executive Secretary of the Supreme Court of Virginia stand willing to assist, our efforts will fail if the Clerk does not require her staff to attend training. Also, her daily supervision must make sure that the staff correct and continue to properly perform their duties.

### Processing Transactions in the Automated Financial System

The Clerk and staff do not have a good understanding of the court's automated financial and case management systems. We noted several problems caused by staff incorrectly entering financial or case data in the court's systems. Often these errors go undetected because there is no concerted effort to consistently monitor Daily Exceptions Reports produced by the automated systems. Exceptions Reports identify accounts requiring corrective action. For example, Exception Reports showed that someone had recorded a \$1,000 bond using the wrong case number. No one corrected this mistake until three months later, when we pointed it out during the audit.

Staff often enters incorrect codes when processing financial information in the automated system, which results in the improper processing of transactions. As an example, by using the wrong transaction code the Court forfeited a criminal bond to the state rather than using the bond to pay the defendant's court costs. We found staff using miscellaneous or unclassified reason codes for processing routine transactions, such as local fund transmittals, credit card surcharges, or overpayment of refunds.

Incorrect coding not only creates accounting errors, but can also lead to failing to pay defendants for overpayment timely, in two cases, up to sixteen months. Further, errors create additional work for staff and require added time to resolve and determine the proper disposition of transactions. Time spent correcting errors could be reduced drastically if staff would take advantage of the automated system's preformatted transaction capabilities.

When properly used, the court's financial and case management systems provide effective means to quickly process data critical to daily operations and enhance customer service. However, the Clerk and staff must have a working knowledge of systems procedures. The Clerk should immediately contact the Supreme Court for refresher financial management system training. After receiving the training, the Clerk should evaluate the capabilities of each staff member and reassign duties commensurate with each one's ability to operate in the automated environment.

### Reconciliations

To start this audit, one auditor spent two working days preparing and correcting monthly bank reconciliations for eleven months. In the court's accounting system, the timely and accurate preparation of the month bank reconciliation is an essential control to determine if the system is working properly and includes all transactions.

It does not appear that staff understands how to identify, resolve, or document differences between the statement and system ending balances. We found unresolved differences carried forward month-to-month since as far back as January 2002. We determined that some of the differences resulted from such routine transactions as monthly bank service fees, new check fees, and returned check fees appearing on the bank statement yet not being recorded in the financial system. Inconsistent procedures for recording returned checks in the system also contribute to the problem. Staff recorded some returned check transactions in the system immediately, yet others remained as reconciling items, until the individual made the returned check good.

Another factor hindering the monthly reconciliation process is not performing the daily collections reconciliation, which serves both as a check on the system and verifies the information for the daily deposit. Staff is not identifying and resolving differences between the amount collected and the deposit. At times these differences result from not separating non-cash items such as credit card transactions from cash and checks. The automated system provides help in the process by printing out a daily reconciliation work sheet. However, as we noted before, staff do not always use this tool. Properly completing the work sheet would help minimize the chance of errors when reconciling daily collections.

Reconciliations, both monthly and daily, are essential for determining the proper recording of all transactions and detecting errors. When the Clerk and her staff cannot reconcile the account, the Clerk should immediately seek assistance from the Supreme Court. Also, the Clerk should establish a consistent policy requiring immediate recording of returned checks in all cases.

#### Establish a Change Fund

Like many businesses that deal with the public, a significant number of the Court's transactions involve cash, however, unlike some businesses, the Clerk does not use a change fund for cashiers dealing with the public. Instead, the Clerk allows staff to co-mingle personal funds with court funds to provide change to customers, or they refuse to accept cash payments if they do not have change available. The Clerk should immediately stop the co-mingling of funds and establish an official change fund using the recommended procedures listed in the Financial System User's Guide. Co-mingling public funds with personal funds greatly increases the risk of errors, omissions, or other loss of funds.

#### Monitor Inactive Cases

As noted in past audits, the Clerk does not consistently monitor inactive civil cases. Section 8.01-335 of the Code of Virginia establishes guidelines for removing inactive civil cases from the court's docket after one, two, and three years of inactivity. The court's docket has 508 civil cases which are three years or older. 397 of these inactive cases are from five to 19 years old. Five of the ten cases tested ended up to 13 years ago, but continue to appear as pending and inactive because staff failed to properly close the cases on the automated system. The remaining five cases had no follow up action up to 19 years later. These old cases clutter and overstate the court's docket report, which is one of the tools the Compensation Board uses to allocate court funding. The Clerk should immediately identify inactive civil cases, petition the Court to remove them from the docket, and refund any bonds. Further, the Clerk should begin to consistently monitor inactive cases.

#### Transfer State Collections Promptly

The Clerk does not transfer state collections promptly. The Code of Virginia requires transfers when collections exceed \$5,000, or at least twice a week. The Clerk should begin transferring state money into Treasury's account in accordance with state law.

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We discussed these comments with the Clerk on January 29, 2003 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK/cam

cc: The Honorable Thomas V. Warren, Chief Judge  
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