



# Commonwealth of Virginia

Auditor of Public Accounts

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Walter J. Kucharski, Auditor

June 23, 2004

The Honorable Traci L. Johnson  
Clerk of the Circuit Court  
County of Northampton

Board of Supervisors  
County of Northampton

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Northampton 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 Trust Fund Management and Reporting

The Clerk does not follow Trust Fund procedures as outlined in the Code of Virginia, Sections 8.01-600 and 8.01-589, the Supreme Court of Virginia's Trust Fund Administration Guide, and the Financial Management User Guide. Specifically we noted:

- The Clerk failed to post monthly interest earnings to individual trust accounts for up to ten months in the automated financial management system, until informed by the auditor.
- The Clerk did not list expected payout dates when filing the Annual Trust Fund Report as required by the Code of Virginia.
- The Clerk did not properly calculate clerk's fees which resulted in a \$700 loss to a beneficiary.

The Clerk should immediately refund the \$700 to the trust fund beneficiary. Further the Clerk should update all trust fund accounts, ensure that the 2004 Annual Trust Fund report contains all required information, and review policies and procedures for proper Trust Fund Management to ensure that the Clerk and her staff are making monthly postings and performing the reconciliations accurately and timely.

#### Improve Receivables Management

The Clerk should follow the procedures for establishing, monitoring and collecting the Court's receivables. We found the following conditions:

- In 10 of 20 cases tested, the Clerk did not enter judgments in the Judgment Lien Docket Book, timely, as required by the Code of Virginia, Section 8.01-446. We noted judgments entered up to two months after the disposition date.
- The Clerk failed to claim monies from the Department of Taxation's Tax Set-Off program resulting in lost revenue totaling \$632.
- The Clerk failed to correctly calculate payment due dates for paying fines and costs. Absent a court order or a signed payment agreement, fines and costs are due within fifteen days of sentencing. In 7 of 20 cases tested, the Clerk granted defendants 15 extra days without a court order or a signed Time-To-Pay agreement.

Proper management of accounts receivables greatly enhances the collection of fines and costs. The Clerk should immediately strengthen the Court's procedures to ensure that receivables are properly established, monitored and collected.

#### Properly Reconcile Bank Account

The Clerk failed to complete the monthly bank reconciliation process for 8 of 13 months tested. Further, the Clerk failed to resolve the majority of differences between the bank statement, the check book, and the automated system for up to a year.

Reconciling the bank account monthly is a fundamental internal control. Failing to properly reconcile and correct differences found between the bank account, the check book, and the court's financial system could result in errors or irregularities going undetected. The Clerk should reconcile the Court's bank account monthly and promptly investigate and resolve any differences between the bank statement, the checkbook, and the automated system. If she cannot promptly resolve differences, the Clerk should contact the Supreme Court immediately for assistance.

We discussed these comments with the Clerk on June 23, 2004 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:cam

cc: The Honorable Thomas S. Shadrick, Chief Judge  
Lance J. Metzler, County Administrator  
Bruce Haynes, Executive Secretary  
Compensation Board  
Paul Delosh, Director of Technical Assistance  
Supreme Court of Virginia  
Martin Watts, Court Analyst  
Supreme Court of Virginia  
Director, Admin and Public Records  
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