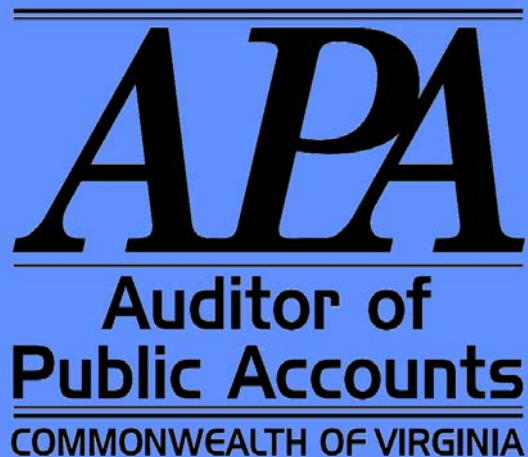


**CLERK OF THE CIRCUIT COURT OF  
THE COUNTY OF GILES**

**REPORT ON AUDIT  
FOR THE PERIOD  
OCTOBER 1, 2005 THROUGH JUNE 30, 2007**



## TABLE OF CONTENTS

	<u>Pages</u>
AUDIT LETTER	1-2
INTERNAL CONTROL AND COMPLIANCE FINDINGS AND AUDITOR'S RECOMMENDATIONS	3
CLERK'S RESPONSE AND CORRECTIVE ACTION PLAN	4



# Commonwealth of Virginia

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

**Walter J. Kucharski, Auditor**

September 4, 2007

The Honorable Scarlet B. Ratcliffe  
Clerk of the Circuit Court  
County of Giles

Board of Supervisors  
County of Giles

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of County of Giles for the period October 1, 2005 through June 30, 2007.

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.

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.

Our audit was more limited than would be necessary to provide assurance on internal controls or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal controls, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

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 a certain matter involving internal control and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to a deficiency in the design or operation of internal controls that, in our judgment, could reasonably lead to the loss of revenues or assets, or otherwise compromise fiscal accountability. The reportable condition is discussed in the section titled "Internal Control and Compliance Findings and Auditor's Recommendations."

We do not believe this condition is a material weakness. A material weakness is a significant deficiency in the design or operation of internal controls that, in our judgment, could reasonably lead to the loss of revenues or assets, or otherwise compromise fiscal accountability and go undetected.

The results of our tests of compliance with applicable laws and regulations disclosed an instance of noncompliance that is required to be reported. This instance of noncompliance is discussed in the section entitled “Internal Control and Compliance Findings and Auditor Recommendations.”

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 Josiah T. Showalter, Jr., Chief Judge  
Chris McKlarney, County Administrator  
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

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND AUDITOR'S RECOMMENDATIONS

The following findings are reportable internal control matters that could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability. The Clerk's response and written corrective action plan to remediate these findings are included as an enclosure to this report.

### **Monitor and Disburse Liability Accounts**

In a circuit court, liability accounts represent moneys held by the court for others, and failure to properly, accurately and timely pay out these moneys means that someone is not receiving moneys due them. In some cases, the moneys may pay fines and cost or may represent moneys a plaintiff received in cases and the clerk is holding the money pending distribution. Finally, if the clerk does not properly monitor these accounts, then there is possibility that the clerk may lose track of the person entitled to the money and have to escheat the money to the State Treasurer.

For the fourth consecutive audit, the Clerk has not properly monitored and disbursed court liabilities as required by the Code of Virginia and the Financial Management System User's Guide. Specifically, we found the following:

- The Clerk has not reported and submitted unclaimed property to the State Treasurer as required by Section 55-210.12 of the Code of Virginia. Specifically, the Clerk has not remitted two unclaimed chancery deposits over a year old totaling \$3,877 and 28 trust accounts totaling \$176,954 to the Division of Unclaimed Property.
- The clerk has misclassified \$31,424 in criminal bonds and condemnation funds as trust fund accounts in the court's automated accounting system.
- The Clerk has not disbursed 7 bonds totaling \$1300 for closed cases.

The Clerk should monitor liabilities, properly classify liabilities, perform due diligence, and disburse liabilities on a regular basis. The Clerk should also send unclaimed property to the appropriate division or fund after due diligence procedures to locate the recipient have failed.



Scarlet Buckland Ratcliffe, Clerk  
Phone (540) 921-1722  
Fax (540) 921-3825

**CLERK'S OFFICE**  
**CIRCUIT COURT of GILES COUNTY**

501 Wenonah Avenue  
P.O. Box 502  
Pearisburg, Virginia 24134

Diana L. Johnson, Chief Deputy  
Amanda D. Blankenship  
Barbara Lucas  
Selena Williams  
Deputy Clerks

August 23, 2007

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

Dear Sir or Madam:

This letter is in response to the draft copy of the audit for Giles County. It is the corrective action plan that I have implemented. I have discussed this matter with the auditors at the time of their audit.

The previous audit report of September, 2005, showed that unclaimed property was not being transmitted to the State in a timely fashion. The months following this 2005 audit this office transmitted nine (9) files which were noted by the auditors to be the oldest ones on the report. This was in excess of \$5900.00 to the State.

During this period of time, from the September, 2005 audit, until the unclaimed property report was submitted, the Courthouse was under renovation. All of our files and reports were in secured filing cabinets in various locations. We were unable to review all of these files to locate other unclaimed funds and check the status of said accounts.

As of this date, we have already refunded some of the bonds and we have several chancery and trust accounts that are going to be remitted to the State in this year's transmittal. The total amount to be transmitted will be approximately \$63,000.00. The majority of these funds are being held for unknown parties and therefore, the due diligence letter will not be needed.

I hope that this will address the issue of liability accounts and the corrective action that this office is taking.

Thank you for the opportunity to address this issue. If you have any further questions, please feel free to contact this office.

Sincerely,

  
Scarlet B. Ratcliffe  
Clerk

SBR/

