



Commonwealth of Virginia

Auditor of Public Accounts

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Walter J. Kucharski, Auditor

August 2, 2004

The Honorable Thomas L. Murphey
Chief Judge
County of Chesterfield General District Court
PO Box 144
9500 Courthouse Road
Chesterfield, VA 23832

The Honorable Cleo E. Powell
Magistrate Supervising Authority
Twelfth Judicial District
P.O. Box 125
9500 Courthouse Road
Chesterfield, VA 23832

As part of our audit of the Virginia District Court System, we have audited the cash receipts and disbursements of the County of Chesterfield General District Court and the Twelfth Judicial District Magistrate's Office for the period January 1, 2003 through June 30, 2004.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system and in the Magistrates' records; evaluate the Court's and the Magistrates' internal controls; and test 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 a weakness in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

Improve Reconciling Procedures

The Clerk did not ensure that staff properly reconciled the bank account. We found that since our last audit in April 2003, the Accounting Supervisor has not reconciled the bank account.

The Accounting Supervisor has not reconciled the bank account because she does not understand how to identify, document and resolve differences between the bank statement, the checkbook, and the automated financial system. Instead of investigating and resolving differences, she merely carries them forward from month to month. We found unresolved differences dating back to April 2003, which has resulted in a more than a \$5,000 variance between the bank statement and the automated system.

Compounding the problem, the Accounting Supervisor does not properly account for cash outages when reconciling daily collections. Again, she does not identify or resolve differences between the amount collected and that day's bank deposit. We found that at times these differences result from errors when preparing the deposit. Rather than investigate differences, the Accounting Supervisor will merely adjust the system balance to agree to the deposit amount and then later adjust the balance again if necessary if the bank issues a deposit adjustment.

Properly reconciling the bank account in a timely manner is an essential internal control. Failing to reconcile the bank account and resolve differences between bank statements and the automated financial system can lead to errors and irregularities going undetected. The Clerk should ensure that both daily collections and the bank account are reconciled correctly and promptly. If needed, the Clerk should immediately request assistance from the Supreme Court.

As we recommended in our previous audit, because the Clerk has ultimate responsibility for the office's operations, he should ensure that his staff have an appropriate understanding of the court's automated systems and proper accounting procedures. The Clerk should work with the Supreme Court to properly train court staff to increase their knowledge in these areas. Equally important, the Clerk should review staff work to ensure that employees follow accepted accounting practices, perform their work properly and timely and regularly resolve any exceptions.

MAGISTRATE ISSUE:

The results of our tests of the Magistrate's Office found that the Magistrates properly stated, in all material respects, the amounts recorded and reported in the financial records. However, we noted a weakness in internal controls and noncompliance with applicable laws, regulations, and/or policies that the Chief Magistrate needs to address as described below.

Follow Accounting Procedures and Improve Supervision Over Magistrates

Chief Magistrate Bradham did not adequately supervise magistrates to ensure compliance with the accounting procedures outlined in Chapter X of the Magistrate's Manual. We noted several issues regarding magistrates failing to follow proper accounting procedures. Specifically, we found the following.

- The Chief Magistrate and Magistrates Browning and Crofts did not consistently reconcile their official checking accounts monthly. The Chief Magistrate failed to reconcile his account seven of 18 months; Magistrate Browning failed to reconcile her account six of 18 months; and Magistrate Crofts had not reconciled his checking account at all since January 2004.

Properly reconciling the checking account is an essential internal control. Failing to reconcile the account and resolve any differences between bank statements and the magistrate's records can lead to errors and irregularities going undetected. The Chief Magistrate should ensure that all magistrates reconcile their official checking accounts correctly and promptly each month.

- Magistrate Browning did not promptly deposit cash collections. In four instances, she held funds totaling up to \$2,000 for up to four days before depositing the money in the bank. We also found that she wrote checks to the courts up to three days before she actually deposited the money in her checking account. Further, Magistrate Browning receipted a \$50,000 cash bond but failed to report the transaction to the Internal Revenue Service.
- Chief Magistrate Bradham failed to obtain and secure the accounting records from two magistrates who had resigned. Consequently, we could not audit the former magistrates' financial records. The Chief Magistrate should immediately request in writing the accounting records from the former magistrates in accordance with Section 42.1-88 of the Code of Virginia. Once the Chief Magistrate obtains the records, he should properly secure and retain them as required by Chapter X of the Magistrate's Manual.

The Chief Judge of the Circuit Court should work with the Chief Magistrate to obtain training in his supervisory responsibilities and make sure that all the other magistrates understand their accounting duties and responsibilities. Since, the Chief Magistrate is responsible for ensuring all magistrates comply with the accounting procedures outlined in the Magistrate's Manual, the Chief Judge of the Circuit Court and the Chief Magistrate should immediately contact the Supreme Court to seek refresher training in proper accounting procedures for both the Chief and the other magistrates within the Twelfth Judicial District.

We discussed these comments with the Chief Magistrate on July 29, 2004 and with the Clerk of Court on August 2, 2004. We acknowledge the cooperation extended to us by the Court and the Magistrates during this engagement.



AUDITOR OF PUBLIC ACCOUNTS

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cc: The Honorable Philip V. Daffron, Judge
The Honorable Robert D. Laney, Judge
The Honorable Thomas L. Vaughn, Judge
Carlton L. Hudson, Clerk
William W. Bradham, Chief Magistrate
Paul Delosh, Director of Technical Assistance
Supreme Court of Virginia