

April 26, 1999

Lillie M. Hart
Clerk of the Circuit Court
City of Chesapeake

City Council
City of Chesapeake

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the City of Chesapeake for the period July 1, 1997 through June 30, 1998. We conducted our audit in accordance with generally accepted auditing standards.

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; and no instances of noncompliance with applicable laws, regulations, and policies. However, we noted weaknesses in internal controls that the Clerk needs to address as described below.

Record Interest Earned on Condemnation Accounts

The Clerk does not promptly record interest earned on condemnation accounts in the accounting system. As of our audit, the Clerk had not posted over \$15,800 of interest to individual accounts. In addition, the Clerk maintains a manual set of ledgers for these accounts as well as recording them in the automated system. The Clerk should promptly record interest in the accounting system and eliminate separate manual ledgers.

Improve Payroll Record Keeping

The Clerk processes payroll for 28 employees. Each pay period the bookkeeper spends more than two days manually processing the court's payroll, including calculating deductions, writing checks, and completing tax forms. The Clerk should consider having the city process the court's payroll. Using the city's payroll will give the bookkeeper more time to perform other court duties. As an alternative, the Clerk should consider using a payroll service for the court's payroll.

Record Returned Checks in the Accounting System

The Clerk does not enter returned checks in the financial management system. Instead, she separately tracks these items and makes manual adjustments when she reconciles the bank account. When the issuer makes the check good, the Clerk deposits the checks in the bank but does not record them in the financial management system. The Clerk should prepare a journal voucher to record the returned checks in the system when she receives notice from the bank, as required by Section K-4-5 of the Financial Management System Users Guide. When she collects the outstanding debt, the Clerk should properly receipt the funds into the financial management system. This will reduce the incidence of errors and eliminate the need to manually track these items.

Eliminate Manual Trust Fund Ledgers

In addition to recording account activity in the court's financial management system, the Clerk maintains separate manual ledgers for more than 200 trust fund accounts. The Clerk should discontinue maintaining manual ledgers for trust fund accounts, as this is an unnecessary duplication of effort.

We discussed these comments with the Clerk on April 26, and we acknowledge the cooperation extended to us during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

cc: The Honorable Russell I. Townsend, Jr., Chief Judge
John L. Pazour, City Manager
Bruce Haynes, Executive Secretary
Compensation Board
Martin Watts, Court Analyst
Supreme Court of Virginia
Paul Delosh, Technical Assistance
Supreme Court of Virginia