

March 25, 2003

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 the County of Giles for the period April 1, 2002 through February 28, 2003.

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.

Properly Account for All Funds

During the last year, an employee mishandled the collection of hunting and fishing licenses and it was subsequently determined that these licenses were sold, but the funds were not deposited. The Clerk has responsibility for all collections within her office, and as such should pay the Department of Game and Inland Fisheries \$101.50, or record this amount as a liability that she owes to the Commonwealth until she collects the funds from other sources. The Clerk cannot discharge this liability without providing a proper accounting of the funds.

Increase Supervisory Review

The Clerk has delegated certain responsibilities in the office to the bookkeeper and other employees. While this delegation is an acceptable method of managing the office, the Clerk needs to increase her supervisory review of what her employees are doing day to day. Employees should not be changing procedures, or electing when to grant exceptions to procedures without the Clerk's authorization. Supervisory review not only makes sure that employees are performing their duties correctly, but that they have not

deviated from set policies and procedures without the Clerk's knowledge and approval. Some of the findings below arise from those circumstances where employees elected to change or alter policies and procedures without the Clerk's approval.

Properly Manage Trust Funds

The Clerk does not properly report or receipt trust fund monies. Specifically, we found the following:

- The Clerk did not file a complete annual report to the Court as required by Section 8.01-600 of the Code of Virginia,
- The Trust Fund Order book did not contain the most recent annual trust fund report as required by Section 8.01-600 of the Code of Virginia; and
- the Clerk does not issue receipts for trust fund collections as required by the Trust Fund Administration Manual. Instead, she records the funds into the Court's automated accounting system using a journal entry.

The Clerk should ensure she and her staff review and understand reporting and receipting requirements as outlined by the Code of Virginia and the Trust Fund Administration Manual.

Properly Monitor and Report Delinquent Accounts

The Clerk is not monitoring and sending notices of delinquent fines and costs to the Department of Motor Vehicles. Section 46.2-395 of the Code of Virginia requires clerks to report all unpaid criminal and traffic cases. In 17 of 29 cases tested, the Clerk failed to notify the Department of Motor Vehicles for up to six months after the cases became eligible for license suspension. Driver's license suspension is an important tool for the collection of delinquent fines and costs. The Clerk should promptly report all cases with unpaid fines and costs and develop procedures for regular review of delinquent accounts.

Properly Assess Fees

In 17 of the 20 criminal cases tested, we found numerous assessment errors totaling \$2,310, which indicates that the Clerk does not properly assess fees in criminal cases in accordance with the Code of Virginia. In addition, the Clerk does not properly assess fees for copies as required by Section 17.1-275 of the Code of Virginia. Failure to properly assess fees results in loss of revenue for the Commonwealth. The Clerk agreed to review the criminal cases and correct the errors. The Clerk should ensure she understands all fees and instructs her staff on proper assessment.

Monitor and Disburse Liability Accounts

The Clerk does not monitor her liability accounts monthly as required by Chapter 7 of the Financial Management System User's Guide.

Liability accounts record amounts that the Clerk is holding to disburse to individuals, other agencies or others, or to pay fines and costs. In addition, the Clerk does not perform due diligence to disburse unclaimed property and does not disburse liability accounts as required by the Code of Virginia. Specifically, we found the following:

- The Clerk has not remitted ten unclaimed accounts over a year old totaling \$8,326 to the Division of Unclaimed Property, as required by Section 55-210.9:2 of the Code of Virginia.
- The Clerk has not disbursed two bonds totaling \$150 for closed cases.

The Clerk should monitor 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.

Properly Document Reason for Void Receipts

The Clerk does not properly document the reason for voided receipts as required by the Financial Management System User's Guide. Specifically, in 11 of 14 void receipts tested, the Clerk and her staff did not document the reason for voiding the receipt. The Clerk should ensure her staff properly documents the reason for the voided receipt. Failure to provide adequate documentation results in an inadequate audit trail.

Promptly Receipt Collections

The Clerk does not promptly receipt collections for hunting and fishing licenses in the Court's automated financial management system. Specifically, the Clerk receipted collections for seven out of thirteen hunting and fishing licenses tested up to five business days after receiving payment. Failure to promptly receipt collections has led to the loss of funds. The Clerk should promptly receipt all collections.

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We discussed these comments with the Clerk on March 25, 2003 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK/cam

cc: The Honorable Robert M. D. Turk, Chief Judge
Chris McKlarney, Interim County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Paul Delosh, Technical Assistance
Supreme Court of Virginia
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