

May 21, 2001

The Honorable L. Wayne Harper
Clerk of the Circuit Court
County of Rockingham

Board
County of Rockingham

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Rockingham for the period October 1, 1999 through December 31, 2000.

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.

Investigate and Pay Liability Balances

The Clerk does not disburse liability accounts in a reasonable amount of time. As a result, the Clerk is holding excessive amounts of criminal bonds and civil bonds/escrow totaling \$31,840 and \$10,822 respectively. The Clerk should immediately disburse these liabilities. The Clerk should remit unclaimed liabilities to the Treasurer of Virginia as required by the Code of Virginia Section 55-210.12.

Reconcile Bank Account Monthly

The Clerk does not perform proper monthly bank reconciliations. Proper bank reconciliations include identifying and making adjustments to the automated accounting system when differences exist between the bank balance and the system balance. We found errors dating

back to November 1999 and adjustments totaling over \$17,000. The Clerk should reconcile the bank account monthly, identifying and adjusting all reconciling items promptly. Further, the Clerk should review the reconciliation himself or assign a knowledgeable deputy to ensure reconciliations are accurate and complete. When the account cannot be reconciled, the Clerk should seek immediate assistance from the Supreme Court.

Improve Internal Controls for Manual Receipts

As previously reported, the Clerk does not have adequate accountability for manual receipts. In our test of 16 manual receipts, we found the following weaknesses that greatly increase the risk of errors or irregularities:

- The Clerk uses 2-part unbound manual receipts and keeps a log of the receipt numbers issued. The use of 2-part receipts does not allow the Clerk to retain a third copy in a bound receipt book for permanent record. If the second copy is misplaced or destroyed, there is no documentation of the manual receipt. The Clerk gives the original receipt to the payor and files the second receipt copy along with other cash register generated daily receipts. This practice makes it very difficult and time consuming to verify the proper recording of manual receipts in the Court's automated accounting system.
- The Clerk could not locate the log for 125 manual receipts issued during the audit period. Therefore, we could not determine the status of those receipts.

The Clerk should immediately comply with all documentation procedures for manual receipts as required in the Financial Management System User's Guide and ensure that the Court properly accounts for all manual receipts and records them in the accounting system the next business day.

Properly Transfer Excess Fees

The Clerk did not transfer machine recording fees to the Commonwealth as required by Code of Virginia Section 19.2-165. As of June 30, 2000, the Clerk had \$112,195 in machine recording fees. The Clerk should immediately remit the machine recording fees to the Commonwealth.

Retain All Copies of Void Receipts

The Clerk does not retain all copies of voided receipts. For four out of nine receipts tested, the Clerk did not maintain all three copies of the voided receipt. The Clerk should implement procedures to ensure appropriate retention of voided receipts. This policy helps prevent fraud or misappropriation of funds.

We discussed these comments with the Clerk on March 29, 2001, and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

cc: The Honorable John E. Wetzel, Jr. Chief Judge
William G. O'Brien, County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Don Lucido, Director of Technical Assistance
Supreme Court of Virginia
Martin Watts, Court Analyst
Supreme Court of Virginia
Paul Delosh, Technical Assistance
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