



Commonwealth of Virginia

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**Auditor of Public Accounts
P.O. Box 1295
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August 3, 2005

The Honorable Avelina S. Jacob
Chief Judge
County of Loudoun Juvenile and
Domestic Relations District Court
18 East Market Street
Leesburg, VA 20176

As part of our audit of the Virginia District Court System, we have audited the cash receipts and disbursements of the County of Loudoun Juvenile and Domestic Relations District Court for the period October 1, 2002 to June 30, 2005.

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 Reconcile Bank Account

The Clerk failed to ensure that her staff promptly reconciled the Court's checking account. Specifically, the bookkeeper did not properly reconcile the account for the months of March, April, May, and June of 2005. We also noted that the bookkeeper often failed to properly identify and resolve reconciling items throughout the audit period.

Reconciling the bank accounts monthly is a fundamental internal control. Failing to reconcile the bank account and not identifying and resolving all differences promptly, significantly increase the risk of errors, fraud, or other irregularities going undetected. The Clerk should ensure that the bookkeeper properly reconciles the checking account promptly each month after receiving the bank statement. At the Clerk's request, Supreme Court staff have visited the Court and reconciled the checking account through the end of the audit period.

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Improve Accountability of Receipts

The Clerk did not maintain proper accountability over manual receipts. We found that the Clerk issued manual receipts out of numerical sequence, skipped others entirely, and failed to mark "Void" on receipts when applicable. In four of five manual receipts tested, the Clerk did not retain both copies of the receipts or document their use on the daily financial reports. We also found that the Clerk issued one manual receipt, but delayed recording it in the financial system for two months. Finally, we found that the Clerk did not retain all copies of voided receipts in 10 of 29 tested.

It is critical that the Clerk maintain strong internal controls over cash collection and receipting functions because of their susceptibility for errors of omission, and the increased risk of loss through theft or fraud. The Clerk should properly secure manual receipts, use them in numerical sequence, and record all manual receipt transactions in the automated system promptly. Additionally, the Clerk should establish procedures for properly controlling, approving, and documenting voided receipts.

Improve Supervisory Review

The Clerk does not consistently review daily and monthly Financial Management System reports. As a result, the Clerk could not explain significant financial transactions and did not realize that her daily collections account was out of balance at the field audit date. The Financial Management System User's Guide recommends that clerks appropriately and consistently review all financial transactions. The Clerk must immediately establish procedures to review financial system reports on a daily basis.

We discussed these comments with the Clerk on August 3, 2005 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

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cc: The Honorable Pamela Lynn Grizzle, Judge
Patricia A. Maher-Wade, Clerk
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