

August 1, 2000

Gordon F. Erby  
Clerk of the Circuit Court  
County of Lunenburg

Board of Supervisors  
County of Lunenburg

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Lunenburg for the period July 1, 1998 through September 30, 1999.

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 and Retain Accounting Records

The Clerk does not properly reconcile and retain the court's accounting records to ensure all transactions have proper support. Specifically, we found:

- ◆ The Clerk does not retain the Daily Cash Reconciliation Worksheets. The Library of Virginia Records Retention and Disposition Schedule Number 12, requires retention of the BR02 Daily Receipt Register including the Daily Reconciliation Worksheet until after receiving the final audit report from the Auditor of Public Accounts.
- ◆ For 5 of 12 voided receipts tested, we found the Clerk did not maintain all three copies of the voided receipt. Appendix K of the Financial Management System User's Guide requires the Clerk, at a minimum, to note the voided amount on the Cash Reconciliation Worksheet of the Daily Receipt Register (BR02) and attach all three copies of the voided receipt. Further, the manual

requires documenting the reason for the void and the correcting journal voucher number on either the voided receipt or the Cash Reconciliation Worksheet. Appropriate retention and documentation prevents fraud or misappropriation of funds.

Because he performs many of the office's accounting functions ranging from receipting collections to approving journal vouchers and making deposits, the Clerk does not conduct daily reviews or reconciliations. However, two other employees process transactions and use the automated system. In order to decrease the risk of loss or misappropriation of funds, the Clerk should begin conducting daily reviews and reconciliations as required by the Financial Management System User's Guide.

#### Properly Allocate Virginia State Library Fund Fees

As a result of misunderstanding the fee schedule, the Clerk does not allocate and remit the \$1 recording fee to the Virginia State Library Fund that he collects from list of heirs. Although the Clerk properly collects the fees, he remits it as clerk fees. The Clerk should allocate the \$1 fee to the Virginia State Library Fund as required by Section 17.1-275(2) of the Code of Virginia.

#### Properly Record Tax Set-Off Collections

The Clerk records collections by reducing the various receivable accounts instead of recording them in the Tax Set-off account. The Supreme Court established a separate general ledger account for Tax Set-Off collections to allow for the monitoring of collections on delinquent accounts. The Clerk should record Tax Set-Off collections in the Set-Off account and then allocate collections to the individual accounts with a journal voucher as required by the Financial Management User's Guide.

We discussed these comments with the Clerk on June 2, 2000 and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

cc: The Honorable William L. Wellons, Chief Judge  
Catherine Giorgetti, 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  
Supreme Court of Virginia