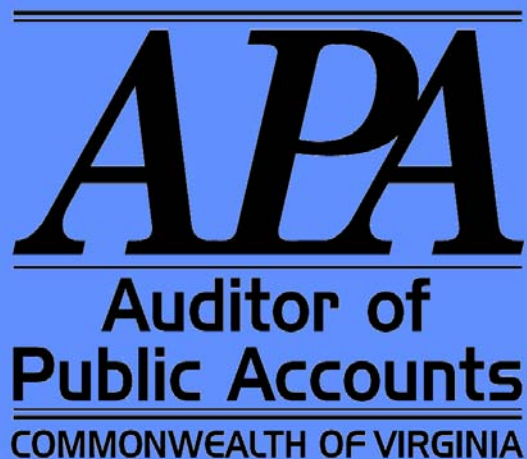


**THE HONORABLE MARGARET WALKER
CLERK OF THE CIRCUIT COURT
of the
COUNTY OF GLOUCESTER**

**REPORT ON AUDIT
FOR THE PERIOD
JANUARY 1, 2007 THROUGH SEPTEMBER 30, 2008**



–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT LETTER	1-2
COMMENTS TO MANAGEMENT	3
CLERK’S RESPONSE AND CORRECTIVE ACTION PLAN	4-6



Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

Walter J. Kucharski, Auditor

April 1, 2009

The Honorable Margaret Walker
Clerk of the Circuit Court
County of Gloucester

Board of Supervisors
County of Gloucester

Audit Period: January 1, 2007 to September 30, 2008
Court System: County of Gloucester

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System and for the period noted above. 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.

Management's Responsibility

Court management has responsibility for establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Deficiencies in internal controls could possibly lead to the loss of revenues or assets, or otherwise compromise fiscal accountability.

Financial Matters

We noted no instances of improper recording and reporting of financial transactions in the Court's financial management system.

Internal Controls

We noted matters involving internal control and its operation necessary to bring to management's attention.

Compliance

The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance that are required to be reported.

The issues identified above are discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate these issues provided by the Clerk are included as an enclosure to this report.

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

AUDITOR OF PUBLIC ACCOUNTS

WJK:alh

cc: The Honorable Thomas B. Hoover, Chief Judge
Brenda G. Garton, County Administrator
Robyn M. de Socio, Executive Secretary
Compensation Board
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia
Director, Admin and Public Records
Department of Accounts

COMMENTS TO MANAGEMENT

Internal Controls and Compliance

We noted the following matters involving internal control and its operation that could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability. Additionally, the results of our tests of compliance with applicable laws and regulations disclosed the following instances of noncompliance.

Properly Recovery Commonwealth Revenues

The Clerk has liability to the Commonwealth of \$6,947 for not properly calculating and remitting excess copy fees to the Commonwealth as directed by section 17.1-275 A(8) of the Code of Virginia and overpaying the locality these amounts. The Clerk needs to record this receivable from the locality and the corresponding liability to the Commonwealth in the Financial Management System.

As noted in prior year audit the locality owed the Commonwealth for the purchase of a copier in the amount of \$10,189. The Clerk not only failed to recoup this money for the State, they once again over remitted to the locality in the amount of \$10,652. Based on the current excess fee structure, it is determined the locality is currently indebted to the state in the amount of \$6,947. Should the Clerk fail to collect this receivable from the locality, the Clerk will have personal responsibility for settling this account in the future.

Properly Document Supervisor Review

The Office has experienced a high level of turnover and timely supervisory review is essential for both the training and development of the new staff. The Clerk did not consistently review, complete and sign BR02 daily report cover sheets, which documents the Clerk has reviewed the work and discussed and corrected any errors. The BR02 Receipt Register is a daily report of all collections, corrections, manual receipts and errors, which occurs as a result of the daily cash reconciliation worksheets. Daily reviews of all reports are essential to ensure staff has performed their duties properly and have accounted for all assets and liabilities.

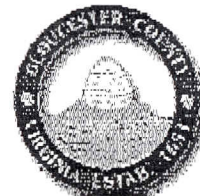
Retain Voided Receipts

The Clerk did not maintain all copies of voided receipts, which is an indicator of problems in properly processing transactions. The BR02 Cash Reconciliation Worksheet includes information on voided receipts and the individual voids indicate why the error occurred. By reviewing and retaining the voided receipts the Clerk can identify individuals that need additional training and monitor the performance of the staff.

Promptly Deposit and Allocate Delinquent Collections

The Clerk received in April 2007, \$865 from Department of Taxation representing collections of delinquent fines and cost. The Clerk did not deposit and receipt the amount in the Financial Management System (FMS) until February 2008. Additionally, the Clerk failed to allocate the funds to the individual account until December 2008 when noted by the auditor.

The Clerk should immediately receipt and deposit all amounts received including collections of delinquent fines and cost. Further, the Clerk should record and allocate delinquent fines and costs in FMS as soon as possible.



Commonwealth of Virginia
COUNTY OF GLOUCESTER
CLERK'S OFFICE -- CIRCUIT COURT
7400 Justice Drive, Suite 327
Gloucester Virginia 23061

Telephone: (804) 693-2502
Fax: (804) 693-2186

March 23, 2009

Auditor of Public Accounts
c/o Katherine St. Lawrence
APA Judicial Systems Team Leader
5575 Campus Drive
Virginia Beach, VA 23462

RE: Audit Period January 1, 2007, through September 30, 2008

Dear Mrs. St. Lawrence:

My staff and I extend our thanks to you and your team for your assistance during the recent audit. As it is our desire to fully comply with all laws and regulations, we greatly value your suggestions, recommendations, and evaluation.

For the benefit of those receiving the audit report, I would like to provide some background regarding the high level of turnover that ultimately resulted in the majority of issues identified for 2007.

Near the end of 2006, one deputy clerk resigned to accept employment in a family-owned business, another resigned to accept a higher-paid position in the General District Court; and in April, 2007, the bookkeeper since 1999 unexpectedly resigned. An employee who allegedly was experienced in accounting procedures was promoted by the former clerk to the position of bookkeeper and was sent to the Supreme Court's Financial Management System training. A second employee received the same training and was to be the backup bookkeeper. Additionally, these employees received multiple days of one-on-one training at this location from the Supreme Court's FMS staff. These employees assured the former clerk they fully understood their duties and were timely completing all required work.

In late October, 2007, the employee trained as backup to the bookkeeper also tendered her resignation. On the last day of her employment, she informed me (chief deputy clerk at that time) the bookkeeping duties had not been performed as the former clerk had been led to believe

and that I should probably review what had been done in months past. The former clerk and I began an internal audit.

Not happy with the results and being the clerk elect to assume full financial responsibility effective January 1, 2008, I promptly addressed the issues with the bookkeeper and then contacted Martin Watts, Supreme Court FMS Analyst, and requested his assistance in helping us identify and resolve deficient bookkeeping practices. Mid-December, the bookkeeper also resigned.

Due to budget cuts and freezes placed on filling vacated positions, I began my position as clerk in January, 2008, with only three deputies – one (1) in the front office and two (2) in the records and recording department. There were several days during the month of January, 2008, that this court had three (3) judges sitting in criminal cases -- all requiring a clerk. Had it not been for the graciousness of our former clerk to volunteer, the doors to the public would have been locked.

Fortunately, the three (3) vacated positions were filled in February, 2008, with very knowledgeable and competent deputy clerks. New employees were required to attend all training seminars conducted by the Supreme Court on proper receipting practices, basic FMS, CMS, and CIS. Additionally, they have receiving training at the intermediate level. All staff members have been adequately trained for the positions in which they have been placed and are now participating in cross-training.

All comments to management have been addressed and properly discussed with all staff members and supervisors.

Properly Recover Commonwealth Revenues

The current clerk is aware of the reimbursement erroneously paid to the locality for the purchase of a copy machine in 2006 and for the over remitted fees later paid to the locality. Monthly worksheets are now being maintained for all receipts and expenses incurred for the copy account. This item has been discussed with the locality's financial officer. We hope to have this issue resolved by the end of this fiscal year.

Properly Document Supervisor Review

Supervisors have been instructed to review and reconcile all reports on a daily basis and not to file away any daily, weekly, or monthly reports that have not been reviewed and approved by the clerk.

Auditor of Public Accounts
c/o Katherine St. Lawrence
APA Judicial Systems Team Leader
Page 3

Retain Voided Receipts

Voided receipts should be minimal. New staff members have been properly trained in receipting procedures, and these procedures have been reviewed with senior employees. Receipts are not to be voided without approval of the clerk or supervisor and only then as a last resort. Staff members have also been instructed to retrieve all copies of receipts and to provide proper documentation for any voids.

Promptly Deposit and Allocate Delinquent Collections

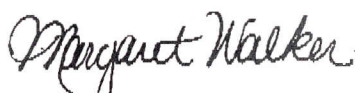
The check received in April, 2007, from the Department of Taxation was discovered by the current clerk in late February, 2008, when sifting through a box of miscellaneous items left by the bookkeeper who resigned at the end of December, 2007. As there was not a staff member on board who had been certified by the Department of Taxation to participate in the debt set-off program, the accounts were not properly monitored and receipted. There are now two (2) employees who have received training and are certified to properly manage the delinquent accounts.

We are very diligent in following proper procedure. At the recommendation of your team member, Mrs. Chamberlain, binders have been purchased and are being used to organize all monthly FMS activity. Additionally, an audit file has been opened wherein bank reconciliation worksheets, voided vouchers and checks, collection reports, etc., are maintained for easy access by the auditors.

Knowing how vital it is to properly perform my duties and account for all assets and liabilities of the court, I feel quite confident that all necessary steps have been taken to correct the problems associated with the previous short-term bookkeeper and the problems that occurred as a result of the high level of turnover. To the best of my knowledge, this clerk's office is in compliance with state laws, regulations and policies. I have taken measures to ensure appropriate internal control and efficiency of operations.

Thank you again for all your help. I hope our new policies will meet with your expectations and approval.

Respectfully submitted,



Margaret Walker, Clerk