

December 13, 2000

William E. Maxey, Jr.  
Clerk of the Circuit Court  
County of Powhatan

Board of Supervisors  
County of Powhatan

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Powhatan for the period April 1, 1998 through June 30, 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.

### **Proper Accounting of Trust Funds**

The Clerk does not properly account for Trust Funds as required by Sections 17-28.1, 17.1-125, and 8.01-600 of the Code of Virginia. We found the following:

- We could not determine whether the Clerk filed the annual report with the court as required by Code of Virginia Section 8.01-600. In addition, the Clerk failed to record and index the most recent annual report in the Trust Fund Order Book.
- The Clerk does not properly record and index court orders for trust fund accounts in the Trust Fund Order Book. Sections 17.1-125 and 17-28.1 of the Code of Virginia require the Clerks of Circuit Court to maintain an indexed Trust Fund Order Book, which includes all reports, orders and decrees concerning monies held in trust by clerks.

The Trust Fund Order Book serves as a central record of trust fund activity within the court. The Clerk should properly record all orders along with the annual report in the designated book and ensure he submits the Annual Report to the Judge by October 1 of each year.

### **Properly Monitor Civil Cases**

The Clerk does not monitor inactive civil cases. Code of Virginia Section 8.01-335 establishes guidelines for removing inactive civil cases from the court's docket after one, two, and three years of inactivity. The court's docket has 183 civil cases, which are three years or older. Ninety-five of these inactive cases are over five years old. These old cases clutter and overstate the court's docket report. The Clerk should immediately identify inactive civil cases, petition the court to remove them from the docket, and refund any bonds. Further, the Clerk should begin monitoring inactive cases on a continuous basis.

### **Improve Knowledge of Accounting System**

The Clerk does not have sufficient knowledge of proper automated accounting procedures. Specifically, we found the following conditions:

- The Clerk does not reconcile his office expenses to state reimbursements to ensure he receives and properly records all payments. The Compensation Board reimburses the Clerk's office expenses and salaries. The court's drawing account included an over-reimbursed balance in excess of \$10,000 at June 30, 2000, which the Clerk could not explain. The Clerk should reconcile balances in expense accounts monthly to ensure he properly receives and disburses all payments and promptly resolves any variances.
- The Clerk did not properly prepare the annual Unclaimed Property Report as required by Section 55-210.12 of the Code of Virginia. There was unclaimed property up to two years old listed on the court's financial records that was eligible for escheatment but had not been reviewed.
- The Clerk is not following up appropriately on monies receipted into the court's short-term escrow account. There are Guardian ad Litem fees in this account received in March 2000 that the Clerk has not yet disbursed. The Clerk should ensure appropriate disbursement or escheatment of all funds held by the court.
- The Clerk does not retain the court's official accounting records as required by the Financial Management System's User Guide. The Clerk discards several pages of daily and monthly reports, including the Department of Motor Vehicles Exceptions Report, immediately after review. Courts must retain all month-end reports for a period of six months after receiving an audit report from the Auditor of Public Accounts and resolving all outstanding issues.
- The Clerk is not properly updating his appealed cases. He does not properly code the account as an appeal. Instead, he continually changes the due date on the account to the next court term date or places a hold in the DMV field

to prevent license suspension. The Clerk's treatment of these accounts not only inappropriately identifies the case as an appeal, but it is an inefficient use of staff time. If the Clerk should fail to remove the hold from the DMV field or misses changing the due date of an appealed case, delinquent receivables will remain unpaid and collection efforts will not occur.

- The Clerk did not properly reconcile his bank account for seven months. The Clerk receives Electronic Fund Transfers from the Internal Revenue Service monthly. The Clerk failed to record these transfers in the court's automated accounting system for seven months. When he made the entry, he incorrectly recorded them as funds received that day instead of using an appropriate journal voucher. As a result, he overstated his collections and transactions for that day.

The Clerk should request further training from the Supreme Court. Once the Clerk has the appropriate level of knowledge to properly perform and record accounting transactions, he should keep abreast of changes affecting the financial system and other court operations. To accomplish this, the Clerk should ensure that he attends the semi-annual FMS User Group Meetings, the Fall Regional Conferences and other training classes sponsored by the Supreme Court. In addition to receiving training, the Clerk and the staff should perform a self-review of all financial entries prior to posting them to the general ledger system. A proper review will greatly decrease errors and omissions and provide more accurate financial information.

### **Improve Accounts Receivable Management**

The Clerk does not properly manage accounts receivable. Our audit found the following:

- The Clerk does not properly document due date changes as required by the Code of Virginia Section 19.2-354. We noted that the Clerk routinely alters the due dates without appropriate documentation. All fines and costs are payable immediately upon final disposition unless otherwise ordered by the court or evidenced by a written payment plan. Court staff should not alter due dates unless they have an established or revised payment agreement.
- The Clerk does not promptly enter all unpaid fines and costs in the Judgment Lien Docket as required by the Code of Virginia § 8.01-446. In 13 of 15 unpaid cases tested, the Clerk did not enter six judgments at all and recorded the remaining cases up to 81 days late. To maximize collections, the Clerk should promptly record all unpaid fines and costs in the Judgment Lien Docket Book.
- As noted previously, the Clerk does not establish an account receivable on the accounting system immediately after the final disposition of a case. In 10 of 15 cases tested, the Clerk did not set up the accounts receivable for up to 76 days after the final disposition. The Clerk should immediately establish receivables to facilitate collection procedures and increase the collection of court revenue.

The weaknesses noted at this court continue to greatly inhibit the collection of state fines, costs, and fees. The Clerk should immediately implement procedures to ensure that the receivables of his court are properly established, monitored, and collected.

We discussed these comments with the Clerk on November 15, 2000 and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

cc: The Honorable Thomas V. Warren, Chief Judge  
Steve Owen, County Administrator  
Bruce Haynes, Executive Secretary  
Compensation Board  
Don Lucido, Director of Technical Assistance  
Supreme Court of Virginia  
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