

November 12, 2002

The Honorable G. Chance Crawford
Clerk of the Circuit Court
City of Salem

City Council
City of Salem

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the City of Salem for the period October 1, 2001 through September 30, 2002.

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 (a) weakness(es) in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

Prepare, Review and Authorize Daily Financial Reports

The Clerk does not consistently review and authorize the court's daily financial reports, reconcile the daily bank deposit to the court's financial management system, or properly document daily cash reconciling items as required by Chapter 7 of the Financial Management System User's Guide. Failing to review daily activities on a continuous basis weakens internal controls and could lead to errors going undetected or a possible loss or misappropriation of funds. The Clerk should establish procedures to ensure strong supervisory review of daily financial reports to include proper completion of the daily bank deposit reconciliation and the correction of reconciling items.

Monitor and Disburse Liability Accounts

As noted in our prior year audit report, the Clerk does not monitor his liability accounts monthly as required by Chapter 7 of the Financial Management System User's Manual. Liability accounts record amounts that the Clerk is holding to disburse to individuals, other agencies or others, or to pay fines and costs.

In addition, the Clerk still does not perform due diligence to disburse unclaimed property and does not disburse liability accounts as required by the Code of Virginia. Specifically, we found the following:

- The Clerk has not remitted four unclaimed accounts over a year old, totaling \$1,225, to the Division of Unclaimed Property as required by §55-210.9:2 of the Code of Virginia.
- The Clerk still has not disbursed restitution payments. The amount of restitution payments improperly held by the Clerk has grown from the 27 payments totaling \$3,404 noted in last year's audit report to 66 payments totaling \$10,510. Eight of the 66 payments, totaling \$507, are over one year old and have not gone to the Criminal Injuries Compensation Fund as required by Section 9.2-305.1 (E) of the Code of Virginia.
- The Clerk has not disbursed two bonds totaling \$425 for closed cases.

The Clerk should monitor liabilities, perform due diligence, and disburse liabilities on a regular basis. The Clerk should also send unclaimed property to the appropriate division or fund after due diligence procedures to locate the recipient have failed.

Strengthen Controls Over Bank Reconciliations

The bookkeeper does not promptly reconcile the bank statement or resolve reconciling items, and the Clerk does not consistently review and authorize the monthly bank reconciliation. Specifically we noted the following:

- The bookkeeper reconciled the bank statements up to one month late in 11 of 12 months tested.
- The bookkeeper did not resolve a \$59 reconciling item until five months after identification.
- There was no evidence of the Clerk's review of the reconciliation in six of twelve months tested.

The Clerk should reconcile the bank account promptly after receiving the bank statement and promptly correct any reconciling items identified. Failure to properly and promptly reconcile the bank account increases the risk of errors going undetected.

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Assess Fees

The Clerk does not properly assess the \$148 court appointed attorney fee on any misdemeanor criminal cases appealed from the General District Court, where applicable, as required by Section 19.2-336 of the Code of Virginia. Failure to assess the court appointed attorney fee could result in a loss of revenue for the Commonwealth. The Clerk should ensure he understands all fees and instructs his staff in the proper assessment.

We discussed these comments with the Clerk on November 12, 2002 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK/cam

cc: The Honorable Robert P. Doherty, Jr., Chief Judge
Forest Jones, City Manager
Bruce Haynes, Executive Secretary
Compensation Board
Paul Delosh, Technical Assistance
Supreme Court of Virginia
Martin Watts, Court Analyst
Supreme Court of Virginia
Don Lucido, Director of Technical Assistance
Supreme Court of Virginia
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