

November 21, 2003

The Honorable Michael M. Foreman  
Clerk of the Circuit Court  
City of Winchester

Council  
City of Winchester

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the City of Winchester for the period October 1, 2002 through September 30, 2003.

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.

#### Collect Taxes and Fees on Wills and Administrations

As noted in several prior audits, the Clerk continues to improperly wait on the Commissioner of Account's final inventory before collecting the required fees and taxes on wills and administrations. Section 58.1-1714 of the Code of Virginia requires the Clerk to collect these fees and taxes at the time of qualification. In five of ten wills tested, the Clerk allowed individuals to qualify without collecting the required fees and taxes. These assessments totaled \$1,012 and remain uncollected up to 147 days after probate. In addition, we noted two wills, probated in April and July 2003, respectively, remained unpaid at the audit date. The Clerk should assess fees and taxes using the estimated value of the estate at the time of qualification to avoid further delay in collecting state and local monies. Failure to properly assess and collect fees and taxes upon qualification could result in a loss of revenue for the Commonwealth.

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Improve Trust Fund Reporting

The Clerk's annual trust fund report to the Court does not list the manner in which the Clerk invested the funds or the approximate payout date as required by Section 8.01-600 (G) of the Code of Virginia. The Clerk should ensure he includes all required trust fund information on the annual trust fund report to the Court. Failure to include all required information could result in inaccurate reporting of monies held by the Court.

Resolve Reconciling Items Promptly

The bookkeeper does not properly identify and correct differences found between the bank account, the court's automated financial system, and the checkbook. Specifically, we found discrepancies totaling \$176 on bank reconciliations tested during the audit period. We determined that some of the reconciling items resulted from timing differences, however; the bookkeeper did not identify and determine the reasons for the discrepancies. Failure to properly identify and correct differences found between the bank account, the court's financial system, and the checkbook could result in errors or irregularities going undetected. The Clerk should ensure the bookkeeper receives the proper training to reconcile the bank account to the court's financial system monthly, and promptly corrects any discrepancies. Additionally, the Clerk should review and sign the bank reconciliation to show that he has reviewed and approves of the bookkeeper's disposition of all differences.

We discussed these comments with the Clerk on November 24, 2003 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:cam

cc: The Honorable Dennis L. Hupp, Chief Judge  
Edwin F. Dailey, City Manager  
Bruce Haynes, Executive Secretary  
Compensation Board  
Paul Delosh, Technical Assistance  
Supreme Court of Virginia  
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