



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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November 12, 2004

The Honorable J. Larry Palmer
Chief Judge
City of Emporia General District Court
P.O. Box 187
Prince George, VA 23879

The Honorable R.G. O'Hara
Magistrate Supervising Authority
Sixth Judicial District
P.O. Box 631
Emporia, VA 23847

As part of our audit of the Virginia District Court System, we have audited the cash receipts and disbursements of the City of Emporia Combined General District Court and the associated magistrates from the Sixth Judicial District for the period July 1, 2003 through June 30, 2004.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system and in the Magistrates' records; evaluate the Court's and the Magistrates' internal controls; and test 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.

Improve Controls Over Collections

The Clerk should improve controls over the receipting and depositing of daily collections. Specifically, we found the following weaknesses.

- On any given day, up to ten staff may use the two cash drawers when receipting daily collections. This practice does not allow for adequate accountability and audit trail should cash shortages or overages occur. It also hinders identifying individual cashier training issues. We found three separate incidents of cash shortages totaling \$86 during the audit period.

- There is no separation of duties among staff for receipting and reconciling daily collections, and preparing the deposit, or between the opening and processing of mail payments.
- Two cashiers have unsupervised access to the safe, which often contains the funds from the day's collections before deposit and the change fund.

In order to reduce the risk of fraud or other loss of funds, the Clerk should immediately implement adequate controls over the receipting, reconciling, and depositing of daily collections. Adequate controls include separating the receipting, reconciling, and depositing duties among several employees. This includes separating the processing of mail receipts as well.

To help maintain sufficient accountability and audit trail over cash receipts, each employee should have their own separate cash drawer. If this is not feasible, the Clerk should consider less costly alternatives such as using separate envelopes, bank bags, or lock boxes secured near the register. Employees could maintain the proceeds and receipts from their transactions in their own cash envelop, bag, or lock box. If the Clerk cannot provide these alternatives, she should limit the number of cashiers who use the same cash drawer.

Finally, no employee should have unlimited, unsupervised access to the office safe.

MAGISTRATES

The results of our tests of the Magistrate's Office found that the Magistrates properly stated, in all material respects, the amounts recorded in the financial records; no material weaknesses in the Magistrate's internal controls; and no instances of the Magistrate's noncompliance with applicable laws, regulations, and policies.

We discussed these comments with the Clerk on November 10, 2004 and with the Magistrate on November 19, 2004. We acknowledge the cooperation extended to us by the Court and the Magistrates during this engagement.



AUDITOR OF PUBLIC ACCOUNTS

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cc: The Honorable Theodore J. Burr, Jr., Judge
 Nancy E. Roach, Clerk
 Harris Parker, Chief Magistrate
 Paul Delosh, Director of Technical Assistance
 Supreme Court of Virginia
 LeAnn Lane, Court Analyst
 Supreme Court of Virginia