

May 28, 1999

Harry G. Penley
Clerk of the Circuit Court
County of Scott

Board of Supervisors
County of Scott

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Scott for the period July 1, 1997 through June 30, 1998. We conducted our audit in accordance with generally accepted auditing standards.

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; and no instances of noncompliance with applicable laws, regulations, and policies. However, we noted a weakness in internal controls that the Clerk needs to address as described below.

Reconcile Bank Account Monthly

The Clerk has not reconciled his checking account since July 1997. At the request of the Clerk, we performed a complete reconciliation of the account from August 1997 through March 1999. We found the following undetected errors:

- The Clerk made duplicate journal entries to record a \$18,490 transfer from the checking account to a savings account.
- The Clerk voided a \$9,359 check to the Commonwealth and a \$4,834 check to the County of Scott on the accounting system but both checks cleared the bank. Voiding the checks on the accounting system caused the Clerk to remit these amounts to the Commonwealth and locality the next month resulting in duplicate remittances.

- The Clerk marked a \$5,001 check void but failed to record the check as void on the accounting system.
- The Clerk made four deposits to the checking account in the aggregate of \$239 less than recorded receipts for each corresponding day. A large portion of this amount was a bank debit for \$120 for the deposit not agreeing to the deposit slip. After we brought this matter to the attention of the Clerk, he made a deposit from his personal funds to cover the amount.
- We also found thirty small dollar errors for bank charges returned checks and other recording errors that required correcting entries to the accounting system.

It is an essential internal control that the Clerk reconciles all bank accounts promptly. Failure to reconcile bank accounts can lead to errors and irregularities going undetected. We expended considerable effort to reconcile the bank account for the Clerk and assisted him in recording necessary corrections to the accounting system and requesting refunds for duplicate remittances. It is very important that the Clerk reconciles this account and makes all necessary corrections to the accounting system promptly in the future.

We discussed these comments with the Clerk on May 6, 1999, and we acknowledge the cooperation extended to us during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

cc: The Honorable J. Robert Stump, Chief Judge
John R. Strutner, County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Martin Watts, Court Analyst
Supreme Court of Virginia
Paul Delosh, Technical Assistance
Supreme Court of Virginia
Vicki D. Bridgeman, Director
Department of Treasury, Division of Unclaimed Property