

February 16, 1999

Peggy W. Walton
Clerk of the Circuit Court
County of Middlesex

Board of Supervisors
County of Middlesex

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Middlesex for the period July 1, 1996 through March 31, 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 weakness in internal controls relating to financial management that the Clerk needs to address as described below.

Improve Financial Management

As noted previously, the Clerk does not have sufficient knowledge of the court's automated accounting system to properly operate it. The Clerk relies heavily on the bookkeeper's knowledge, but cannot provide her proper oversight or back-up. The Clerk's lack of knowledge of the financial system prevents the Clerk from detecting and correcting accounting errors. The following conditions hinder the financial management of the Clerk's office.

- The Clerk does not reconcile the bank account to the accounting system. As of May 1998, the bank account had an apparent \$2,331 shortage when comparing the bank balance to the financial management system. The Clerk asked employees of the Supreme Court to reconcile the account. The Technical Assistance staff found reconciling items dating back to July 1996. The majority of the difference was due to the Clerk not detecting miscellaneous errors and making the necessary corrections.

- The Clerk did not reconcile office expenses to state reimbursements to ensure she received all reimbursements and recorded all activity. The Clerk's drawing account included an under-reimbursed balance of \$10,863 at November 30, 1998 that the Clerk could not explain. We found that most of the difference was due to Compensation Board reimbursements that were remitted to the locality instead of the court. The remaining difference was from the Clerk not remitting fringe benefits to the locality and the Compensation Board not reimbursing all expenses. The locality has now taken over the payroll activities of the court, so this should not be a problem in the future. However, the Clerk must seek reimbursement from the locality for the amount remitted in error by the Compensation Board. Based on our finding, the Clerk obtained the stated reimbursement from the locality.

In our last audit report, we recommended the Clerk continue to seek training on the automated system. The Clerk still does not have an adequate understanding of how to operate her own accounting system. The Clerk must take whatever steps appropriate to make sure that she understands the system sufficiently to provide back up and supervision to the bookkeeper. The Clerk must understand how to detect and correct errors. Without proper controls, the risk of undetected misappropriation of funds and theft is considerably increased.

We discussed these comments with the Clerk on February 17, 1999 and we acknowledge the cooperation extended to us during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

cc: The Honorable William H. Shaw, III, Chief Judge
Charles M. Culley, Jr., County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Martin Watts, Court Analyst
Supreme Court of Virginia
Paul Delosh, Technical Assistance
Supreme Court of Virginia