

December 6, 2002

The Honorable William E. Maxey, Jr.  
Clerk of the Circuit Court  
County of Powhatan

Board of Supervisors  
County of Powhatan

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Powhatan for the period July 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 weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

#### Provide Proper Oversight and Training

The Clerk does not provide adequate oversight or supervisory review over daily operations. Specifically, we found the following errors:

- The Clerk does not limit staff access to blank manual receipts. The Court has 22 open manual receipt books, but actively uses only four books. The Clerk should limit access to all manual receipt books, ensuring only he has access to inactive books. Additionally, the Clerk should monitor use of active books. Limiting access and proper monitoring provides staff accountability and reduces the risk of fraud or misappropriation. Proper controls over manual receipts are essential, especially in an office experiencing significant staff turnover.

- Since 1999, staff has failed to record court orders in the Common Law Order Book. As a result, the order book does not contain references to daily proceedings, orders, and judgments of the Court as required by Sections 17.1-123 and 17.1-124 of the Code of Virginia. Court orders should be prepared and entered timely to ensure the proceedings of the Court are properly recorded and available for review.
- Staff does not monitor their inactive civil cases. Section 8.01-335 of the Code of Virginia establishes guidelines for removing inactive civil cases from the court's docket after one, two, and three years of inactivity. The court's docket shows 282 civil cases ranging from three to 20 years old. Ten of the 14 cases tested ended up to 20 years ago, but continue to appear as pending and inactive since the staff failed to properly close the cases on the automated system. Three cases had no follow up action up to 13 years later. Additionally, the Clerk could not locate case files for two cases tested. These old cases clutter and overstate the court's docket report, which is one of the tools the Compensation Board uses to allocate court funding. The Clerk should immediately identify inactive civil cases, petition the Court to remove them from the docket, and refund any bonds. Further, the Clerk should ensure that staff consistently monitors inactive cases.
- Staff does not monitor condemnation funds. In one of five accounts tested, the case ended, but staff failed to take appropriate action to disburse the funds since 1992. Additionally, three of five tested condemnation accounts were over six years old with no action. Since the Clerk is holding these funds, he and his staff should monitor these accounts and encourage timely action. Though Clerks of Court cannot disburse any monies associated with condemnation funds until the case closes and there is a court order, staff should maintain correspondence with the attorneys, plaintiffs, and defendants involved to assist in the timely resolution of the case. The case files should include and properly document all correspondence.
- The Clerk failed to prepare the annual Unclaimed Property Report as required by Section 55-210.12 of the Code of Virginia. Court records showed that the Clerk had \$7,109 in property potentially eligible for escheatment to the Commonwealth, yet the Clerk took no action. The Clerk should review all liabilities and outstanding checks annually, perform required due diligence, and report and escheat amounts over one year old to the State Treasurer.

We recognize that the Clerk continues to experience turnover in the deputy clerk positions. However, as the Clerk has ultimate responsibility for the office's accounting operations, he should ensure that he and his staff possess an appropriate understanding of the court's automated systems and proper office procedures. We encourage the Clerk to provide the appropriate training to the new employees as soon as possible. Once the Clerk and his staff have the appropriate level of knowledge to properly perform assigned duties, the Clerk

The Honorable William E. Maxey, Jr.  
Board of Supervisor  
December 6, 2002  
Page Three

should perform reviews of staff work on a daily basis to ensure that employees are adhering to accepted accounting practices, performing their work properly and timely, and regularly resolving all exceptions.

#### Properly Document and Report Trust Funds

The Clerk did not properly document and report on monies under control of the Court. The Clerk's annual trust fund report did not include distribution dates as required by Section 8.01-600 of the Code of Virginia. The Clerk should use the automated system features to generate and submit a complete and accurate annual report that will comply with statutory requirements. Further, for one of three new trust fund orders, the Clerk failed to record the order in the Trust Fund Order Book as required by Section 17.1-125 of the Code of Virginia. As noted in our prior audit, the order book serves as a central record of trust fund activity within the Court. The Clerk should ensure that all trust fund orders are properly included in the Trust Fund Order Book.

#### Improve Accounts Receivable Management

As noted in our prior audit, the Clerk still does not properly manage account receivables. Our audit found the following:

- Staff does not consistently establish accounts receivable on the accounting system, or enter the final disposition in the case management system, immediately after conclusion of the case. In 12 of 35 cases tested, staff did not set up the accounts receivable or enter the final disposition for up to one year after conclusion. In two additional cases, staff set up the receivable eight to ten years after conclusion.
- Staff did not enter unpaid fines and costs in the Judgment Lien Docket as required by Section 8.01-446 of the Code of Virginia. Staff failed to enter judgments totaling \$7,971 for all 15 unpaid cases tested. To maximize collections, staff should promptly record all unpaid fines and costs in the Judgment Lien Docket Book.

The Clerk should immediately implement procedures to ensure that the receivables of his Court are properly established, monitored, and collected. Implementation of such procedures will facilitate the collection of court revenue and provide a proper accounting of court proceedings.

The Honorable William E. Maxey, Jr.  
Board of Supervisor  
December 6, 2002  
Page Four

We discussed these comments with the Clerk on December 6, 2002 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK/cam

cc: The Honorable Thomas V. Warren, Chief Judge  
Carolyn Cios, County Administrator  
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  
Director, Admin and Public Records  
Department of Accounts