

April 15, 2003

The Honorable Benjamin O. Scott  
Clerk of the Circuit Court  
City of Petersburg

City Council  
City of Petersburg

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the City of Petersburg for the period January 1, 2002 through December 31, 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

As cited in the last two audits, the Clerk's staff does not have a sufficient understanding of many of the Court's automated accounting procedures. Further, the Clerk does not provide adequate oversight or supervisory review over daily operations. Unknowledgeable staff and inadequate supervisory review resulted in errors and omissions in many areas of the Clerk's office operations. Specifically, we found the following errors.

- In 5 of 21 cases tested, staff recorded fines and Court costs incorrectly in the financial management system due to carelessness. Errors included failing to assess a total of \$1,203 in restitution; failing to assess the \$150 drug offender fee; incorrectly assessing Commonwealth's Attorney fees; improperly assessing a state fine as a local fine; and in two cases assessing a \$50 sentencing fee, even though the defendants did not serve time in jail, did not perform community service, or were not placed on supervised probation. These types of errors can result in the incorrect crediting and disbursing of fines and fee revenue or restitution to the

locality, state or individual. Staff should properly enter all assessments into the Court's automated systems.

- Staff do not properly review liability accounts. As a result, staff failed to send \$674 in confiscated funds to the Commonwealth that the Court has held for up to four years, because the money had been incorrectly recorded in an escrow account. Additionally, as noted in last year's audit, staff continues to hold a four-year old \$500 civil bond. Staff should review liability accounts regularly and disburse or escheat funds when appropriate.
- Although the Court submitted the annual Unclaimed Property Report as required by Section 55-210.12 of the Code of Virginia, staff failed to include \$3,496 in property potentially eligible for escheatment to the Commonwealth. Staff 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.
- Staff failed to prepare the annual Unclaimed Restitution Report as required by Section 19.2-305.1 (E) of the Code of Virginia. Court records showed \$1,088 in restitution potentially eligible for escheatment to the Commonwealth, but staff took no action. Staff should review all unclaimed restitution annually, perform required due diligence, and report and escheat amounts over one year old to the Criminal Injuries Compensation Fund.
- In all 20 unpaid criminal cases tested, staff did not enter the unpaid amounts in the Judgment Lien Docket as required by Section 8.01-446 of the Code of Virginia and failed to enter one case at all. In the remaining cases, staff entered the defendant's name and case number, but failed to enter the amount of the judgment. To maximize collections, staff should properly record all unpaid fines and costs in the Judgment Lien Docket Book.
- In 6 of 20 cases tested, staff did not properly document due date changes as required by Section 19.2-354 of the Code of Virginia, or properly enter the payment terms in the system. We also found that staff alter due dates without appropriate supporting documentation. All fines and costs are payable immediately upon final case disposition unless otherwise ordered by the Court or evidenced by a written payment plan. Staff should not alter due dates unless they have established or revised payment agreements, so that defendants understand their obligation to the Court. Additionally, staff should request supervisory assistance if unsure how to enter the approved payment terms from a court order or other supporting documentation.

As we have recommended in past audits, because the Clerk has ultimate responsibility for the office's accounting operations, he should ensure that staff possess an appropriate understanding of the Court's

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automated systems and proper bookkeeping procedures. The Clerk should work with the Supreme Court to seek training for his staff to increase their knowledge and understanding of bookkeeping procedures and the Court's automated system processes. Just as importantly, the Clerk should review staff work on a daily basis to ensure that employees follow accepted accounting practices, perform their work properly and timely, and regularly resolve any exceptions.

#### Improve Trust Fund Management

The Clerk does not properly manage trust fund accounts. He does not consistently reconcile trust fund balances from the bank statements to the Court's accounting system and we found the Clerk was missing several current bank statements. In several instances, the Clerk failed to post earned interest to individual trust fund accounts in the accounting system up to two years later. As a result, the Annual Report contains inaccurate financial information, including incorrect trust fund balances and approximate distribution dates. Without an adequate reconciliation process, the Clerk cannot ensure proper reporting and payout of trust fund accounts.

The Clerk does not properly maintain a Trust Fund Order Book. While the Clerk has a book in which he records the annual report, he failed to maintain all trust fund orders in that book as required by Section 17.1-125 of the Code of Virginia. The Trust Fund Order Book serves as a central record of trust fund activity within the Court and must include all reports, orders and decrees concerning moneys received by general receivers and clerks. The Clerk should immediately record all orders along with the annual reports in the designated book.

We discussed these comments with the Clerk on April 15, 2003 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  
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