



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

## *Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 25, 2016

The Honorable Clarence E. Phillips  
Chief Judge  
County of Wise General District Court  
206 East Main Street  
Wise, VA 24293

Audit Period: July 1, 2014 through June 30, 2015  
Court System: County of Wise  
Judicial District: Thirtieth

We are performing a statewide audit of the General District Courts. During our review of this court, we conducted certain audit procedures, as we deemed appropriate.

Management of this court is an important part of the court's accountability, since you are responsible for establishing and maintaining internal controls and complying with applicable laws and regulations. During our review we noted certain matters that required management's attention and corrective action. These matters included:

### **Request Tax Set-Off Refunds (Repeat Finding)**

The Clerk did not submit claims to the Virginia Department of Taxation (Taxation) for tax setoff of refunds for delinquent court fines and costs totaling \$1,052, resulting in a loss of revenue to the Commonwealth and Locality. A court must submit claims for set-off of tax refunds through Taxation's automated accounting system, the Integrated Revenue Management System. The Clerk should use the tax refund set-off process to maximize collections as required by the Code of Virginia.

### **Reconcile Bank Account (New)**

The Clerk did not reconcile the court's bank account during the audit period. Timely and complete reconciliations are an essential internal control. Allowing reconciling items to go unresolved can lead to errors and irregularities going undetected and increases the risk of loss of funds.

The Clerk should perform monthly bank reconciliations upon receiving the bank statements as required by the Financial Management System User's Guide

**Properly Retain Voided Receipts (New)**

In three of six receipts tested, the Clerk did not retain all copies of the voided receipts. Voided transactions pose an increased risk for fraudulent activity and, as such, must be monitored and controlled closely. The Clerk and her staff should retain voided receipts as required by the Financial Management System User's Guide.

**Properly Retain Court Records (New)**

During our audit, several financial reports and case files could not be located. We recommend the Clerk and her staff maintain the court's records in accordance with the General District Court Manual and the Financial Management System User's Guide.

**Monitor Account Status Reports (New)**

The Clerk does not review the Individual Account Status Reports generated by Clerk's financial management system. Not reviewing these reports resulted in liability accounts not being disbursed timely. The Clerk should review automated system reports as required by the Financial Management User's Guide and take appropriate action as needed.

**Properly Bill and Collect Court Fines and Costs (New)**

The Clerk and her staff did not properly bill and collect court fines and costs. In ten of 30 cases tested, we noted the following errors.

- In nine cases, the Clerk miscoded a total of \$1,000 in fines and \$600 in court appointed attorney fees as local instead of state.
- In one local case, the Clerk incorrectly billed the Commonwealth instead of the locality for court-appointed attorney fees of \$120.
- In three cases, the Clerk did not bill the defendants for costs totaling \$105.
- In one case, the Clerk overcharged the defendant a total of \$35 in court costs.

The Clerk should correct these specific cases noted above. Further, the Clerk should work with her staff to ensure they understand the billing and collection requirements and, if necessary, request additional training from the Office of the Executive Secretary of the Supreme Court of Virginia.

The Honorable Clarence E. Phillips, Chief Judge  
July 25, 2016  
Page Three

**Promptly Record Collections (New)**

The Clerk does not promptly credit collections to individual accounts when payments are received from the court's collection agent. The Clerk delayed the recording of \$1,006 in fines and costs in the Court's financial system up to three weeks. Delays in recording these funds could result in the defendant's account accruing additional interest, causing the defendant to be overcharged. The Clerk should promptly record collections to individual accounts on the court's accounting system.

We acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

MSM: clj

cc: Jean C. Sparks, Clerk  
Paul F. DeLosh, Director of Judicial Services  
Supreme Court of Virginia