

**ERICA W. WILLIAMS
CLERK OF THE CIRCUIT COURT
OF THE
COUNTY OF MONTGOMERY**

**REPORT ON AUDIT
FOR THE PERIOD
APRIL 1, 2009 THROUGH MARCH 31, 2010**



–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT LETTER	1
COMMENTS TO MANAGEMENT	2
CLERK’S RESPONSE AND CORRECTIVE ACTION PLAN	3-4



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

August 2, 2010

The Honorable Erica W. Williams
Clerk of the Circuit Court
County of Montgomery

Board of Supervisors
County of Montgomery

Audit Period: April 1, 2009 through March 31, 2010
Court System: County of Montgomery

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System and for the period noted above. 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.

Management's Responsibility

Court management has responsibility for establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Deficiencies in internal controls could possibly lead to the loss of revenues or assets, or otherwise compromise fiscal accountability.

We noted matters involving internal control and its operation necessary to bring to management's attention. These matters are discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate these matters provided by the Clerk are included as an enclosure to this report.

We discussed these comments with the Clerk and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:alh

cc: The Honorable Colin R. Gibb, Chief Judge
F. Craig Meadows, County Administrator
Robyn M. de Socio, Executive Secretary
Compensation Board
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia
Director, Admin and Public Records
Department of Accounts

COMMENTS TO MANAGEMENT

We noted the following matters involving internal control and its operation that has led or could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability.

Follow Standard Cashiering Practices

The Clerk allows multiple cashiers to use the same cash drawer and the same cash register or computer. During our audit and test work, we observed errors in recording transactions, preparing receipts of payments, and making change which resulted in cash shortages and overages ranging from \$18 to \$100 and on two days of 15 days tested, incorrectly recording the tender type of funds collected.

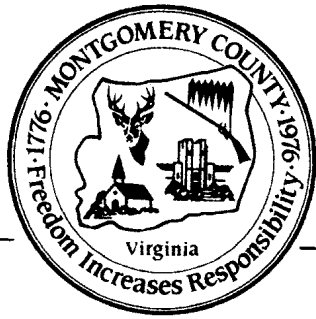
It is best internal control practice in all businesses regularly handling cash transactions to have all staff fully trained on the equipment and have a thorough knowledge of the prices structure for the operations. Further, each cashier has a separate cash drawer, so that they can have complete accountability for all of their transactions.

The use of a separate cash drawer also allows management to monitor each cashier's ability to properly record and execute transactions. Further, management can determine which cashiers require additional training or should perform other duties.

The Supreme Court provides training for staff using its equipment and the standard procedures cashiers, bookkeepers, and others should follow in a cashiering operation. Further, the Financial Management System User's Guide is readily set up to serve as a reference guide. We recommend the Clerk immediately implement procedures to ensure all staff performing cashiering duties receive proper training in the handling and settlement of cash transactions, and managers understand their responsibilities for monitoring these operations.

Escheat Unclaimed Funds

The Clerk continues to hold \$22,523 from the proceeds of a foreclosure where the court cannot locate the defendant and the case ended in April 2008. The clerk should remit this amount to the State Treasurer as unclaimed property according to Section 55-210.12 of the Code of Virginia.



CLERK'S OFFICE
MONTGOMERY COUNTY CIRCUIT COURT
ERICA W. WILLIAMS, CLERK

1 EAST MAIN STREET, SUITE B-5, CHRISTIANSBURG, VIRGINIA 24073
PO BOX 6309, CHRISTIANSBURG, VIRGINIA 24068
PHONE 540-382-5760

July 9, 2010

Auditor of Public Accounts
P. O. Box 1295
Richmond, VA 23218
Attn: Tracy Vaughan

RE: June 29, 2010 Audit Findings

I am in receipt of two audit findings by your agency. The purpose of this letter is to acknowledge receipt of these findings and to address the corrective action plan that will be taken on behalf of this office.

Regarding finding **Standard Cashiering Procedures:**

This Clerk has in place a security system on money transactions that runs 24 hours a day. In 2009, the Clerk placed a barrier between the front counter area and public access to prohibit access by non-staff. The Clerk also has in place multiple internal controls to account for change monies at the beginning and end of each day. The Clerk requires staff at the beginning of each day to verify the amount of change in each drawer and log that amount to ensure accuracy from the previous day. Each staff member is assigned and is directed to use their own cash drawer specifically assigned to them to account for their own transactions. At the end of each day during counting down procedures, staff will check their transactions and have an alternative staff member or supervisor verify the amounts of each transaction in each drawer to ensure accuracy. Staff have been notified verbally and in memorandum previously, and also subsequent to this finding regarding procedures that involve large amounts of cash or multiple bills. The Clerk requires large amounts of cash being taken or returned in change to be verified by counting multiple times and also checking by another staff member to ensure accuracy in receipting and or giving change to lessen the chance of error.

Regarding tender type errors, the Clerk has verbally counseled staff that was responsible for making the multiple tender type, transaction type and recording errors and will re-train staff to comply with standard cashiering procedures as set forth in the guidelines manual and will also offer training classes to such staff by the Supreme Court. The Clerk has notified staff members who have made multiple errors that any further repeated errors may necessitate disciplinary action or termination as to not compromise fiscal accountability.

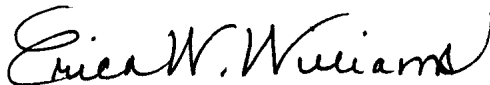
Auditor of Public Accounts
July 9, 2010
Page two (2)

Regarding funding (2) **Monitor and Disburse Liability Accounts**

The Clerk has discussed monitoring the liability accounts with staff responsible for receipting and keeping track of such accounts. The Clerk will work in conjunction with staff responsible for receipting and monitoring these cases, and the bookkeeper to not delay disbursement in a timely manner. The Clerk will monitor these accounts closely. It should be noted that the specific account noted in this finding was receipted incorrectly in a prior Clerk's administration that couldn't be tracked, was subsequently corrected in the financial management system by this Clerk and the account did not show up on an unclaimed property list that is used to disburse monies.

As always, I look forward to working with you on matters of mutual concern in order to provide the best service to the citizens of Montgomery County and the Commonwealth of Virginia.

Sincerely,

A handwritten signature in cursive script that reads "Erica W. Williams".

Erica W. Williams, Clerk