



CAROLYN H. HONEYCUTT
CLERK OF THE CIRCUIT COURT
FOR THE
COUNTY OF CARROLL

FOR THE TWO YEARS ENDED
DECEMBER 31, 2013

Auditor of Public Accounts
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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.

Improve Management over Liabilities and Trust Funds

The Clerk does not have adequate internal controls over liabilities and trust funds. Specifically, we noted the following weaknesses.

- In one case, the Clerk incorrectly classified a civil bond of \$168,387 as a trust fund in the accounting system.
- The Clerk has not disbursed three trust fund accounts totaling \$48,193 that are eligible for disbursement, four liability accounts totaling \$12,700 that are related to concluded cases, and refunds totaling \$490. In addition, the Clerk has not recorded the disbursement of five liability accounts, totaling \$14,586, in the accounting system.
- The Clerk miscoded \$2,165 in trust fund money as an escrow account and \$2,030 in civil deposits as trust funds.
- The Clerk did not reconcile the 2013 annual trust fund report to the subsidiary and general ledgers.

We recommend the Clerk disburse the amounts noted above and correct the miscoding and classification errors. Further, the Clerk should establish proper procedures to improve the ongoing management of liabilities.

Properly Bill and Collect Court Fines and Costs

The Clerk and her staff did not properly bill fines and costs. We tested 38 cases and noted the following errors.

- In 12 cases, the Clerk did not bill defendants for costs totaling \$2,858.
- In five cases, the Clerk incorrectly coded \$1,950 in state fines as local fines.
- In two cases, the Clerk erroneously assessed \$506 in court costs to defendants.

The Clerk should correct the 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.

Reconcile Bank Account

During the audit period, the Clerk did not reconcile her bank account. 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. We recommend the Clerk reconcile her bank account in a timely manner each month.

Properly Review Daily Reports

In 15 of 24 months tested, the Clerk did not review and approve the daily financial transactions. The Clerk is required to maintain adequate internal controls over the assets and accounting records. Reviewing the daily transactions helps ensure the financial records are both accurate and reliable. The Clerk should review and approve the financial reports daily.

Improve Daily Reconciliation Procedures

In two of nine days tested in which receipts were voided, the Clerk and her staff did not complete the daily cash reconciliation worksheet. The worksheet reconciles the cash receipt totals for the day to the court's actual bank deposit. Daily reconciliations are an essential internal control to ensure that amounts recorded as collections in the court's financial system agree to what was actually deposited in the bank. In addition, voided transactions pose an increased risk for fraudulent activity and, as such, must be closely monitored and reviewed. The Clerk and her staff should complete the daily cash reconciliation worksheet each day as required by the Financial Management System User's Guide.

Control Access to Court's Automated Information System

The Clerk does not have adequate internal controls over access to the Court's Automated Information System (CAIS). During the audit, we noted an instance in which one employee did not log out of the system before another employee began using it. It is critical that each user have a unique password and user ID to provide accountability and integrity over the information within the automated system. The Clerk should ensure that all staff have proper authorization to access the automated system and that they do not share log-in IDs and passwords.

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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 11, 2014

The Honorable Carolyn H. Honeycutt
Clerk of the Circuit Court
County of Carroll

David V. Hutchins, Board Chairman
County of Carroll

Audit Period: January 1, 2012 through December 31, 2013
Court System: County of Carroll

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System 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

MSM: clj

cc: The Honorable Marcus H. Long, Jr., Chief Judge
Gary P. Larowe, 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

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CAROLYN H. HONEYCUTT
CLERK

STATEMENT REGARDING AUDIT: APRIL 1, 2014

Before I begin responding to the points mentioned in this report, I want each reader to be aware that I responded with 66 pages of objections and explanations as to why each internal control mentioned should not be a problem because I as Clerk had a Court Order, a justification and three years of running an office critically short staffed due to illnesses of the permanent staff, as well as inconsistent errors caused by the particular illness of the former bookkeeper. I also want each reader to be aware that this office had 19 years of **NO** management points until the conditions as stated above became fact. The 19 years of clear audits is statement to the fact that the Clerk has adequate controls in place. The 66 pages as mentioned in this statement are available to the reader upon request to the Clerk.

Plan for Improvements Resulting in Audit Findings for the FY 2012 and FY 2013

Improve Management over Liabilities and Trust funds

- **"In one case, the Clerk incorrectly classified a civil bond of \$168,387 as a trust fund in the accounting system."** I invested this bond money per Court Order. In the future, I will ask the Court for an amended Court Order stating that the invested bond monies (when applicable) be held as a Trust Fund Account for the individual for whom the money is invested. By doing so, I can invest the bond money in the Court held investment accounts.
- **"The Clerk has not disbursed three trust fund accounts totaling \$48,193 that are eligible for disbursement, four liability account totaling \$12, 700 that are related to concluded cases, and refunds totaling \$490. In addition, the Clerk has not recorded the disbursement of five liability accounts, totaling \$14,586 in the accounting system."** In response, the five liability accounts totaling \$14,586 were not shown as disbursed because those actual disbursements occurred during the tenure of the ill accountant. My improvement was to hire and train a new bookkeeper. The four liability accounts associated with concluded cases totaling \$12, 700 are associated with not having a Court Order to disburse. My plan is to request a Court Order to disburse shortly after the case is concluded. The \$490 in refunds was delayed due to lack of office time to respond in a timely manner. I have a policy to not deliver refunds for two weeks after the collection to be sure that the funds clear the bank. The three Trust Accounts were not disbursed because no one had requested them. The individuals are known to me and the statutory one year had not run. In the future, I will summons the individuals to appear to collect their money. If the individual does not appear, I will mail by certified mail with signature verified return. All monies mentioned have been attended to and corrected.

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- **"The Clerk miscoded \$2,165 in trust fund money as an escrow account and \$2,030 in civil deposits as trust funds."** The \$2,030 cited as being held in trust funds was held in accordance with Virginia Code Section 8.01-600(B). No change is needed. The \$2,165 was held in the trust fund account until moved to the escrow account for pay out. I will leave the trust fund accounts in that account code and journal voucher for pay out from the trust fund account and/or paid directly to the individual from the bank.
- **"The Clerk did not reconcile the 2013 annual trust fund report to the subsidiary and general ledgers."** When the report was delivered to the Court, it appeared to be correct. The report was correct and consistent with statements that were received to that report date. The bank added CD accounts to the savings account statements to show when the interest is posted. I will ask the bank to add any future investments to that statement as further proof of reconciliation.

In conclusion to this section, all corrections are made and balanced.

Properly Bill and Collect Court Fines and Costs

"The Clerk and her staff did not properly bill fines and costs. We tested 38 cases and noted the following errors."

- **"In 12 cases, the Clerk did not bill defendants for costs totaling \$2,858."** I respond to this as a result of the incapacity of the former bookkeeper to consistently apply appropriate costs. The new bookkeeper was in training and did not know to include expenses to the attorney's fees charged to these cases. The corrective plan is to keep the current bookkeeper who properly applies costs and who has completed her training. The costs not previously applied are now applied and all errors brought to the Clerk's attention have been corrected.
- **"In five cases, the Clerk incorrectly coded \$1,950 in state fines as local fines."** The new bookkeeper while in training applied the state fines to these cases because they were styled by locality. After more training, she now knows to apply per code charged on the warrant. I plan to continue her training on costs.
- **"In two cases, the Clerk erroneously assessed \$506 in court costs to defendants."** I corrected the assessed costs to the defendants.

In conclusion to this section, I am continuing to train staff. I also want to point out that in 2012 this office of five full time staff (including me) commenced 1273 criminal cases and in 2013 commenced 1008 cases. The staff and I were trying to do our responsibilities and take care of the responsibilities of the mostly absent former bookkeeper.

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Reconcile Bank Account

"...the Clerk did not reconcile her bank account."

- I may not have resolved the reconciliation issue during the audit period, but I attempted daily to reconcile the bank account. The reconciliation required going back to find the first error which was made to appear correct by the former accountant. That staff member also made corrections to "fix" the balance to reconcile with the bank when she should not have done so. The discovery came after her retirement. The new bookkeeper, the technician for financial management for the Supreme Court of Virginia, and I worked on the reconciliation for over a year. The reconciliation for those old months is still a work in progress. Please understand that it was not negligence nor was it a lack of knowing how to accomplish the task, but a serious search for errors previously made. I have reconciled monthly bank accounts for 22 years. I know that it must be done and I know how. I am searching for the problem. The audit came before the issue was resolved. My plan is to reconcile the bank account monthly.

Properly Review Daily Reports

"...15 of 24 months tested, the Clerk, did not review and approve the daily financial transactions."

- I checked the financial transactions daily by viewing the electronic reports through Report Tran. I found this less time consuming than receiving the paper production which is a shortened version of the reports. I plan to sign and have been signing the daily reports.

Improve Daily Reconciliation Procedures

"In two of nine days tests in which receipts were voided, the Clerk and her staff did not complete the daily cash reconciliation worksheet."

- The work sheets that did not get completed were due to other staff trying to process daily accounting functions in the absence of the accountant. When the new bookkeeper was hired, she did not feel certain about completing those until fully trained. The reports are now signed daily and all worksheets are completed before I sign.

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Control Access to Court's Automated Information System

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- The employee using the work station is a part time employee who has no knowledge of how to proceed into any open program except the word processing system he is trained to use. He writes Court Orders and prints concealed handgun permits. He doesn't know how to do anything else. To print the permits, CAISFORM is used so that has to be open for the information input and to print the permit. He was never given any codes and does not know how to sign on or access. All of that is always done for him by a Deputy Clerk. He inputs information and prints. He does nothing else. The concealed handgun permits are now done by a permanent employee who has her own access code. All the part time employee does is write Court Orders using WORD (sometimes on his laptop computer) and separating paper receipts each morning when he is here.

I conclude by saying that considering this was a two year audit and the personnel problems suffered by this office due to two employees' severe and critical illnesses (both of which resulted in their retirements), that my staff and I performed admirably. You must remember that our work load levels since 2004 have been astronomical compared to the number of staff to perform the 800 various duties required in the Circuit Court Clerk's Office. During this audit period, the office operated with over 2 staff positions below that which was needed to meet that work load level. During this audit period, this office was suffering from the frequent and sometimes lengthy absence of the accountant for one year. Before the accountant's replacement was fully trained, another staff member was diagnosed with cancer and had to have immediate surgery. She never returned to work. Both staff members have retired and are now replaced with new staff members who are in training. During this two year period, this office with six staff members (including myself) working where at least eight staff members were needed have managed with four trained staff members most days. During this time period, if any staff member was sick or on vacation, we operated with three fully trained staff members. For at least a year of more, we were operating at half the needed staff. We tried and we are continuing to try to meet all responsibilities to serve the citizens and the Commonwealth. We did our best with extenuating circumstances.

Carolyn H. Honeycutt, Clerk