



Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

April 23, 2008

The Honorable Norman Dev Morrison
Chief Judge
County of Frederick General District Court
P. O. Box 612
Berryville, VA 22611

The Honorable John R. Prosser
Magistrate Supervising Authority
26th Judicial District Judicial District
5 North Kent Street
Winchester, VA 22601

Audit Period: April 1, 2006 through December 31, 2007
Court System: County of Frederick
Judicial District: 26th Judicial District

We have audited the cash receipts and disbursements of the Clerk of the General District Court and the associated Magistrates for this locality. Our primary objectives for both the Court and the Magistrates were to test the accuracy of financial transactions recorded on the applicable financial management system; evaluate internal controls; and test its compliance with significant state laws, regulations, and policies.

Management's Responsibility

Court and Magistrate 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.

Financial Matters

We noted no instances of improper recording and reporting of financial transactions in the Court's financial management system.

Additionally, we noted no instances of improper recording and reporting of financial transactions in the Magistrates' financial management records.

Internal Controls

We noted no matters involving internal control and its operation necessary to bring to Court management's attention.

However, we noted matters involving internal control and its operation necessary to bring to Magistrate management's attention.

Compliance

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance in the Court that are required to be reported.

Conversely, the results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance with the Magistrates that are required to be reported.

We acknowledge the cooperation extended to us by the Court and the Chief Magistrate during this engagement. The issues identified above are discussed in the section titled Comments to Management.

A handwritten signature in black ink, appearing to read "Walter J. Kuchar".

AUDITOR OF PUBLIC ACCOUNTS

WJK:kmk

cc: The Honorable David S. Whitacre, Judge
Brenda L. Vance, Clerk
Monica L. Martin, Chief Magistrate
Paul DeLosh, Director of Technical Assistance
Supreme Court of Virginia

COMMENTS TO MANAGEMENT

Combined Internal Controls and Compliance Issues

We noted the following matters that reflect both internal control concerns and noncompliance with applicable laws and regulations. These matters effect operation and could lead to the loss of revenues, assets, or otherwise compromise the Magistrates' fiscal accountability.

Improve Magistrate Management

We found the Magistrates' records incomplete, missing essential information to understand the transactions, and unsecured financial instruments. The Magistrates' failure to follow the Supreme Court of Virginia's standard procedures has resulted in significant internal control and financial management weaknesses.

We found the following.

- Bank Statements

Seven magistrates had performed no bank reconciliations and three magistrates had performed the reconciliations up to three months late. Additionally, magistrates incurred \$5.00 return statement charges on five of those seven un-reconciled accounts. The magistrates should perform reconciliations upon receipt of the bank statement and resolve all discrepancies between bank statements and accounting records within a week of preparing the initial reconciliation.

- Commingling of Funds

A Magistrate commingled personal and magistrate funds upon establishing of the Magistrate checking account. Section 17.2-271 of the Code of Virginia does not permit this practice.

- Receipts

Auditors tested 111 receipts representing \$187,725.00 in bond monies received and found the following.

- In sixteen instances, magistrates posted dated checks they sent to the court ranging from one to six days. These actions created processing delays for the receiving court since they could not deposit the check until the check date.
- For sixteen receipts, the magistrates deposited the money in the bank one day late; with the Court more than 10 days late; or gave the court a check for the collection before putting the money in the bank. One magistrate held \$1,500.00 for 37 business days before giving the money to the Court.
- Three deposits did not equal the receipts written.
- Three magistrates left signed blank receipts in the receipt book.

- Additionally, we found receipts with missing required information, including dates and the name of the appropriate Court.

Chapter X in the Magistrate Accounting Manual clearly outlines the procedures to address all of the issues identified during this audit. The Chief Magistrate should ensure that the district Magistrates comply with these accounting procedures.

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1 Report File
1 Working Papers