VIRGINIA DISTRICT COURTS

STATEWIDE REPORT

REPORT ON AUDITS

DURING THE PERIOD

JULY 1, 2004 THROUGH JUNE 30, 2005

APA

Auditor of Public Accounts

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

In our audits of the District Courts completed in our 2005 work plan and covering fiscal periods through June 30, 2005, we identified the following findings that we consider statewide issues that are common to several district courts.

- Properly Reconcile Bank Account
- Properly Assess and Record Court Fees and Costs
- Strengthen Receipting Procedures

Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the district court administrator, consider issuing new guidelines or providing training to help specific courts improve. In addition, the Executive Secretary should consider including these issues when conducting statewide training for all district courts.

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Commonwealth of Virginia

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Auditor of Public Accounts
P.O. Box 1295
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November 25, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We are pleased to submit our statewide report on the Virginia District Court System. This report represents the results of audits conducted in our 2005 work plan and cover fiscal periods through June 30, 2005. The Supreme Court operates the District Court System subject to the Chief Justice of the Supreme Court's administrative supervision. The Virginia District Court System includes all General District Courts, Juvenile and Domestic Relations District Courts, and Combined District Courts in the Commonwealth of Virginia.

Our audits determined whether court officials have maintained accountability over collections, established internal controls, and complied with state laws and regulations. We used a risk-based audit approach for district courts that assesses risk for each individual court to determine the amount of testing we would perform. There are a total of 195 district courts in the Commonwealth. Three localities have General District Courts with multiple divisions for which we issue separate reports. We had findings in nine of the 153 district courts audited during the period.

This report summarizes the findings from our audits that we consider statewide issues that were common to several district courts. Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the district court administrator, consider issuing new guidelines or provide training to help these offices improve. In addition, the Executive Secretary of the Supreme Court periodically holds training for all district courts and should consider emphasizing these matters during future training sessions.

- Properly Reconcile Bank Account
- Properly Assess and Record Court Fees and Costs
- Strengthen Receipting Procedures

We have included a further discussion of these statewide findings in the "Statewide Internal Control and Compliance Issues" section of this report.

This report is intended for the information of the Governor and General Assembly, court management, and the citizens of the Commonwealth of Virginia and is a public record. We have previously discussed the findings contained in this report with court management at the completion of our individual clerk's office audits during the period.

AUDITOR OF PUBLIC ACCOUNTS

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STATEWIDE INTERNAL CONTROL AND COMPLIANCE ISSUES

Many of our findings in the district courts system focus on the court's lack of strong accounting and internal control procedures in various areas of daily office operations. We have included a summary discussion of the statewide issues below.

Properly Reconcile Bank Account

Reconciling the bank statement to the checkbook to the automated accounting system continues to be a very important and fundamental process in maintaining strong internal controls within the clerk's office. When done properly and timely, the bank reconciliation helps determine the accountability of recording all transactions, detecting and correcting any errors, and the accounting records accurately reflecting the amount of money in the bank. Conversely, failing to properly reconcile the bank account significantly increases the chances that errors, theft, omissions, or other irregularities could go undetected.

We found that clerks failed to properly resolve differences between the bank statement and the court's automated financial system. Differences often stemmed from returned checks or routine bank service fees, and incorrect adjustments to either the bank balance or the system balance. Sometimes reconciling items went unresolved for extended periods of time. Allowing these reconciling items to go unresolved for several months makes it that much more difficult and time consuming to accurately reconcile the bank account.

Proper and timely reconciliations help identify errors, and timely correction of those errors ensures the court's financial management system properly reflects the court's activities. Clerks should properly reconcile their bank accounts to the checkbook and the automated financial system each month and resolve all differences timely.

Clerks who may not fully understand the reconciliation process in an automated system environment should immediately seek assistance and training from the Supreme Court. Failing to reconcile the bank account monthly or not resolving all differences promptly significantly increase the risk of errors, fraud, or other irregularities going undetected. We noted bank reconciliation issues at the following District Court Clerk offices:

Accomack Juvenile and Domestic Relations Court
Loudoun Juvenile and Domestic Relations Court
Montgomery County General District (Repeat)

Properly Assess and Record Court Fees and Costs

Some clerks did not properly assess and record fees and costs in accordance with the Code of Virginia. We found errors in the assessment of such fees and costs as the tried in absence fee and the court-appointed attorney fee. We also found offices that assess court costs on juvenile petitions in contravention of Section 16.1-69.48:5 of the Code of Virginia. Clerks should be more diligent in assessing and collecting fees and costs to ensure compliance with state law. We noted improper assessing of fees or costs at the following District Court Clerk offices:

Accomack Juvenile and Domestic Relations Court
Brunswick Combined District Court
Colonial Heights Combined District Court

Strengthen Receipting Procedures

Some clerks do not use adequate procedures for receipting cash collections. We noted the following receipting issues:

At some courts on any given day, up to ten staff may use the one cash drawer when receipting daily collections. This does not allow for adequate accountability and audit trail should cash shortages or overages occur. It also hinders identifying individual cashier training issues. We found cash shortages totaling $86 during the audit period at one court.

- Ideally, employees acting as cashiers should have their own separate cash drawers to help maintain sufficient accountability and audit trail over cash receipts. When this is not feasible, clerks should implement less costly alternatives such as using separate envelopes, bank bags, or lock boxes secured near the cash register. Employees could maintain the proceeds and receipts from their transactions in their own cash envelop, bag, or lock box. If clerks cannot provide these alternatives, the number of cashiers who use the same cash drawer should be reduced to the barest minimum.

- Some clerks do not maintain proper accountability over manual receipts. We noted clerks who issue manual receipts out of numerical sequence, skip others entirely, or fail to mark "Void" on receipts when applicable. Still others do not document manual receipt use on the daily financial reports. In one court, the clerk delayed recording manual receipts in the financial system for up to two months.

- Because of the increased risk of loss through theft or fraud, it is critical that clerks maintain strong internal controls over manual receipts. Clerks should properly secure manual receipts when not in use, issue them in numerical sequence, and record all manual receipt transactions in the automated system promptly. Finally, clerks should routinely review employee use of manual receipts.

We noted receipting issues at the following District Court Clerk offices:

Accomack Juvenile and Domestic Relations Court
City of Emporia Combined District Court
Greensville Combined District Court
Loudoun Juvenile and Domestic Relations Court
Prince William General District Court

COMMITTEE ON DISTRICT COURTS

The Honorable Leroy Rountree Hassell, Sr., Chief Justice, Supreme Court of Virginia, Chairman

The Honorable H. Thomas Padrick, Jr., Judge, Second Judicial Circuit, Vice Chairman

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The Honorable William J. Howell, Speaker, Virginia House of Delegates

The Honorable Ryan T. McDougle, Member, Virginia House of Delegates

The Honorable Kenneth R. Melvin, Member, Virginia House of Delegates

OFFICIALS

The Honorable F. Bruce Bach, Interim Executive Secretary
Office of the Executive Secretary of the Supreme Court of Virginia

APPENDIX
DISTRICT COURT AUDITS

This Appendix is a listing of those General District, Juvenile and Domestic Relations, and Combined General District courts that we audited during our fiscal 2005-work plan for the period ended June 30, 2005.

General District Courts	Juvenile and Domestic Relations Courts	Combined General District Courts
Amherst County	Accomack County*	Alleghany County
Appomattox County	City of Alexandria	Bath County
City of Alexandria*	Amherst County	Botetourt County
Arlington County	Appomattox County	Brunswick County*
Augusta County	Arlington County	Buchanan County
Bedford County	Augusta County	Buckingham County
City of Bristol	Bedford County	Carroll County
Campbell County	City of Bristol	Charles City County
Caroline County	Campbell County	City of Colonial Heights*
Charlotte County	Caroline County	Craig County
City of Charlottesville	Charlotte County	Cumberland County
City of Danville	City of Charlottesville	Dinwiddie County
City of Fairfax	City of Chesapeake	City of Emporia*
Fairfax County	Chesterfield County	Essex County
Frederick County	Clarke County	City of Falls Church
City of Fredericksburg	City of Danville	City of Franklin
Gloucester County	Fairfax County	City of Galax
City of Hampton	Frederick County	Goochland County
Henrico County	City of Fredericksburg	Greensville County*
James City/Williamsburg	Gloucester County	Highland County
King & Queen County	City of Hampton	City of Hopewell
King William County	Hanover County	King George County
Lancaster County	Isle of Wight	Lee County
Loudoun County	James City/Williamsburg	Louisa County
City of Lynchburg	Lancaster County	Lunenburg County
Mathews County	Loudoun County*	Madison County
Mecklenburg County	City of Lynchburg	Powhatan County
Middlesex County	City of Martinsville	Prince Edward County
Montgomery County – Christiansburg*	Mathews County	Rappahannock County
Nelson County	Middlesex County	Richmond County
New Kent County	Montgomery County	Rockbridge County
City of Newport News Civil Division	Nelson County	Russell County
City of Newport News Criminal Division	New Kent County	Scott County
City of Newport News – Traffic Division	City of Newport News	Southampton County
City of Norfolk Civil Division	City of Norfolk	Surry County
City of Norfolk Criminal Division	Northampton County	Sussex County
City of Norfolk Traffic Division	Northumberland County	
Northampton County	Page County	
Northumberland County	Patrick County	

* Denotes audit with one or more findings

APPENDIX
DISTRICT COURT AUDITS

General District Courts (Cont'd)	Juvenile and Domestic Relations Courts (Cont'd)
Patrick County	City of Petersburg
City of Petersburg	City of Portsmouth
Pittsylvania County	Pulaski County
City of Portsmouth	City of Richmond
Prince William County*	City of Roanoke
Pulaski County	Roanoke County
City of Richmond Civil Division	City of Staunton
City of Richmond Traffic Division	Smyth County
City of Roanoke	Spotsylvania County
Smyth County	City of Suffolk
Spotsylvania County	City of Virginia Beach
Stafford County	Warren County
City of Staunton	Washington County
City of Suffolk	Westmoreland County
Tazewell County	City of Winchester
City of Virginia Beach	Wise County/Norton
Warren County	York County
Washington County	
Westmoreland County	
City of Winchester	
Wythe County	
York County	

***** Denotes audit with one or more findings