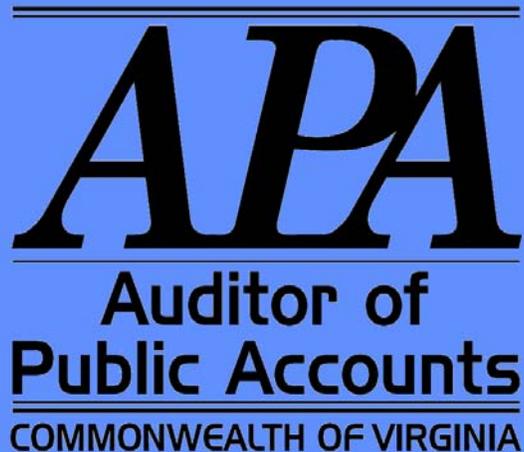


PEGGY A. BOSTIC
CLERK OF THE CIRCUIT COURT
of the
COUNTY OF CRAIG

REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2007 THROUGH SEPTEMBER 30, 2008





Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

January 29, 2009

The Honorable Peggy A. Bostic
Clerk of the Circuit Court
County of Craig

Board of Supervisors
County of Craig

Audit Period: July 1, 2007 through September 30, 2008
Court System: County of Craig

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.

Financial Matters

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

Internal Controls

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

Compliance

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

The issues identified above are discussed in the section titled Comments to Management. The Clerk did not provide any response or written corrective action plan to remediate these issues.

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:kmk

cc: The Honorable Humes J. Franklin Jr., Chief Judge
Richard C. Flora, 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

Internal Controls and Compliance

We noted the following matters involving internal control and its operation that could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability. The results of our tests of compliance with applicable laws and regulations also disclosed the following instances of noncompliance.

Properly Reconcile Bank Account

The Clerk does not reconcile the bank accounts to the Court's automated accounting system and has not reconciled her bank accounts for the past 14 months, which was since June 2007. Specifically, auditors noted the following issues which also affected the Clerk's ability to manage and disburse liabilities.

- The Clerk showed an account \$151 balance on her monthly liability accounts; however, bank records showed that the Clerk had disbursed these funds in February 2008.
- The Clerk had a check totaling \$606 on her June 2008 automated unclaimed property report; however, the check had cleared the bank in October 2007.

The Clerk should reconcile system balances to the bank statement monthly and resolve all differences immediately. Timely and complete reconciliations are essential for effective internal control. If the Clerk cannot properly reconcile the bank account and promptly resolve reconciling items, she needs to contact the Supreme Court for assistance and guidance. Allowing reconciling items to go unresolved can lead to errors and irregularities going undetected and increases the risk of loss of funds.

Implement Tax Set-Off Procedures

The Clerk does not have staff certified to use the Integrated Revenue Management System. Starting in fiscal year 2006, Section 2.2-4800 of the Code of Virginia requires that Courts must participate in the Tax Set-Off Program through the Department of Taxation's automated accounting system called the Integrated Revenue Management System (IRMS) to assist Courts in collecting delinquent fines and costs. Lack of participation in this program has resulted in a loss of revenue to the Commonwealth.

The Clerk should immediately take action to have two staff members certified on IRMS in order to maximize collection efforts through the Department of Taxation.

Properly Manage and Disburse Liabilities

The Clerk does not monitor and disburse liabilities in a timely manner. Specifically, we noted the following.

- The Clerk delayed six deposits totaling \$34,403 for up to one month before sending them to the State Treasury for state collections from the District Court and the Circuit Court. Per Section 2.2-806B of the Code of Virginia, Clerks should deposit state at least weekly.

- In two instances, the Clerk received and continues to hold \$414 in restitution funds. Clerk received one account in January 2008 and the other in September 2008. As of the end of field work, the Clerk still held these monies.
- The Clerk is not promptly reconciling her hunting and fishing licenses fees to the total sales per the Department of Game and Inland Fisheries. Clerk did not record \$1640 in disbursements for these licenses in her automated accounting system in October 2008.
- The Clerk is holding \$97 in county court costs due to a receipting error made in January 2008.

The Clerk should review her liability reports on a monthly basis and promptly disburse funds to the proper beneficiary. The Clerk should ensure she properly deposit all state collections as required by the Code of Virginia. Failure to properly adhere to these regulations increases the risk of errors or misappropriation or other loss of funds to the Commonwealth.