



Commonwealth of Virginia

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June 28, 2004

The Honorable Gary M. Clemmons
Clerk of the Circuit Court
County of Loudoun

Board of Supervisors
County of Loudoun

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Loudoun for the period October 1, 2002 through March 31, 2004.

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. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system; and no instances of noncompliance with applicable laws, regulations, and policies. However, we noted weaknesses in internal controls that the Clerk needs to address as described below.

Continue to Improve Court Operations

Since our last audit, the Clerk has made changes and has strengthened procedures in many of the Court's operations. However, we continue to find areas where the Clerk needs to improve to strengthen internal controls. Specifically, we noted weaknesses in the areas of bank reconciliations and cash collection/receipting.

Bank Reconciliations

The bookkeeper did not properly reconcile the bank account. For example, she failed to resolve differences between the bank statement, the check book, and the automated system timely or at all. We noted returned checks totaling more than \$7,400 that the bookkeeper carried forward from month to the next month for up to 18 months. We also noted miscellaneous items such as bank charges totaling more than \$900 that

remained unresolved for up to 14 months. The bookkeeper did not attempt to reconcile the bank account at all for the month of February 2004 and in March 2004, she attempted to reconcile the bank account, however the reconciliation was incomplete and totals did not reconcile.

As noted in the prior audit, supervisory review of the bank reconciliations was inconsistent. For 10 of 18 months, no one reviewed the monthly reconciliations.

The Clerk needs to ensure that the bank account is properly reconciled to the bank statement and the automated financial system each month and that someone resolves and corrects all differences timely. 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.

Receipting

As noted in our previous audit, the Clerk needs to strengthen procedures for manual receipts, voided receipts, and the accounting for overages/shortages in daily collections. Specifically, we found the following:

- Court staff did not maintain proper accountability over manual receipts. We noted the use of receipts out of sequence, skipped, and not marked “void” when applicable. Further, of the 120 tested, we found 13 unrecorded manual receipts totaling almost \$240. We also found that staff did not retain both copies of 72 receipts, nor document their use on the daily reports.
- For 11 of 15 voided receipts tested, staff did not retain all copies as required by the Financial Management User’s Guide, Chapter 9-11-2.
- Court staff does not use the automated financial system to record overages or shortages in daily collections as required by the Financial Management User’s Guide. Recording overages and shortages allows the Clerk to easily monitor receipting errors and take appropriate action to resolve any potential training or personnel issues.

Because of their susceptibility for errors of omission, and the increased risk of loss through theft or fraud, it is critical that the Clerk maintain strong internal controls over the Court’s cash collection and receipting functions. These controls should ensure proper securing of manual receipts, using them in sequence, and recording the transaction in the automated system as soon as possible. Additionally, the Clerk should have procedures for properly controlling, approving, and documenting voided receipts; and using the automated financial system to record daily collection overages and shortages.

Determine Purpose of Unspecified Bonds

As noted in the prior audit, the Clerk continues to hold unspecified criminal and civil bonds. We found a total of \$10,500 in bonds that are not associated with any criminal or civil case.

While the Clerk has reduced this balance from the previous audit, he needs to identify these amounts with specific cases. If unsuccessful, the Clerk should immediately escheat these funds to the Commonwealth.

We discussed these comments with the Clerk on June 28, 2004 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

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cc: The Honorable James H. Chamblin, Chief Judge
Kirby M. Bowers, County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Paul Delosh, Director of Technical Assistance
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