

September 28, 2001

The Honorable Rebecca P. Hogan
Clerk of the Circuit Court
County of Frederick

Board Of Supervisors
County of Frederick

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Frederick for the period July 1, 2000 through June 30, 2001.

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. However, we noted weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

Properly Collect Taxes and Fees on Wills and Administration

As noted in our last audit, the Clerk continues to improperly wait on the Commissioner of Accounts' final inventory valuation before collecting the required fees and taxes on wills and administrations. Section 58.1-1714 of the Code of Virginia requires the Clerk to collect these fees and taxes at the time of qualification. In four of 10 wills and administrations tested, the Clerk allowed individuals to qualify without collecting the required fees and taxes. The Clerk billed the individuals for \$5,376 up to four months after qualification. The Clerk should assess fees and taxes using the estimated value of the estate at the time of qualification to avoid further delay on the collection of state and local monies.

Post Interest and Reconcile Trust Fund Bank Accounts

The Clerk does not consistently post earned interest to trust fund accounts. For three of eight accounts tested, the Clerk did not post interest of \$2,427 to the Court's financial system since their bank stopped providing the expected periodic interest notices. However, the Clerk did

receive year end interest statements and investment renewal notices that included interest earnings. The Clerk's failure to post interest to these accounts could result in the failure to properly disburse the correct amount to the account recipient. The Clerk should post interest upon receipt of any bank notification. Additionally, the Clerk should reconcile all trust fund bank balances to the financial system upon receipt of bank statements and notices and promptly investigate and resolve any differences. Without an adequate reconciliation process, the Clerk cannot ensure proper reporting and payout of trust fund accounts.

We discussed these comments with the Clerk on September 28, 2001 and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:whb

cc: The Honorable J. E. Wetsel, Chief Judge
John R. Riley, County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Don Lucido, Director of Technical Assistance
Supreme Court of Virginia
Martin Watts, Court Analyst
Supreme Court of Virginia
Paul Delosh, Technical Assistance
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TO: Rebecca P. Hogan, Clerk of the Circuit Court

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FROM: Carol MacVaugh

DATE: Wednesday, November 14, 2001 TIME: 8:42 AM

Number of pages including cover page:

CONFIDENTIAL FOR: Rebecca P. Hogan, Clerk

MESSAGE: Enclosed is a **DRAFT COPY** of our audit report. We previously discussed these findings with you during the audit. We are providing this draft copy to afford you an additional opportunity to comment before we finalize the report.

It is important that you call me at (804)-225-3350 x335 by Tuesday, November 13, 2001 if you have items for discussion. Otherwise, we will issue the report as shown. Thank you for your time.