



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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May 19, 2004

The Honorable Louis K. Campbell
Chief Judge
County of Augusta General District Court
P. O. Box 205
Fincastle, VA 24090

INTRODUCTION

At the request of Chief Judge Campbell and the Office of the Executive Secretary of the Supreme Court, we performed a special audit of this Court. The Court has had internal control and recordkeeping problems for some time. These issues had continued to deteriorate resulting in the request for our special audit of the records on March 19, 2004.

We have audited the cash receipts and disbursements of the County of Augusta General District Court and the Twenty-fifth Judicial District Magistrate's office for the period January 1, 2003 through February 29, 2004.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system and in the Magistrates' records; evaluate the Court's and the Magistrates' internal controls; and test 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 need to be addressed as described below.

The former Clerk is no longer employed by the Court, so the new Clerk will need to address the findings in this report. The new Clerk will need to correct the old records and make sure court staff maintains new records with correct and current information.

FINDINGS AND RECOMMENDATIONS

Improve Court Management

The Court's records from January 1, 2003 through February 29, 2004 were incomplete and haphazard. The Clerk's failure to follow the Supreme Court's standard procedures resulted in significant internal control and financial management weaknesses. We noted the following conditions:

Bank Reconciliations

The Clerk did not follow the monthly bank reconciliation process as required by the Financial Management User's Guide, Chapter 10-5-1. Specifically, we noted the following weaknesses:

- The Clerk did not reconcile the Court's bank account for the months of November and December 2003 and January and February 2004. When we arrived in the Court, we reconciled the bank account for these months in order to ensure that the Court's financial records agreed to the bank's balance.
- On two reconciliation forms we noted where the Clerk did not resolve reconciling items, but merely "plugged" numbers to agree the checkbook, bank balance, and Financial Management System balance. Further, although she did not "plug" numbers, the Clerk nonetheless failed to investigate and resolve reconciling items for the months of June through October 2003.

Failing to properly reconcile and correct differences found between the bank account, the court's financial system, and the checkbook could result in errors or irregularities going undetected. The Clerk should reconcile the Court's bank account monthly and promptly investigate and resolve any differences between the bank statement, the checkbook, and the automated system.

Daily Collections

The Clerk failed to make daily bank deposits as required by the Financial Management System User's Guide, Chapter 10-4-1 and Code of Virginia, Section 17.1-271. During the period January 1, 2003 to March 11, 2004, the Clerk made deposits late 260 times. We found deposit delays up to 40 business days late, resulting in overdrafts in the Court's bank account.

We noted negative account balances or items returned for "Insufficient Funds" in September, November, December 2003, and January and February 2004. Failing to promptly deposit collections increases the risk of misappropriation of funds and could result in lost revenue to the Commonwealth by loss or bank insufficient funds charges.

Accounts Receivable

The Clerk did not follow the procedures for managing accounts receivables. Specifically, we noted cases where the Clerk reduced defendant's court costs or changed payment due dates without proper authority. Section 19.2-354, Code of Virginia stipulates that all fines and costs are payable immediately upon final disposition, unless otherwise ordered by the court or evidenced by a written payment plan. Proper

management of accounts receivable greatly enhances the collection of fines and costs, therefore the Clerk should strengthen the Court's procedures to ensure that receivables are properly established, monitored, and collected. The Clerk should not reduce court costs or change payment due dates without proper documentation such as a court order.

MAGISTRATE ISSUES

The results of our tests found the Magistrates properly stated, in all material respects, the amounts recorded and reported in the financial records; and no instances of noncompliance with applicable laws, regulations, and policies. However, we noted a weakness in internal controls that the Chief Magistrate needs to address as described below.

Deposit Funds Promptly

Magistrate Hailey did not deposit funds promptly when collections exceed \$350 as required by Chapter 10 of the Magistrate Accounting Manual. For 9 of 11 receipts tested, the Magistrate deposited funds totaling \$500 to \$2,000 up to five days late.

Magistrates should deposit funds exceeding \$350 not later than the next business day. The Chief Magistrate should routinely check that magistrates deposit funds timely. Failure to promptly receipt and deposit collections increases the risk of misappropriation of funds and could result in lost revenue to the Commonwealth.

We discussed these comments with Judge Campbell periodically throughout the course of the audit, and with Judge A. Lee McGratty at an exit conference on April 13, 2004. We acknowledge the cooperation extended to us by the Court and Magistrates during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:cam

cc: The Honorable A. Lee McGratty, Judge
Nancy J. Long, Clerk
Paul Delosh, Director of Technical Assistance
Supreme Court of Virginia