



Commonwealth of Virginia

Auditor of Public Accounts
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Walter J. Kucharski, Auditor

August 10, 2004

The Honorable D. Eugene Cheek
Chief Judge
City of Richmond-Manchester Division General District Court
501 N. Ninth Street
Richmond, VA 23219

As part of our audit of the Virginia District Court System, we have audited the cash receipts and disbursements of the City of Richmond-Manchester Division General District Court for the period July 1, 2002 through June 30, 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. However, we noted weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

Strengthen Internal Controls

As noted in the prior audit, the Clerk is continuing to not follow proper internal control procedures in the areas noted below. As we've seen in other courts, weak or inadequate internal controls in the areas of automated systems access and manual and voided receipts are especially risky. By not complying with sound internal controls, the Clerk increases the risk of errors or irregularities occurring in the court and going undetected. Specifically, we found the following conditions.

- Staff members routinely sign onto the system to allow a new employee system access for training purposes. The sharing of logons and passwords severely weakens the controls over the automated financial system. Each user should have a separate user identification

and password to properly limit the level of access and to maintain personal accountability. Without personal accountability, the Clerk cannot identify the responsible person should someone make errors or fraudulent entries. The Clerk should immediately ban the sharing of system logons and passwords among employees. The Clerk should also request appropriate levels of systems access from the Supreme Court for employees as soon as they are hired and do not allow them to make entries on the system until they receive their own logon and password.

- The Clerk does not maintain proper accountability over manual receipts and we found several manual receipts with inaccurate or incomplete information. In one instance, a manual receipt was recorded in the system for an amount less than the amount on the written receipt. In another instance, a manual receipt recorded in the system was blank and staff could not find two other receipts recorded on the system. Further, staff failed to document the use of the manual receipts on the daily system reports as required by Financial Management System Users Guide. By not controlling receipts, the Clerk could allow an employee to take one amount recorded on the receipt and deposit a lesser amount in the system.
- We found that in 22 of 24 voided receipts tested, court staff failed to properly document the reasons for the voids, and in eight of the voided receipts tested, staff failed to retain all three copies. Also, the Clerk failed to record six of the voided receipts tested on the daily cash reconciliation work sheet. Since someone could conceal a fraud by improperly using voided cash receipts, it is essential that the Clerk closely monitor staffs' voiding of cash receipts and properly document them. As required by the Financial Management System User's Guide, the Clerk should ensure staff properly document the reasons whenever voiding cash receipts and retain all three copies. Further, the Clerk should also list any voided receipts on the daily reports so the Clerk can properly reconcile cash collections. Properly reconciling daily collections is critical to avoiding or detecting errors, omissions or the loss or misappropriation of funds.
- The Clerk does not consistently sign the daily system reports evidencing his review of the day's transactions. Consistent and proper supervisory review is critical to the timely detection and correction of errors. The Clerk should review staff work daily to ensure the accuracy and completeness of financial transactions.

The Clerk should properly monitor the office's accounting operations ensuring appropriate internal control procedures are established and enforced. The Clerk should ensure he and his staff have the appropriate training to perform their duties so that they may comply with state laws and regulations and Supreme Court policies and procedures.

We discussed these comments with the Clerk on August 10, 2004 and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom

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