

**PAUL F. FERGUSON
CLERK OF THE CIRCUIT COURT
FOR THE
COUNTY OF ARLINGTON**

**REPORT ON AUDIT
FOR THE PERIOD
JANUARY 1, 2010 THROUGH MARCH 31, 2011**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 17, 2011

The Honorable Paul F. Ferguson
Clerk of the Circuit Court
County of Arlington

Arlington County Board of Supervisors
County of Arlington

Audit Period: January 1, 2010 through March 31, 2011
Court System: County of Arlington

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.

We noted matters involving internal control and its operation necessary to bring to management's attention. These matters are discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate these matters provided by the Clerk are included as an enclosure to this report.

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: clj

cc: The Honorable William T. Newman, Jr., Chief Judge
Barbara Donnellan, County Manager
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

We noted the following matters involving internal control and its operation that has led or could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability.

Monitor and Disburse Liability Accounts

The Clerk is holding \$2600 in bonds for ended cases. Liability accounts record amounts the Clerk is holding to disburse to individuals, other agencies or to pay fines and costs. The Clerk should monitor and disburse liabilities on a monthly basis as recommended by the Financial Management User's Guide.

Properly Bill Court Costs

In three of 14 cases tested, the Clerk and his staff did not properly bill and collect court costs. The auditor noted the following errors.

- In one case, the Clerk's staff miscoded a state fine of \$600 as a local fine.
- In one local case, the Clerk's staff did not properly bill the locality for public defender fees totaling \$158. The Clerk should bill the locality and reimburse the Commonwealth.
- In one case, the Clerk's staff did not bill the defendant for a misdemeanor fee of \$70, a traffic infraction fee of \$51 and a courthouse security fee of \$10.

The Clerk should have his staff review all similar court cases and make any necessary corrections to the case papers. The Clerk and his staff should bill and collect court costs in accordance with the Code of Virginia.

Properly Safeguard Collections

The Clerk and his staff are not properly safeguarding checks and cash received in the land record division. The auditor observed collections were lying openly on a desk that the public had access to. To help prevent a loss of funds from occurring, the Clerk should lock up all collections as recommended by the Financial Management System's User's Guide.

Improve Accounts Receivable Management

The Clerk does not review the cases concluded without financial management system receivables report. The report identifies all concluded criminal cases and indicates if the defendants owed the court fines and costs without a corresponding accounts receivable established in the court's automated accounting system. Failure to review this report could lead to a loss of revenue to the Commonwealth and the locality. The Clerk should properly review the report in order to maximize collections as recommended by the Financial Management System User's Guide.

Properly Manage Access

The Clerk does not properly manage access to the court's automated information system. We noted three areas of concern.

- The Clerk did not delete for up to three months two former employees' access.

- The Clerk allowed a new employee to use a former's employee's password.
- The Supreme Court provides the Clerk a report twice a year that shows who has access to the system in the Clerk's Office and the type of access these employees have; however, the Clerk did not review the October 2010 report until May 2011.

Having unauthorized individuals with access and allowing employees to share passwords could compromise the integrity of the system and the data it contains. The Clerk is responsible for granting, changing, and terminating access to the court's automated information system as required by the Circuit Financial Management System User's Guide. The Clerk should promptly delete an employee's access to the automated system when employees resigns and request new passwords when new employees start. To help manage who has access to the system the Clerk should review the semi-annual user access report within a week of receiving this report.



PAUL FERGUSON
CLERK, CIRCUIT COURT

ARLINGTON COUNTY, VIRGINIA
CLERK OF THE CIRCUIT COURT
1425 N. COURTHOUSE ROAD, SUITE 6700
ARLINGTON, VIRGINIA 22201

June 14, 2011

Mr. Walter J. Kucharski
Auditor of Public Accounts
Commonwealth of Virginia
P.O. Box 1295
Richmond, Virginia 23218-1295

Dear Mr. Kucharski:

As requested, this response acknowledges your May 17, 2011, letter setting forth certain recommendations arising from the recent annual audit of this office. I appreciate the constructive suggestions made by your staff. I submit the following comments in response to the auditor team's findings.

- **Monitor and Disburse Liability Accounts:**

We acknowledge that we had \$2,600 in bond funds that were not disbursed, despite entry of a final order by the Court. This represents approximately 1% of all bond funds subject to disbursement in 2010. In all of these cases the Court order did not specify clearly that bond was to be released or to whom it should be released. Our financial analyst routinely monitors outstanding liabilities to timely disburse funds held by the Court. However, Clerk's Office staff, in conjunction with the judicial law clerks, will work more closely together and with our Judges to ensure that final orders entered by the Court address any bond funds held by the Court and identify the party to receive the funds. We believe this additional effort should address the concern that you have raised.

- **Properly Bill Court Costs**

All staff collecting court costs receive training on how to properly collect and account for appropriate fees in FMS. In addition, all monies received are reconciled at the end of each day. We acknowledge that during the recent audit several mistakes were identified, relating primarily to misallocation of costs between the locality and the state in misdemeanor appeals. We have brought these errors to the attention of the individuals responsible for entering this information into CMS and will continue to provide additional training in this regard.

- **Safeguard Collections:**

Prior to the audit our Land Records section took in payments at the public counter and did not immediately put checks in a safe place out of public view. Since the audit, we have taken steps to ensure that the public no longer has open access to the physical space where payments are taken in. In addition, the recordation desk now has a separate bag that is used for checks and cash that need to be processed and payments are not visible to the public except when they are being directly processed by land records staff.

I believe these are good improvements to the procedures we had in place. However, I want to reiterate that every dollar taken into the Land Records section of the office was accounted for daily and the auditors found no actual issues with regard to theft or loss of funds.

- Improve Accounts Receivable Management

These reports will now be reviewed by appropriate staff on a monthly basis and necessary action taken to ensure that available monies are collected.

- Properly Manage Access

It is our office policy to work with both our locality and the Supreme Court to take all appropriate security measures once an individual is no longer employed by our office, including deleting passwords from both the County and state computer systems and recovering building access passes and keys. In the case of one trusted employee (who left to become a U.S. Naval Officer), we did not delete his password but instead allowed his successor to use the same access and password for a period of time. We recognize that this was not a good management practice and we will not repeat that error. In addition, the reports identified have always been reviewed in a timely manner with the exception noted in your letter, and we will again ensure that these reports are reviewed upon receipt.

Thank you once again for your comments. I welcome the audit process as an opportunity to improve operations in my office.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Ferguson', with a stylized flourish at the end.

Paul Ferguson
Clerk of the Circuit Court
17th Judicial District