



**GEORGE E. SCHAEFER
CLERK OF THE CIRCUIT COURT
FOR THE
CITY OF NORFOLK**

**REPORT ON AUDIT
FOR THE PERIOD
JANUARY 1, 2011 THROUGH DECEMBER 31, 2012**

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.

Properly Retain Voided Receipts

In three of 11 receipts tested, the Clerk did not retain all copies of voided receipts. Voided transactions pose an increased risk for fraudulent activity and, as such, must be monitored and tightly controlled. The Clerk and his staff should retain all copies of voided receipts as required by the Financial Management System User's Guide.

Properly Complete Manual Receipts

The Clerk did not include all pertinent information on four of eight manual receipts tested. For three receipts, the third copy was not filled out and one receipt was not dated. As a result, the Clerk was unable to establish an audit trail and demonstrate that the receipts were entered into the automated system timely. We recommend that the Clerk monitor all manual receipt activity to ensure the completeness of receipts and timely entry into the automated system.

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT LETTER	1
CLERK’S RESPONSE AND CORRECTIVE ACTION PLAN	2-3



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 26, 2013

The Honorable George E. Schaefer
Clerk of the Circuit Court
City of Norfolk

Paul D. Fraim, Mayor
City of Norfolk

Audit Period: January 1, 2011 through December 31, 2012
Court System: City of Norfolk

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System 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

MSM:ljh

cc: The Honorable Junius P. Fulton, III, Chief Judge
Marcus D. Jones, City 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

COMMONWEALTH OF VIRGINIA

Clerk of Court
George E. Schaefer

Chief Deputy
Thomas A. Larson

Executive Assistant
Cheryl A. Dougherty



OFFICE OF THE CLERK FOURTH JUDICIAL CIRCUIT NORFOLK CIRCUIT COURT

100 Saint Paul's Boulevard
Norfolk, Virginia 23510
(757) 664-4580

Supervising Deputies

Criminal
DaVida M. Davis
Civil, Deeds & Probate
Anthony Fuller
**Licenses, Permits, Finance
& Jury**
Gerald L. Stokes

Comptroller
Nicholas D. Georges

Systems Administrator
Gregg J. Duquette

July 23, 2013

Martha S. Mavredes, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes;

It was our pleasure to host Ms. Serbia for the recent audit of the financial records of this office. Our Consolidated Financial Statement dated June 28, 2013 shows the total of all revenue, fees and liabilities to be \$64,440,028.57. We always welcome a fresh set of eyes to ensure compliance with best accounting practices, regulations, and code provisions.

Upon completion of the audit of this court's financial records covering the period of January 1, 2011 through December 31, 2012, Ms. Serbia noted two items which require response/action on our part:

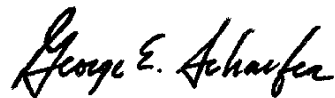
The first item noted three of the eleven receipts tested showed all copies of voided receipts were not retained. This Court and Clerk's Office is a paper on demand office. All receipts are automatically written to a .pdf file and transferred electronically to the Case Imaging System associated with the particular case. As I am sure you are aware, Virginia Code § 59.1-490 provides for the use and retention of electronic records as the original record. There is never a time when we do not have the original receipt automatically transferred to our system. Although we agree there are some instances where we do not have the customer's copy of the receipt, we are confident the electronically generated receipt populated into the CIS system coupled with management's oversight of the financial system, greatly reduces any chance of fraudulent activity. That being said, we are implementing a procedure requiring management staff to approve all voided

transactions. This should eliminate any customer walking out the door with their copy of the receipt.

Item number two cited four of the eight manual receipts tested were improperly filled out with one receipt missing the date. It is a rare occurrence that we use manual receipts – such as power outages during business hours. Yet to ensure compliance, we are creating a step-by-step guide to become part of our manual processing kit as well as holding additional training for all staff authorized to issue manual receipts. Additionally, every manual receipt written will require management staff review.

The professionalism and attention to detail shown by Ms. Serbia during the course of this audit did not go unnoticed. Her willingness to share her knowledge and recommendations only enhance the desires of the office to continuously improve and provide the best service possible to the citizen's that we serve.

Sincerely,

A handwritten signature in black ink that reads "George E. Schaefer". The signature is written in a cursive, flowing style.

George E. Schaefer, III
Clerk