



G. CHANCE CRAWFORD
CLERK OF THE CIRCUIT COURT
FOR THE
CITY OF SALEM

FOR THE PERIOD
JULY 1, 2020 THROUGH MARCH 31, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

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COMMENTS TO MANAGEMENT

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

Properly Manage and Report Trust Funds

Repeat: Partial (first issued in 2020 as Promptly Post Interest to Trust Funds)

The Clerk does not properly manage and report trust funds and does not consistently record related activity. We noted the following:

- The Clerk did not invest a total of \$110,184 in trust funds within 60 days of the court order establishing the funds as required by § 8.01-600 of the Code of Virginia. We noted delays of up to five days.
- The Clerk disbursed \$59,219 and receipted \$620 for one trust fund without a signed court order. Section 8.01-600 of the Code of Virginia requires the Clerk to receipt and disburse funds as the court orders or decrees.
- The Clerk does not consistently record interest on trust fund accounts in the court's financial system. For three of the nine trust funds in the 2021 annual report, the Clerk has not recorded interest for up to three years. In addition, the Clerk made a \$127 error when posting interest to one account, which we detected through the audit. The Clerk should record interest on invested funds at least annually and review ending balances after posting interest to ensure the annual report to the court will accurately reflect trust fund balances.
- The Clerk did not file an annual trust fund report with the court for 2021 as required by § 8.01-600 of the Code of Virginia.
- The Clerk did not ensure the bank was reporting all court investments as public deposits. We noted the bank did not report one trust fund totaling \$1,223 as such during the audit period.

The Clerk should immediately resolve the conditions noted above and, going forward, should ensure that all trust fund activity is reflected in the accounting records; that trust funds are receipted, invested, and disbursed as required; and that a trust fund report is filed with the court each year as required by § 8.01-600 of the Code of Virginia.

Properly Monitor and Disburse Liabilities

Repeat: Yes (first issued in 2018 as Properly Monitor and Disburse Liabilities and Trust Funds)

The Clerk does not properly monitor and disburse court liabilities. The Clerk is currently holding \$40,136 in liabilities that he should have disbursed. The Clerk should disburse the amounts noted and,

going forward, should monitor and disburse liabilities monthly as recommended by the Financial Accounting System User's Guide.

Properly Bill and Collect Court Costs

Repeat: Yes (first issued in 2017)

The Clerk and his staff did not properly bill and collect court costs. In five of 29 cases tested (17%), we noted the following errors.

- The Clerk did not charge defendants in four cases for a total of \$1,360 in court costs.
- In two cases, the Clerk overcharged defendants for court costs of \$278.

The Clerk should correct the specific cases noted above and institute a more diligent system of review to minimize the likelihood of billing errors going undetected. In all cases, the Clerk should bill and collect court costs in accordance with the Code of Virginia.

Review General Ledger

Repeat: Yes (first issued in 2020 as Review Daily Financial Reports)

The Clerk does not review the court's general ledger to ensure account balances are appropriate. As of March 2022, the Clerk had a negative balance of \$4,484 in one general ledger account and an immaterial positive balance in another account not typically used by the court. The Clerk should resolve the balances noted during the audit and, going forward, review the general ledger daily to ensure the propriety of all account balances and activity.

Retain Voided Receipts

Repeat: No

For two of five voided receipts tested (40%), the Clerk did not retain all copies of the receipt. Voided transactions pose an increased risk for fraudulent activity and, as such, must be monitored and controlled closely. The Clerk should not void receipts without maintaining all copies of the receipt and should ensure the staff are properly trained to perform appropriate journal entries rather than unnecessarily voiding receipts.

Properly Manage System Access

Repeat: No

The Clerk does not follow approved procedures for managing access to the court's automated financial and case management systems. The Office of the Executive Secretary of the Supreme Court of Virginia (Office) provides the automated systems used by the Clerk and has designed specific safeguards that require the Clerk to manage the assignment of staff access. The Office provides semiannual reports for the Clerk's review to ensure only authorized staff have access. The Clerk did not review the reports available in 2021 and in August 2020. In addition, the Clerk did not delete the access of a former

employee of the office of the Commonwealth's Attorney until 12 months following her departure. The Clerk should follow the approved controls related to system access to ensure only authorized staff have the ability to perform system functions.

Properly Docket Judgments

Repeat: Yes (first issued in 2018)

In eight of 15 unpaid criminal cases tested (53%), the Clerk did not record the amounts owed in the judgment lien indexing system. To maximize collection efforts and to ensure the validity of judgments against defendants for fines and costs, the Clerk should record judgment lien information without delay as required by § 8.01-446 of the Code of Virginia.

-TABLE OF CONTENTS-

Pages

COMMENTS TO MANAGEMENT

AUDIT LETTER

1-2

CLERK'S RESPONSE AND CORRECTIVE ACTION PLAN

3-4



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 27, 2022

The Honorable G. Chance Crawford
Clerk of the Circuit Court
City of Salem

Renée Ferris Turk, Mayor
City of Salem

Audit Period: July 1, 2020, through March 31, 2022
Court System: City of Salem

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of this locality 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 lead to noncompliance with laws and regulations, the loss of assets or revenues, or otherwise compromise the Clerk's 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.

The Clerk has taken adequate corrective action with respect to the internal control findings reported in the prior report that are not repeated in this report.

We discussed these comments with the Clerk, and we acknowledge the cooperation extended to us by the Clerk and his staff during this engagement.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

LJH:vks

cc: The Honorable Christopher Clemens, Chief Judge
Jay Taliaferro, City Manager
Robyn M. de Socio, Executive Secretary
Compensation Board
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia

Clerk of the Circuit Court

G. CHANCE CRAWFORD
CLERK
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City of Salem, Virginia

TERMS OF COURT
THIRD FRIDAY
FEB. - MAY - JULY - SEPT.
SECOND FRIDAY
DECEMBER

July 7, 2022

CORRECTIVE ACTION PLAN

Our office contacted First Citizens Bank (holder of the funds referenced) and was assured that no interest was lost to any party. The \$59,219.00 referenced was paid out because of multiple court orders combined and not one single court order. All interest statements received by our office were already posted to the correct trust fund accounts. Our office has also contacted First Citizens Bank to insure that the three trust fund accounts in question will have statements mailed to our office on at least an annual basis. First Citizens Bank also did an internal audit of all our trust fund accounts and assured us that all are reflected as public deposits now. Also, the trust fund report missing for 2021 has been rectified, and we are in the process of recording the trust fund report for 2022.

All liabilities were disbursed prior to the completion of the audit. In the future, two deputy clerks (the primary and secondary bookkeepers) are reviewing the monthly BR08 report to ensure no further problems.

All court costs referenced have been corrected. In the future, our office will be more diligent in not only ensuring that the costs charged are correct, but that all judgments are docketed as well. (Also, in the past five years we have trained not only

Clerk of the Circuit Court

G. CHANCE CRAWFORD

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our current deputy clerk but two others who left our office in a not ideal state regarding turnover.)

Our office had corrected the negative balance referenced in the weeks leading up to our audit. We had stopped charging fees for credit cards due to the pandemic and now cover said fees monthly from the 495 account, used for general office expenses.

All voided receipts will be handled personally by myself in the future, to ensure no further issues.

All system access has been addressed. No further issues are anticipated.

I wish to commend Randall Johnson (and trainees) for his professional and courteous manner, as always.

Sincerely,

Chance Crawford, Clerk