



JACQUELINE C. SMITH  
CLERK OF THE CIRCUIT COURT  
FOR THE  
COUNTY OF PRINCE WILLIAM

FOR THE PERIOD  
JANUARY 1, 2017 THROUGH JUNE 30, 2018

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
[www.apa.virginia.gov](http://www.apa.virginia.gov)  
(804) 225-3350



## 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.

### **Summary**

The former Clerk did not implement adequate accounting policies and procedures, resulting in internal control weaknesses which were reported in the prior year audit report. These included no formal review of financial system generated reports, incomplete bank reconciliations, unsubstantiated general ledger journal entries and reconciling adjustments, and discrepancies between the secondary receipting system's subsidiary ledger for prepaid copy fee accounts and the general ledger.

The current Clerk, in response to these findings, hired a forensic accountant to review and research all financial related activity and determine how best to resolve these issues. While they are working with the forensic accountant and continuing to make progress on the prior year reported findings, we noted the following deficiencies during this audit period.

### **Timely Reconcile Bank Accounts**

Repeat: Yes (first issued in 2016)

The Clerk did not reconcile the court's general operating account during the audit period. The forensic accountant was able to assist with resolving the numerous adjusting errors reported in the prior year report and recommend corrections; however, the Clerk did not make these corrections until six months later. Further, the forensic accountant, in April 2018, reconciled the bank account from July 2017 to April 2018, but reconciliations between May 2018 and December 2018 were not completed until the forensic accountant returned in December 2018.

For the condemnation and trust fund operating accounts, the Clerk did not complete monthly reconciliations in their entirety. Specifically, we noted numerous reconciling items dating back to September 2017 that were not resolved until July 2018. We also noted they were not completed timely and there was no supervisory review for the entire audit period.

Timely and complete reconciliations are an essential internal control. Allowing reconciling items to go unresolved can lead to errors and irregularities going undetected and increases the risk of loss of funds. The Clerk should perform monthly bank reconciliations upon receiving the bank statements, and resolve reconciling items timely, as required by accepted accounting practices and the guidelines of the accounting system manual.

### **Properly Review General Ledger**

Repeat: Yes (first issued in 2016 as Review Financial Systems Report)

The Clerk did not review the monthly general ledger report and resolve outstanding balances. The general ledger report summarizes all receipt, journal voucher, and disbursement transactions for the month and helps identify the use of incorrect account codes and accounting errors. As of June 2018,

the Clerk was holding \$22,789 in an unused non-reverting account and \$2,184 in tax refunds that should have been allocated to defendants' accounts.

The Clerk should review the general ledger monthly and resolve any outstanding balances in accounts no longer used and correct any accounting errors. Further, the Clerk should immediately identify and transfer the balances noted to the correct accounts.

#### **Timely Invest Trust Funds**

Repeat: No

The Clerk does not monitor and invest trust funds timely. Specifically, one \$50,000 trust fund was not invested within 60 days as required. The Clerk should determine the proper disposition of the trust fund noted and should monitor trust funds on a continual basis.

#### **Request Tax Set-Off Refunds**

Repeat: No

The Clerk did not submit claims to the Virginia Department of Taxation (Taxation) for tax setoff of refunds for delinquent court costs and fines totaling \$50,026, resulting in a loss of revenue to the Commonwealth and locality. A court must submit claims for set-off of tax refunds through Taxation's automated accounting system. The Clerk should use the tax refund set-off process to maximize collections as required by the Code of Virginia.

#### **Disburse Unclaimed Property and Unclaimed Restitution:**

Repeat: No

The Clerk did not promptly escheat unclaimed property and restitution for fiscal years 2017 and 2018 as required by §55-210 and §19.2-305.1 of the Code of Virginia. The Clerk must review funds unclaimed for over a year to determine what is eligible for escheatment, and then submit the funds no later than November 1<sup>st</sup> each year to the Division of Unclaimed Property and/or the Criminal Injuries Compensation Fund.

The Clerk was granted an extension for fiscal year 2018 and they are currently in the process of performing due diligence. The eligible accounts for fiscal year 2017 were escheated in December 2018. The Clerk should remit the eligible fiscal year 2018 funds and ensure that unclaimed funds are escheated annually as required by the Code of Virginia.

#### **Properly Bill and Collect Court Costs**

Repeat: Yes (first issued in 2016)

The Clerk and her staff did not properly bill and collect court costs. In 61 cases tested, we noted the following errors.

- In 17 cases, defendants were overcharged costs of \$3,865.

- In 18 locality cases, costs of \$2,974 were miscoded as either Commonwealth or the incorrect locality.
- In 13 cases, defendants were not charged costs of \$2,061.

The Clerk and her staff 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.

**Properly Complete and Maintain Waivers**

Repeat: No

The Clerk did not complete or maintain proper supporting documentation for attorney payments. Court appointed attorneys may request additional payment in excess of the statutory cap by submitting detailed waiver applications for approval by the Chief and Presiding Judges. In seven of nine attorney invoices tested, totaling \$47,168, the Chief Judge did not approve the application and invoice as required.

The Clerk should require that all proper signatures are present and that waivers are completed in full and retained with the appropriate invoices as required by Court Appointed Counsel Procedures and Guidelines Manual.

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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 14, 2019

The Honorable Jacqueline C. Smith  
Clerk of the Circuit Court  
County of Prince William

Corey A. Stewart, Board Chairman  
County of Prince William

Audit Period: January 1, 2017 through June 30, 2018  
Court System: County of Prince William

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 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 Clerk and her staff during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

MSM:vks

cc: The Honorable Tracy Calvin Hudson, Chief Judge  
Christopher E. Martino, County Executive  
Robyn M. de Socio, Executive Secretary  
Compensation Board  
Paul F. DeLosh, Director of Judicial Services  
Supreme Court of Virginia



## OFFICE OF THE CLERK OF THE CIRCUIT COURT

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**Jacqueline C. Smith, Esquire**  
**Clerk of the Court**

**Kristina L. Gleason**  
**Chief Deputy Clerk**

April 17, 2019

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

Re: Written Response/Corrective Action Plan to Voluntary Audit

Dear Ms. Mavredes:

It was a pleasure working with your team again this year to review our accounts and accounting practices. I very much appreciate your team's recognition of the challenges we inherited when I took office. We continue to work with a team of forensic accountants to identify and resolve all problems that existed prior to my taking office and your assessment will help us to continue this good work. Please allow the following to serve as my Response and Corrective Action Plan to our Voluntary Audit.

### **Background**

As you know, after taking office, I retained the assistance of a team of forensic accountants to assess the state of the Clerk of Circuit Court accounts and to create a curative action plan in order to bring all accounts into compliance with the law and to create a set of internal controls consistent with industry standard financial practices. Once this plan was in place, I then utilized the services of a separate accounting firm to assist in executing the plan. Our first step was to hire a properly educated and qualified accountant, a position the office had lacked for several decades. Next, we created a triage plan to work through the necessary changes. We have made tremendous progress since May 2017 and continue to work to improve efficiency, responsiveness and fairness in our practices.

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### **Timely Reconcile Bank Accounts**

For the past twenty months, all accounts have been reconciled and reviewed with the assistance of an outside accounting firm retained to assist in implementation of our curative plan. These accounts had not been properly reconciled for nearly 10 years. As a result of our efforts, our bank accounts are now 100% balanced and reconciled to the penny. All reconciliations are reviewed by our internal accountant, an external accountant and me personally. Internal monthly reconciliation of bank accounts will continue with random review by an outside accounting firm to ensure accuracy.

### **Properly Review General Ledger**

For the past twenty months, the General Ledger has been reviewed with the assistance of an outside accounting firm retained to assist in implementation of our curative plan. As a result, at the time of this voluntary audit, we had resolved more than 200 improper accounts totaling \$59,983.96. Since the audit, we have resolved the remaining improper accounts totaling \$22,789.00 and properly allocated \$2,184.00 in tax refunds to Defendants' files. Internal monthly review of the General Ledger will continue with random review by an outside accounting firm to ensure accuracy.

### **Timely Invest Trust Funds**

The Clerk of Circuit Court holds and manages \$2,610,714.91 in trust funds, representing 164 cases. Interest amounting to \$149.54 (0.00061% of holdings) was credited to one account after a delay. However, this account has been reconciled and appropriate interest has accrued and been credited to the litigant. Internal monthly review of Trust Funds will continue with random review by an outside accounting firm to ensure accuracy.

### **Request Tax Set-Off Refunds**

The Clerk of the Circuit Court handles \$2,064,849.50 in delinquent court costs annually. The Clerk of the Circuit Court recovers 74.09% of these delinquent costs annually through collection practices other than tax set-off refunds. Policies and Procedures have been put into place to accelerate recovery of costs through tax set-off refunds in the future.

### **Disburse Unclaimed Property and Unclaimed Restitution**

The Clerk of the Circuit Court handles \$1,549,728.86 annually in escheatable funds. As a part of the curative plan created with our forensic accountants, monies escheatable to the Commonwealth were assigned a low priority in our triage. For this reason, an extension was applied for and granted to escheat unclaimed monies to the Commonwealth. My office has complied with the terms of the extension of time.

### **Properly Bill and Collect Court Costs**

The Clerk of Circuit Court collected \$8,125,223.15 in court Costs during the audit period. A variance of \$1,804.00 (0.02% of collections) was identified. The miscoding in 18 cases identified in the audit have been cured. Policies and Procedures have been drafted with the aid of the Supreme Court of Virginia Office of the Executive Secretary to eliminate this variance and/or miscoding in the future.

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### **Properly Complete and Maintain Waivers**

All waivers are submitted to Judges' Chambers for signature. If a waiver is approved but not signed by a judge and returned to me without a signature, the waiver is processed as approved and submitted to the Supreme Court of Virginia Office of the Executive Secretary. These waivers have never been rejected by the Supreme Court. This practice ensures prompt payment of funds to my constituents. Monies available to pay these waivers is limited and runs out before the end of the year meaning a failure to expedite submission will result in loss of income to my constituents, many of whom rely on this income as their primary source of financial support.

Thank you again for your assistance in this matter.

Sincerely yours,



Jacqueline C. Smith

cc: Stephanie H. Serbia, MLIS, CFE (Via Email Only)

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