

**FAYE W. MITCHELL
CLERK OF THE CIRCUIT COURT
FOR THE
CITY OF CHESAPEAKE**

**REPORT ON AUDIT
FOR THE PERIOD
APRIL 1, 2010 THROUGH MARCH 31, 2012**



COMMENTS TO MANAGEMENT

We noted the following matter 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.

During our audit, we identified 397 of 2,021 wills probated between January 1, 2009 and May 16, 2011 with filing fees totaling \$24,166 for which there is no record of receipt in the court's accounting system or deposit into the court's bank account. We immediately brought the matter of missing probate money to the Clerk's attention and, following an internal review, she notified our office and the Virginia State Police of the possible fraud. Since one employee had primary responsibilities for the probate department, the Clerk terminated this individual's employment. In September 2012, the State Police arrested this individual and the Commonwealth's Attorney had the individual arraigned for this loss.

We recommend the Clerk continue to work with the Office of the Executive Secretary, Supreme Court to make changes to the existing automated Probate system to strengthen internal controls and minimize the potential for future thefts to occur.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 5, 2012

The Honorable Faye W. Mitchell
Clerk of the Circuit Court
City of Chesapeake

Dr. Alan P. Krasnoff, Mayor
City of Chesapeake

Audit Periods: April 1, 2010 through March 31, 2012
Court System: City of Chesapeake

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System and for the periods 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 a matter involving internal control and its operation necessary to bring to management's attention. The matter is discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate this matter provided by the Clerk are included as an enclosure to this report.

We discussed this comment 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 V. Thomas Forehand, Jr., Chief Judge
Amar Dwarkanath, Interim 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



OFFICE OF THE CLERK

CIRCUIT COURT OF THE CITY OF CHESAPEAKE

FAYE W. MITCHELL
CLERK

307 ALBEMARLE DRIVE, SUITE 300A
CHESAPEAKE, VIRGINIA 23322-5579

TELEPHONE
(757) 382-3000

September 28, 2012

FACSIMILE
(757) 382-3034

Walter J. Kucharski
Auditor of Public Accounts
P. O. Box 1295
Richmond, VA 23218

Audit Periods: April 1, 2010 through March 31, 2012
Court System: City of Chesapeake

AUDIT COMMENTS TO MANAGEMENT

We noted the following matter 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.

During our audit, we identified 397 of 2,021 wills probated between January 1, 2009 and May 16, 2011 with filing fees totaling \$24,166 for which there is no record of receipt in the court's accounting system or deposit into the court's bank account. We immediately brought the matter of missing probate money to the Clerk's attention and, following an internal review, she notified our office and the Virginia State Police of the possible fraud. Since one employee had primary responsibilities for the probate department, the Clerk terminated this individual's employment. In September 2012, the State Police arrested this individual and the Commonwealth's Attorney had the individual arraigned for this loss.

We recommend the Clerk continue to work with the Office of the Executive Secretary, Supreme Court to make changes to the existing automated Probate system to strengthen internal controls and minimize the potential for future thefts to occur.

MANAGEMENT'S RESPONSE & CORRECTIVE ACTION PLAN

My tenure as Clerk of Court in both the district court and circuit court environment has been highlighted by audits that have exhibited strong internal controls, shown accurate financial accounting, demonstrated operational efficiencies, and exemplified case management proficiency. This has been accomplished by adherence to statutory compliance and best practices implemented through Supreme Court of Virginia/Office of the Executive Secretary (SCV/OES) guidelines and software, including the Probate Delivery System. Since installation

of the probate system in Chesapeake in 2005, all follow-up updates/enhancements have been applied consistently.

I acknowledge your recommendation that the Clerk continue to work with the SCV/OES to make changes to the existing automated probate system to strengthen internal controls and minimize the potential for future thefts to occur.

As you noted, fiscal accountability is weakened and compromised without a reconciling and reporting mechanism that is integrated with the financial reporting system; I agree. The evaluation of the probate system deficiencies and lack of an automated component that links directly to financial controls had previously been discussed with SCV/OES prior to any discovered abuses. I remain firm in my belief that the resolution should not be a manually driven approach but a technology-based solution. A technology-based solution is consistent with the design of all other SCV/OES developed and sanctioned application programs. These safeguards are paramount to strengthening controls for the Chesapeake Circuit Court Clerk's Office as well as other Circuit Court Clerk's offices throughout the State that would benefit from this enhanced software.

Finally, integrity and an internal moral compass must be the fabric of staff and the guiding principle for a great judicial support office. My pledge to my constituents is to always protect this office, its records, and its documents. I have solicited the support of SCV/OES to expedite enhancements for the automated Probate Delivery System. As an immediate measure to address this isolated anomaly, staff will continue daily review of probate transactions.

Thank you for the professional courtesy that was extended by the audit team. With kind regards, I am

Yours truly,



Faye W. Mitchell

Cc: Honorable V. Thomas Forehand, Jr., Chief Judge
Honorable Alan P. Krasnoff, Mayor
Mr. Amar Dwarkanath, Interim City Manager
Ms. Robyn M. de Socio, Executive Secretary, State Compensation Board
Mr. Karl R. Hade, Executive Secretary, Office of the Executive Secretary
Mr. Robert L. Smith, Director, DJIT
Mr. Paul F. DeLosh, Director, Judicial Services
Kathy Roberts, Chief Policy and Communications Advisor to the Speaker
Director, Admin and Public Records, Department of Accounts