



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

FOR THE PERIOD  
JULY 1, 2015 THROUGH DECEMBER 31, 2016

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
[www.apa.virginia.gov](http://www.apa.virginia.gov)  
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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 the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability.

### **Implement Accounting Policies and Procedures**

The former Clerk did not implement adequate accounting policies and procedures, resulting in internal control weaknesses which created the following conditions.

There is no formal review of financial management system generated reports. These system-generated reports summarize general ledger account balances and activity, account modifications and updates, account exceptions and errors, and liability accounts. Failure to monitor and review these reports as required by the Financial Management System User's Guide has allowed negative and incorrect general ledger account balances to remain undetected and uncorrected, individual account exceptions and errors to remain unresolved, and liabilities to be held inappropriately.

The accounting division does not have a clear understanding of how to use the Financial Accounting System. The staff transfers liability monies from one account to another, with no apparent reason or supporting documentation. Further, multiple journal entry errors have resulted when monies are being moved around, compounding errors and requiring more correcting entries. We also noted unsubstantiated journal entries, including one for \$40,400 that have been entered to balance the daily collections, although the errors causing the differences have not been researched or corrected. Further complicating matters, deposits of receipts are not always made on a daily basis and minimal overages are not remitted to the Department of the Treasury.

The finance manager completes monthly bank reconciliations; however, we noted numerous adjusting and correcting entries with no supporting documentation. These adjusting entries are often carried forward for months at a time, and then entered into the system with no understanding of the underlying reason that the entry needs to be made. The accounting and land records divisions have not reconciled the secondary receipting system's subsidiary ledger of prepaid copy fee accounts, referred to as the House Summary Account, with the general ledger in the Financial Accounting System for more than three years. There is currently a \$21,750 discrepancy between the subsidiary ledger and the general ledger. These prepaid accounts are currently being used inappropriately to pay recording taxes.

With annual receipts in excess of \$68 million, financial accountability is imperative. The new Clerk must immediately establish adequate accounting policies and procedures and provide the required oversight to address the conditions noted during our audit.

### **Properly Bill and Collect Court Fines and Costs (Repeat)**

The former Clerk and her staff did not properly bill and collect court fines and costs and docket judgments. In 58 cases tested, we noted the following errors.

- In ten cases, fines of \$650, court appointed attorney fees of \$1,584 and court costs of \$80 were miscoded, resulting in losses to the state and locality.
- In 13 cases, defendants were erroneously billed court appointed attorney fees of \$167 and court costs of \$538.
- In 11 cases, defendants were not billed for fines of \$200, court appointed attorney fees of \$360, and court costs of \$200 resulting in a loss to the Commonwealth.
- In seven cases, the Locality was not billed for \$1,022 in Court Appointed Attorney fees.
- In five cases, judgements totaling \$4,105 were not properly recorded in the judgment lien indexing system.

The new Clerk and her staff should correct the specific cases noted above and establish a 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. Further, to maximize the opportunity for the collection of delinquent fines and costs, the Clerk should record judgment lien information immediately as required by Section 8.01-446 of the Code of Virginia.

#### **Properly Assess DNA Fees**

The former Clerk was not utilizing information available through the Local Inmate Data System (LIDS) to determine whether or not a defendant needs to have a DNA sample taken, the cost of which the defendant must pay. Section 19.2-310.2 of the Code of Virginia requires defendants to pay for the taking of DNA samples when convicted of felonies and certain misdemeanor offenses. However, the defendant is not required to pay if a sample has already been obtained on previous convictions, and this is determined through information available in LIDS.

The new Clerk should obtain access to LIDS in order determine if DNA has already been taken from a defendant and assess the DNA fee as appropriate.

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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

September 1, 2017

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: July 1, 2015 through December 31, 2016  
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 court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

MSM: clj

cc: The Honorable Carroll A. Weimer, Jr., 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  
Director, Admin and Public Records  
Department of Accounts



## OFFICE OF THE CLERK OF THE CIRCUIT COURT

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

August 29, 2017

Martha Mavredes  
Auditor of Public Accounts (APA)  
PO Box 1295  
Richmond, VA 23218

Re: Response and Corrective Action Plan

Dear Ms. Mavredes:

Thank you for the audit services you provided to the Clerk's Office shortly after I took office on May 1, 2017. I received your letter dated May 12, 2017 via email on July 5, 2017. You will see below my response to the report with a corrective action plan pursuant to Item 66, paragraph I of the 2004 Appropriations Act. I appreciate that you have allowed this office additional time in providing this response so I could engage the services of forensic accountants to drill down to the root of the issues identified in your draft report. This office continues to work diligently to ensure accuracy of financial transactions recorded on the Court's financial management system, to create and implement internal controls and to comply with all applicable laws, regulations, and policies.

### **Internal Investigation**

During the performance of the APA audit, I had the opportunity to meet with the auditors to discuss some of the deficiencies they expected to be in the final report. After this conference, I determined that it would be appropriate to engage the services of a forensic accounting firm in order to examine all financial systems and not just the ones tested as a part of the APA audit. I requested that my locality assist in securing the services of a forensic accounting firm to perform a comprehensive audit. The objective of which would be to assess the adequacy of the existing system of internal controls and to obtain guidance in determining how to cure any insufficiencies. My request for a comprehensive audit of accounts was approved by the Board of County Supervisors' Audit Committee, followed by the full Board of County Supervisors, on June 20, 2017.

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The team from the accounting firm RSM began their work on June 21, 2017 and continued their work with our office for approximately two (2) months. During that time, the team worked to gain an understanding of the house summary account (otherwise known as the copy escrow account), trust, condemnation, and interest bearing civil deposits; to determine whether or not policies and procedures are effective, documented and in place; to document and evaluate key operational processes, such as receipts and disbursement process; and to obtain and review other information deemed necessary for this project.

Upon completion of their thorough examination, the team identified seven areas of high risk within the financial systems in the office: (1) review of journal vouchers, (2) interest bearing civil deposits for interpleader cases, (3) copy escrow accounts, (4) guardian ad litem trust pool accounts; (5) condemnation accounts, (6) policies and procedures and (7) general ledger review.

#### **APA RECOMMENDATION: Implementation of Accounting Policies and Procedures**

I have begun the process of engaging one of the auditors from RSM to create Policies and Procedures to cure the problems identified. This work has been initiated and I expect will be completed within the next ninety (90) days. However, I have created an action plan, outlined below, to cure these issues until completion of the Policies and Procedures Manual.

##### **1. Review of Journal Vouchers**

Daily, I personally review applicable manual adjustment entries for need, completeness and accuracy. I do so by reviewing the FAS Daily Journal Voucher Report (BU04), the checkbook ledgers and employee notes with attached evidence of need. The use of Journal Vouchers has been greatly decreased from approximately three (3) per day to approximately three (3) per week. If I am for some reason unable to perform the Journal Voucher review myself, my Chief Deputy Clerk performs the check and I review same the following day before making final approval. I am in the process of recruiting an accountant to serve as a third check.

##### **2. Interest Bearing Civil Deposits for Interpleader Cases**

The process of liquidating the Certificates of Deposit has been initiated. The Operating Account has been replenished and an IRS W9 Form has been forwarded to counsel of record. We continue to work to facilitate disbursement of the accrued interest to counsel of record. We have begun the process of creating a system to distinguish between *interest bearing* and *non-interest bearing* deposits. I personally review all disbursements and all relevant court documents to identify the type of case for which funds are to be disbursed and to ensure the proper amount is disbursed directly from the trust/escrow/certificate of deposit accounts. If I am for some reason unable to perform the review myself, my Chief Deputy Clerk performs the check and I review same the following day before making final approval. I am in the process of recruiting an accountant to serve as a third check.



### **3. Copy Escrow Accounts**

The Copy Escrow Accounts have been frozen. All accounting discrepancies have been resolved and the process of liquidating the account has been initiated. We are in the process of identifying current contact information for each 'Copy Escrow' account holder with a positive balance in order to notify them that the accounts are being closed and we wish to issue a refund. If no response is provided by the recipient within forty-five (45) days of the date of the letter, the funds shall be escheated to the Commonwealth. All overpayments greater than \$25 and all underpayments are now rejected.

### **4. Guardian Ad Litem Trust Pool Accounts**

I personally review the proposed disbursements for appropriateness, completeness and accuracy. Further, these accounts are reviewed monthly. Bank reconciliations are now reviewed monthly by my Chief Deputy and myself. Funds collected for "Trust Pool" cases are deposited directly into the dedicated "Trust Pool" bank account. We are in the process of creating a file documentation checklist with a list of activity types that may occur and documentation that is required over the life of an individual account. This check list will be reviewed by my Chief Deputy and myself monthly. We are in the process of engaging RSM to assist in creating policies and procedures related to the disbursement of trust funds including the establishment of roles and responsibilities and key controls in the process.

### **5. Condemnation Accounts**

Please see the plan of action for 4. *Guardian ad Litem Trust Pool Accounts*, above.

### **6. Policies and Procedures**

I have crafted an initial draft of office Policies and Procedures. I anticipate that RSM will assist in finalizing same to further enhance, specify and standardize requirements for compliance as noted above. I have identified an approved technical writer to review the final product. The updated policies, procedures and manuals will include how the records are to be maintained and for how long. Once established, policies and procedures will be reviewed and updated annually, with 'last edited' dates and documentation of my approval. An appropriate training program will be put in place upon completion of the Policies and Procedures.

### **7. General Leger Review**

I review the general ledger daily and follow up with a cumulative review monthly contemporaneous with my completion of my review of the bank reconciliation. All outstanding balances in accounts are reviewed and resolved with the appropriate section heads and any accounting errors are researched and corrected. I have hired a bookkeeper to serve as a backup check to this process.

## **8. Additional Measures Taken Per APA Recommendations**

The staff of the administrative section, which performs and oversees the financial functions of the Clerk's Office, is being redefined. I have engaged the services of a new employee with extensive legal and accounting experience to perform daily bookkeeping functions. I am working to recruit a Certified Public Accountant to manage this bookkeeper and to handle all high level accounting functions. In the meantime, I am engaging RSM to provide a temporary employee to fill this roll. Upon selection of an accountant employee, we will seek comprehensive training on the Financial Accounting System to ensure a complete understanding. Further, all liability journal entries have been researched and reconciled; the office now makes daily deposits; and the office now properly remits overages under \$25 to the Department of the Treasury

### **APA RECOMMENDATION: Properly Bill and Collect Court Fines and Costs (Repeat)**

The Court Division, which handles all court fines and costs, has been grossly understaffed for several years. In two (2) weeks, the division will be fully staffed and will allow better accuracy in performing the task of billing and collecting fines and costs. Additionally, this task has been moved up the chain from a Deputy Clerk III (non-management, county employee) to a Deputy Clerk IV (management, at-will employee). This DCIV has been trained on the fines and costs systems and will work diligently to reconcile the accounts. Further, the fines and costs will now undergo review by both a supervisor and a manager to ensure accuracy as well as the prompt recordation of judgement lien information.

### **APA RECOMMENDATION: Properly Assess DNA Fees**

As with fines and costs, the Court Division also handles the processing of DNA fees. This duty has been assigned to a Deputy Clerk Supervisor (DCS), with review by a Deputy Clerk Manager (DCM). We have just completed the recruitment process for hiring an experienced DCS to obtain access to LIDS in order determine if DNA has already been taken from a defendant and assess the DNA fee as appropriate.

## **Conclusion**

Although significant challenges have been identified in the management of the financial systems within this office, the audits by the APA and RSM have provided an opportunity for me to cure the issues that exist within these systems. As a result of the audits, some changes in staff have been made, but my current staff has embraced this process fully and we continue to work diligently to bring the office into complete compliance with all applicable laws, regulations, and policies. I am confident that moving forward, the Clerk's Office will be in full compliance with the recommendations made by the APA and that the public will be better served. I look forward to having a good working relationship with your office. I thank the APA, RSM, Prince William Board of County Supervisors and the County Executive for their assistance in this matter.

Sincerely yours,



Jacqueline C. Smith

cc: Stephanie Serbia (via email only)