



PAUL F. FERGUSON
CLERK OF THE CIRCUIT COURT
FOR THE
COUNTY OF ARLINGTON

FOR THE PERIOD
OCTOBER 1, 2018 THROUGH DECEMBER 31, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA
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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.

Resolve Reconciling Items

Repeat: Yes (first issued in 2017 as Reconcile Bank Account)

The Clerk's staff has not posted the necessary adjustments arising from the bank reconciliation process in the automated system for up to three years. The December 2019 reconciliation shows the following reconciling items:

- 92 deposits from June 2017 through December 2019 totaling \$619,140 identified as 'deposit on bank; no deposit on books;'
- 96 individual items from March 2017 through December 2019 totaling \$442,069 identified as 'system deposits with no bank deposit;'
- 21 system correction entries either not done or done incorrectly (\$10,683); and
- bank charges of \$9,475 from March 2017 through May 2019.

Not recording these adjustments compromises the fiscal integrity of the information in the automated financial system as the official record of the court and increases the risk of fraudulent activity. The Clerk should ensure that the reconciling items noted above are resolved immediately and, going forward, should ensure the timely and complete reconciliation of the court's bank account each month, which includes the posting of reconciling items.

Retain Voided Receipts

Repeat: Yes (first issued in 2019)

In six of 12 voided receipts tested, the Clerk did not retain all printed 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 unless all copies of the printed receipt are maintained.

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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

June 18, 2020

The Honorable Paul F. Ferguson
Clerk of the Circuit Court
County of Arlington

Libby Garvey, Board Chairman
County of Arlington

Audit Period: October 1, 2018 to December 31, 2019
Court System: County of Arlington

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.

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

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

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

MSM:vks

cc: The Honorable William T. Newman Jr., Chief Judge
Mark Schwartz, County Administrator
Robyn M. de Socio, Executive Secretary
Compensation Board
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia



ARLINGTON COUNTY, VIRGINIA
CLERK OF THE CIRCUIT COURT
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ARLINGTON, VIRGINIA 22201
703-228-7010
CircuitCourt@arlingtonva.us

Paul Ferguson
Clerk, Circuit Court

July 7, 2020

Ms. Martha Mavredes
Auditor of Public Accounts
Commonwealth of Virginia
101 North 14th Street, 8th Floor
Richmond, VA 23219

Response to June 23, 2020 Comments to Management

Dear Ms. Mavredes,

I have reviewed the June 23, 2020 Audit Report prepared for my office. My response to the comments to management are set forth below. As you can see, I disagree with many of the comments. However, I acknowledge and appreciate the audit process is an opportunity for everyone in my office to become familiar with different and potentially better ways of doing things. We have always worked with your office to implement best practices, consistent with the operational needs of our Court and constituents. Please do not hesitate to reach out to me directly if you want to discuss any of the responses below.

Reconcile Bank Account

Repeat: Yes (first issued in 2017)

The Clerk's staff has not posted the necessary adjustments arising from the bank reconciliation process in the automated system for up to three years. The December 2019 reconciliation shows the following reconciling items:

- 92 Deposits from June 2017 through December 2019 totaling \$619,140 identified as 'deposit on bank; no deposit on books'
- 96 individual items from March 2017 through December 2019 totaling \$442,069 identified as 'system deposits with no bank deposit'
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- Bank charges of \$9,475 from March 2017 through May 2019

Not recording these adjustments compromises the fiscal integrity of the information in the automated financial system as the official record of the court and increases the risk of fraudulent activity. The Clerk should ensure that the reconciling items noted above are resolved immediately and, going forward, should ensure the timely and complete reconciliation of the court's bank account each month, which includes the posting of reconciling items.

Clerk's Response

In July 2017, the Clerk implemented a procedure that includes daily reconciliation of the bank account. However, adjustments for the balance disparity were not made as the Controller waited on guidance from OES and the auditor about how best to account for the adjustments. Of note, the same difference between the state system (FAS) balance and the bank account balance occurred for 5 months. The value did not change daily - indicating the disparity was a unique occurrence that continued to be carried forward while awaiting guidance on how to appropriately document the adjustment.

In June 2020, after final consultations with OES and the auditor, the Controller adjusted the accounts, so they balanced. The Controller individually researched each item from the audit spreadsheet to determine the appropriate adjustment and to identify the departments impacted by said proposed adjustments. Each adjusting journal entry (AJE) has been compiled based upon this research and has been reviewed by our consultant prior to posting to FAS. Of the 246 entries that needed an adjustment, 75% have been completed to date.

Now that the accounts are balanced the Clerk expects them to stay aligned through our daily reconciliation process. The Clerk will return to using the BR13 report as the reconciliation document for monthly reconciliations. If any disparities are identified, they will be adjusted immediately using the process outlined above.

Retain Voided Receipts

Repeat: Yes (first issued in 2019)

In six of twelve voided receipts tested, the Clerk did not retain all printed 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 unless all copies of the printed receipt are maintained.

Clerk's Response

The Clerk acknowledges the finding and would like to clarify that in none of the reported instances was fraud or inappropriate activity identified on the part of the Clerk or any of his staff. The criminal and civil supervisors have retrained all staff to collect all paper copies of receipts prior to voiding a transaction in FAS. In the instances where this is not possible, staff members have been direct to alert the Controller who can take additional steps to verify the void is valid and not fraudulent prior to completing the transaction.

Sincerely,



Paul Ferguson
Clerk of the Circuit Court
17th Judicial Circuit