



CLERK OF THE COURT OF APPEALS OF VIRGINIA

AUDIT OF COLLECTIONS JUNE 30, 2016

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT FINDINGS AND RECOMMENDATIONS

Implement Segregation of Duties for Collections

Type: Internal Control

Repeat: No

The Office of the Clerk of the Court of Appeals (Appeals) does not have adequate segregation of duties in their collections process. To minimize the opportunity for misappropriation and concealment of funds collected, the custody, recording, and reconciling aspects of the receipts cycle should be segregated. Of the seven employees assigned primary or backup responsibilities in the collections process, five have tasks in at least two of these aspects. One of these individuals has responsibilities in all three aspects.

Agencies are responsible for designing and implementing a system of internal controls to ensure that public funds are properly safeguarded and to ensure all funds are accurately recorded. Proper segregation of duties is a critical piece of management's internal control environment and serves to both prevent and detect potential instances of error or fraud.

Without proper segregation of duties, Appeals cannot ensure that all the funds are deposited with the Treasurer of Virginia. Inadequate segregation of duties prevents Appeals from being able to attest to the accuracy and completeness of its revenues. Further, inadequate segregation of duties reduces accountability in the collection of funds.

Per management, they established the current collections process by distributing responsibilities related to tasks already assigned to an employee's position. This caused individuals to have multiple roles within the collection process. Appeals should consider the entire collection cycle, and design and implement internal controls related to collections to ensure they are properly safeguarded and accurately recorded.

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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

August 24, 2017

The Honorable Donald W. Lemons
Chief Justice, Supreme Court of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the receipt of funds for the **Clerk of the Court of Appeals of Virginia (Appeals)** for the year ended June 30, 2016. Our primary objectives were to test the accuracy of deposits recorded in the financial system for Appeals; evaluate Appeals' internal controls; and test its compliance with related and significant state laws, regulations, and policies.

Management's Responsibilities

Management of Appeals has the responsibility to establish and maintain a system of 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 compromise fiscal accountability and lead to lost funds.

Scope and Methodology

The Office of the Executive Secretary of the Supreme Court of Virginia (Executive Secretary) provides administrative support to Appeals in the areas of appropriations, budgeting, payroll, procurement, systems support, and financial recording and reporting. We perform a separate audit of internal controls at the Executive Secretary and issue a related report on our results. Therefore, the scope of our audit of Appeals was limited to internal controls related to the collections and reporting of deposits for Appeals. Our most recent report for the Executive Secretary for the year-ended June 30, 2016, covers the Information Systems Security services it provides to the Judicial Branch, as defined within that report.

Conclusions

We found the Executive Secretary properly recorded, in all material respects, the amount of funds deposited for Appeals and complied with related and significant state laws, regulations, and policies. Additionally, we noted a matter involving internal control that requires management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

Exit Conference and Report Distribution

We discussed this report with management on August 24, 2017. Management's response to the findings identified in our audit is included in the section titled "Court Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Chief Justice of the Supreme Court of Virginia and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

GDS/clj

COURT OF APPEALS OF VIRGINIA



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August 31, 2017

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Re: Court of Appeals of Virginia Clerk's Office 2016 Audit Comments

Dear Ms. Mavredes:

I acknowledge and understand the concerns expressed in the audit findings with regard to the segregation of duties in the collection process currently in place in the Clerk's Office of the Court of Appeals. As Clerk of the Court, I have always taken the responsibility of handling funds for the Commonwealth very seriously and have strived to comply with all the requirements necessary to safeguard the Commonwealth's money. Accordingly, I will immediately take steps to develop procedures designed to increase the segregation of duties in the collection process.

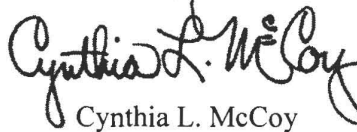
As discussed in our in-person meeting with your auditor, I have served as the Clerk of the Court of Appeals for nearly 22 years and this is the first year that concerns have been expressed by the auditors regarding the segregation of those duties, which have primarily been centralized in the administrative team in the Clerk's Office.

Additionally, the built-in "checks and balances" inherent in the appellate process with regard to the proper receipting and depositing of fees for each individual case, and our regular reconciliation of those receipts with a computer-generated report, bolstered our understanding that our practices were sound. In addition, the limited number of staff members in the Clerk's Office necessitated certain compartmentalization of our various functions, so that from an overall business flow standpoint, it seemed to make fundamental sense to keep the recordation and reconciliation of collected fees contained within our administrative team.

However, based upon the audit findings, as I have mentioned, we have begun to re-examine our process. In conjunction with the Fiscal Services Department of the Office of the Executive Secretary, we will develop procedures that will eliminate any concerns raised about our fee collection process going forward.

Thank you for the opportunity to comment on your audit findings.

Sincerely,



Cynthia L. McCoy
Clerk

CLERK OF THE COURT OF APPEALS OF VIRGINIA

As of June 30, 2016

The Honorable Glen A. Huff, Chief Judge

Cynthia L. McCoy, Clerk of the Court of Appeals