



GEORGE E. SCHAEFER
CLERK OF THE CIRCUIT COURT
FOR THE
CITY OF NORFOLK

FOR THE PERIOD
JANUARY 1, 2018 THROUGH MARCH 31, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA
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(804) 225-3350



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.

Properly Bill and Collect Court Costs

Repeat: No

The Clerk and his staff did not properly bill and collect court costs. In 67 individual accounts encompassing 139 cases, we noted the following errors.

- In nine accounts, defendants were not charged court costs of \$7,215.
- In three accounts, defendants were overcharged court costs of \$4,344.
- In 12 accounts, the Clerk did not bill the locality for local court appointed attorney fees. Instead, the Clerk incorrectly billed the Commonwealth, which paid \$1,896.
- In four accounts, court costs of \$801 were miscoded to the Commonwealth instead of the locality.

Additionally, we noted two accounts without support for future due dates, two accounts with no judgments recorded and three paid accounts without judgment releases.

The Clerk and his staff should correct the specific cases noted and should 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.

We noted the following matter involving internal control and its operation that has led or could lead to noncompliance with laws and regulations.

Obtain Appropriation and Deduct Payroll Taxes for Bonuses

Repeat: No

The Clerk paid bonuses directly to his employees using non-reverting funds, without an appropriation and without deducting the applicable federal, state, social security, and Medicare taxes.

The Clerk should work with the City to have funds appropriated for staff bonuses. In addition, the Clerk should consult with the City to determine how to ensure the taxes that should have been withheld can be recovered and remitted to the proper taxing authorities. In the future, the Clerk should ensure there is an appropriation for any proposed bonuses prior to payment and have the City disburse the bonuses to ensure appropriate taxes are withheld.

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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

July 30, 2019

The Honorable George E. Schaefer
Clerk of the Circuit Court
City of Norfolk

Kenneth Cooper Alexander, Mayor
City of Norfolk

Audit Period: January 1, 2018 through March 31, 2019
Court System: City of Norfolk

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 finding reported in the prior year that is 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.

AUDITOR OF PUBLIC ACCOUNTS

MSM: clj

cc: The Honorable Mary Jane Hall, Chief Judge
Douglas L. Smith, 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

COMMONWEALTH OF VIRGINIA

Clerk of Court
George E. Schaefer

Chief Deputy
Thomas A. Larson

Executive Assistant
Cheryl A. Dougherty



OFFICE OF THE CLERK FOURTH JUDICIAL CIRCUIT NORFOLK CIRCUIT COURT

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Civil, Deeds & Probate
Crystal Porter
**Licenses, Permits, Finance
& Jury**
Gerald L. Stokes

Comptroller
Nicholas D. Georges

Systems Administrator
Gregg J. Duquette

August 2, 2019

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

Dear Ms. Mavredes;

It was our pleasure to host Ms. St. Lawrence and Ms. Tatum for the comprehensive audit of this office. We always welcome a fresh set of eyes to ensure compliance with best accounting practices, regulations, and code provisions.

Upon completion of the audit of this court's financial records covering the period of January 1, 2018 through March 31, 2019, two items were noted which require response/action on our part:

The first item noted that the billing and collection of court costs were not proper in 67 accounts representing 139 of the 13,227 cases processed during the same period. 6 accounts were not charged attorney's fees, 2 accounts were not charged juror costs, 12 accounts were billed incorrectly to the state instead of the locality, 1 account was missing costs, 4 accounts had coding errors and 3 accounts were overcharged for waivers incorrectly. 24 of the account errors were done by staff no longer employed while 9 were done by new in-court clerks. All errors have been corrected and additional training is ongoing for all 4 of the new in-court clerks as well as the new supervisors.

Item number two indicated that bonuses were paid incorrectly. Due to a large turnover, we attempted to pay a \$500 retention bonus upon completion of 5 years' service. Due to delays up to 6 months while processing through the locality payroll system, we contacted a tax attorney to determine how we could pay these time sensitive bonuses. During the previous audit the auditors did not take exception to the process and withheld their opinion as the language in the code had

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just been recently amended. While waiting for definitive direction from the APA, this office paid 2 \$500.00 5-year bonuses under the old procedure. Receiving additional guidance during this audit, we are changing the policy and will work with the locality to ensure these time sensitive bonuses are paid when they are due to the employee.

The professionalism and attention to detail shown by the audit staff during the course of this audit did not go unnoticed. The willingness to share knowledge and recommendations only enhance the desires of the office to continuously improve and provide the best service possible to the citizen's that we serve.

Sincerely,



George E. Schaefer, III
Clerk