



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

REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA
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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.

Review Financial System Reports

Repeat: No

The Clerk does not properly review the Court's general ledger to ensure account balances are appropriate. As of September 2017, the Clerk was holding \$395 in tax refunds that should have been allocated to defendants' accounts and the general ledger showed \$54 in receipting errors and a negative balance of \$15,545 in general operating expenses.

The Clerk should correct the current errors and, going forward, should review the general ledger on a daily basis to ensure the propriety of all account balances.

Reconcile Bank Account

Repeat: No

The Clerk has not reconciled his bank account since June 2017. Allowing reconciling items to go unresolved can lead to errors and irregularities going undetected and can increase the risk of loss of funds. Timely and complete reconciliations are an essential internal control.

The Clerk should perform monthly bank reconciliations upon receiving the bank statements, as required by the court's financial system user's guide, and seek guidance from the Office of the Executive Secretary as needed.

Monitor and Disburse Liabilities

Repeat: No

The Clerk does not properly monitor and disburse liabilities, specifically expungements. In six accounts, the Clerk did not follow the court order to either refund the monies to the plaintiff or remit the monies to the state treasury. The Clerk should monitor these accounts on an ongoing basis and follow the instructions in the court order when the case is finalized.

Properly Bill and Collect Court Fines and Costs

Repeat: Yes, Properly Bill and Collect Court Costs

The Clerk did not properly bill and collect court fines and costs. In 48 cases tested, we noted the following errors.

- In nine cases, defendants were overcharged a total of \$4,606 in court costs.

- In five cases, defendants were not assessed fines and costs totaling \$2,025.
- In two cases, the Clerk assessed \$60 in fines and costs to the wrong locality.

The Clerk should correct the specific cases noted above 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 Code of Virginia.

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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

January 16, 2018

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

Katie Cristol, Board Chairman
County of Arlington

Audit Period: July 1, 2016 to September 30, 2017
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.

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:alh

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
Director, Admin and Public Records
Department of Accounts



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CLERK OF THE CIRCUIT COURT
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Paul Ferguson
Clerk, Circuit Court

Martha Mavredes, Auditor of Public Accounts

Dear Ms. Mavredes:

Thank you for the audit that was conducted recently by members of your office. Attached are my responses to the findings.

Paul Ferguson
Clerk of the Circuit Court
17th Judicial Circuit

Review Financial System Reports

Repeat: No

There is no formal review of the general ledger report. Failure to monitor and review this report as required by the court's financial system user's guide has allowed incorrect general ledger account balances to remain undetected and uncorrected and liabilities to be held inappropriately.

The Clerk's Office long-time budget analyst/bookkeeper retired in July 2017 after a lengthy absence between January and May 2017. During the transition, there was limited interaction with her successor. Although other Clerks generously made staff available to assist in training the new hire, management was aware that there were likely to be a number of processes and/or procedures that were either not explained or not adequately covered during this transition and training process. For this reason, we asked the auditors to assist us with a comprehensive financial audit before year end, and also to review procedures in place after July 1, to ensure that we could identify any deficiencies in process and/or training before too much time had passed.

It is our understanding that the issues identified with respect to the general ledger did not include any financial improprieties or

mismanagement of funds, but rather included account code errors that were able to be resolved with journal voucher corrections. Other errors identified by auditors pursuant to a general ledger review have been corrected and a checklist has been created to facilitate effective review of the general ledger monthly.

Reconcile Bank Account

Repeat: No

The Clerk did not reconcile his bank account for the period of June 2017 to present. Allowing reconciling items to go unresolved can lead to errors and irregularities going undetected and can increase the risk of loss of funds. Timely and complete reconciliations are an essential internal control. The Clerk should perform monthly bank reconciliations upon receiving the bank statements as required by the court's financial system user's guide, and seek guidance from the Office of the Executive Secretary as needed.

This was clearly a failure in training, as both the interim bookkeeper (who was here from January through May 2017), the prior bookkeeper, and a current Circuit Court staff member, all were aware of the requirement to reconcile bank accounts and the procedures to do so, but did not communicate any of this to the new hire, who has no prior experience working in a Circuit Court. Reconciliation of the outstanding periods has been made a priority. In addition, we are in the process of putting together a checklist of training items to ensure that this failure is not repeated in the future.

Monitor and Distribute Liabilities

Repeat: No

The Clerk does not properly monitor and distribute liabilities, specifically expungements. In six accounts, the Clerk did not follow the court order to either refund the monies to the plaintiff or remit the monies to the state treasury. The Clerk should monitor these accounts on an ongoing basis and follow the court order when the case is finalized.

In the summer of 2017, the Civil Division of the Clerk's office reassigned job responsibilities among its staff. This reassignment included staff responsible for expungements. This change in staffing may have affected how information was communicated between the civil division and the new bookkeeper, resulting in some court orders not being provided to the bookkeeper for distribution and/or payment.

This failure has been reviewed with the civil section supervisor and a plan has been implemented to review expungement orders

entered by the court on a monthly basis for proper payment and processing.

Properly Bill and Collect Court Fines and Costs

Repeat: Yes Properly Bill and Collect Court Costs

The Clerk did not properly bill and collect court fines and costs. In 48 cases tested, we noted the following errors.

- In nine cases, defendants were overcharged costs totaling \$4606.
- In five cases, defendants were not assessed fines and costs totaling \$2025.
- In two cases, the Clerk assessed fines and costs to the wrong locality totaling \$60.

The Clerk should correct the specific cases noted above 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 Code of Virginia.

It is our understanding that the cases in which the Defendant was allegedly overcharged all involved court-appointed attorneys and/or public defender fees that were allowed by the Court (and set forth in a written court order) but for which time sheets were not submitted to the court to support the fees awarded. Management will discuss the possibility of a blanket order with the court which should address this issue.

In the five cases in which Defendants were not charged, the costs that were not charged were simply mistakes, not a systematic problem or issue. The criminal section of our office has been for years, and continues to be understaffed. We have reviewed these mistakes with staff, and will continue to try to address staffing needs to ensure that adequate time is available to properly process and assess all applicable fees and costs. We will also continue to send staff to ongoing training to ensure they remain as up-to-date as possible on policies and procedures regarding assessment of fines and costs.