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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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May 22, 2018

The Honorable Larry D. Willis
Chief Judge
City of Chesapeake Juvenile and Domestic Relations District Court
301 Albemarle Drive
Chesapeake, VA 23322

Audit Period: July 1, 2016 through June 30, 2017; and limited review through March 31, 2018
Court System: City of Chesapeake
Judicial District: First

We are performing a statewide audit of the Juvenile and Domestic Relations District Courts. During our review of this court, we conducted certain audit procedures, as we deemed appropriate.

Management of this court is an important part of the court's accountability, since you are responsible for establishing and maintaining internal controls and complying with applicable laws and regulations. During our review, we noted certain matters that required management's attention and corrective action. These matters included:

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

Properly Maintain Paperwork

Repeat: No

The Clerk could not locate the January 2017 bank statement and reconciliation, one case file, one attorney voucher, and confirmation support for the system access deletion of a terminated staff member. The Clerk and her staff should maintain the court's records in accordance with court manuals and established policies.

Retain Voided Receipts

Repeat: No

In four of seven voided receipts tested, the Clerk could not provide verification that all copies of the voided receipts were retained, as they had been altered and identifying information removed. Additionally, there was one voided receipt that was not documented on the daily cash reconciliation report and the reason for the void was not documented.

Voided transactions pose an increased risk for fraudulent activity and, as such, must be monitored and controlled closely. The Clerk should retain all unaltered copies of voided receipts and document appropriately as required by the financial management system user's guide.

Properly Complete Manual Receipts

Repeat: No

In four of 30 manual receipts tested, the Clerk and her staff did not complete the manual receipts in their entirety, resulting in not enough information to determine whether the receipts had been timely entered into the automated financial system.

Manual receipts pose an increased risk for fraudulent activity and, as such, must be monitored and controlled closely. The Clerk should ensure her staff complete manual receipts in their entirety and should establish a system of review to minimize the likelihood of errors going undetected.

Properly Process and Transmit Appealed Cases

Repeat: No

The Clerk did not have proper procedures and controls over appealed cases. In 21 appealed cases tested, we noted the following errors.

- In ten appealed civil cases, the Clerk refunded filing fees to the appellant despite the fact the appeals were received and heard in Circuit Court, resulting in a loss to the Commonwealth and locality of \$960.
- Appealed cases were delayed up to 18 months before being sent to the Circuit Court.

The Clerk should establish a system of review to minimize the likelihood of errors going undetected. In all cases, the Clerk should process and remit appeal fees and cases in accordance with the Code of Virginia.

Reconcile Bank Account

Repeat: No

The Clerk did not have proper controls over the bank reconciliation process from January 2017 through October 2017. Reconciliations for February and March were delayed up to three months before completion, and the April bank statement was not reconciled until August when staff from the Office of the Executive Secretary of the Supreme Court (OES) came in to provide assistance. OES continued to perform the reconciliations through October 2017. The Clerk did not begin preparing timely reconciliations until February 2018.

Timely and complete reconciliations are an essential internal control. Allowing reconciling items to go unresolved can lead to errors and irregularities going undetected and can increase the risk of loss of funds. The Clerk should perform monthly bank reconciliations upon receiving the bank statements as required by the court's financial system user's guide.

Request Tax Set-Off Refunds

Repeat: No

The Clerk did not submit 83 claims to the Virginia Department of Taxation (Taxation) for tax set-off of refunds totaling \$12,906 for delinquent court fines and costs, resulting in a loss of revenue to the Commonwealth and locality. A court must submit claims for set-off of tax refunds through Taxation's automated accounting system. The Clerk should use the tax refund set-off process to maximize collections as required by the Code of Virginia.

Properly Bill and Collect Court Fines and Costs

Repeat: No

The Clerk and her staff did not properly bill and collect court fines and costs. In 19 of 36 cases tested, we noted the following errors.

- Costs not certified to the Circuit Court
- DNA coding errors
- Attorney cost coding errors
- Time to Pay fees assessed without proper support
- Defendants overcharged costs based on the offense
- Defendants not charged for appropriate costs
- One juvenile erroneously assessed for the court-appointed attorney fee

The Honorable Larry D. Willis
Chief Judge
May 22, 2018
Page Four

These exceptions resulted in losses to the Commonwealth of \$1,301, losses to the locality of \$65, and defendants being overcharged \$499.

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.

Properly Bill Locality for Attorney Fees

Repeat: No

The Clerk did not have sufficient procedures for billing public defender fees. When a public defender represents a defendant charged with a local offense, the Clerk is required to bill the locality for reimbursement to the Commonwealth. In four local cases tested, the locality was not billed for the use of the public defender's services, resulting in a loss of \$802 to the Commonwealth.

The Clerk should establish appropriate procedures to ensure the locality is billed, when applicable, for public defender fees.

We acknowledge the cooperation extended to us by the Clerk and her staff during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

MSM:alh

cc: The Honorable Eileen A. Olds, Judge
The Honorable Rufus A. Banks Jr., Judge
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia