

**DEBRA SHIPP
CLERK OF THE CIRCUIT COURT
FOR THE
COUNTY OF ALBEMARLE**

**REPORT ON AUDIT
FOR THE PERIOD
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

June 14, 2011

The Honorable Debra Shipp
Clerk of the Circuit Court
County of Albemarle

Board of Supervisors
County of Albemarle

Audit Period: January 1, 2010 through December 31, 2010
Court System: County of Albemarle

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System and 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 court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:clj

cc: The Honorable John G. Berry, Chief Judge
Thomas Foley, County Executive
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

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.

Properly Perform the Accounting Responsibilities of the Clerk's Office

The Clerk does not perform the required financial duties associated with her office. With annual receipts of \$9.7 million it is imperative the Clerk perform all daily, monthly, and yearly reconciliations to ensure accuracy and completeness of the courts records. Our audit identified these areas of financial weakness:

Remit District Court Collections

Since May 2010, the Clerk is holding \$201,469 in state fines and court costs received from the District Court because the Clerk did not record the disbursements correctly in the court's automated accounting system. We recommend the Clerk immediately asks the Office of the Executive Secretary for guidance on how to prepare the disbursements so she can send these collections to the State Treasurer as required by the Code of Virginia.

Bank and System Reconciliations and Improper Closing of Accounts

The Clerk again did not reconcile the operations bank account and resolve reconciling items for the entire audit period. In combination with two prior audits, the Clerk has not in effect reconciled the bank account since April 2008, a total of 32 months. It is critical the Clerk reconciles this account and makes necessary corrections to the accounting system monthly to ensure the bank statement, checkbook and accounting system agree.

The automated system shows a negative balance of \$4,979 in a bank account that the Clerk attempted to close, the system still shows outstanding checks for two closed bank accounts and numerous reconciling items remain unresolved. The Clerk should immediately reconcile these accounts or contact the Supreme Court of Virginia Office of Executive Secretary for further assistance in how to properly close out these accounts.

Due to the Clerk not reconciling the bank account, the Clerk could not determine if she had invested and held \$8,770 in escrow funds. The Clerk must determine the status of these funds and correct the accounting system as needed.

Annual Report of Monies Under Control of the Clerk

The Clerk has not satisfied her personal liability for lost interest in two accounts identified in the last audit. Since the last audit the Clerk disbursed one of these account without adding the lost interest to the amount paid to the beneficiary.

The Clerk holds \$580,000 under Section 8.01-600 of the Code of Virginia. These are invested funds she holds for infants until they reach the age of majority and the Clerk has responsibility for their proper management and guardianship. The Clerk must report the status of these accounts annually.

Our test work of this annual report identified the following.

- Monies not invested within the time restrictions set by the Code of Virginia

- Inaccurate interest postings
- Outdated expected distribution dates

Additionally, although the report balances agreed to the individual account bank statements, the auditor was unable to reconcile the Annual Report balance to the aggregate savings account balance recorded in the automated system. The Clerk must immediately satisfy her personal liability and correct all system inaccuracies.

Unclaimed Property

As of June 30, 2010, the automated financial system showed that the Clerk had 47 accounts totaling \$255,000 that could be eligible for escheatment. For the past two years the Clerk did not submit or remit Unclaimed Property the State Treasurer's Division of Unclaimed Property as required by Section 55-210.9:2 of the Code of Virginia. Clerks are required to determine on a yearly basis all unclaimed financial accounts and submit these to the State Treasurer's Division of Unclaimed Property.

Properly Account for Copy Fees

The Clerk has not remitted copy fees to the locality and Commonwealth. The Clerk receipts copy fees into a local account from which the Clerk should send the locality their share of the copy fees to reimburse their cost. The remaining fees, the Clerk should deposit with the Commonwealth. As of December 31, 2010, the local account had a balance of \$24,406.09 pending disbursement. The Clerk should perform this allocation each month.

Request Tax Set Off Refunds

The Clerk did not request a tax set off refund for 20 individuals that owed delinquent court costs and fines as required by Section 58.1-524 (A) of the Code of Virginia. This resulted in a potential loss of \$3,788. A court must request the tax refunds through the Department of Taxation's automated accounting system called the Integrated Revenue Management System, in order to use the individual's tax refund to pay delinquent fines and cost.

Properly Enter Fines and Costs

The Clerk does not properly enter fines and costs in the court's automated financial accounting system and dismisses cases without supporting documentation. In 25 of 48 criminal cases tested the following errors were found:

- In four cases, Clerk recorded the cases as "dismissed" without a court order to support the dismissal and another recording occurred ten months before the Clerk had a completed and signed order and another case had not district court case number.
- In 14 cases, the Clerk charged the Public Defender and Court Appointed Attorney fees without supporting list of allowances or public defender timesheets totaling \$20,302. There were no jail fees and commonwealth attorney costs and the locality inappropriate received the fines from one commonwealth case.
- In three cases, \$203 of certified cost from the District Court per Section 19.2-336 of the Code of Virginia was inappropriately charged.

- In one case, the Clerk did not charge the Ignition Interlock fee that the Judge ordered resulting in an underpayment by the defendant of \$20.
- In one case, the Clerk recorded a town fine as a county fine resulting in a \$45 loss to the town.
- In two cases, the Clerk did not collect the public defender fees certified from the District Court per Section 19.2-336 of the Code of Virginia resulting in a loss of \$360 to the Commonwealth.
- The Clerk charge a defendant a fine of \$1,000 and a \$50 Trauma fee although not ordered by the Judge.

Enter and Release Judgments

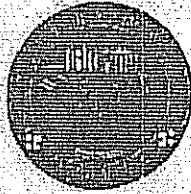
The Clerk is not appropriately entering and releasing judgments as outlined in Section 8.01-446 and 17.1-232 of the Code of Virginia. Judgments were either not docketed without delay or duplicated instead of a release judgment being docketed. The Clerk should ensure judgments are appropriate when being docketed as a Judgment Lien or release.

Run and Review Financial Reports

The Clerk does not run and review reports provided by the Financial Management System. Specifically the Clerk did not run the CR32 Concluded Cases without Receivables report for 12 months. By running this report, the Clerk would be able to determine any accounts established in the Case Management System that did not have a corresponding receivable.

The Clerk should review these reports monthly and ensure accounts are established in the Case Management and financial system.

Commonwealth of Virginia



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TO: Walter J. Kucharski, Auditor
Randall Johnson, Senior Specialist

FROM: Debra M. Shipp, Clerk
Albemarle County Circuit Court

DATE: June 13, 2011

In response to the audit conducted for the period of January 1, 2010 through December 21, 2010 I offer the following explanations:

Properly Perform the Accounting Responsibilities of the Clerk's Office

I am working with the County of Albemarle to seek additional staff to cover the duties of this office. I am also asking for assistance from the Supreme Court to assist myself and additional staff in the accounting responsibilities. Shortly after the last audit, approximately June 2010, Martin Watts and Dave Odell came to my office and helped to assist with a few errors and how to properly correct some existing problems. Due to obligations they were not able to return during 2010.

Remit District Court Collections

I will ask for assistance from Martin Watts and Dave Odell to properly disburse the funds being held in that account. In trying cross train – some of the staff incorrectly receipted money from General District and Juvenile & Domestic Relations Court funds, due to not formatting as instructed.

Bank and System Reconciliations and Improper Closing of Accounts

I will ask for assistance from Martin Watts and Dave Odell to properly reconcile these accounts forthwith.

Upon my tenure as clerk I was trying to follow the previous trail of banking. As I found this procedure adding more work on me as many journal vouchers had to be processed in order to complete the actions – I closed that account and opened an account with the bank where the trust accounts were being handled adding less steps and copying every voucher per file. I have on hand all month end journal vouchers so that this error can be found and corrected.

The account in question is one that has been opened many years ago. Once the reconciliation error is corrected, this will be taken care of.

Annual Report of Monies Under Control of the Clerk

I have satisfied the personal liability for lost interest in the two accounts in question. These were two asbestos accounts – lost interest has been paid to one beneficiary and invested into account for the other beneficiary.

I will seek assistance from Martin Watts and Dave Odell to make sure all accounts are being processed accurately.

Unclaimed Property

Upon the auditors exit, I have had staff begin to pull the required files that are ready to be submitted to the State Treasurer's Division of Unclaimed Property. I will stay evening and weekends to make sure parties are notified and monies are correctly submitted to state.

Properly Account for Copy Fees

With all the budge cuts, I initiated the copy fees to be kept in our locality only to add additional work. I am in the process of finding out the yearly cost for our office for paper which has to be included on the monthly report. I will forthwith process the required journal voucher and make payment to county to clear this account monthly.

Request Tax Set Off Refunds

Immediately upon the last audit I took the required course after work each day to be able to be certified for the tax set off refund. I had to make numerous attempts upon completion to get the required sign on as needed. Effective

January 2011, I was finally able to log on and certify claims.

Properly Enter Fines and Cost

I am working with our county for additional staffing for this area as well. In other jurisdictions the bookkeeper looks over each file to double check the assessment of fines and cost. With the rapid growth of this office, additional staffing is much needed. On several days we have two judges, taking both criminal clerks out of office all day. As orders for each criminal appearance has to be done and fines and costs assessed, this area needs much concentration.

Enter and Release Judgments

The deputy clerk that was entering judgment retired in June 2010. The training process does not always work as well as planned. Corrections have been made to improper docketed judgments. I have made plans to rehire the former judgment clerk to work part time and work on continuing to train staff in this area so that things are kept on track.

Run and Review Financial Reports

I have started running the financial reports. Hopefully this is another area a bookkeeper would be able to work on during a monthly basis.

Additional

I returned to work in January 2010 making every attempt to work on the reconciliation of accounts. On January 23, 2011 - I received the horrible phone call at 2:30 AM that my 21 year old son had been involved in a fatal car accident. Nothing can turn a life upside down more than the loss of a child. But.....

I am making every effort to catch any error that is made, being careful to document checks written, journal vouchers processed. With the assistance of our county providing the additional help that the citizens of this county so deserve, I am striving to correct errors in the journal vouchers that can make bank reconciliation a nightmare. Over the employment in this office July 1976, I have witnessed our county grown tremendously and all surrounding offices grow in personnel creating more work for this office.

These problems will be rectified before the next audit, if I have to pay myself to correct!

Leah S. Skipton