



CLERK OF THE SUPREME COURT 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 and Reconciliation Controls for Collections

Type: Internal Control

Repeat: No

The Clerk of the Supreme Court of Virginia (Clerk) has not implemented the control of segregation of duties in their collections process. One individual has the responsibility for both the custody of collections and providing information used in recording deposits. Additionally, the Clerk has not implemented a process for reconciling their collections system to the funds deposited with the bank and recorded in the Supreme Court of Virginia's (Supreme Court) accounting system.

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, the Clerk cannot ensure that all the revenues are deposited with the Treasurer of Virginia. Further, the Clerk is not able to identify discrepancies between funds recorded and funds deposited. The combination of inadequate segregation of duties and no reconciliation prevents the Clerk from being able to attest to the accuracy and completeness of its revenue.

According to the Clerk, they believed they had implemented proper controls related to receipts; however, their evaluation did not consider what occurs with the funds after they are recorded in the Clerk's case management system, which the Clerk uses as its collections system. The Clerk should consider the entire collection cycle, and design and implement internal controls related to receipts to ensure they are properly safeguarded and accurately recorded.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT FINDINGS AND RECOMMENDATIONS	
INDEPENDENT AUDITOR'S REPORT	1-2
COURT RESPONSE	3
COURT OFFICIALS	4



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

As required by §17.1-204 of the Code of Virginia, we have audited the receipt of funds for the **Clerk of the Supreme Court of Virginia (Clerk)** for the year ended June 30, 2016. Our primary objectives were to test the accuracy of deposits recorded in the financial system for the Clerk; evaluate the Clerk's internal controls; and test its compliance with related and significant state laws, regulations, and policies.

Management's Responsibilities

Management of the Clerk 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 the Clerk 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 the Clerk was limited to internal controls related to the collections and reporting of deposits for the Clerk. Our most recent report for the Executive Secretary for 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 by the Clerk 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



SUPREME COURT OF VIRGINIA

PATRICIA L. HARRINGTON, CLERK

SUPREME COURT BUILDING
100 NORTH 9TH STREET, 5TH FLOOR
RICHMOND, VIRGINIA 23219
(804) 786-2251 V / TDD
FAX: (804) 786-6249
August 29, 2017

DOUGLAS B. ROBELEN
CHIEF DEPUTY CLERK

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

Re: Supreme Court of Virginia Clerk's Office

Dear Ms. Mavredes:

I provide the following in response to the audit report. As confirmed in our in-person meeting with your auditor, the issuance of reconciliation in the clerk's office has not been previously raised by an auditor. Although the Clerk's Office does segregate, to a large extent, duties related to collection and deposit of fees, the size of the office and the need for employees to back-up absent colleagues can occasionally result in one person collecting money and later having responsibility for depositing the money. The other people who check the pleading filed and the money collected would discover the absence of the required fee at the beginning of the process. However, as has now been pointed out, the office has not had a procedure in place for reconciling the monies entered into the case management system with those actually deposited. I have met with the IT team for the office and a report is being developed that would allow for easy reconciliation and that duty will be assigned to someone who has no contact with the collection or deposit of fees. Thank you for the opportunity to address this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat L. Harrington".

Patricia L. Harrington
Clerk

PLH/th

CLERK OF THE SUPREME COURT OF VIRGINIA

As of June 30, 2016

The Honorable Donald W. Lemons, Chief Justice

Patricia L. Harrington, Clerk of the Supreme Court