

APA Presentation Clerk's Conference



April 17, 2018

Randall Johnson, CFE, Senior Auditor

Auditor of Public Accounts

Local Government and Judicial Systems Team

- One Audit Director, one Audit Supervisor, and nine team members
- Audit all constitutional officers, district courts, magistrates, and general receivers

APA Contact Information

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What are internal controls?

- They provide court management with reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition, and that financial records are reliable to permit the preparation of financial statements.

Examples of Internal Controls

- Maintain segregation of duties in key areas
- Reconcile bank account monthly
- Perform random cash counts
- Review daily financial records timely
- Avoid or discourage related party transactions
- Limit access to the office and cash

Fraud Triangle

3 factors that are present when fraud occurs

- Incentive/Pressure-financial need of the person. Gambling, excessive debts.
- Rationalization-Person rationalizes the fraud by thinking “I will pay the money back or they don’t pay me enough.”
- Opportunity-Person sees an internal control weakness and believes no one will notice if the funds are taken. The person may start with a small amount.

§ 30-138. State agencies, courts, and local constitutional officers to report certain fraudulent transactions; penalty.

A. Upon the discovery of circumstances suggesting a reasonable possibility that a fraudulent transaction has occurred involving funds or property under the control of any state department, court, officer, board, commission, institution or other agency of the Commonwealth, including local constitutional officers and appointed officials exercising the powers of elected constitutional officers, as to which one or more officers or employees of state or local government may be party thereto, the state agency head, court clerk or local official in charge of such entity shall promptly report such information to the Auditor of Public Accounts (Auditor), the State Inspector General, and the Superintendent of State Police (Superintendent).

B. The Auditor, the State Inspector General, or the Superintendent shall review the information reported pursuant to subsection A and individually determine the most appropriate method to investigate the information. In the event that the Auditor, the State Inspector General, or the Superintendent determines to conduct an investigation, he shall notify the others of the commencement of the investigation as soon as practicable, unless the information involves the Auditor, the State Inspector General, or the Superintendent.

C. No state department, court, officer, board, commission, institution or other agency of the Commonwealth, including local constitutional officers and appointed officials exercising the powers of elected constitutional officers, shall employ or contract with any person, firm, corporation, or other legal entity to conduct an investigation or audit of information reported pursuant to subsection A without obtaining the prior written approval from the Auditor and the Superintendent. Pending acknowledgement of the report and receipt of the written approval from the Auditor and the Superintendent, the state department, court, officer, board, commission, institution, or other agency of the Commonwealth, including local constitutional officers and appointed officials exercising the powers of elected constitutional officers, may use their employees to audit the circumstances reported in subsection A to prevent the loss of assets.

D. All state departments, courts, officers, boards, commissions, institutions or other agencies of the Commonwealth, including local constitutional officers and appointed officials exercising the powers of elected constitutional officers and their employees, shall cooperate to the fullest extent in any investigation or audit which may occur at the direction of the Auditor or the Superintendent or both as a result of information reported pursuant to subsection A.

E. The willful failure to make the report as required by this section shall constitute a Class 3 misdemeanor.

F. Nothing herein shall affect the requirements of § [52-8.2](#).

§ 51.1-124.13. Loss of benefits; certain felony convictions

- A. No person shall be entitled to any of the benefits of this title as provided in this section if (i) he is convicted of a felony and (ii) the person's employer determines that the felony arose from misconduct occurring on or after July 1, 2011, in any position in which the person was a member covered for retirement purposes under any retirement system administered by the Board. Prior to making any such determination, the employer shall give the person reasonable prior written notice and provide an opportunity to be heard. The employer's determination may be appealed in a manner consistent with subsection B, and no further proceedings shall follow the decision of the circuit court. The employer's determination shall become final 10 calendar days after the date of the initial determination if no appeal is filed, or the date of the decision of the circuit court if an appeal is filed. A reversal by the circuit court of the employer's determination shall render the determination null and void.
- B. Proceedings for review of the determination of the employer may be made by the member filing a notice of appeal within five workdays of receipt of the determination. Within five workdays thereafter, the employer shall transmit, to the clerk of the circuit court in the jurisdiction where the employer is located, a copy of the record. The court, on motion of the member, may issue a writ of certiorari requiring the employer to transmit the record on or before a certain date. Within 30 days of receipt of such records, the court, sitting without a jury, shall hear the appeal on the record and such additional evidence as may be necessary to resolve any controversy as to the correctness of the record. The court, in its discretion, may receive such other evidence as the ends of justice require. The court may affirm the determination of the employer or may reverse or modify the determination. The decision of the court shall be rendered no later than the fifteenth day from the date of the conclusion of the hearing. The decision of the court shall be final and shall not be appealable. The circuit court hearing shall be at no cost to the Commonwealth or the member.
- C. The Board shall implement the relinquishment of benefits under this title as soon as practicable after the employer notifies the Board of its final determination that the member's felony conviction arose from misconduct in any position in which the member was a member in service.
- D. If the person is or becomes a member in service after relinquishment of benefits under subsection C, he shall be entitled to the benefits under this title based solely on his service occurring after the relinquishment.
- E. Notwithstanding any provision of law to the contrary, any service credit lost from relinquishment of benefits under subsection C shall be ineligible for subsequent purchase.
- F. The governing body of any locality served by a constitutional officer shall be considered that officer's employer for purposes of this section.

Audit Findings

- Bill and Collect Court Fines and Costs
- Retain Void Receipts
- Disburse Liabilities
- Reconcile Bank Account
- Bill Locality for Public Defender/CAA
- Request Tax Set Off Refunds

Preparing and working with the auditors

- Have the items requested in an organized manner
- Who are the key people in the office for the auditor to ask questions?
- Is there a good time for questions?
- Find ample space for the auditor
- Access to the building/computers/internet
- Don't forget the auditor in an emergency evacuation

Full audit vs. ICQ audit

- A risk assessment is completed annually

Risk Assessment Factors

- Were there prior year audit findings?
- When was the last full audit?
- Is there a new Clerk?

Additional Considerations

- Issues noticed at other similar localities
- Judgment of the field auditors
- Number of new staff in the office
- Request of a full audit by the Clerk

Audit Program-Full Audit

- Access - Court's Information System
- Bank reconciliations
- IRMS defaults
- Manual receipts
- Over/Under cash outages
- Remitting state collections
- Void receipts

Audit Program-Full Audit

Review various FMS reports:

- BR-02 Daily collections
- BR-08 Month End Liability Index
- BR-16 Unclaimed property
- BR-29 General Ledger
- DMV Interface exceptions
- BU06 Individual account status

Audit Program-Full Audit

Review a sample of cases for

- Billing fines & court costs
- Calculating and entering due dates
- Retaining list of allowances and waivers

Audit Program-Full Audit

Review a sample of cases for

- Billing the localities for attorney fees
- Billing parents in juvenile cases
- Documenting court costs on appealed cases

Record Retention

- From the FMS Manual

After APA audit means after receiving the APA audit report/letter

- Back up reports daily and periodically review the back-ups

Year End Report of Financial Condition (BR07)

- It should be signed, dated, and notarized.
- Due annually to our office by September 30.

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- Questions?
 - Thank you for your time.