OFFICE OF THE EXECUTIVE SECRETARY
OF THE SUPREME COURT OF VIRGINIA
CLERK OF THE SUPREME COURT
CLERK OF THE COURT OF APPEALS
THE JUDICIAL INQUIRY AND REVIEW COMMISSION

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008

APA
Auditor of
Public Accounts
COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

This report includes the Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, and Clerk of the Court of Appeals.

Our audit of these agencies for the fiscal year ended June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the Supreme Court's Integrated Decision Support System;

- matters involving internal control and its operations necessary to bring to management's attention; and

- one instance of noncompliance with applicable laws and regulations or other matters that is required to be reported.

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AUDIT FINDINGS AND RECOMMENDATIONS

Develop Methods to Strengthen Internal Controls for Expenditure Payment Processing

The Supreme Court of Virginia (Supreme Court) is not always properly recording expense data for payables in accordance with the Supreme Court's policies and procedures and Commonwealth statutes, which generally defines what are the various Criminal Fund expense allowances; or does not have adequate internal controls to prevent/detect/correct improper data entry. In our audit sample of individual expense voucher line items we identified several Integrated Decision Support System (IDSS) data entry errors.

Supreme Court policies and procedures define allowances associated with Criminal Fund expenses based on the Code of Virginia. Further, DOA requires agencies to ensure the accuracy of financial data input to the Commonwealth Accounting and Reporting Systems (CARS). The data captured in Supreme Court's IDSS system may not always accurately reflect expenses associated with the type and number of charges handled by various court systems, i.e. Circuit, General District, Juvenile/Domestic Relations and Combined Courts. As a result of the errors, the Supreme Court may not be able to properly analyze Criminal Fund expenses. Additionally, the Supreme Court may be incurring additional Criminal Fund expenses, which could arise from overpayments. Lastly, the errors can impact the accuracy of data input to CARS.

We recommend that the Supreme Court initiate strategies to further enhance controls related to expenditure/voucher processing. Accurate recording of expenditures will better enable the Supreme Court to accurately assess progress, analyze problems, make decisions, and evaluate performance measures, limit the potential for overpayments, and ensure the accuracy of data reported to CARS.

Enforce Procedures to Properly Complete the Employment Eligibility Verification, Form I-9

The Supreme Court of Virginia and other court agencies are not always properly completing the Employment Eligibility Verification, Form I-9, in accordance with guidance issued by the United States (U.S.) Citizenship and Immigration Services of the U.S. Department of Homeland Security. Following the issuance of our report for Fiscal Year 2007, the Supreme Court established a written policy for completion of Form I-9 on August 1, 2008; however, we determined Supreme Court staff are not following the policy, as we found improperly completed forms for the majority of the employees we tested.

The U.S. Department of Homeland Security regulates the process for completion of Form I-9 and failure to complete the form properly can result in significant penalties to the employer. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. Based upon the number of errors found during audit testwork, we considered this finding to be a significant internal control weakness.

We recommend that Supreme Court review its process for completion of I-9 forms, train staff responsible for completion of the form, determine a means to effectively communicate the requirements to all agencies under its control, and develop procedures to continuously review the forms for compliance with federal regulations. Finally, we recommend that the Supreme Court devise a plan of action to update all incorrect I-9 forms currently on file.

AGENCY HIGHLIGHTS

Titles 16.1 and 17 of the Code of Virginia establish the Office of the Executive Secretary of the Supreme Court and administration of the judicial system's 319 courts including the Supreme Court and Court of Appeals, with approximately 2,600 salaried and full-time wage employees. The Executive Secretary maintains the Court Automated Information System, which accumulates financial and case information for the courts. The Executive Secretary also provides human resources services and administrative services, including payment and payroll processing for the courts and magistrates, the Judicial Inquiry and Review Commission, and the Virginia Criminal Sentencing Commission. A brief summary of the agencies' missions follows.

Clerk of the Supreme Court

The Clerk of the Supreme Court is where individuals file appealed criminal and civil cases and apply for permission to practice law in Virginia courts. The Supreme Court appoints the Clerk, who serves at its pleasure. The Clerk's office receives, processes, and maintains permanent records of appeals and other official document filed with the Court. The Clerk also maintains records of qualified attorneys.

Court of Appeals of Virginia

The Court of Appeals of Virginia is an intermediate appellate court for criminal and civil cases. The Clerk of the Court of Appeals, appointed by the Court, serves at its pleasure. The Clerk processes and maintains permanent records of appeals and other official documents filed with the Court.

Judicial Inquiry and Review Commission

The Judicial Inquiry and Review Commission investigates complaints of judicial misconduct or serious mental or physical disability. The Commission employs staff that assist in the investigation of complaints of misconduct against all state court judges, members of the State Corporation Commission, and members of the Virginia Worker's Compensation Commission.

Budget and Financial Information

The following table summarizes the fiscal year 2008 budgeted versus actual expenses for the Office of the Executive Secretary and the related agencies. This financial information comes from the Commonwealth Accounting and Reporting System.

Fiscal Year 2008

Agency	Budget	Actual
Supreme Court	$ 39,205,142	$ 37,360,344
Circuit Courts	89,847,334	89,547,323
General District Courts	93,025,325	93,025,315
Juvenile and Domestic Relations Courts	77,868,892	77,843,553
Combined District Courts	29,683,537	29,520,080
Magistrates	22,191,961	22,191,961
Court of Appeals	8,235,983	8,235,982
Judicial Inquiry and Review Commission	743,990	514,042
Virginia Criminal Sentencing Commission	1,033,151	1,015,439
Total	$361,835,315	$359,254,039

Expenses consisted mostly of payroll, contracts, and equipment. Contractual service expenses include the Criminal Fund, which primarily consists of payments to court appointed attorneys, court reporters, court-related medical expenses, interpreters, and other associated expenses. Equipment expenses are primarily for Information Technology items and reference materials. Refer below to the breakdown of total expenses for the Courts.

2008 Expenses

Expense	Amount
Personal Services	$217,351,782
Contractual Services	123,420,622
Supplies and Materials	2,581,604
Transfer Payments	3,420,147
Continuous Charges	4,030,840
Equipment	8,449,043
Total	$359,254,038

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 4, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Office of the Executive Secretary of the Supreme Court of Virginia, the Clerk of the Supreme Court, the Clerk of the Court of Appeals, and Judicial Inquiry and Review Commission (Courts)** for the year ended June 30, 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and the Supreme Court's Integrated Decision Support System; review the adequacy of the Courts' internal controls; test compliance with applicable laws and regulations; and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Management has responsibility for establishing and maintaining internal control 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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Payroll expenses
Other operating expenses
Form I-9 compliance
Systems security
Appropriations

We performed audit tests to determine whether the Courts' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Courts' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Office of the Executive Secretary of the Supreme Court of Virginia, the Clerk of the Supreme Court, the Clerk of the Court of Appeals, and the Judicial Inquiry and Review Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Courts record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted matters involving internal control and operations that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. These matters are described in the section entitled "Audit Findings and Recommendations."

The Courts have taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference And Report Distribution

We discussed this report with management on May 4, 2009. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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KARL R. HADE

ASSISTANT EXECUTIVE SECRETARY &
LEGAL COUNSEL
EDWARD M. MACON

COURT IMPROVEMENT PROGRAM
LELIA BAUM HOPPER, DIRECTOR

EDUCATIONAL SERVICES
CAROLINE E. KIRKPATRICK, DIRECTOR

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SUPREME COURT OF VIRGINIA

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PAUL F. DELOSH, DIRECTOR

LEGAL RESEARCH
STEVEN L. DALLE MURA, DIRECTOR

LEGISLATIVE & PUBLIC RELATIONS
KATYA N. HERNDON, DIRECTOR

May 8, 2009

Delivered By Hand and U.S. Mail

Mr. Walter J. Kucharski
Auditor Of Public Accounts
James Monroe Building
101 North 14th Street
Richmond, VA 23219

Dear Mr. Kucharski:

Thank you for providing us the opportunity to review the draft audit report for the Supreme Court of Virginia for the period July 1, 2007 through June 30, 2008.

As we discussed in our meeting on May 4, 2009 with members of your staff, I want to share with you the following steps we have already implemented and/or plan to implement to address the findings and recommendations contained in this audit.

Develop methods to strengthen internal controls for expenditure payment processing

1. We have instructed our Accounts Payable Administrator to audit the work of each of her Accounts Payable staff members on a weekly basis. This review/audit has eliminated many of the keying errors that occurred in the past. In addition, this enables us to correct any errors in a timely manner, and helps us ensure the accuracy of the data reported to CARS.

2. As we discussed in the May 4th meeting, we are very interested in working with your staff to develop automated reports that will identify those vouchers that are "outside the norm" to assist our Accounts Payable Administrator in identifying those individual vouchers that should be reviewed more closely to determine if information was correctly recorded.

Procedures to properly complete the Employment Eligibility Verification Form I-9

1. As was done at last year's training events, we will continue to communicate to all chief judges, clerks of court, chief magistrates, and supervisors the importance of the federal requirement for proper completion of the Form I-9 for every new employee. This

communication will again include detailed instructions for completing the form with an increased emphasis on potential penalties for non-compliance.

2. Revise our packet of new employee forms to further highlight the federal requirements and instructions for accurate completion of the Form I-9 and the penalties for non-compliance.

3. Ensu re all Human Resources staff responsible for the collection and review of these forms from the field offices understand the importance of thoroughly reviewing each Form I-9 for compliance and promptly follow correction procedures when errors are identified.

4. Ensure that when errors are identified, the Form I-9 is returned to the appropriate hiring authority for correction. Whenever an error is discovered, communicate directly with the chief judge, clerk, chief magistrate and/or supervisor responsible for the form.

5. The Human Resources Director will develop a plan to correct I-9 forms on file as necessary.

In closing, I would like to express my appreciation to the members of your staff, Chris Chappell, Jason Reinick and Krystal Dabney, who worked with my staff during this audit. They were professional, knowledgeable, and provided helpful advice.

With best wishes, I am

Very truly yours,

Karl R. Hade

KRH:sk

OFFICE OF THE EXECUTIVE SECRETARY OF THE SUPREME COURT OF VIRGINIA

Honorable Leroy R. Hassell, Sr., Chief Justice

Karl R. Hade, Executive Secretary

CLERK OF THE SUPREME COURT

Trish Harrington, Clerk

CLERK OF THE COURT OF APPEALS

Honorable Walter S. Felton, Jr., Chief Judge

Cindy McCoy, Clerk

JUDICIAL INQUIRY AND REVIEW COMMISSION

Donald R. Curry