



WASHOE COUNTY

Integrity Communication Service

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STAFF REPORT

BOARD MEETING DATE: April 9, 2019

DATE: Thursday, April 04, 2019

TO: Board of County Commissioners

FROM: Samantha Pierce, Internal Auditor, Managers Office
775-328-2064, spierce@washoecounty.us

THROUGH: Christine Vuletich, Assistant County Manager

SUBJECT: Recommendation to acknowledge Receipt of the five audits completed for the Minimum Accounting Standards Audit of the courts in Washoe County from the Washoe County Internal Audit Division (All Commission Districts.)

SUMMARY

The purpose of these audits was to perform the mandatory four-year audit of the following courts in Washoe County: Second Judicial District Court, Incline Justice Court, Reno Justice Court, Sparks Justice Court, and Wadsworth Justice Court, as required by the Minimum Accounting Standards (MAS) adopted by the Nevada Supreme Court. This included evaluating whether the procedures performed by the courts comply with the MAS requirements for Nevada courts.

Based on the results of these procedures, we noted certain items, which represent instances of non-compliance with the MAS within each of the courts. The minimum account standards set forth by the Nevada Supreme Court are broken down into ten (10) required categories containing one hundred twenty one (121) procedures and testing.

Each of the recommendations included in the audit reports are either already implemented or in the process of being implemented. Implementation of recommendations having fiscal impact will be brought to the Board of County Commissioners for approval. The recommendations to correct the areas of non-compliance are listed below isolated by each court:

Second Judicial District Court

It was recommended the court update their written procedures to a single comprehensive document which would tie more directly to that set forth by the Administration Office of the Court.

It was recommended the court add verbiage to their payment policy notice that the customer will be provided a receipt if the payment is made in person and only if requested when the payment is made via the mail or if the request involves sending paperwork back to the customer, and finally that the receipt is proof of payment.

It was also recommended, as an immaterial non-compliance, the court update its procedure to issue the white copy of a manual receipt to its customer and retain the carbon copy with its

records.

Incline Justice Court

It was recommended the court update their written procedures to appropriately reflect the minimum accountings standards as well as reference numbers to more closely tie to that set forth by the Administration Office of the Court.

It was recommended the court place their payment policy notice in a more conspicuous location to provide the customers with the relevant information as well as add verbiage on the amount of the fee charged for non-sufficient fund returns.

Reno Justice Court

It was recommended the court update their written procedures to a single comprehensive document which would tie more directly to that set forth by the Administration Office of the Court. While working to update their written procedures it was also recommended the court add a procedure directly relating to the handling of counterfeit cash.

It was recommended the court add verbiage to their payment policy notice that the customer will be provided a receipt if the payment is made in person and only if requested when the payment is made via the mail, the receipt is proof of payment, what type of payment is acceptable if the original payment is returned and that proper identification will be required for debit/credit card transactions.

It was recommended the court implement a set amount of cash that would trigger a till to be emptied prior to the close of business.

It was also recommended, as an immaterial non-compliance, the court should add the issuance date of the outstanding checks to its bank reconciliation cover sheet to easily identify any stale dated checks monthly.

Sparks Justice Court

It was recommended the court update their written procedures to appropriately reflect the minimum accountings standards.

It was recommended the court create a form in-which the employees could sign, acknowledging they had read and understood the policy.

It was recommended the court add verbiage to their payment policy notice that proper identification will be required for debit/credit card transactions.

It was recommended the court establish a monthly log for the inventory of check verification.

It was also recommended, as an immaterial non-compliance, the court should add the issuance date of the outstanding checks to its bank reconciliation cover sheet to easily identify any stale dated checks monthly.

Wadsworth Justice Court

It was recommended the court update their written procedures to appropriately reflect the minimum accountings standards as well as reference numbers to more closely tie to that set forth by the Administration Office of the Court.

It was recommended the court add verbiage to their payment policy notice that a confirmation number will be provided for phone payments, mailed payments will only receive a receipt if requested, the amount the court charges for the non-sufficient fund returns, and that proper identification will be required for debit/credit card transactions.

It was recommended whenever possible at least two staff members should process the mailed payments.

It was recommended the court develop a manual receipts log and inventory those manual receipts quarterly.

It was recommended the court implement a set amount of operating funds that would trigger an unscheduled deposit.

It was recommended the court develop a log to verify the count of the change fund at least monthly.

It was recommended the court develop a log to show the removals and additions of cash to the petty cash fund as well as perform a monthly reconciliation. It was also recommended the court establish a dollar limit that any one purchase would be used for petty cash.

It was recommended the court add a requirement of dual signatures for their check issuance.

It was recommended the court develop a log to verify the inventory of unused checks at least monthly.

It was recommended the court develop a log listing the staff who have keys issued to them and access to the safe.

Washoe County Strategic Objective supported by this item:

Stewardship of our Community

PREVIOUS ACTION

No previous action has been taken on this Board item.

BACKGROUND

The mission for Incline, Reno, Sparks and Wadsworth Justice Court's mission is to promote and preserve the rule of law and protection of property rights by providing a fair, independent, and impartial forum for the peaceful resolution of legal conflicts according to the law. Further, it is the mission of the court to provide judicial services in such a manner as to: 1) promote access to justice; 2) adjudicate cases in an expeditious and timely manner; 3) utilize public resources efficiently and effectively such that it demonstrates accountability and engenders public trust and confidence; and 4) promote an understanding of the courts as a vital component of the tripartite system of government, independent of and co-equal to the Legislative and Executive branches.

The District Court's mission is to provide the timely, fair and efficient administration of justice under the law, in a manner that instills and sustains the public's confidence in the judicial system.

Nevada's courts are established by the Constitution of the State of Nevada. They are courts of limited jurisdiction for their respective townships. The Courts preserve order and the rule of law by adjudicating criminal and civil cases before the court pursuant to local ordinances, state laws, the Nevada Constitution, and the Constitution of the United States.

The Nevada Supreme Court provides oversight of all court functions within Nevada. The Chief Justice is considered by law to be the administrative head of the court system with the support of the Administrative Office of the Courts (AOC). NRS 1.360 states, in part,

that under the direction of the Supreme Court, the AOC shall examine the administrative procedures used by all courts and make recommendations for improvement of those procedures. In addition, the AOC is to develop procedures for accounting, internal auditing, procurement, and disbursement to the state court system.

The purpose of the revised Minimum Accounting Standards (MAS) is to provide the courts with a policy defining requirements for a court's financial operations and internal accounting and financial management controls. The policy represents generally accepted accounting practices. Courts will use MAS as the policy to develop their individual procedures for internal controls to ensure separation of duties to help prevent misappropriation of public funds or other associated crimes. The court's procedures will also establish means for ensuring the reliability of the court's records and detection of errors. The Minimum Accounting Standards represent the standards that *must* be addressed by every Court, whether the particular standard is applicable to that Court's functions or not. As they are minimum standards, it is anticipated that Courts may impose more stringent requirements on their operations in their procedures.

The Nevada Supreme Court originally ordered the Minimum Accounting Standards (MAS) for Nevada's justice and municipal courts in February 1997. Several recommendations from the Legislative Council Bureau, the Nevada Judicial Collections Task Force, and the Judicial Council of the State of Nevada (JCSN) prompted the Minimum Accounting Standards, Version 2.0 to be completed by the Supreme Court as well as all district, justice, and municipal courts in the state per the Supreme Court order dated October 2, 2006. In order to implement recommendations from the Legislative audit, the Supreme Court hired two Judicial Branch Auditors in October 2006 and September 2009, respectively. At the request of the State Court Administrator, workgroups were started in October 2009 and as a result, MAS Version 3.0 was implemented on January 13, 2012. Subsequently, the workgroup met again and started in September 2016 to review the standards and the current document, MAS Version 3.1, was approved by the workgroup in January 2017. The continued goals of the workgroups were to clarify the standards to reflect evolving court operations, promote strong internal controls, and implement administrative corrections and changes.

As a result of consideration of these issues and with the approval from the Judicial Council of the State of Nevada, Court Administration Committee, the workgroup presented updated standards to the Judicial Council of the State of Nevada for approval. The Supreme Court adopted on the updated document on January 19, 2018. Accordingly, pursuant to the Supreme Court's order, all courts in the state will follow the new procedures outlined here and in the instructions.

- A. MAS shall be considered as the policy the courts in the state *must* follow to develop internal financial controls and recordkeeping.
- B. All courts must adopt written procedures to implement this policy within their courts.
- C. Courts must submit their written procedures electronically, to the AOC Audit Unit no later than March 1, in the first year established for their submission in the Supreme Court's Order. No extensions will be granted. After the initial submission, courts will submit their written procedures every two years thereafter.

D. All courts shall be audited by an independent auditor every four years on a rotating basis established by the AOC auditors. The independent auditor must use the MAS Guide for External Audits developed by the AOC and the working group and provide an audit of all items in the guide. The individual court is responsible for contracting with an independent auditor. Corrective measures for any deficiencies noted in these audits and implementation of any recommendations for action must be addressed in writing, and submitted electronically to the AOC auditors no later than 60 days from the date the court receives the final audit report from the independent auditors, or by no later than March 1, of the schedule year. No extensions will be granted for the submission of the four-year audit to the AOC.

E. The Supreme Court recognizes and adopts the Audit Charter Statement as part of its Order and requires compliance by the courts with the reporting requirements. Pursuant to this Charter, the AOC auditors shall be given full access to any of the judiciary's records, physical properties, and personnel relevant to the performance of an audit.

The process will continue to raise the level of accountability and responsibility in dealing with financial matters facing the court, thus promoting a high level of public trust in the judiciary.

On the submission schedule contained in the Supreme Court's Order dated January 19, 2018, courts shall submit a copy of their written procedures electronically to the AOC Audit Unit no later than March 1 of the scheduled year. Thereafter, on the biennial schedule, courts shall submit their written procedures electronically to the AOC Audit Unit. Courts may submit revised written procedures section changes in lieu of their entire written procedures or their entire revised written procedures in order to comply with the Supreme Court's Order as long as all changes are addressed in their submission to the AOC Audit Unit.

The Supreme Court Order has established the following submission schedule for biennial written procedures submissions and four-year independent audits:

- Beginning in March 2019, and each odd-numbered calendar year thereafter, all district, justice, and municipal courts in Washoe County shall submit their entire revised written procedures or written procedures section changes to the AOC Audit Unit.
- Beginning in March 2019, and every four years thereafter, all district, justice, and municipal courts in Washoe County shall submit their four-year, independent audits to the AOC Audit Unit.

Courts shall contract with an independent auditor acceptable to the AOC Audit Unit once every four years on a schedule developed by the AOC Audit Unit. The four-year independent audit shall be completed by a certified public accountant (CPA) licensed by the Nevada State Board of Accountancy or a certified internal auditor (CIA) licensed by the Institute of Internal Auditors, or under the direction of a CPA or CIA. Additionally, the four-year independent audit shall be performed in accordance with the American Institute of Certified Public Accountants, Statements on Standards for Attestation Engagements (SSAE) No.10 and No.11, Agreed-Upon Procedures Engagements. This

includes using the MAS Guide for External Audits for conducting the audit and the associated report format. If future revisions are made to the SSAE's or new SSAE's are adopted that are applicable to this type of engagement, the CPA/independent auditor is to comply with any new or revised professional standards in conducting engagements pursuant to the MAS Guide for External Audits and the issuance of the agreed-upon procedures report. The independent auditor shall follow all procedures as identified and published by the MAS Guide for External Audits. This shall include a review of the court's accounting records, procedures, automated financial management system records, and internal controls in order to make certain determinations as identified by the guide. The final report issued by the independent auditor must follow the format set forth by the MAS Guide for External Audits. Upon completion of the independent audit, the auditor shall deliver the final audit report to the court within 90 days after the audit is completed. The court shall address the independent auditor's recommended corrective action and recommendations for improvement. The final audit report and the court's action plan addressing corrective measures and recommendations shall be submitted by the court to the AOC Audit Unit within 60 days after receipt of the final audit report, or by no later than March 1, of the scheduled year. All submissions shall be remitted electronically or sent through US Mail.

Courts shall provide the independent auditor and the AOC auditors open access to all the judiciary's records, physical properties, and personnel relevant to the performance of an audit. If necessary, these items shall be produced at the offices of the Supreme Court, AOC Audit Unit, or independent auditor upon request.

The standards are designed to be the minimum internal controls each court *should* follow. It is understood that courts might not be able to fully comply with the standards due to various circumstances. However, each court should be making concerted efforts to comply with the intent of the standards, which includes utilizing alternative processes/procedures to accommodate court's operations or its local government's operational requirements.

FISCAL IMPACT

This report has no fiscal impact. However, implementation of some recommendations may have fiscal impact.

RECOMMENDATION

It is recommended the Board of Commissioners Acknowledge Receipt of the five audits completed for the Minimum Accounting Standards Audit of the courts in Washoe County from the Washoe County Internal Audit Division.

POSSIBLE MOTION

Should the Board of Commissioners acknowledge receipt of this audit report, a possible motion would be:

Move to acknowledge receipt of the five audits completed for the Minimum Accounting Standards Audit of the courts in Washoe County from the Washoe County Internal Audit Division.

Attachments:

AOC Letter Second Judicial District Court

AOC Letter Incline Justice Court

AOC Letter Reno Justice Court

AOC Letter Sparks Justice Court

AOC Letter Wadsworth Justice Court