



# WASHOE COUNTY

"Dedicated To Excellence in Public Service"

www.co.washoe.nv.us

CM/ACM DYC  
 Finance X  
 DA N/A  
 Risk Mgt. N/A  
 HR N/A  
 Other N/A

## STAFF REPORT

BOARD MEETING DATE: January 13, 2009

**DATE:** December 22, 2008  
**TO:** Board of County Commissioners  
**FROM:** Alison A. Gordon, Internal Auditor [Signature]  
 328-3651, agordon@washoecounty.us  
**THROUGH:** Katy Simon, County Manager  
**SUBJECT:** Acknowledge Receipt of Wadsworth Justice Court Minimum Accounting Standards Audit Report from the Internal Audit Division (Commission District 4)

### SUMMARY

The purpose of the audit was to perform the triennial audit and financial review of the 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 Wadsworth Justice Court personnel comply with the MAS Compliance Checklist for Nevada Justice and Municipal Courts. In addition, this audit will assist in the County's effort to enhance its process management in accordance with the Baldrige National Quality Program.

Our procedures, observations and recommendations are as follows:

We completed the MAS Compliance Checklist for Nevada Justice and Municipal Courts, a copy of which is attached, by inquiry, observation and testing of applicable accounting transactions and processes.

Based on the results of these procedures, we noted certain items, which we believe represent material instances of non compliance with the MAS Compliance Checklist.

The results of the review indicated:

- Inadequate segregation of duties exists for cash receipting, petty cash, disbursement, and bank reconciliation processes.
- Cash receipts, petty cash, and disbursement instruments such as the checkbook are not always adequately safeguarded.
- The case management system is not fully utilized. Specifically, not all cases and related receipts are recorded in the case management system. Receipts pertaining to cases not recorded in the case management system are manually recorded as adjustments to the daily cash receipt balancing reports. In addition, the case management system is not used to issue receipts or for disbursement transactions, and the accounts receivable and bank reconciliation modules are not used.

AGENDA ITEM # 8N(6)

- Accounts receivable practices could be enhanced by charging a fee to defendants participating in payment plans. In addition, the court should develop and maintain an accounts receivable subsidiary ledger, obtain personal and financial data from defendants, and monitor payment arrangement compliance on a regular basis.
- Cash receipts are not deposited timely – sometimes only once a month. In addition, deposits slip totals are not reconciled to the daily cash receipt balancing report totals or to bank receipt acknowledgements. Moreover, bank deposits need supervisory review and approval
- Monthly bank reconciliations need to be performed. The court's bank account has not been reconciled since January 2007 when it was prepared by the County's Internal Audit Division.
- Written policies and procedures should be developed.

An implementation plan establishing responsibilities and timelines will be developed with the Wadsworth Justice Court. This plan will then be reviewed with the Audit Committee and updated at each of their meetings. Implementation of recommendations having fiscal impact will be brought to the Board of County Commissioners for approval.

County Priority/Goal supported by this item: Government Efficiency and Financial Stability

### **PREVIOUS ACTION**

No previous action has been taken on this Board item.

### **BACKGROUND**

The Wadsworth Justice Court's mission is to preserve public order by administering justice according to law, through a fair and accessible process that protects individuals' rights and retains the public trust.

Nevada's justice 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 and the Administrative Office of the Courts (AOC) provides the administrative support. 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.

In February 1997, the Nevada Supreme Court issued an order adopting the MAS for Nevada's justice and municipal courts. The objectives of the MAS are to:

1. Provide courts with a self monitoring tool that will assess strengths and weaknesses of a courts financial operations, internal accounting and management controls, and general acceptable accounting policies and procedures.
2. Identify areas in which courts must enhance their internal controls to protect courts from embezzlement and other crimes.
3. Assist in detecting errors and ensure information generated by the courts is reliable and accurate, improving accountability.
4. Highlight areas in which courts are attempting to come into compliance with MAS so that the appropriate resources (staff, technology, facilities) can be identified at higher levels and addressed either through funding, legislation or other additional resources.

The MAS Compliance Checklist is required to be completed by all justice, district and municipal courts and submitted to the AOC each year on December 1<sup>st</sup>. Once every three years, a MAS audit must be conducted by either an outside audit firm or internal audit agency on each justice, district and municipal court.

In prior fiscal years the triennial MAS audit for Wadsworth Justice Court has not been performed. As a result, the triennial MAS audit is significantly past due. Based on discussions with the AOC staff responsible for the MAS, it was determined the County's Internal Audit Division could perform the triennial MAS audit. This will save the court the cost of hiring a contractor to perform this work. In addition, as the court prepared and submitted the MAS and Compliance Checklist for 2007, AOC staff agreed the County Internal Audit Division would perform the triennial MAS audit for fiscal year 2008, with the next triennial MAS audit due for fiscal year 2011.

### **FISCAL IMPACT**

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

### **RECOMMENDATION**

It is recommended the Board of County Commissioners acknowledge receipt of this MAS audit report of the Wadsworth Justice Court.

### **POSSIBLE MOTION**

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

*Move to acknowledge receipt of the Wadsworth Justice Court Minimum Accounting Standards Audit Report from the Internal Audit Division.*

ag

Attachment

Washoe County  
Wadsworth Justice Court

Minimum Accounting Standards  
Audit Report

December 22, 2008

## Executive Summary

### Observations

1. Areas of Noncompliance with the MAS Compliance Checklist.
  - a. Cash receipting duties are not adequately separated to safeguard assets.
  - b. Cash receipts are not inspected for counterfeit bills.
  - c. Cash receipts are not always adequately safeguarded.
    - i. On one occasion, cash receipts were found loose in a desk drawer; on another occasion a \$100 bill was paper clipped to a case file sitting on top of an in-basket for several hours. In addition, the cash bag doesn't lock.
    - ii. The safe, where the court's petty cash is stored, is not always locked during the day.
  - d. The total amount of cash on hand at the court facilities is not limited.
  - e. The court's processing of cash receipts is inadequate.
    - i. Not all of the court's cases and cash receipts are recorded in its case management system.
    - ii. Receipts pertaining to cases recorded in the case management system are not always processed through the system at the time of receipt.
  - f. The case management system is not used to issue receipts.
  - g. The reasons for voiding receipts are not always evident nor are voided receipts reviewed and approved by a supervisor.
  - h. The procedures used to balance the court's cash drawers needs improvement.
    - i. The court does not properly close out the receipts recorded each day in the case management system.
    - ii. The beginning and ending cash balances are not counted and verified by a party other than the person responsible for the cash bag.
  - i. Overages and shortages are not documented with explanations concerning final resolution, not reviewed and approved by a supervisor, and are not recorded in SAP.
  - j. The procedures over bank deposits need improvement.
    - i. Bank deposits are not made daily or when cash and checks reach the court's limit of \$2,500.
    - ii. Cash drawer balance reports are not always reconciled with deposit slips.
    - iii. Bank deposits are not reviewed by a supervisor or individual independent of the receipting process.

- iv. Deposit receipts received from banks are not reconciled with the deposit slips.
- k. Trust account receipts and disbursements are not always recorded in the court's manual subsidiary ledger.
- l. Disbursement functions are not adequately separated.
- m. Petty cash is not administered in accordance with County policies and procedures.
  - i. The duties over petty cash are not adequately separated.
  - ii. The court does not use petty cash vouchers or a log.
  - iii. The petty cash fund is not reconciled monthly.
- n. The trust account check book is not always adequately secured during the day.
- o. Processes over recording trust account disbursements need enhancement.
  - i. Trust account disbursements are not recorded in the case management system.
  - ii. Checks written from the trust account are not always recorded in the trust account check register.
- p. The practices used to administer accounts receivable need improvement.
  - i. Accounts receivable are not recorded in the case management system.
  - ii. An accounts receivable ledger is not maintained.
  - iii. Personal and financial data is not obtained from individuals owing the court money.
  - iv. The collection of accounts receivable is not always regularly monitored.
- q. The rates used to convert fees/fines to alternative sentencing are not documented on the case files.
- r. A fee is not charged to the offender for participating in a payment plan.
- s. The court has not documented pertinent bank account information, such as authorized signatories and key bank personnel.
- t. The court's processes for bank reconciliations need improvement.
  - i. The duties for preparing bank reconciliations are not adequately separated.
  - ii. Bank reconciliations need to be performed correctly and timely, and the bank statement needs to be reconciled to the manual bail ledger book as part of the reconciliation process.
  - iii. The case management system is not used to perform the monthly bank reconciliation.

- u. The court needs to develop written policies and procedures and include all the areas addressed by the MAS Compliance Checklist.

## Observations and Recommendations

### 1. Areas of Non Compliance with MAS Checklist

Numerous areas of non compliance with the MAS Checklist requirements were noted. These areas are also considered weaknesses in the current system of internal controls. Strong internal controls help detect errors and insure information generated by the courts is reliable, thereby enhancing accountability.

#### a. MAS 1.1.3.6 – Separation of Duties for Cash Receipts

The duties for cash receipting are not adequately separated. Specifically, the Court has a fulltime court clerk and one part time clerk. Both of the clerks accept and process cash receipts, and are responsible for the end of day cash drawer reconciliation. Periodically the judge also receipts payments and is responsible for preparing the deposit, and taking the deposit to the bank. As a result, there is no one independent of the receipting process to review the end of day balancing, and bank deposit. However certain cash receipting duties could be re-assigned to the clerk staff or work hours could be adjusted to ensure adequate separation of duties. Additionally, in instances where the duties cannot be reassigned, the cash receipting tasks performed need supervisory review by someone not involved in the cash receipts process. Inadequate separation of duties exists when the same individual has custody of assets and the ability to adjust accounting records. Without adequate separation of duties, errors and fraud could occur without detection.

#### b. MAS 1.3.1.1 – Inspection for Counterfeit Bills

The court does not have any methods in place and staff are not trained to inspect cash received for counterfeit bills. However, counterfeit bill detection pens can be obtained at a minimal cost and are not difficult to use. According to information presented in the Nevada Supreme Court's *Court Staff Conference 2007*, counterfeiting continues to represent a potential danger to the nation's economy and its citizens. Inadvertently accepting a counterfeit bill would result in a loss to the Court as well as taking staff time to perform required procedures and reports.

#### c. MAS 1.4.1 – Safeguarding Cash Receipts

i. Cash receipts are not always adequately stored during the day. For example, during one visit to the court, cash receipts were found loose in a desk drawer. On another visit, we observed a \$100 bill attached to a file sitting on top of an in-basket over a period of several hours. In addition, a locking cash box is not used for cash receipts. Instead, the Court uses a bank bag that does not lock and stores the bank bag in a desk drawer when not in use during the day. As a result, the manner in which cash receipts and the bank bag are stored places cash receipts at risk for loss and theft.



- ii. The safe, in which petty cash is stored, is not always kept locked during the day. Petty cash is kept in a non-locking bank bag which is stored in the safe when not in use. The safe is located in the back room of the court facility. This room is accessible by a back door entry and individuals other than staff have been observed entering the court house using this door. By not locking the safe during the day, cash is exposed to potential theft.

**d. MAS 1.4.5 Limiting Cash on Hand**

The court does not always limit the amount of cash on hand at the court facility. For example, in January 2008 the court only made one deposit during the month totaling \$38,471 covering the period 1/03 through 1/31. Of this total \$4,992 was cash. In addition, on July 31, 2008 the court made deposits covering the period 7/03 through 7/31 totaling \$31,075 of which \$5,899 was cash. A reasonable limit for cash on hand would be \$1,000. Not limiting the amount of cash on hand at court facilities increases the potential for misappropriation.

**e. MAS 1.8 Processing of Cash Receipts**

- i. All cases and related cash receipts need to be processed through the case management system, Courtview. Currently, the court is not recording all criminal cases in Courtview. Fifty cases were selected for testing of cash receipts covering the period January 2007 through August 2008. Eleven of these cases were not recorded in Courtview. Hence, cash receipts pertaining to these 11 cases were not recorded in Courtview. Instead, when receipts are received pertaining to cases not recorded in Courtview, staff manually adds the receipts to the Courtview daily balancing report totals to reconcile to the deposit total. For example, if the daily balancing report showed a total of \$100 received for the day in Courtview, but the court also received \$50 pertaining to a case not recorded in Courtview, it would manually add the \$50 on the report to show \$150 of receipts for the day. If the case is subsequently recorded in Courtview any receipts previously deposited are recorded to the system and manually subtracted from the daily balancing report total. This method of manually adding and subtracting certain amounts from balancing report totals has the appearance of force balancing and is a violation of basic accounting practices. It also makes the entire accounting process for receipts time consuming, potentially inaccurate, and highly susceptible to misappropriation. As a result, there is no assurance the amounts reported to the State are accurate and complete.

According to court staff, not all cases and receipts are being recorded in Courtview because staff is uncertain how to use the system, even though training opportunities exist. During fiscal year 2005, the Wadsworth Justice Court entered into a contract with the Nevada Supreme Court to use Courtview at a cost of \$2,500 per user. As part of this contract, the Nevada Supreme Court has an experienced Helpdesk that can be used at

no charge; they also provide individualized training upon request, and sponsor local conferences annually.

- ii. For those cases recorded in Courtview, the court does not process cash receipts received through the automated case management system at the time of receipt. Instead, the court manually receipts the payments received and enters the payment information into Courtview at a later time, sometimes days later thereby delaying deposit of the payment. According to the clerks it is time consuming to record payments into Courtview. Based on a demonstration provided by Nevada Supreme Court staff, if the case is initially recorded into the system, the time needed to record cash receipts is minimal. Therefore, with additional training and use, court staff should be able to use Courtview to process cash receipts at the time of payment.

State Supreme Court and audit staff met with the Court on January 9, 2009 and provided one-on-one training to ensure the court staff can record cases and process financial transactions using Courtview.

**f. MAS 1.10 Physical Paper Receipt Process Controls**

The Court needs to use Courtview to issue receipts. Currently, the court issues manual receipts, even though Courtview has the functionality to print a receipt using standard printer paper. The court purchases its manual receipt books from a local store and even though the receipts have preprinted sequential numbers, the numbers are not always sequential between different books. Courtview automatically assigns a sequential receipt number when the receipt is recorded. Therefore if receipts are recorded in Courtview at the time of payment as previously discussed, the court could eliminate the need for purchasing, tracking and storing the manual receipt books.

**g. MAS 1.12 – Voiding Cash Receipts**

When voiding cash receipts, the court does not notate the reason for the void. In addition, voided receipts are not reviewed and approved by a supervisor. Voided receipts merit special attention as they could be indicative of potential misappropriation. Both the MAS and County's *Internal Controls Procedures Manual* require voided transactions be sufficiently documented and approved by supervisors.

**h. MAS 1.14.4 Balancing Cash Drawers**

- i. The court needs to follow Courtview processes for balancing and closing cash receipts at the end of each day. Courtview's end of day procedures involve first closing and reconciling the "cash drawers" to actual cash receipts by denomination. Second, the procedures involve closing the "cashbook post set" which summarizes the receipts recorded during the day both by fee type and denomination, and shows the amount that should be deposited.

Currently, the court clerks each close and balance their Courtview “cash drawers” each day, thereby taking the first step in the procedures. However, the court does not close the “cashbook post set” for anywhere between a day to seven days. This makes it extremely difficult to reconcile the cash receipts recorded during the period to the summary report and to the deposit. The Nevada Supreme Court strongly recommends both procedures be followed daily to ensure cash receipts are recorded and deposited correctly.

- ii. The beginning and ending cash balances are not counted and verified by a party other than the person responsible for the cash bag. Currently, whichever clerk is balancing the cash bag at the end of the day is responsible for counting the ending cash balance left in the bag. The end of day balancing is not verified. In addition, the cash bag beginning balance is not re-verified the next morning. Without appropriate verifications of beginning and ending cash balances, errors or misuse could go undetected.

**i. MAS 1.14.5 Documenting Overages and Shortages**

The court does not adequately document overages and shortages with explanations concerning their final resolution; nor are these amounts reviewed and approved by a supervisor or properly recorded in the County’s financial system. The court manually documents overages and shortages on the Courtview balancing reports. However, the court needs to provide an explanation of the details and whether the overage or shortage amount was eventually resolved. In addition, overages and shortages should be reviewed and approved by a supervisor and properly recorded in SAP.

**j. MAS 1.16 – Depositing Money into Bank Accounts**

- i. Bank deposits are not made daily or when the court has accrued a specified amount of cash and/or checks. According to court staff, deposits are made when cash and checks reach \$2,500. During the review of cash receipts, we found these were not the practices in place. For example, during January 2008 two of the court’s deposits exceeded the \$2,500 ceiling – one totaled \$11,539, and the other totaled \$38,471. During June 2008, one of the two deposits made totaled \$18,049 and the second totaled about \$12,011. Best practices would dictate deposits be made daily.
- ii. Bank deposit slip totals should be reconciled to the balancing reports generated by the Courtview. During the review of balancing reports and deposits, the amount of cash collections reported by Courtview did not always reconcile to the deposit slip. For example, for the period February 22 through March 2, 2007 Courtview showed cash collections totaling \$3,078 while the cash deposited totaled \$2,187 for a difference of \$891. For the period March 6 through March 14, 2008 Courtview showed cash of \$2,193 while the cash deposited totaled \$4,834 for a difference of \$2,641. These errors occurred due to the inadequate accounting methods used to record receipts as discussed in bullet “e” above. Best practices

would require ensuring the amounts deposited reconcile to the balancing reports.

- iii. Bank deposits should be reviewed by a supervisor or by a person independent of the receipting process. Typically the judge prepares the deposits on behalf of the court. However, when the deposit is prepared it is not reviewed. The judge could reassign preparing the deposit to one of the clerks, and then the judge could perform the review. Supervisory review provides assurance bank deposits are accurate and complete and is particularly important due to the court's segregation of duties issues previously discussed.
- iv. Deposit receipts provided by the bank should be verified against the deposit slip. During the review of cash receipts, the banking data such as deposit slips, deposit receipts, bank statements, and bank notifications were found in complete disarray within a desk drawer. Once sorted, there was no evidence to support that bank deposit receipts were reconciled to deposit slips.

**k. MAS 3.3 – Recording Money Paid to Ledgers**

The Court needs to ensure all trust account receipts and disbursements are recorded in its subsidiary ledgers. During the testing performed of the 50 cases, an instance was noted where bail received totaling \$380 was not recorded in the subsidiary ledger. The Court has a unique obligation to ensure proper valuation and recording when monies or other assets are held in trust. MAS requires the posting of money collected or paid by the court to accounting records, including subsidiary ledgers.

**i. MAS 2.2.1.1 – Separation of Duties for Cash Disbursements**

The duties for cash disbursements are not adequately separated. Specifically, for vendor claims the judge creates a payment voucher and submits it to the County Comptroller's Office for payment. There is no review process to ensure vouchers are correct. In addition, trust account checks can be prepared and signed by either the judge or the court clerk. The disbursement duties could be reassigned by having the court clerk prepare the vendor claim and trust account check with the judge performing supervisory review with subsequently approval, i.e. initials and date on vouchers and signature on trust account checks. If the judge is out of the office, the part time clerk could be trained as backup to prepare vouchers and checks with the court clerk performing supervisory review and approval/signature. Without adequate separation of duties, errors and fraud could occur without detection.

**m. MAS 2.2.9 – Petty Cash Disbursements**

- i. The duties over petty cash are not adequately separated. Currently the responsibility for custody of the petty cash fund is assigned to the judge. However, the judge also makes the expenditures out of the petty cash fund and also prepares the documentation requesting

replenishment. The responsibility for the petty cash fund could be re-assigned to one of the two clerks with the judge using petty cash to make authorized disbursements.

- ii. The court needs to use petty cash vouchers or a log to record the date funds were removed, the dollar amount, the name of the employee obtaining the funds, the authorizer's name, approval signature, and the actual disbursement amount plus change returned, if any. Instead, the judge makes petty cash disbursements using personal money and uses petty cash for reimbursement. Purchase receipts are then placed in the petty cash bag.
- iii. The court is not reconciling the petty cash fund monthly. During the audit, this auditor performed a reconciliation of the petty cash fund. This reconciliation showed the petty cash fund was overstated by \$3.59.

Both the MAS and County's *Internal Controls Procedures Manual* require petty cash duties to be adequately separated, petty cash vouchers or a log be used to track expenditures, the petty cash fund be regularly reconciled by someone other than the petty cash custodian.

**n. MAS 2.3 Safeguarding Disbursement Instruments**

The trust account checkbook is not always adequately secured. During the audit, it was noted the safe, where the checkbook is kept, is not always kept closed and locked during the day. Restricting access to the trust account check book is the best way to protect these items from theft and misuse. Both the MAS and County's *Internal Controls Procedures Manual* require disbursement instruments be maintained in a locked, secured location when not in use.

**o. MAS 2.4 Recording Disbursement Transactions**

- i. The court does not record its trust account disbursements transactions in Courtview, Courtview. Currently, the court records its trust account disbursements manually in the case files. As a result, the case information recorded in Courtview is incomplete for cases where disbursements have been issued. According to court staff, disbursements are not being recorded in Courtview because staff is uncertain how to use the system. As previously discussed in Item "e" above, State Supreme Court and audit staff met with the Court on January 9, 2009 and provided one-on-one training to ensure the court staff are able to use Courtview to process financial transactions.
- ii. Checks written from the trust account are not always recorded in the trust account check register. Specifically, during the testing of FY08 disbursements, an instance was noted where no check data was recorded in the register including the check date, payee, dollar amount, and reason even though the check had cleared the bank. In another instance, the only data documented in the check register was the check

amount. Best practices would dictate that pertinent data related to checks written be recorded in the check register.

**p. MAS 3.1.2 Recording and Monitoring Accounts Receivable**

- i. The court does not use Courtview for accounts receivable. Currently, the court keeps all the manual cases that owe money for fees/fines segregated from the other case files. The monies owed and paid are recorded on the individual case docket sheets. However, Courtview has an accounts receivable module that allows courts to create accounts receivable payment plans, update dunning levels, payment plans and due dates, obtain accounts receivable snapshots, and generate accounts receivable aging reports. In addition, this module is not stand alone and each accounts receivable is tied to a specific case. Recording accounts receivable in Courtview was included as part of the January 2009 training.
- ii. The court does not maintain a ledger for accounts receivable. As a result, the court does not have the ability to know the balance of accounts receivable at any given point in time. Currently if the court wanted to know the amount of its accounts receivable, staff would have to review each case and compute the monies owing. As part of the audit, an Excel spreadsheet of the court's accounts receivable was prepared. As of October 2008, the court had about 113 cases with fees/fines due totaling about \$25,760.
- iii. The court obtains minimal information for the collection process from individuals owing money. Currently, the court obtains the individual's address. However, the court should be obtaining personal information such as phone numbers, relatives' addresses, and employment information. In addition, the court should obtain financial information such as credit cards, rent/own residence, assets, and vehicles. Without this data, the court has no information to assess payment ability. In addition, the court's ability to attempt collection of past due amounts prior to issuing a warrant is limited. The MAS requires courts to obtain personal and financial data from individuals owing the court money.
- iv. The collection of accounts receivable is not always regularly monitored. During the review of the court's accounts receivable, 31 cases were noted where individuals were past due between 30 and 120 days with no collection action being taken. According to the Texas Supreme Court, every day a debt remains uncollected the likelihood it will remain uncollected increases. Therefore, regular monitoring of accounts receivable is critical to ensuring all monies due the court are collected.

**q. MAS 3.1.7 Conversion of Accounts Receivable to Alternative Sentencing**

The court needs to record the rates used for converting fees/fines to alternative sentencing in the case files. During the testing of accounts receivable it was noted the court does not document the rates used for converting fees/fines to jail time or community services. As a result, to identify the conversion rate used it was necessary to identify the difference between the remaining amount due and the original amount, and then divide by the number of days of jail time or hours of community service. The MAS requires courts to record the conversion rate if uniform conversion rates are not used.

r. **MAS 3.1.8 Court Enforcement Techniques**

The court does not charge a fee to individuals participating in payment plans even though the other justice courts within Washoe County do so. Two of these courts charge payment plan fees on a scale based on the amount of fee/fines owing. As the court currently has about 113 cases on payment plans, if a \$25 payment plan fee was charged, the court could collect an additional \$2,825 in County revenues. Being allowed to make payments on fee/fines due requires additional effort on the part of the court staff and the payment plan fees help cover these costs by providing additional revenues. In addition, paying an additional fee to enter into a payment plan stresses the fact making payments is a privilege and the importance on following through with the agreed upon payments.

s. **MAS 4.1.6 Bank Accounts**

The court does not maintain a list with the trust account's bank information such as the bank's address, key bank personnel, and signatories as required by MAS. Keeping such a list is important so the court, county, and any auditor can understand who has authorization at any given time.

t. **MAS 4.4 Bank Reconciliations**

- i. The duties for performing bank reconciliations are not adequately separated. Currently, the judge is primarily responsible for preparing and taking deposits to the bank, writing and signing checks on the account, and performing the bank reconciliation. As previously discussed the duties for bank deposits, and check writing need to be separated. In addition, adequately separating the duties for bank reconciliations needs to be considered when realigning the duties in cash receipts and disbursements.
- ii. The court needs to perform its reconciliation of the trust bank account correctly and timely. The court's bank account has not been reconciled since January 2007, which was when the County's Internal Audit Division last performed the reconciliation on behalf of the court. In reviewing the bank statements, the judge did attempt to reconcile a few of the months subsequent to January 2007, but was unable to do so. Therefore, we obtained bank records and check registers for the

trust account for the period January 2007 through August 2008. We then prepared the monthly reconciliations on behalf of the Court. We also prepared a bank reconciliation format and provided training on performing bank reconciliations starting with the August 2008 reconciliation. Correct and timely bank reconciliations are a useful tool in agreeing receipt and disbursements ledgers to bank activity. In addition, timely bank reconciliations are essential in detecting errors and misstatements that can occur.

- iii. The monthly bank reconciliation process should include reconciling the trust account month end adjusted balance to the manual trust account subsidiary ledger balance. The Court has never performed this reconciliation because it does not keep a running balance in the trust account subsidiary ledger even though both receipts and disbursements are recorded. Reconciling to the subsidiary ledger will provide assurance all amounts held in trust have been correctly recorded and properly accounted for.
- iv. The bank reconciliations prepared by the court need secondary review and approval as required by MAS. Secondary review and approval of bank reconciliations provides assurance that reconciliations are accurate and complete.
- v. Once the court begins recording all cases and the associated receipts and disbursements in Courtview, it should perform its bank reconciliations using this automated system. Courtview includes a bank reconciliation process to assist courts in reconciling their bank accounts. Hence using Courtview should facilitate the preparation of the monthly bank reconciliations.

u. **MAS 1.1, 2.1. 3.1 and 4.1 - Written Policies and Procedures**

The court's policies and procedures need to be developed. Currently, the court does not have documented policies and procedures as required by MAS. However, first the court needs to determine the policies and procedures it plans to follow and then document these procedures in writing. Both an adequate system of internal controls and the MAS Checklist require Nevada courts to have written policies and procedures in place.

Recommendations:

*The Wadsworth Justice Court needs to implement policies and procedures to ensure:*

- a. *Cash receipting duties are adequately separated,*
- b. *Cash payments are inspected for counterfeiting,*
- c. *Cash receipts are safeguarded by placing all receipts in a locking cash box, keeping the cash box locked when not in use, and petty cash is safeguarded by ensuring the safe is always locked during the day.*
- d. *Total cash on hand at the court facilities is limited,*