

Reno Municipal Court

Instances of Noncompliance Reported to Management by Independent Auditor for the Year Ended June 30, 2018

To the Judges of Reno Municipal Court:

We have performed the procedures enumerated below, which are required by the Minimum Accounting Standards Guide for External Audits, solely to assist the Court and the Nevada Supreme Court in evaluating the Reno Municipal Court's compliance with the requirements of Minimum Accounting Standards (MAS) during the year ended June 30, 2018. The court's judges and staff are responsible for the Reno Municipal Court's compliance with the applicable Minimum Accounting Standards issued by the Nevada Supreme Court.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

1. We obtained from the judges and staff a copy of the Reno Municipal Court's submitted written procedures, as required to be maintained by Supreme Court Order. The *Reno Municipal Court's Minimum Accounting Standards Policies and Procedures* Version 7.0 is dated December 2018. These written procedures were used for the section 1 review and also audit fieldwork and, as they straddle the fiscal year under review, we sought and received approval from the Nevada Supreme Court's Administrative Office of the Courts (AOC) Audit Manager on January 8, 2019 to use this version throughout the audit process. Version 7.0 was active when performing fieldwork and, as the majority of MAS 3.1 did not substantially change, was used for audit testing for the year ended June 30, 2018. Staff informed us it was submitted to the Nevada Supreme Court.
2. We obtained from a copy of MAS Version 3.1 published by the Administrative Office of the Courts dated January 2018 and also MAS Version 3.0 dated January 2012. The two documents straddled the audit period, July 1, 2017 through June 30, 2018 and, per AOC Audit Manager, version 3.1 did not substantially change.
3. We compared the detailed controls and procedures, provided in the Minimum Accounting Standards, obtained in procedure 2, to the detailed controls and procedures described in the written procedures, obtained in procedure 1, to determine whether the required controls and procedures specified in the MAS were included in the written procedures.

We noted no instances where the required MAS controls and procedures were not included in the written procedures or the written procedures did not comply with the MAS.

4. In accordance with the Minimum Accounting Standards Guide for External Audits effective January 2018, we completed testing procedures. We noted two instances of noncompliance that have been included in the testing sections of the findings report.
5. Additional procedures were not requested from the Reno Municipal Court.
6. Three immaterial findings have been included in the last section of the findings report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Reno Municipal Court's compliance with the applicable MAS. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Nevada Supreme Court and the Reno Municipal Court and is not intended to be and should not be used by anyone other than these specified parties.



Emily E. Kidd, CIA, CGAP, Internal Auditor – City of Reno

February 28, 2019

Reno Municipal Court

Instances of Noncompliance Reported to Management by Independent Auditor for the Year Ended June 30, 2018

Section 1 – Written Procedure Review

There were no instances of non-compliance in this section of the audit.

Section 2 – Payment Handling and Receipting Review Procedures

MAS 2.2.d requires the court's payment procedures include verbiage concerning the court's returned check policies. RMC MAS Version 7.0 states, "they payer will be charged a \$60 returned check fee." However, the court's *Payments* page on the website states that the charge is \$30 for a returned check fee. Additionally, the information posted at the court does not include the dollar amount of the fee but directs the reader to the court's returned check policy for more details. Audit recommends the returned check fees be determined and included within the details of the court's payment procedures in all locations.

- Management Response

The court will update its website to reflect the correct returned check fee of \$60.

The court will also update its posted returned check information to include the fee amount.

Section 3 – Disbursements

There were no instances of non-compliance in this section of the audit.

Section 4 – Conversion of Monetary Penalties Imposed by the Court to Alternative Sentenceing and Modification of Sentencing

There were no instances of non-compliance in this section of the audit.

Section 5 – Trust Accounts and Bonds

There were no instances of non-compliance in this section of the audit.

Section 6 – Bank Accounts

There were no instances of non-compliance in this section of the audit.

Section 7 – Financial Management

There were no instances of non-compliance in this section of the audit.

Section 8 – Computer Access and Security

MAS 8.6 requires the court to review fee codes and schedules at least every six months and "evidence of the review must be retained." It was determined that, while the court does conduct a review periodically, documentation is not maintained for a standard six month review. Examination of the AOC's *Minimum Accounting Standards V3.1 – The Changes Reference Materials* identifies this MAS requirement as one "The Workgroup adjusted ...for clarification" during the update from version 3.0 to 3.1. Per comparison

of the current MAS version 3.1 and the prior version 3.0, the verbiage was made more exact for the six month documented review in version 3.1.

- Management Response

The court will document the fee code review that is done every six months in the shared drive under Minimum Accounting Standards.

Section 9 – General Administrative Security and Key Controls

There were no instances of non-compliance in this section of the audit.

Section 10 – Record Retention

There were no instances of non-compliance in this section of the audit.

Immaterial Findings

The items below are determined to be immaterial and are disclosed in this separate section, as referenced in the *Requirements for Summarizing Findings of Procedures Performed* within the *MAS Guide for External Auditors*.

Section 2 – Payment Handling and Receipting Review Procedures

MAS 2.1 requires that payment procedures be posted in a conspicuous location at the court or website and MAS 2.2 provides details of those procedures stating, “The court’s payment receipting procedures must contain the following information: a) Types of payment accepted [e.g., cash, credit/debit card, personal check, cashier’s check, money order, traveler’s check, third party checks]. b) The court’s policy for issuing payment receipts. [e.g., a receipt should be issued for every payment made in person; all mail payments will be issued a receipt upon request]. c) The receipt issued by the court is proof of the payment made. d) Verbiage concerning the court’s returned check policies (if checks are accepted) e) Procedures concerning the acceptance of personal checks and debit/credit card payments [e.g., valid identification shall be presented with all personal check and debit/credit cards presented for payment].”

It was determined per examination the information posted at the court included the required verbiage. However, the information on the court’s *Payments* webpage did not include details for MAS 2.2 sections b, c, and e. As the *posted* information was in compliance with the MAS, the missing details on the website is categorized as immaterial.

- Management Response

The court will update its payment procedure information on the website to include all required verbiage.

MAS 2.53 states in part, “Monthly, two separate court staff members should reconcile petty cash to ensure integrity of funds.”

We examined the log titled *Petty Cash Reconciliation FY 17/18* that included monthly reconciliation documentation during the audit scope. Reconciliations were documented for each month during the audit

scope except February. Examination of the associated *Office Fund Voucher Envelope* logs identified there was no petty cash activity in February. Per documentary evidence, this is an isolated incident and, because there was no activity for that month, did not present additional risks. As such, this finding is categorized as immaterial.

- Management Response

The court will review the process with staff to ensure reconciliations are performed each month even when there is no activity.

MAS 2.59 states, “Adjustments to money owed to the court must be documented, either on the manual docket or in the automated case management system. Explanations providing adjustment reasons should also be documented.”

Audit fieldwork of Payment Handling Testing (Part 1) noted 11 adjustments within the 94 sampled testing transactions. Of those 11 adjustments, three did not include a documented reason for the adjustment; this error rate is 3.24% of the adjustments. Noted all three non-documented adjustments were processed by the same employee and thus it is categorized as immaterial.

- Management Response

The court will review its current policy of documenting the reason for its financial adjustments with all court staff that has adjustment authority.