

Judicial Branch Administration: Audit Report for Judicial Council Acceptance

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Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch (A&E)

Three duties regarding audit reports

1. Review all audit reports for the Judicial Branch, including appellate courts, trial courts and the Judicial Council.
2. Recommend acceptance to the Judicial Council.
3. Make recommendations on individual or systemic issues for the Judicial Council's consideration at the time it receives and considers audit reports.



Audits Reports Recommended for Discussion Agenda

General characteristic:

A report with an individual issue, or combinations of characteristics or issues, that could result in a diminished public confidence in the court's ability to account for or manage public and fiduciary funds.



Audit of the Superior Court of California, County of Nevada

July 2014



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Nevada Superior Court

At the February 4, 2015, meeting of the A&E Committee:

- the committee reviewed the audit report on Nevada Superior Court and
- recommended it for discussion agenda



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Recommendation is primarily based on the following:

- **182 issues** - a relatively large number of issues for court this size
- **Only 80 issues (44%) were corrected** at end of audit as reported by court
 - others may be complete but due to long close period on the audit they were still considered incomplete when court provided its final responses
- **Significant number of issues in high risk areas:** cash collections (manual receipts, segregations of duties, and transaction processing controls), systems access, and accounts payable



Nevada Superior Court

Recommendation is primarily based on the following:

- **Repeat issues (17)** relatively higher than expected number with concentrations in high risk areas:
 - ✓ Cash (6, transaction adjustments and reversals, closeout);
 - ✓ Banking and treasury (2, trust reconciliations); and
 - ✓ Accounts payable (4, invoice review and approval).
- **Accounting issues** regarding financial transactions and reports:
 - ✓ Trust reconciliations were not properly done or timely;
 - ✓ Financial reports and the general ledger should be reviewed for the effects of transaction reversals;
 - ✓ Fixed asset disposition and lease expenditures were not properly reported on financial reports; and
 - ✓ Unallowable expenses were paid from court operations funds.



Nevada Superior Court

Statistics:

- Small court
 - 6 authorized judgeships and 1.6 SJO's
 - Long tenured CEO
 - WAFM Model – cluster 2 and is close to 'neutral' (.26% vs. > .25%, (\$42,439))
 - Authorized FTE staff of 58 with 2 in fiscal
 - 2 locations with 8 courtrooms
 - \$6.8M budget in 2013-2014 (audit period)



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Management Summary 4 significant issues listed

- Court needs to improve its control and oversight over handwritten receipts (5.1)
- Court needs to strengthen cash handling practices (5.2)
- Court needs to improve invoice review and approval procedures (11.3)
- Court could more accurately and consistently impose the statutorily required domestic violence fines and fees (15.1)



Nevada Superior Court Specific Issues of Concern

Causes under submission – non-compliance with CRC 10.603

Accounting for Financial Transactions

- CAFR reporting errors including accrued liabilities Y/E debit position
- OPEB account recording misstatement

Manual Receipts (high risk / loss potential area)

- Significant issues with potential loss – court reported that they corrected all issues and indicated they did not have any losses.

Cash collection practices concerns Six REPEATS

- Cashiers ability to reverse, waive, adjust transactions incl. their own
- Deposit of receipts not timely and other receipt control concerns
- Cash drawers shared by cashiers – no cash bags for each cashier



Nevada Superior Court

Specific Issues of Concern

Cash collections practices concerns (continued)

- **Segregation of duties** - individuals enter payments, open mail, and set up new accounts; lack of acctg. supervisor review and approval of reversals; CTSI employee reverses own transactions
- **Daily closeout verifications** – verification by supervisor/mgr.; count not in presence of another court employee, etc.
- **Payment plans** – delinquent accounts not referred to collections timely
- **3rd party collection agency issues** – delays in transmitting delinquent cases to vendor, lack of DMV holds and installment fee not charged
- **Vault and key box access controls**



Nevada Superior Court

Specific Issues of Concern

Information Systems

- Business Continuity Plans issues
- User access controls issues

Banking and Treasury - Bail and civil trust account reconciliations

Procurement practices –

- Purchase requisitions not prepared and encumbrances not entered in system
- Authorization matrix not up-to-date; approvers of invoices not on matrix (see accounts payable)
- Purchase card transaction issues – travel expenses, snacks and supplies for non-sequestered jurors, \$400 in gifts for children up for adoption paid with court operations funds



Nevada Superior Court Specific Issues of Concern

Accounts Payable – invoice review and approval practices

- Approval not documented (6 of 40) **REPEAT**; approvers not on authorization matrix
- Individual authorizing purchase also approving it
- 3 point match not properly done (16 of 40) **REPEAT**
- Invoice amount exceeding requisition amount **REPEAT**
- Unauthorized expenses – grand jury expenses and juror parking
- Invoice address does not agree with master file (4 of 40)

**Judicial Officers not accurately or consistently imposing
statutorily required DV fines and fees 2 REPEATS**



Nevada Superior Court

G. Sean Metroka, Court Executive Officer



Nevada Superior Court

Recommendation:

A&E Committee and Judicial Council staff recommend that the Judicial Council accept the pending audit report dated July 2014 entitled *Audit of the Superior Court of California, County of Nevada*.



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Questions?



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