



Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Director

February 20, 2014

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We recently completed an audit of the Family Mediation Program's Internal Controls over Cash Handling. The audit was conducted at the request of the department due to a suspected theft. The audit covers transactions from July 1, 2011, to August 3, 2013. The last day of fieldwork was September 6, 2013. The objective of our audit was to determine whether internal controls over the cash handling process adequately safeguard assets and whether system user rights are appropriately assigned based on individual job functions.

We found several opportunities to improve controls over cash held by the Family Mediation Program. Specifically, we found they do not reconcile deposit transactions between SAP, the bank statement and Odyssey, and the monthly reconciliation performed by Family Court Administration (between SAP and the bank) was not performed for several months. We also found that fee transactions were not being entered into Odyssey or processed for deposit on a daily basis. We found that fees awaiting deposit were being stored in a desk drawer, as the department did not have a dedicated safe to safeguard these funds. In addition, we identified a lack of segregation of duties surrounding the access, monitoring, recording, securing, and depositing of fees.

Based on our detailed test of transactions, we found numerous instances of fees being adjusted or waived from a client's account without supporting documentation or supervisory approval. A total of \$3,880 in adjustments could not be substantiated. However, the lack of internal controls precludes us from being able to prove funds were taken by any specific employee. Finally, we are unable to fully conclude as to whether system user rights are appropriately assigned based on individual job functions, as detail of access rights for departmental employees were not available for us to review.

A draft report was provided to the Assistant Court Administrator for comment and his response is included. Note that the department had made several improvements to its operation during the audit.

We appreciate the cooperation and assistance provided by the Family Mediation Program staff.

Sincerely,

A handwritten signature in blue ink that reads "Angela M. Darragh". The signature is written in a cursive style with a large initial 'A'.

Angela M. Darragh, CPA
Audit Director



AUDIT DEPARTMENT

Audit Report

A faded, light-colored illustration of a family consisting of a man, a woman, and two children, positioned behind the title text.

Family Mediation Program Cash Controls

February 2014

Angela M. Darragh, CPA, CISA, CFE
Audit Director

AUDIT COMMITTEE:

Commissioner Steve Sisolak

Commissioner Chris Giunchigliani

Commissioner Lawrence Weekly

BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	1
RESULTS IN BRIEF	3
DETAILED RESULTS	4
No Controls over Voided Receipts	4
Insufficient Segregation of Duties	4
Unsecured Cash	5
Fee Processing is not Done Daily	5
Deposit Reconciliation Not Performed Timely	6
Fee Receipt Posting Issues	6
Need for Detailed Odyssey User Roles/Rights Report	7
No Odyssey Password Policy	8
Generic User ID Approval Needed	9
Employee Access to Odyssey	9
Positive Developments since Fieldwork	9
MANAGEMENTS RESPONSE	10

BACKGROUND The Family Division of the Eighth Judicial District Court was created in January 1993. A total of 20 judges preside over family and juvenile cases. The Family Court helps people with divorce, annulment, child custody, visitation rights, child support, spousal support, community property division, name changes, adoption, abuse and neglect.

The Family Mediation Center, also known as FMC, is under the administrative direction of the District Court Administrator and Assistant Court Administrator of the Family Division. The department consists of approximately 15 employees operating out of the office located at 601 N. Pecos Road, Bldg. B, Las Vegas, Nevada 89101.

Nevada Revised Statute (NRS) 3.475 establishes family mediation program guidelines. This includes the development of program fees on a sliding scale based on the ability of a party to pay for services. Program fees for FMC for fiscal year ending June 30, 2013 approximated \$256,000. Per NRS, the program is accounted for within the County's general fund.

FMC services can be accessed through a Court Order, a Stipulation and Order, or a Request and Order for Mediation. FMC mediates child-contested issues for over 2,000 families annually. Donna's House Central provides supervised visits and exchanges. The program is operated by Family and Child Treatment (FACT, an outside non-profit organization), and is located within the Family Mediation Center. FMC program services may include: family mediation, child interviews, family group conferencing, reunification services, criminal records check, and parent/child observations.

FMC's current case management system, Odyssey, was implemented in 2007. Odyssey is used to create court cases for tracking, billing, reporting and archiving purposes.

**OBJECTIVES, SCOPE, AND
METHODOLOGY**

The objective of this audit is determine whether:

- Internal controls over cash handling processes adequately safeguard assets.
- System user rights are appropriately assigned based on individual job functions.

Our procedures consisted of interviews with management and staff, observations, walkthroughs, examination of documentation, and performance of detailed tests and analyses. We compared Odyssey user rights with employee information from SAP (the County's enterprise resource software used to manage all aspects of County operations) to determine whether employees with access were actively employed within the FMC's Office. We also reviewed system access in relation to job function for the three front office staff, and we searched for duplicate and generic user accounts (IDs). We compared fiscal year ending June 30, 2013, fee revenue information between SAP and Odyssey. We also compared monthly deposit information between SAP, Odyssey and Bank of America bank statements (for three months) and selected two deposits from each of those months verifying the completeness, accuracy, and timeliness of deposits and recordings onto SAP.

We reviewed every hard-copy receipt for the period covering July 1, 2011, through August 2, 2013 and traced the fee transaction to an Odyssey fee transaction report covering the same period. For transactions not found on the Odyssey report, we traced the transaction directly to the Odyssey case.

We judgmentally selected seven voided fee transactions from an Odyssey Till Report covering the period of July 1, 2012, through August 2, 2013. We traced each selection to the case file within Odyssey and its case folder filed in the front office, reviewing supporting documentation and verifying supervisory approval of each void transaction.

Our scope included transactions processed between July 1, 2011, and August 2, 2013. The last day of fieldwork was September 6, 2013.

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.

RESULTS IN BRIEF FMC has numerous deficiencies with its current system of internal controls which could potentially lead to undetected errors and fraudulent transactions. Specifically, FMC does not reconcile deposit transactions between its Odyssey system, SAP, and the bank statement. Also, the monthly reconciliation performed by Family Court Administration (between SAP and the bank statement) had not been completed for the months of March through July 2013 when requested in August 2013. Although the front office staff collects fees on a daily basis, fee transactions are not entered in Odyssey or processed for deposits until several days later. Also, while the fees are waiting to be processed, they are kept in a desk drawer accessible to everyone in the department. The department did not have a dedicated safe to securely house fees collected and waiting to be processed and deposited. We also found that segregation of duties surrounding the access, monitoring, recording, securing and depositing of fees was lacking.

Based on our detailed testing of transactions, we found numerous instances of fees being adjusted or waived from a client's account without supporting documentation or supervisory approval.

We noted that each front office specialist is able to have multiple sessions of Odyssey open simultaneously on different computers making each of the Odyssey accounts available for any of the specialists to process transactions on someone else's account. As such, this would make individual accountability of transactions processed almost impossible to track.

We were unable to fully conclude as to whether system user rights are appropriately assigned for the FMC department based on individual job functions as detail of access rights for all the employees in the department were not available for review. Finally, we also noted that the department did not have procedures covering the safeguarding and administering of Odyssey accounts and passwords, nor plans addressing disaster recovery or business continuity processes.

DETAILED RESULTS

No Controls over Voided Receipts

FMC's procedures manual does not document how voided receipts transactions should be handled. Therefore, voided receipts are not being completed appropriately. Voided receipts do not consistently contain an explanation for the void, an approving signature, or an originating signature. In addition, there are voided transactions with no justifications/comments. Transactions that are voided without proper oversight create an opportunity for theft or errors.

Recommendation

1. Create, implement, and monitor procedures regarding how voided receipts are processed.
2. Transactions voided within Odyssey should require justification and review/approval by another employee.
3. Consider requiring that all receipts collected be processed (real-time) directly in Odyssey and have the system generate a receipt.
4. Newly created procedures should be communicated to front office staff, and training should be provided as necessary.

Insufficient Segregation of Duties

The employee that prepares the deposit (which is sent to Family Court Finance to finalize), also processes fee transactions, prepares voided receipts and refunds, updates cases on Odyssey for fees (received, adjusted, and/or waived), reconciles fees received to Odyssey, and processes mail (which may include fee payments as well as customer inquiries on case balances, payments made, and outstanding balances). Allowing one person access to all these functions makes fees collected more susceptible to theft and abuse and less likely to be detected.

Recommendation

1. Separate the function for preparing the deposit from the ability to process transactions.
2. Require a second review and approval of all voided transactions, fee adjustments, and refunds.

Unsecured Cash Family Mediation keeps cash collected in the desk drawer of a front office specialist. The key to lock the drawer is kept in the specialist's office with its location known by all three of the front office staff. There are no cameras installed in the front office area that could be used to investigate any losses. Restricting access to cash is essential to preventing loss or theft and identifying responsible parties.

Recommendation

1. Purchase and install a safe in the front office area to be used to safeguard fees collected until deposits are made.
2. Create, implement, and enforce policies on operating and maintaining the safe.

Fee Processing is not Done Daily The front office staff collects money daily. However, the processing of these fees in Odyssey, the reconciliation of the fees to Odyssey reports, and the preparing of a deposit does not occur on a daily basis as detailed by the department's Front Office Procedures Manual. By delaying these processes, funds collected are susceptible to loss or theft.

Recommendation

1. Provide training on procedures to all employees responsible for collecting funds from clients.
2. Monitor front office staff to ensure that departmental fee and deposits policies are being followed.
3. Require a second review of daily reconciliations.

Deposit Reconciliation Not Performed Timely

The monthly reconciliation between the deposits to the bank and deposits recorded in SAP is delayed. The most recent reconciliation at the time of fieldwork in August 2013 was for the February 2013 activity. In addition, reconciliations between fees recorded in Odyssey and SAP are not being performed. There were differences between SAP and Odyssey fee revenue for all three of the monthly deposits we reviewed. Reasons for the differences included numerous reconciling items as a result of timing differences and fees or credits posted by the bank but not recorded in SAP. At the completion of fieldwork, a few items were still being researched. When reconciliations are not performed in a timely manner, it becomes difficult to investigate or correct any errors.

Recommendation

1. Ensure that monthly reconciliation procedures are being performed by the end of the following month.
2. Develop, implement, and monitor monthly receipt reconciliation procedures between information recorded in Odyssey and SAP.
3. Research and resolve any differences or reconciling items.

Fee Receipt Posting Issues

Family mediation fees are being adjusted by any of the front office staff without any monitoring. During detail testing of receipts, we found 28 instances in FY2013 and 18 instances in FY2012 (amounting to \$2,160 and \$1,720 respectively) where fees were collected, and adjustments/ discounts/waivers were applied to client accounts without any management oversight or verification.

Specifically, we found:

- 14 instances in FY 2013 and 15 instances in FY2012 (amounting to \$1,120 and \$1,450 respectively) where fees were collected, and adjustments/ discounts/waivers were applied to client accounts without any supporting documentation found in client files.
- Two instances in FY2013 and one instance in FY2012 where a lower amount (\$160 total) was entered as a receipt in

Odyssey than was listed on the manual receipt (\$430 total).

- Five instances in FY2013 and one instance in FY2012 where fees were collected (\$650 total) but no payments were posted to client accounts.
- One instance where a refund (\$30) was given using daily cash collected and not processed through Accounts Payable.
- One instance where the specialist who collected fees from a client used another specialist's Odyssey account to enter a fee reduction (\$200).

Each of these issues could indicate a theft or loss of cash. However, due to the lack of internal controls, we could not determine whether this was the case or who may have been responsible.

Recommendation

1. Provide training on procedures to all employees responsible for collecting funds from clients, including County policy restricting sharing of user accounts or passwords.
2. Monitor front office staff to ensure that departmental policies are being followed and transactions are being entered appropriately and in a timely manner (especially as it relates to fee collection and fee processing within Odyssey).
3. Add a supervisor or second person review requirement for all transactions where discounts/waivers/refunds are being entered in Odyssey.

Need for Detailed Odyssey User Roles/Rights Report

Courts IT could not provide a summarized report showing individual user access history for the FMC department. They did provide a detailed Odyssey Roles & Rights Report for the three front office staff that collect fees. However, in reviewing those reports, we found that one employee's access per the report did not agree with the actual employee's access noted during an observation of her deposit procedures.

Recommendation

1. Request a useful Odyssey departmental user access report from Court IT that can be used to more easily monitor system access by individual user.
2. Periodically review and monitor existing individual Odyssey user accounts and access.

No Odyssey Password Policy

The Odyssey application does not have limitations or parameters regarding how passwords are created. In addition, Odyssey does not require that passwords be changed periodically. Clark County Technology Directive 1(section IVC2a1) requires that passwords be at least eight characters in length and consist of two or more of the following: capital letters, lower case letters, numbers, and special characters (%*\$@!). User passwords should not be common names or phrases. Also, user passwords must be changed every 90 days and not be reused for at least six password change periods.

Passwords that are not required to contain certain features, such as length or character type and are not changed periodically are more susceptible to compromise and reduces employee accountability for actions taken with that account.

Recommendation

1. Develop a password policy for the Odyssey system. The policy should include requirements on the length and characters used to create a password.
2. Turn the Odyssey “change password frequency” feature on and set it according to County password policy.

**Generic User ID Approval
Needed**

Per Clark County Technology Directive 1.IV.C.1, generic user accounts deemed necessary may be established upon the approval of the responsible Elected or Appointed Clark County Department Head and the Clark County Chief Information Officer (CIO). We found one active generic user ID for the Odyssey application. However, no written CIO or department head approval documentation was found.

The use of generic accounts reduces accountability for actions, and is generally discouraged.

Recommendation

1. Follow Clark County Technology Directive #1 and ensure that CIO and department head approval is obtained when generic user accounts are used.

**Employee Access to
Odyssey**

In reviewing employee access to Odyssey, we found one of the 20 employees listed in Odyssey that did not work in FMC, but had FMC access rights.

Recommendation

1. At least annually, review access in Odyssey to ensure all employees are current employees and need the allowed access for their job duties.

**Positive Developments since
Fieldwork**

Family Mediation Center has made several improvements to its operation since the beginning of fieldwork. It recently obtained a safe from another county department. Fee receipts are now processed in real time directly in Odyssey, totally eliminating the need for a hand written receipt. Deposits are now processed daily as well. In addition, monthly reconciliations between SAP and the bank statement are now current, and Court Administration now reconciles this information with data from Odyssey.



EIGHTH JUDICIAL DISTRICT COURT
FAMILY DIVISION
601 NORTH PECOS ROAD
LAS VEGAS, NEVADA 89101-2408

LEONARD P. CASH, Ph.D.
ASSISTANT COURT ADMINISTRATOR

(702) 455-462
FAX: (702) 455-462
cashl@clarkcountyc

Memo

To: Angela Darragh, Director, Internal Audit, Clark County
From: Leonard Cash, Assistant Court Administrator, Family Court
Date: February 10, 2014
Re: Audit Response

A handwritten signature in black ink, appearing to be "L. Cash", written over the "From:" line of the memo header.

Thank you for the internal audit report that was completed by your department examining the Family Mediation Center's fee-collection process.

The audit was initiated at the request of Court Administration when issues arose regarding billing discrepancies.

The audit did identify several areas for improvement and we have submitted our plan to implement your proposed recommendations over the next six months.

The comprehensive work your staff conducted on this project was greatly appreciated.