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

March 31, 2016

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 Family Court Cash Controls. The Nevada Supreme Court developed Minimum Accounting Standards (MAS) that provide the courts in Nevada with requirements regarding financial operations and internal accounting and financial management controls. The objective of this audit was to determine whether existing internal controls over cash collection, deposit, and recordation adequately safeguard fee revenue for the Family Court, and whether Family Court complies with MAS. Our audit included transactions from July 1, 2014 through June 30, 2015. The last day of fieldwork was January 29, 2016.

Overall, we found that cash controls at Family Court comply with the Nevada Supreme Court's Minimum Accounting Standards and Nevada Revised Statutes. However, we identified opportunities to improve controls related to fee receipting, daily deposits, and application security.

We provided a draft report to the Court Division Administrator, District Court Family Division, for comment. Their response is included in our audit report.

We appreciate the cooperation and assistance provided by the staff and management of the Family Division of District Court.

Sincerely,

Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

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Audit Report

Family Court
Cash Controls

March 2016

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

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REPORT DETAILS

BACKGROUND

The Family Division of the Eighth Judicial District Court was created in January 1993 to assist citizens with various family related court matters including divorce, annulment, child custody, visitation rights, child and spousal support, community property division, name changes, adoption, and abuse and neglect cases. Family Court works closely with community providers to provide services such as mediation, violence intervention, advocacy for abused and neglected children, and free legal advice and classes for individuals wishing to represent themselves in court matters. Twenty district judges preside over cases in Family Court. The majority of cases are heard at the Family Courts and Services Center located at 601 N. Pecos Road, Las Vegas, Nevada. However, child support cases are heard at the Child Support Center of Southern Nevada located at 1900 E. Flamingo Road, Las Vegas, Nevada.

Family Court charges fees for services in accordance with schedules included in Nevada Revised Statute 19. Fees collected by Family Court for the period covering July 1, 2014 through June 30, 2015 approximated $6,748,300. Family Court uses an electronic case management system (Odyssey) to access case information and record fee payments.

The Nevada Supreme Court, through the Administrative Office of the Courts, developed Minimum Accounting Standards (MAS) that provide the courts in Nevada with requirements regarding financial operations and internal accounting and financial management controls. MAS originally required courts in Clark County to create and submit written procedures to the Administrative Office of the Courts by December 2013. MAS also mandated that the courts submit an independent audit of its operations to the Administrative Office of the Court beginning in December 2015 and every four years thereafter.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether existing internal controls over cash collection, deposit, and recordation adequately safeguard fee revenue for the Family Court and whether the Family Court complies with MAS. Our audit included transactions from July 1, 2014 through June 30, 2015. The last day of fieldwork was January 29, 2016.

To achieve our objectives, we examined applicable Nevada Revised Statutes (NRS), Clark County Code, fiscal directives, and administrative guidelines to gain an understanding of the regulatory requirements for Family Court. We interviewed various personnel involved with fee revenue collection, handling, reconciling, recording, and reporting (in the locations where fees are collected). We observed fee collection (as well as daily deposit and reconciliation) procedures at the Family Court facility located on 601 N. Pecos Road, Las Vegas, Nevada. We also obtained and reviewed departmental procedures and compared them with MAS requirements.

We observed a physical count of the District Court $15,000 change fund. We judgmentally selected 50 fee revenue transactions for the audit period and traced each selection to the case management system, recalculated the fees charged, and traced the fees to the department's fee schedule and NRS.

We statistically selected 61 void and 71 adjustment transactions and verified that each transaction was justified, documented, and performed by someone independent of the original transaction. We also selected four daily deposits and confirmed that each deposit amount in the case management system agreed to the deposit slip and to the bank statement. We compared monthly fees recorded between the case management system and the County's financial system for the audit period. We judgmentally selected and reviewed three monthly reconciliations and agreed the amounts between the case management system, the financial system, and the bank statement.

We reviewed case management system users to identify any duplicate, generic, or active accounts of former employees. We also judgmentally selected and reviewed 15 user accounts to determine whether user roles were appropriate for each employee's job function. Furthermore, we reviewed password and unauthorized access control procedures to determine whether such processes comply with County Information Technology Directive 1.

Family Court recently participated in an external review of their financial controls in accordance with MAS requirements. Any areas identified by that review are not included in our report.

In some cases, samples selected were not statistically relevant. However, we believe they are sufficient to identify findings related to the population. Our review also included an assessment of internal controls in the audited areas. Any significant findings related to internal control are included in the findings, recommendations, and management responses.

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.

CONCLUSION

Overall, we found that cash controls at Family Court comply with the Nevada Supreme Court's Minimum Accounting Standards and Nevada Revised Statutes. However, we identified opportunities to improve controls related to fee receipting, daily deposits, and application security. Specifically, we found:

- Family Court needs to disable separated employee and generic accounts;

- The employee responsible for deposits should not assist with the daily cash drawer reconciliation;
- A monthly reconciliation between the case management system and bank statement should be performed;
- Fee detail is not included in some receipts;
- Policies and procedures need to be updated to comply with MAS;
- User security roles need to be updated to ensure segregation of duties;
- Family Court should implement automatic password expiration policies in the case management system.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

FINDINGS, RECOMMENDATIONS, AND RESPONSES

FINDING 1 – NEED TO DISABLE SEPARATED EMPLOYEE AND GENERIC ACCOUNTS (HIGH)

The Family Court needs to implement additional application controls for the case management system. During our testing, we found the following:

- 16 of 246 (6.5%) active user accounts belong to separated County employees.
- 3 of 246 (1.2%) accounts were generic user accounts that were not authorized in accordance with County policy.

Clark County Technology Directive Number 1 requires adequate controls over applications that include disabling separated employees and prohibiting use of generic accounts. In order for transactions to be attributable to specific individuals, each user must have a unique user account. When accounts are not disabled upon termination, unused accounts may be compromised and used with no accountability.

Immediately after receiving notification from the audit department, Family Court disabled the 16 user accounts belonging to separated County employees and one of three generic user accounts.

RECOMMENDATION

1. Implement a procedure for immediately disabling user accounts of employees at separation.
2. Disable generic accounts or obtain approval for their use in accordance with Technology Directive No.1.

MANAGEMENT RESPONSE

1. Current procedure for separated employees will be updated to include immediate disabling of user accounts.
2. Identified generic accounts need to be maintained for operational purposes. These accounts are service accounts only that are utilized by automated jobs to add case information into our case management system. Currently in the process of modifying the generic accounts so that no rights will be associated with them. Expected completion date within 60 days. The Court Executive Officer of the Eighth Judicial District Court has approved the use of the three generic accounts.

FINDING 2 – EMPLOYEE RESPONSIBLE FOR DEPOSITS SHOULD NOT ASSIST WITH DAILY CASH DRAWER RECONCILIATION (MEDIUM)

During our testing, we found that an employee responsible for preparing daily deposits periodically helps with the verification of daily fee collections, close-outs, and reconciliations. Generally accepted internal control standards require a separation between the collection, physical access, and recordation of assets to prevent any one person from having the ability to perform and conceal a theft. By assisting in the daily cash drawer reconciliation process, the employee has access to funds and ability to conceal the theft when creating the daily deposit.

RECOMMENDATION

1. Amend existing daily closeout/reconciliation and deposit procedures to restrict the person responsible for preparing the deposit from reconciling daily cash drawers.

MANAGEMENT RESPONSE

1. Effective 3/28/2016, processes have been updated to restrict any individual responsible for preparing the deposit from reconciling cash drawers.

FINDING 3 – MONTHLY CASE MANGEMENT SYSTEM AND BANK RECONCILIATION NEEDED (LOW)

Nevada Courts Minimum Accounting Standard 7.6.d requires a monthly reconciliation between the bank's records and the court's records. Although the department performs daily reconciliation of fee receipts between the bank and the case management system, the department does not reconcile the bank statements to the case management system on a monthly basis. We reviewed daily reconciliation entries for April, May, and June 2015, and found with all three monthly totals that the amounts in the court records did not agree to each respective monthly bank statement. We brought this to the department's attention and requested that they reconcile June 2015's records. We reviewed the reconciliation they performed and confirmed that the balances agreed without exception.

Additionally, we found immaterial differences during our comparison of monthly receipts recorded in the case management system and the financial accounting system.

We believe by not performing a monthly reconciliation, Family Court is not complying with MAS, since daily reconciliations do not match the monthly bank statement. The Administrative Office of the Court is still in the process of establishing fines and penalties for noncompliance with MAS.

RECOMMENDATION

1. Implement monthly reconciliation procedures between the case management system, the financial accounting system, and the bank statement.

MANAGEMENT RESPONSE

1. Effective 2/1/2016, the court has modified its daily reconciliation summary so it also reconciles to the bank's total credits, which agrees to total 'Deposits and other credits' on the monthly bank statement.

FINDING 4 – FEE DETAIL NOT INCLUDED IN RECEIPTS (LOW)

In 18 of 50 detailed fee transactions, we were unable to recalculate the fees collected. All of the 18 transactions were charges for copy fees, but the number of pages provided was not included on the receipt. NRS 19 details the types and amount of fees that Family Court can charge. The statute includes the fee schedule for a variety of services. The services may include, and is not limited to, adoptions, annulments, child custody cases, miscellaneous fees for copies, and document certifications. We believe sufficient information should be included on the receipt to identify quantity of the product or service purchased and allow for recalculation of the charged amount.

We also found one transaction for video services, which did not agree to any fees listed on Family Court's fee schedule. Although Family Court periodically reviews the fee codes schedules as required by MAS 8.6, the court provided no explanation as to the location of this fee on its schedule and could not identify the Nevada Revised Statute (NRS) that allows for such a fee.

RECOMMENDATION

1. Include quantity or pertinent transactional information within the case file or transaction notes for recalculation purposes.
2. Amend existing fee codes and schedules review procedures to ensure that all fees charged are allowed by NRS and are represented in the department fee schedule.

MANAGEMENT RESPONSE

1. Effective 4/1/2016, changes were made to the copy and search fee schedules within our case management system. The case management system prompts the user to answer questions regarding page counts and type of copy and then calculates the fees automatically.
2. Transcription Video Services (TVS) fees are authorized per NRS. 3.370. These fees will be included on an upcoming fee schedule update.

FINDING 5 – POLICIES AND PROCEDURES NEED TO BE UPDATED TO COMPLY WITH MAS (LOW)

Nevada Courts Minimum Accounting Standards detail the minimum guidelines that all courts presiding in Nevada are required to follow regarding financial operations and management controls.

In comparing MAS requirements with the department's procedures manual, we found that Family Court's procedures manual does not cover required topics such as the following:

- The handling of converted monetary penalties (MAS 4B.1 - 4B.3).
- Computer access security (MAS 8.1 - 8.4);
- Payment card data security (MAS 8.8 - 8.12);
- Combination/lock changes and access to safes/vault (MAS9.2 – 9.3)
- Duplicate keys storage (MAS 9.4).

Family Court is not compliant with MAS due to the missing procedures. Each of these requirements is designed to protect court assets. As previously mentioned, the Administrative Office of the Court is in process of considering fines and penalties associated with MAS non-compliance.

RECOMMENDATION

1. Develop, implement, and enforce procedures over computer security access, conversion of monetary penalties, safe/vault access and combination/lock changes, and key storage.

MANAGEMENT RESPONSE

1. Procedures are being developed for issuance with respect to computer security access, conversion of monetary penalties, safe/vault access and combination/lock changes, and key storage

FINDING 6 – UPDATE USER SECURITY ROLES (LOW)

In reviewing 15 judgmentally selected user roles, we found 10 (66.7%) instances where the assigned user role allowed access to functions not necessary for the employee's job function. For instance, we found that an employee with responsibilities for reconciling and reporting fee revenue also had the ability to collect fees. These functions should be separate to prevent any one individual with the access to funds and an ability to conceal a theft.

RECOMMENDATION

1. Review all user access to verify that it is appropriate and based on each user's current job function.

MANAGEMENT RESPONSE

1. A full review of user access will be conducted.

FINDING 7 – IMPLEMENT AUTOMATIC PASSWORD EXPIRATION (LOW)

We found the case management system does not require users to change individual passwords every 90 days, although this option is available.

Clark County Technology Directive Number 1 requires adequate controls over applications that include requiring passwords for access and mandating that users change such passwords every 90 days. When users do not change passwords periodically, there is greater risk that they may be compromised or shared, resulting in an inability to hold individuals accountable for actions taken by that user account.

RECOMMENDATION

1. Enable the case management system function that requires users to change passwords every 90 days.

MANAGEMENT RESPONSE

1. Currently, Active Directory Authentication is being installed in the case management system with an expected completion date in 90 days.