



# WASHOE COUNTY

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## STAFF REPORT

BOARD MEETING DATE: October 28, 2014

**DATE:** September 16, 2014  
**TO:** Board of County Commissioners  
**FROM:** Alison A. Gordon, CPA, CFE   
Washoe County Internal Audit Manager  
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**THROUGH:** John Slaughter, County Manager  
**SUBJECT:** Acknowledge Receipt of Reno Justice Court Minimum Accounting Standards Audit Report from the Internal Audit Division

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### SUMMARY

The purpose of the audit was to perform the four-year audit of the Reno Justice Court as required by the Minimum Accounting Standards (MAS) adopted by the Nevada Supreme Court. This included evaluating whether the procedures performed by Reno Justice Court comply with the MAS requirements for Nevada justice courts.

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

The results of the review indicated:

The Court needs to ensure it complies with the MAS requirement to follow PCI Data Security Standards for customer payments with debit and credit cards. The Court was not aware of this new requirement in the MAS. Once identified, the Court immediately began working on and completed its compliance with the PCI Data Security Standards, including the development of policies and procedures.

The Court needs to improve its accounts receivable processes for outstanding monetary penalties imposed by the court. First, the Court needs the ability to create and maintain a computerized aging report with the amounts of monetary penalties imposed by the court by case, on a monthly basis. Second, once the report is available, the Court needs to develop and implement policies and procedures requiring a monthly aging report. The Court has developed a computerized aging report; and is in the process of developing policies and procedures.

Each of the recommendations included in this audit report are either already implemented or in the process of being implemented. An implementation plan establishing responsibilities and timelines will be developed with the Reno Justice Court. This plan will then be reviewed with the Audit Committee and updated at each of their meetings.

AGENDA ITEM # 14E1

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 Reno Justice Court's mission is to promote and preserve the rule of law and protection of property rights by providing a fair, independent, and impartial forum for the peaceful resolution of legal conflicts according to the law. Further, it is the mission of the court to provide judicial services in such a manner as to: 1) promote access to justice; 2) adjudicate cases in an expeditious and timely manner; 3) utilize public resources efficiently and effectively such that it demonstrates accountability and engenders public trust and confidence; and 4) promote an understanding of the courts as a vital component of the tripartite system of government, independent of and co-equal to the Legislative and Executive branches.

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 with the support of the Administrative Office of the Courts (AOC). 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. MAS version 3.0 issued January 2012 provides the courts with policy defining requirements for a court's financial operations and internal accounting and financial management controls. The courts are required to use the MAS policies to develop their individual procedures for internal controls to ensure separation of duties to help prevent misappropriation of public funds or other associated crimes. The court's procedures will also establish means for ensuring the reliability of the court's records and detection of errors.

The revised MAS requires all justice, district and municipal courts to submit their written procedures electronically to the AOC Audit Unit biennially no later than December 31 in the first year established for their submission in the Supreme Court's Order. The first year established for Washoe County courts was December 2012. In addition, the courts must have an independent MAS conducted by either an outside audit firm or internal

audit agency on each justice, district and municipal court every four years. For Washoe County courts, the first independent audit is due December 31, 2014. Based on discussions with the AOC staff responsible for the MAS, it was determined the County's Internal Audit Division could perform the required independent MAS audit. This will save the court the cost of hiring a contractor to perform this work.

#### **SCOPE AND METHODOLOGY**

The scope of the audit included performing the procedures required in the MAS Guide for External Audits issued by the Nevada Supreme Court dated July 2013. It also included reviewing internal controls and compliance with certain County policies, applicable NRS, and MAS.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards, and covered the period of July 2013 to June 2014. Fieldwork was conducted between June and August 2014.

#### **FISCAL IMPACT**

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

#### **RECOMMENDATION**

It is recommended the Board of Commissioners acknowledge receipt of the MAS audit report of Reno Justice Court.

#### **POSSIBLE MOTION**

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

*Move to acknowledge receipt of the Reno Justice Court MAS Audit Report from the Washoe County Internal Audit Division.*

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Attachments

# Washoe County Reno Justice Court

## MAS Audit Report

September 16, 2014

## Executive Summary

### Observations

1. The Court needs to ensure it complies with the Minimum Accounting Standards, MAS, requirement to follow PCI Data Security Standards for customer payments made with credit and debit cards.
  - Once this requirement was identified, the Court immediately began working on and completed its compliance with the PCI Data Security Standards, including the development of policies and procedures.
  - Non-compliance could involve various consequences including lawsuits, insurance claims, payment card issuer and government fines should customer data become compromised.
  
2. The Court needs to improve its accounts receivable processes for outstanding monetary penalties imposed by the court.
  - The court needs the ability to create and maintain a computerized aging report with the amounts of monetary penalties imposed by the court by case, on a monthly basis.
  - The Court has developed an aging report of monetary penalties imposed by the court by case and of the development of policies and procedures.

## Observations and Recommendations

### 1. Payment Card Industry Data Security Standards Compliance

Reno Justice Court needs to ensure it is complying with the Payment Card Industry Security Standards (PCI-DSS) as required by the current Minimum Accounting Standards. At the beginning of the MAS audit, the Reno Justice Court was unaware of this new requirement. However, when it was identified as part of the MAS audit the court immediately began working to comply with the MAS.

The PCI DSS represents a common set of industry tools and measurements to help ensure the safe handling of sensitive payment card information. Compliance with PCI DSS means that systems are secure and customers can trust the safe handling of the sensitive payment card information among other benefits. Tools to assist organizations in validating their PCI DSS compliance include Self-Assessment Questionnaires. Additionally, organizations are required to ensure the vendors involved with processing credit card transactions and any software used is PCI DSS compliant. Also, the MAS requires the courts to have policies and procedures in place regarding compliance with PCI DSS.

Noncompliance could have serious ramifications including compromised data that negatively affects customers, merchants and financial institutions, and damage to the County's reputation. Other possible negative consequences include lawsuits, insurance claims, payment card issuer fines and government fines.

As of the date of this audit, the Reno Justice Court has performed analysis and completed its PCI DSS self-assessment questionnaire, obtained documentation from its vendors involved with processing credit card transactions, and developed policies and procedures.

#### *Recommendations:*

- 1.1 Perform analysis and complete the PCI DSS self-assessment questionnaire,*
- 1.2 Obtain documentation from vendors involved with processing credit card transactions, and,*
- 1.3 Develop PCI DSS policies and procedures.*

### 2. Outstanding Monetary Penalties Imposed by the Court

Reno Justice Court needs to ensure it is complying with MAS requirements involving outstanding monetary penalties imposed by the court. Specifically, the MAS states the court should be able create and maintain either a manual or a computerized aging report with the amounts of monetary penalties imposed by the court on a monthly basis. This report should include the defendant's name, the case number, the fees originally owed to the court, outstanding dollar amounts, and the number of days amounts are outstanding based on the 30, 60, 90, 12+ day aging periods.

During the review it was found the Odyssey system does not have an aging report that showed the amounts past due for each case. Instead, the Odyssey system only had an aging report showing the amounts past due for each fee type. In addition, the current policies and procedures do not address creating and maintaining a monthly aging report.

As of the date of this report, the Court has developed an aging report that complies with the MAS.

*Recommendations:*

- 2.1 The Reno Justice Court should develop and maintain computerized aging reports showing the amounts of monetary penalties imposed by the court for each case on a monthly basis.*
- 2.2 Develop and implement policies and procedures regarding the maintaining a monthly aging report of the outstanding amounts of monetary penalties imposed by the court, by case.*