



# Audit Highlights

Highlights of Legislative Auditor report on the Judicial Branch of Government, issued on September 10, 2002. Report # LA02-25.

## Purpose of Audit

The purpose of this audit was to assess the accounting and financial management guidance provided by the Administrative Office of the Courts to the courts in the judicial branch, evaluate the collection practices used by the courts, and determine the collection rate for the courts. This audit covered the collection of fines and administrative assessments at district, justice, and municipal courts throughout Nevada. Nevada Highway Patrol citations issued between April 1, 2000 and March 31, 2001, and criminal cases filed in calendar year 2000, were reviewed.

## Audit Recommendations

This report contained six recommendations for improving internal controls, financial management and collection practices within the judicial branch. Specifically, the Supreme Court should adopt revised minimum accounting standards and extend the standards' coverage to include district courts. The Administrative Office of the Courts (AOC) should develop standard collection methodologies recommended for use in the judicial branch, develop a policy covering the imposition of administrative assessments on bench warrant financial charges, and provide regular training to staff at all courts in the judicial branch. The AOC should also develop procedures for reconciling state fines and administrative assessments collected by justice and municipal courts with amounts subsequently transferred to the State, and work with the State Controller to develop appropriate forms for use by the courts in remitting administrative assessment revenues.

The Supreme Court and AOC accepted all six audit recommendations.

## Status of Recommendations

The AOC submitted its 60-day plan for corrective action on December 9, 2002. The plan indicates the AOC and Supreme Court have taken some action toward implementing the six recommendations. The plan also outlines the resources, including additional staff, to be requested to fully implement some of the recommendations. The six-month follow-up report on implementation of the recommendations is due June 9, 2003.

# Administrative Oversight of the State Court System

## Judicial Branch of Government

### Results in Brief

The Administrative Office of the Courts has improved its guidance to the courts on accounting, financial management, and internal controls since our 1995 audit. However, internal control weaknesses persist throughout the court system. Strong internal controls help reduce the risk of embezzlement. Since the release of our 1995 audit, embezzlements have been detected at four courts totaling more than \$90,000. In addition, strong internal controls help detect errors and ensure information generated by the courts is reliable, improving accountability.

Collection rates for fines and administrative assessments at district, justice, and municipal courts improved from those reported in our 1995 audit. However, this improvement was not consistent across the courts reviewed, and some courts continue to have difficulty with collections. As a result, enforcement of penalties is not consistent across the State. In addition, low collection rates result in less revenue flowing into the court system and to state and local governments.

### Principal Findings

Although improvements have been made since our 1995 audit, internal control weaknesses persist throughout the court system. Twenty of 26 district, justice and municipal courts examined lacked an appropriate segregation of duties among staff. In addition, 11 of 24 justice and municipal courts did not have written policies and procedures to guide staff, and 8 of 24 justice and municipal courts did not reconcile deposits made to payments received or had ineffective reconciliation procedures.

Basic financial information was not readily available from a number of courts responding to our survey. For example, 80% of the district, justice, and municipal courts responding to our survey reported they do not produce accounts receivable reports. Forty percent of survey respondents either did not report amounts collected, estimated amounts collected, or did not report how fines and administrative assessments were distributed.

This audit found the overall collection rate at the justice and municipal courts to be 81%, up from the 63% reported in 1995. However, 6 of the 23 justice and municipal courts we reviewed had collection rates of less than 75%, with 3 of those courts experiencing collection rates of less than 55%.

Collection actions taken by the justice and municipal courts reviewed were untimely. The first collection action was taken on average 45 days after a court date or payment was due, but ranged up to 316 days. Collection actions are generally more successful when taken within 30 days.

Collection rates at the court system's two largest district courts improved from our 1995 audit, but they remain poor. The rate of collection of fines and administrative assessments for criminal cases tested at the two courts was about 23%. In 1995, the district courts collected only 13% of the fines and administrative assessments in our sample. Testing found no evidence of collection or enforcement actions taken against those offenders who failed to comply with the terms of their sentences. Instead, most district courts rely on the Department of Prisons and the Division of Parole and Probation to carry out and monitor an offender's compliance with court orders.

Bench warrants issued by courts to collect delinquent fines and administrative assessments have limited effectiveness and are more costly than other collection actions, like sending notices or using collection agencies. This is especially true for out-of-state offenders. Testing revealed 57% of the citations issued to out-of-state offenders when bench warrants were issued did not result in a payment. Bench warrants were more effective for in-state offenders, although 35% of those citations were not paid.