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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Honorable J. Tyrrell Taber
Town of Paradise Valley, Arizona Municipal Court
Paradise Valley, Arizona

We have performed the attached procedures, which were derived from procedures enumerated in the Guide for External Review by Auditors issued by the Arizona Supreme Court, which were agreed to by the Town of Paradise Valley, Arizona Municipal Court (Court) and the Arizona Supreme Court, to the accounting records of the Town of Paradise Valley, Arizona Municipal Court as of and for the year ended June 30, 2016. The Town of Paradise Valley, Arizona Municipal Court's management is responsible for compliance with the Minimum Accounting Standards issued by the Arizona Supreme Court. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed the attached procedures which were derived from the Guide for External Review by Auditors issued by the Arizona Supreme Court.

Our procedures disclosed the following findings:

Defensive Driving School Payments

The Arizona Supreme Court's Minimum Accounting Standards require that defensive driving school payments be receipted into the automated financial system by the end of the next business day and recorded in each defendant's case financial record. For one of ten defensive driving school payments tested, the payment was not receipted by the end of the next business day.

We recommend the Court modify its current policies and procedures over defensive driving school payments to ensure compliance with the Arizona Supreme Court's Minimum Accounting Standards.

Restitution Disbursements

The Arizona Supreme Court's Minimum Accounting Standards require that restitution payments be disbursed to the victim within ten days of receipt by the Court. For four of ten restitution payments tested, the restitution was not disbursed to the victim within the time period required by ACJA 5-204, as well as in accordance to the Court's own policies.

We recommend the Court modify its current policies and procedures over restitution disbursement to ensure compliance with the Arizona Supreme Court's Minimum Accounting Standards.

Court Disbursements

The Arizona Supreme Court's Minimum Accounting Standards require that payments be disbursed in accordance with the Court's written guidelines. For one of ten disbursements tested, a disbursement was recorded in the Court's Automated Financial System; however, the physical check was not distributed to the payee.

We recommend the Court modify its current policies and procedures over disbursements to ensure compliance with the Arizona Supreme Court's Minimum Accounting Standards, as well as determine disbursements recorded in the Court's automated financial software are disbursed. The Town's Finance Department processes all checks on behalf of the Court; however, the Court does not perform a reconciliation between its automated financial software and the Town.

Reconciliation of Financial Records

The Arizona Supreme Court's Minimum Accounting Standards require that reconciliations are performed at least monthly and reviewed by a second person between the Court's automated financial system, bank statements and Town's general ledger. Since the Town of Paradise Valley, Arizona, reconciles and maintains the bank statement for which the Court activity is recorded, a process needs to be developed to ensure all activity incurred at the Court reconciles to the bank statement and the Town's general ledger. This should include ensuring receipts and disbursements are being properly disbursed and reconciled to the Court's automated financial system.

We recommend the Court modify its current policies and procedures over the reconciliation of financial records to ensure compliance with the Arizona Supreme Court's Minimum Accounting Standards and the completeness of their general ledger.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Town of Paradise Valley, Arizona Municipal Court's compliance with Minimum Accounting Standards issued by the Arizona Supreme Court. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Paradise Valley, Arizona Municipal Court, the Maricopa County Superior Court and the Arizona Supreme Court and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Phoenix, Arizona
August 15, 2016

PROCEDURES

General Procedures

1. Locate the court's financial policies in the court's main lobby and note that the court posted the financial policies required by MAS in a conspicuous location in the court's main lobby accessible to the general public or next to each customer service station and includes the following:
 - a. A statement regarding the methods of payment that the court accepts, such as but not limited to, cash, certified checks, money orders, or credit cards;
 - b. A statement that a receipt will be provided for every payment made in person to the court;
 - c. A statement that the receipt provided by the court is proof of payment; and
 - d. A statement regarding the court's dishonored payment policy. (**Administrative Requirements 2**)
2. Observe one day and interview court staff and identify and report any deviations from the following:
 - a. Upon receipt, monies are stored in a secure location until they are deposited with the bank or local treasurer;
 - b. Court staff retain, count, and handle all monies in a secure location that is not accessible to the public and is only accessible to authorized personnel until monies are deposited with the bank or local treasurer;
 - c. Physical restrictions were in place between the public and the areas where court monies and financial records are stored and allow only authorized access to those areas;
 - d. Signs limiting admittance to areas where monies and financial records are stored were displayed, unless access is restricted by electronic access control. Each cashier was assigned a unique user identification that is to be used by the assigned user;
 - e. Each cashier individually secured the assigned cash drawer fund in a separate lockable drawer or locking bank bag at all times prior to reconciliation and verification;
 - f. Blank checks and credit card invoices are secured in a safe, locked cabinet or secured area;
 - g. Manual receipt books are secured in a safe, locked cabinet or secured area with access limited to authorized individuals;
 - h. The court prohibits the use of signature stamps when signing financial documents such as checks. (Courts may, however, use a check signing machine to imprint authorized signatures on checks);
 - i. Cash drawers, bank bags, safes and vaults locked at all times when not in use;
 - j. Store monies overnight in a locked, immovable and fireproof safe or vault with restricted access;
 - k. Locking bags or tamper-proof plastic bags are used to transfer court monies to the bank or local treasurer;
 - l. Court employees and authorized personnel who issue receipts on behalf of the court shall not keep court monies with their own personal funds, deposit court monies in a personal bank account or take court monies home with them upon departure;
 - m. Court staff shall not cash personal checks or purchase supplies using monies from the cash drawer fund;
 - n. Court staff shall not commingle personal monies with court monies including making personal change from the cash drawer fund or court monies or making change for court payments with personal monies;

- o. Court staff shall investigate any shortage or overage of monies within one business day. If there is still a discrepancy, court staff shall document the discrepancy and report it to court management.
- p. Court staff shall not correct an original entry to any financial documents and/or instruments such as, but not limited to, a check or receipt by erasing or masking (correction tape/fluid) the entry. When correcting errors, court staff shall strikethrough the original entry, initial the correction entry, and obtain a second person's verification to validate the correct. Documentation of the verification shall clearly contain the second person's initials. **(Safeguarding Monies and Financial Records 1)**
- q. Obtain a list from management, for the time period of July 1, 2015 through June 30, 2016, of terminated employees or court employees with a change of responsibility who previously had full access to the safe and observe documentation that:
 - 1. The safe was re-keyed or the combination for the safe was changed to prevent the terminated employee from accessing the safe, unless access to the court or area where the safe is located is restricted by electronic access control or;
 - 2. The safe was re-keyed or the combination for the safe was changed to prevent the employee from accessing the safe, unless the area where the safe is located is restricted by electronic access control;
- 3. Obtain written responses to all findings noted in the previously issued agreed-upon procedures report and the last operational review conducted by the AOC and Note that the court has provided written responses addressing prior findings. **(External Review by Auditors 1)**
- 4. Select one day and observe at the beginning of the day each court employee who is responsible for a cash drawer that the employee performed a verification of his or her beginning cash fund before usage. **(Reconciliation of Financial Records 1)**
- 5. Observe one day's court practice for accepting payments to noting that only court authorized personnel or electronic interfaces receipt payments on behalf of the court. **(Cash Handling 1.)**
- 6. Observe one day's count of cash drawers and opening of daily mail by the court staff and note that checks and money orders payable to the court are properly and clearly endorsed with a restrictive endorsement stamp that reads "For Deposit Only – Payable To (account's name)" upon receipt. **(Cash Handling 3)**
- 7. Observe one day's count of cash drawers and opening of daily mail, if checks and money orders are received payable to another court, note that the checks and money orders are not endorsed, and are sent to the proper court within two business days. **(Cash Handling 4)**
- 8. Observe one day, following completion of a shift, for each court employee, who is responsible for a cash drawer:
 - a. Obtain the employees' reconciliation and balancing of all monies received during their shift with the cash receipts journal and note that the clerk initialed/signed the daily cash receipts summary report used to document the reconciliation and that a second person verified the clerk's reconciliation and initialed/signed the report. **(Reconciliation of Financial Records 2)**
 - b. Recount each cash drawer and compare the total daily receipts to the cash receipts journal for each clerk responsible for a cash drawer. **(Reconciliation of Financial Records 3)**
 - c. Observe the preparation of the daily deposit and the reconciliation of the total daily receipts to the cash receipts journal and note that the daily cash receipts summary report or deposit ticket is initialed/signed by the person preparing the deposit and by the second person reviewing and verifying the deposit and that documentation supporting the deposit is retained. **(Reconciliation of Financial Records 4)**

Cash Receipts

1. Select a sample of 20 cash receipts (for bonds, fines, fees, surcharges, and restitution for all court levels; add child support, probate, and other trust monies for superior court) using the cash receipts journal as the source document.
 - a. Note that the cash receipt is recorded in an automated cash receipts journal and include:
 - 1) Date payment was received;
 - 2) Amount received;
 - 3) Receipt/transaction number; and
 - 4) Payment distribution by type (fine, criminal justice enhancement fund, medical services enhancement fund, bond, etc.). (**Administrative Requirements 1**)
 - b. Note that the individual receipts contain the following information (as applicable):
 - 1) Name of court;
 - 2) Case number;
 - 3) Defendant's name;
 - 4) Plaintiff's name;
 - 5) Date payment was received;
 - 6) Amount received;
 - 7) Name and address of the third party payer making the payment (if available) and if not included on the case financial record;
 - 8) Identification of person receiving the payment;
 - 9) Method of payment such as cash, check, payment card or electronic fund transfer;
 - 10) Unique sequential receipt/transaction number. (**Cash Handling 9**)
 - c. Note that the cash receipt was prepared no later than the next business day following the date monies were received. (**Cash Handling 7**)
 - d. Note that the receipt generated by the court reflects the date the monies were received. (**Cash Handling 8**)
 - e. Note that the court deposits cash, checks and money orders with the local treasurer or bank by the next business day the court and the treasurer are open when receipts exceed \$300.00 or at least weekly if receipts totaled less than \$300.00. (**Bank Accounts and Deposits 4**)
 - f. Note that the cash receipt is included in the daily cash receipt journal and the validated deposit ticket and credit card detail report, as applicable, and to the bank account statement. If monies are deposited with the local treasurer (city, county or state as applicable), agree total receipts for each day to the daily funds transmittal report and to the receipt issued by the local treasurer. (**Reconciliation of Financial Records 5**)
 - g. Note that the cash receipts are included in bank deposit. (**Bank Accounts and Deposits 5**)
 - h. Note that a second authorized individual, independent of preparing the daily deposit, initialed/signed the deposit, indicating their review and approval of the deposit. (**Segregation of Duties 1.a.**)
 - i. Obtain the daily reconciliations and note that the court retains the records of daily reconciliations performed and supporting documentation as required by the records retention schedule. (**Reconciliation of Financial Records 6**)

2. If the court received any overpayments, note that the receipt was recorded as an overpayment rather than being credited to a fine, surcharge, bond, or restitution (**Cash Handling 11**). Select a sample of 10 manual receipts.
 - a. Note that a manual receipt was only used when the court's automated financial system was inoperable and the manual receipt was entered into the automated management system by the end of the business day or as soon as the system was operable. (**Cash Handling 12**)
 - b. Note that the preparer initialed the receipt and a second authorized person, other than the person performing that duty, has initialed or signed the manual receipt, indicating their review of the manual receipt, noting it was issued in sequence, was recorded in the financial management system and was either issued or properly voided. (**Segregation of Duties 1.b.**) (**Cash Handling 13.c and 13.d**)
 - c. Note that the manual receipt is at least a two-part form, pre-printed with unique sequential numbers, includes the name of the court on each receipt and the receipt was issued in sequence within each book. (**Cash Handling 13.a**)
 - d. Note that the manual receipt was entered into the financial automated system and was cross-referenced; the automated receipt number was referenced on the manual receipt and the manual receipt number was referenced on the automated receipt or recorded in a docket entry in the case management system; (**Cash Handling 13.b**)
 - e. Obtain the court's written policy, procedure or guidelines and note that the policies address accounting for unissued manual receipts at least quarterly. (**Cash Handling 13.e**)
3. Select a sample of 10 automated and 10 manual voided receipts and note that the voided receipts do not appear to be altered in any way, and if an error is made or a correction was needed, the receipt is marked "VOID" and the reason for voiding the receipt is noted on the receipt, unless the reason is indicated on the case financial record.
 - a. Note that the voided manual receipts are retained in the manual receipt book.
 - b. If a new receipt was issued for the voided receipt, obtain the reissued receipt and note that the voided receipt number is referenced on the replacement receipt. (**Cash Handling 14**)
 - c. From the sample of 10 voided manual receipts, note that the preparer initialed the voided receipt and a second authorized person, other than the person performing that duty, has initialed the voided manual receipt, indicating their authorization of the voided receipt. (**Segregation of Duties 1.c**)
4. Select a sample of 10 payments received from defensive driving schools.
 - a. Note that payment received was only in the form of a business check, money order, wire transfer or electronic fund transfer. (**Cash Handling 2**)
 - b. Note that monies from the defensive driving schools were receipted by the end of the next business day and payment was recorded in each defendant's case financial record. (**Cash Handling 10**)
5. Note that whether the court has an automated or manual retrieval process for online transactions. Select a sample of either 10 manual or 10 automated online transactions and note that the court retrieved and receipted the transactions to the case financial management system no later than the end of the next business day. (**Cash Handling 15 and 16**)
 - a. Note that the online transaction contained the following additional elements in the case financial record:
 - 1) Online transaction date
 - 2) Online transaction number
 - 3) Name and address of cardholder (**Cash Handling 17**)

6. Obtain the court's procedures or documented processes to identify the defendant and case number when cash, checks, money orders are received without identifying information.
 - a. Select a sample of 5 unidentified monies.
 - 1) Note that the court receipts the unidentifiable funds into a suspense or hold account within the automated financial management system and deposits into the bank within one business day. **(Unidentified Monies 5)**
 - 2) Copies or an electronic image of the checks or money orders, receipts and supporting documentation are retained by the court; and **(Unidentified Monies 6.a)**
 - 3) Unidentified monies are reported and remitted as unclaimed funds pursuant to statute. **(Unidentified Monies 6.b)**

Cash Disbursements

1. Select a sample of 10 disbursements.
 - a. Note that disbursements were made only in the form of a check, credit to the payment card originally used to make the payment or an electronic fund transfer and that all checks and/or approved payment card adjustments or reversals were only signed by authorized signers. **(Disbursements 1)**
 - b. Note that checks issued by the court are pre-printed with sequential numbers, or electronically assigned and disbursed in sequential order. **(Disbursements 2)**
 - c. Note that the disbursements were recorded in the court's automated financial management system by the end of the next business day and disbursed within the time period prescribed in the court's written policies and procedures. **(Disbursements 6)**
 - d. Note that each automated disbursement record contains the following: case number, party names, date check issued, check amount and/or converted amount, name of payee, check number, payment distribution (fines, surcharges, restitution, bond, etc.), amount disbursed and electronic fund transaction number, if applicable. **(Disbursements 7)**
 - e. Note that the court's disbursement journal contains the following: date check issued, amount disbursed, name of payee, court check number, method of payment distribution, and electronic fund transaction number, if applicable. **(Disbursements 8)**
 - f. Obtain the cancelled canceled check, noting the check was signed by two individuals or, if the check only requires one signature, that the check was signed by an individual who was not involved in preparing the check. For courts with online checks (the bank prepares the paper check and mails it out), obtain documentation that supports the person who entered the check online is not the same person who verified and authorized the online check. **(Segregation of Duties 1.c.)**
2. Select a sample of 10 bond disbursements and Note that bond monies were disbursed according to the written court order and only to the individual who posted the bond or to the third party authorized to receive monies by the person posting the bond. **(Disbursements 3)**
3. Select a sample of 5 posted bonds that are more than 90 days and note that the court took action on the bonds by having a judge review the bond and order to hold the bond, refund the bond, or forfeit the bond. **(Bonds 1)**
4. Select a sample of 10 restitution payments and note that restitution payments were disbursed to victims within the time requirements of ACJA § 5-204. **(Disbursements 4)**

5. Select a sample of 5 voided checks.
 - a. Note that checks are marked "VOID" on the face of the check and the voided check is retained. For courts with online checks (the bank prepares the paper check and mails it out and places a stop payment on the check if not cashed by the expiration date or returned as undeliverable and the bank retains the check), note that the check is flagged "void/stop payment" in the court's automated financial system. **(Disbursements 9)**
 - b. If the court issued a replacement check, note that the new check was issued following normal disbursement procedures, and the court cross-referenced both the new check number and canceled check number on accounting records. **(Disbursements 11)**
6. For a sample of 5 lost or stolen checks, note that the court placed a stop payment on the check. **(Disbursements 10)**
7. Obtain a list, as of fieldwork date, of all court checks, manual or online, outstanding for more than six months (unless maintained by a city, county, or state financial agency) and note that the court documented the action taken or disposition of the outstanding checks. **(Outstanding Checks 1)**
8. Obtain a list, as of fieldwork date, of all stop payments on outstanding court checks and note that the checks were reported and remitted as unclaimed funds to the county or state pursuant to statute, unless the check indicates a date or number of days after which the check becomes void and the check has not been cashed by that date or number of days. Note that the court retains documentation of outstanding checks reported and remitted to the Department of Revenue or County Treasurer as unclaimed funds and has procedures to review the report for the prior year. **(Outstanding Checks 2)**
9. Obtain the courts written guidelines for refunding and disbursing overpayments and bonds. **(Disbursements 5)**
10. If the court has a petty cash fund, obtain the courts policies and procedures for its petty cash fund regarding usage and reimbursement and select a sample of 5 petty cash disbursements and note that the disbursement and subsequent replenishment of petty cash funds were done in accordance with policy. **(Disbursements 12)**
11. Select 1 month's remittance report.
 - a. Note that the report and monies are remitted to the local treasurer (city, county or state as applicable) and that the court received documentation acknowledging the submission of the report. **(Reporting 1)**
 - b. Note that the amount reported on the remittance report matches the disbursement check issued and the client prepared reconciliation of the receipts journal for the month. **(Reconciliation of Financial Records/Monthly Reconciliation 1)**

Bank Accounts

1. Obtain a complete list of all court bank accounts and note that the court maintains a current list of all checking, investment and other bank accounts which includes the name and address of the banking institution, the account number, the account name, and the names of those authorized to sign checks or make withdrawals. **(Bank Accounts and Deposits 2)**
2. Obtain a copy of the court's most recent bank statement (within the period of the agreed-upon procedures) for each bank account and note that the bank and investment accounts are established under the name of the court, unless these accounts are maintained by the city, county or in the case of appellate courts, the state treasurer and are established in the name of the city, county or state. **(Bank Accounts and Deposits 1)**
3. Note that current signature cards/agreements (within the period of the agreed-upon procedures) is on file at the court for all court bank and investment accounts, unless the accounts are maintained by the city, county, or, in the case of appellate courts, the state treasurer and are established in the name of the city, county, or state. **(Bank Accounts and Deposits 3)**
4. Obtain one month's bank reconciliation for all bank accounts maintained by the court.
 1. Note that deposits on the bank reconciliation match the receipts journal and checks on the bank reconciliation match with the disbursements journal **(Reconciliation of Financial Records/ Monthly Reconciliations 2)**
 2. Note that the court retained (as applicable):
 - 1) Copy of the bank reconciliation;
 - 2) Record of outstanding checks;
 - 3) Record of deposits in transit;
 - 4) Bank statements;
 - 5) Canceled checks;
 - 6) Canceled deposit slips;
 - 7) Bank issued debit and credit memos;
 - 8) Monthly financial reconciliations and supporting documentation; and
 - 9) Any documentation that requests the adjustment or void of a case financial record. **(Reconciliation of Financial Records/Monthly Reconciliations 6)**
5. Obtain one month's reconciliation of the court's record of open/outstanding bonds and note that the reconciled balance agrees with the automated financial management system report and to cash balance of applicable bank accounts. **(Reconciliation of Financial Records/Monthly Reconciliations 3)**
6. Obtain one month of the court's reconciliation of the petty cash fund (if used by the court) and note that the reconciliation is signed by the preparer and by an individual to review and approve the reconciliation who is independent of preparing the reconciliation. **(Reconciliation of Financial Records/Monthly Reconciliations 4)**
7. Note that the reconciliations obtained in the procedures above **(Bank Accounts 4-6)** were initialed/signed by the person performing the reconciliation, and were initialed/signed by a second person (independent of preparing the reconciliation) who reviewed the reconciliation and note that the supporting documentation was retained to support the reconciliation, the reconciliation was performed monthly, and the reconciliation was accurate. **(Reconciliation of Financial Records/Monthly Reconciliations 5)**