



**Internal Audit Report**  
**Pinal County**  
**Justice Courts Cash Review**  
**January 2021**

# **Pinal County Justice Courts Cash Review Internal Audit Report**

## **Executive Summary**

### **Background**

Pinal County Internal Audit performed a review of the Pinal Justice Courts Cash Handling processes to assess compliance with Minimum Accounting Standards (MAS) and evaluate the current state of, and compliance with, the respective policies, procedures, and internal controls.

The Minimum Accounting Standards (MAS), Arizona Code for Judicial Administration (ACJA) Section 1-401, establishes minimum accounting standards for all appellate, superior, justice, and municipal courts of Arizona. These standards have been developed to standardize accounting practices and procedures, and to assist judges, clerks and all court personnel in bringing the financial operations of their court into compliance with statute and Generally Accepted Accounting Principles (GAAP). These standards are intended to ensure the safety of public monies and define the role and responsibilities of court personnel in complying with the requirements of MAS as established by the Administrative Office of the Courts (AOC).

As a measure of accountability, courts are required to conduct an annual self-assessment by completing the MAS checklist to determine and document the court's compliance with all the Minimum Accounting Standards, including a triennial external review of each courts' accounting records, procedures, automated financial management system records and internal controls.

Overall, the review of the Pinal County's Justice Courts Cash Review process has affirmed that:

- Annual MAS Compliance Checklist is being administered, completed, and given to the AOC Court Services Division timely.
- External audits are performed by a licensed CPA firm.

### **Scope, Objective and Approach**

The scope of this review included:

- Understanding current cash management processes and internal controls related to MAS.
- Reviewing applicable policies and procedures; MAS Compliance Checklists; and triennial external auditor reviews.

The objectives of this review were to:

- Assess compliance with ACJA Section 1-401: Minimum Accounting Standards
- Identify improvement opportunities related to the efficiency and effectiveness of the MAS review procedures and monitoring controls.

A summary of procedures performed during this internal audit included:

- Determining if comments from the MAS Compliance Checklists could be a control concern.
- Verifying if each court underwent an external review, at least triennially, of its accounting records, procedures, automated financial management system records and internal controls.
- Confirming whether recommendations and management responses have been developed for MAS Compliance Checklist and external auditor observations.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

**Summary of Results – Improvement Opportunities**

The following **opportunities for improvement** were observed during the review. Control and process improvement opportunities identified by Internal Audit are discussed more thoroughly in the Improvement Opportunities and Action Plan section that follows.

No.	Opportunities for Improvement	Risk Ranking*
1.	Tracking and monitoring of triennial reviews for each Court should be enhanced.	Medium
2.	Personnel completing the MAS Compliance Checklist should be knowledgeable of the MAS requirements.	Medium
3.	Management Action Plans for MAS Compliance Checklist and external auditor review observations should be formalized.	Medium
4.	Cash reconciliations were not performed by one Justice Court for an extended period, which impedes the Court's ability to adequately monitor cash flow and wastes government funds.	Medium
5.	Efforts to enhance the County's Cash Handling policies and procedures should be undertaken.	Low

\*Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

**Improvement Opportunities and Action Plans**

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
1.	<p><b>Tracking and monitoring of triannual reviews for each Court should be enhanced.</b></p> <p>The Arizona Code of Judicial Administration Part 1: Chapter 4: Section 1-401 requires an external audit at least triennially.</p> <p>At the time of review, Internal Audit noted that triennial external audits had not been performed in a timely manner for six Justice Courts* (2015-2018).</p> <ul style="list-style-type: none"> <li>• Apache Junction</li> <li>• Casa Grande</li> <li>• Florence / Coolidge</li> <li>• Superior</li> <li>• Maricopa</li> <li>• Oracle</li> </ul> <p>Additionally, the previous triennial audits were not completed in a timely manner for four of the eight Justice Courts, one of which was over five years past due.</p> <p>During the 2020 reporting process, Internal Audit confirmed with Katrina Solis, Court Administration, that in September 2019 an exception to delay the triennial audits was approved and that audits were completed for all justice courts in fiscal year 2020, which has brought the courts into compliance with MAS requirements.</p> <p>*As of March 21, 2018, Pinal County Board of Supervisors approved a redistricting of the Justice Precincts that resulted in 6 newly formed Justice Courts (Pioneer, Casa Grande, Central Pinal, Western Pinal, Copper Corridor, and Apache Junction), which was effective January 1, 2019.</p>	Medium	Internal Audit recommends the Justice Courts establish a centralized and standardized process around scheduling and performing triennial reviews to track compliance with ACJA 1-401.	<p><b>Responsible Party:</b> Pinal County Court Administration: Limited Jurisdiction (LJ) Programs Manager</p> <p><b>Expected Completion Date:</b> Audits have been completed. Courts did receive an exception from AOC to not have audits conducted in 2019 due to the redistricting. All courts had their audits done in 2020.</p> <p><b>Management Action Plan:</b> LJ Programs Manager has tracking sheets for all LJ Court regarding MAS and Triannual audits.</p>

\* Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan																				
2.	<p><b>Personnel completing the MAS Compliance Checklist should be knowledgeable of the MAS requirements.</b></p> <p>Internal Audit noted that preparers frequently indicated compliance with the MAS Compliance Checklists when the external reviewers indicated non-compliance.</p> <p>Additionally, Internal Audit noted that some responses to MAS Compliance Checklist questions included the preparer was unaware if the control was being performed.</p>	Medium	<p>Internal Audit recommends the Justice Courts develop formal policies and procedures, qualifications, and recurring training to ensure those completing the MAS Compliance Checklist are aware of MAS requirements, including triennial external audit reviews.</p> <p>Additionally, it is recommended that a secondary review be performed to verify MAS Compliance Checklist attributes are complete and accurate.</p>	<p><b>Responsible Party:</b> Justice court Judicial Office Supervisor (JOS)</p> <p><b>Expected Completion Date:</b> July 1, 2021</p> <p><b>Management Action Plan:</b> Court Administration plans to conduct a minimum of one “MAS Audit” per year for each limited jurisdiction court. The county training coordinator will offer a minimum of 2 MAS trainings each year.</p>																				
3.	<p><b>Management Action Plans for MAS Compliance Checklist and external auditor review observations should be formalized.</b></p> <p>Internal Audit noted for most MAS Compliance Checklist and external auditor review observations, Management Action Plans to rectify deficiencies were not documented. Note: Two of eight external auditor reviews (Oracle and Eloy) did contain Management Action Plans.</p> <table border="1" data-bbox="327 1060 898 1344"> <thead> <tr> <th>Justice Court</th> <th># of Observations</th> </tr> </thead> <tbody> <tr> <td>Apache Junction Justice Court</td> <td>7</td> </tr> <tr> <td>Superior Justice Court</td> <td>6</td> </tr> <tr> <td>Maricopa Justice Court</td> <td>6</td> </tr> <tr> <td>Oracle Justice Court</td> <td>5</td> </tr> <tr> <td>Florence/Coolidge Justice Court</td> <td>4</td> </tr> <tr> <td>Casa Grande Justice Court</td> <td>4</td> </tr> <tr> <td>Mammoth Justice Court</td> <td>2</td> </tr> <tr> <td>Eloy Justice Court</td> <td>6</td> </tr> <tr> <td><b>Total</b></td> <td><b>40</b></td> </tr> </tbody> </table>	Justice Court	# of Observations	Apache Junction Justice Court	7	Superior Justice Court	6	Maricopa Justice Court	6	Oracle Justice Court	5	Florence/Coolidge Justice Court	4	Casa Grande Justice Court	4	Mammoth Justice Court	2	Eloy Justice Court	6	<b>Total</b>	<b>40</b>	Medium	<p>Internal Audit recommends the Justice Courts develop a formal process to monitor MAS Compliance Checklist and external auditor observations and Management Action Plans.</p> <p>Additionally, MAS Compliance Checklist and external auditor observations should be monitored to identify recurring issues and training needs.</p>	<p><b>Responsible Party:</b> LJ Program Administrator</p> <p><b>Expected Completion Date:</b> July 1, 2021</p> <p><b>Management Action Plan:</b> Court Administration plans to conduct a minimum of one “MAS Audit” per year for each limited jurisdiction court. Additionally, external audit observations will be monitored to assist in identifying any consistent issues that require correction.</p>
Justice Court	# of Observations																							
Apache Junction Justice Court	7																							
Superior Justice Court	6																							
Maricopa Justice Court	6																							
Oracle Justice Court	5																							
Florence/Coolidge Justice Court	4																							
Casa Grande Justice Court	4																							
Mammoth Justice Court	2																							
Eloy Justice Court	6																							
<b>Total</b>	<b>40</b>																							

\* Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan																																																																																																			
	<p>The following chart summarizes the MAS observations from the most recent triennial External Audit reviews. The Justice Courts had a combined 40 observations; with the majority occurring in three areas: Cash Handling, Disbursements, and Reconciliation of Financial Records.</p> <table border="1"> <caption>MAS Observations by Justice Court</caption> <thead> <tr> <th>Justice Court</th> <th>Bank Accounts and Deposits</th> <th>Bonds</th> <th>Cash Handling</th> <th>Disbursements</th> <th>External Review by Auditors</th> <th>Outstanding Checks</th> <th>Reconciliation of Financial...</th> <th>Safeguarding Monies</th> <th>Safeguarding Monies and...</th> <th>Segregation of Duties</th> </tr> </thead> <tbody> <tr> <td>Apache Junction Justice Court</td> <td>1</td> <td>0</td> <td>3</td> <td>2</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Casa Grande Justice Court</td> <td>0</td> <td>0</td> <td>2</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Eloy Justice Courts</td> <td>0</td> <td>1</td> <td>1</td> <td>1</td> <td>0</td> <td>1</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Florence Justice Court</td> <td>0</td> <td>0</td> <td>2</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Mammoth Justice Court</td> <td>0</td> <td>0</td> <td>1</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Maricopa-Stanfield Justice Court</td> <td>0</td> <td>2</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Oracle Justice Court</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Superior Justice Court</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> <td>2</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Justice Court	Bank Accounts and Deposits	Bonds	Cash Handling	Disbursements	External Review by Auditors	Outstanding Checks	Reconciliation of Financial...	Safeguarding Monies	Safeguarding Monies and...	Segregation of Duties	Apache Junction Justice Court	1	0	3	2	0	1	0	0	0	0	Casa Grande Justice Court	0	0	2	0	1	0	1	0	0	0	Eloy Justice Courts	0	1	1	1	0	1	1	0	1	0	Florence Justice Court	0	0	2	0	0	0	1	0	1	0	Mammoth Justice Court	0	0	1	1	0	0	0	0	0	0	Maricopa-Stanfield Justice Court	0	2	1	0	1	0	0	0	0	0	Oracle Justice Court	0	0	0	1	0	1	0	1	0	1	Superior Justice Court	0	0	4	0	2	0	0	0	0	0			
Justice Court	Bank Accounts and Deposits	Bonds	Cash Handling	Disbursements	External Review by Auditors	Outstanding Checks	Reconciliation of Financial...	Safeguarding Monies	Safeguarding Monies and...	Segregation of Duties																																																																																													
Apache Junction Justice Court	1	0	3	2	0	1	0	0	0	0																																																																																													
Casa Grande Justice Court	0	0	2	0	1	0	1	0	0	0																																																																																													
Eloy Justice Courts	0	1	1	1	0	1	1	0	1	0																																																																																													
Florence Justice Court	0	0	2	0	0	0	1	0	1	0																																																																																													
Mammoth Justice Court	0	0	1	1	0	0	0	0	0	0																																																																																													
Maricopa-Stanfield Justice Court	0	2	1	0	1	0	0	0	0	0																																																																																													
Oracle Justice Court	0	0	0	1	0	1	0	1	0	1																																																																																													
Superior Justice Court	0	0	4	0	2	0	0	0	0	0																																																																																													

\* Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
4.	<p><b>Cash reconciliations were not performed by one Justice Court for an extended period, which impedes the Court’s ability to adequately monitor cash flow and wastes government funds.</b></p> <p>Per inquiry with Pinal County Court Administration, IA noted that one Justice Court had not completed monthly cash reconciliations for an extended period. As a result, the Justice Court did not have appropriate controls in place to adequately manage the cash receipts process.</p> <p>Additionally, IA noted that due to the lack of reconciliations being performed, the Justice Court had a significant number of bank overdrafts, which resulted in cumulative non-sufficient funds (NSF) fees of over \$20,000.</p> <p>Subsequent to the identification of the issue, Pinal County Justice Courts were redistricted and a periodic reconciliation process has been implemented.</p>	Medium	<p>Internal Audit recommends the Justice Court’s re-emphasize the importance of adhering to the County’s Cash Receipts policies and procedures for personnel involved in Justice Court roles where cash receipts are managed.</p> <p>The Justice Court’s should utilize the County’s Finance department to help centralize and standardize the monthly cash reconciliation process.</p>	<p><b>Responsible Party:</b> Katrina Solis, Court Administrator and Lori Pruitt, County Finance Director</p> <p><b>Expected Completion Date:</b> July 1, 2021</p> <p><b>Management Action Plan:</b> Draft a Service Level Agreement (SLA) between Pinal County Superior Court and Pinal County Finance to identify roles, responsibilities, and commitments of both parties on an ongoing basis. At a minimum, the SLA will include commitment by Finance to support Courts by ensuring a standardized monthly cash reconciliation process and will include a commitment by Court Administration to cooperate and adhere to policy requirements.</p>

\* Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

No.	Improvement Opportunities	Risk Ranking*	Recommendations	Management Action Plan
5.	<p><b>Efforts to enhance the County’s Cash Handling policies and procedures should be undertaken.</b></p> <p>Internal Audit obtained the County’s Cash Receipts policy and reviewed it in its entirety. Based on the review performed, the following findings were noted:</p> <ul style="list-style-type: none"> <li>• The Cash Receipts policy has not been updated since 2005.</li> <li>• The Cash Receipts policy does not formally define roles and responsibilities.</li> <li>• The Cash Receipts policy does not address voided receipts, depositing of checks or returned checks.</li> <li>• Defined precision thresholds and Management review procedures are not consistently utilized through the policy.</li> </ul> <p>Per discussion with Katrina Solis, Court Administration, the Justice Courts are not legally beholden to the County’s Cash Handling Policies, as they constitute a separate judicial branch of government, which may result in situations of non-compliance with the policy. However, Court Administration does see the value in maintaining a consistent and standardized cash handling process across the County. As a result, IA noted that increased effort and communication with the Finance Department would serve the Justice Courts in developing a uniform and sustainable cash handling process.</p>	Low	<p>Internal Audit recommends that the Justice Courts collaborate with the Finance Department to update the County’s Cash Receipts policy to ensure alignment with MAS requirements and inclusion of:</p> <ul style="list-style-type: none"> <li>• Defined responsibilities for cash receipt handling roles</li> <li>• Voided receipts</li> <li>• Handling of checks or bearer instruments</li> <li>• Formal communication of cash overages and shortages</li> <li>• Consistent application of precision thresholds and review procedures</li> </ul>	<p><b>Responsible Party:</b> Katrina Solis, Court Administrator and Lori Pruitt, County Finance Director</p> <p><b>Expected Completion Date:</b> July 1, 2021</p> <p><b>Management Action Plan:</b> Part of the SLA described in the MAP for No. 4 will include a review and revision of the County Cash Handling procedure and review with Court Administration to ensure consistency between the County and the Court policies. Where there is any variance, definitive language will be added to the County policy as it applies to the Courts.</p>

\* Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

**Appendix A: Pinal County Risk Ranking Definitions**

<b>High</b>	<b>Medium</b>	<b>Low</b>
Material impact on financial statements of the organization	Less than a material impact on financial statements	No impact on financial statements
Significant impact on the operating effectiveness	Moderate impact on operating effectiveness	Minor impact on operating effectiveness
Significant impact on the safeguarding of critical assets throughout the organization	Moderate impact on the safeguarding of critical assets	No significant risk to the organization
Significant impact on the accomplishment of the operational objectives for the organization	Moderate impact on the accomplishment of the operational objectives	Management relied upon for minor modifications to manage the issue
Significant impact on management's decision making for the organization	Moderate impact on management's decision making	Materiality is low
Significant risk for non-compliance with regulations, laws and policies	Potential for non-compliance with regulations, laws and policies	Minimal risk for non-compliance with regulations, laws and policies
Significant risk for litigation for the organization	Potential risk for litigation	Low risk for litigation
Numerous occurrences of the noted issue	Random occurrences of the noted issue	Minimal occurrences of the noted issue
No controls or mitigation plans exist	Controls/ mitigation plans need to be updated and improved	Controls/ mitigation plans are in place and consistently applied
Significant impact/loss of staff, critical widespread impact on morale	Some impact on a few staff or negative impact on morale	Minimal impact on staff

**Pinal County Justice Courts Cash Review  
Internal Audit Report**

**Appendix B: Statement of Limitations**

This report (e.g., report of findings/recommendations, table, chart, summary) provides Pinal County management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel will significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.