

IN THE SUPREME COURT OF THE STATE OF ARIZONA

FILED

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NOEL K. DESSANT
CLERK, SUPREME COURT

In the Matter of:)	Administrative Order
)	No. 97- 62
REVISING MINIMUM ACCOUNTING)	(Revising Administrative
STANDARDS FOR ARIZONA COURTS)	Order No. 94-68)
)	

By Administrative Order 93-52, dated September 14, 1993, the Court adopted Minimum Accounting Standards for Arizona courts, and by Administrative Order 94-68 on November 30, 1994, the Minimum Accounting Standards (MAS) were revised. Since the original adoption of the standards in 1993, the courts have been required to complete annual MAS Compliance Checklists and to undergo a financial review by external auditors every three years. In order to meet the standards set by the American Institute of Certified Public Accountants, additional revisions to MAS are necessary.

Now, therefore, pursuant to Article VI, Section 3, of the Arizona Constitution,

IT IS ORDERED that the attached Minimum Accounting Standards for Arizona Courts, revised November 1997, are incorporated by reference into this order and adopted effective this date. The clerk of each appellate court, the presiding judge of the superior court in each county, the presiding judge of each limited jurisdiction court, the clerk of the superior court in each county, and the department head of each court department that handles cash shall implement these standards.

IT IS FURTHER ORDERED that this Administrative Order and the attached Minimum Accounting Standards for Arizona Courts, revised November 1997, replace Administrative Order No. 94-68 and the standards adopted by that order.

Dated this 21st day of November, 1997.

THOMAS A. ZLAKET
Chief Justice

**MINIMUM ACCOUNTING STANDARDS,
COMPLIANCE CHECKLIST
AND
GUIDE FOR EXTERNAL REVIEWS
BY AUDITORS**



**For
Arizona Courts**

November 1997

PART I

MINIMUM ACCOUNTING STANDARDS

INTRODUCTION

MINIMUM ACCOUNTING STANDARDS, COMPLIANCE CHECKLIST AND GUIDE FOR EXTERNAL REVIEWS BY AUDITORS

The Minimum Accounting Standards (MAS) and Compliance Checklist for Arizona Courts have been developed to standardize accounting practices and procedures, and to assist judges, clerks and all court personnel in bringing the financial operation of their courts into compliance with statute and Generally Accepted Accounting Principles (GAAP). These standards are intended to better enable the courts to track the flow of money from the time the financial obligation is incurred to the time the payments are disbursed. These standards establish minimum accounting procedures, records and reports and apply to all courts in Arizona whether manual or automated accounting systems are used.

The Minimum Accounting Standards are designated Part I. The standards are typed in bold lettering. The wording following the standards is commentary which is intended to provide implementation guidance. The Compliance Checklist, designated as Part II, is designed as a self-assessment tool to determine and document court compliance with the Minimum Accounting Standards. The Guide for External Reviews by Auditors, designated as Part III, is designed as a tool for independent auditors to determine and document court compliance with MAS.

Part I: MINIMUM ACCOUNTING STANDARDS

1.00 COMPLIANCE RESPONSIBILITY

- 1.01** The Minimum Accounting Standards apply to all court personnel. The presiding judge of the superior court in each county, the presiding judge of each limited jurisdiction court, the clerk of the superior court in each county and all departments within the courts are responsible for ensuring that the courts are in compliance with these standards. Annually, the presiding judge of each limited jurisdiction court, the clerk of the superior court in each county and each court department that handles cash (i.e. administrative offices, probation, pretrial services, etc.) shall complete or have completed the Compliance Checklist. The presiding judge of each limited jurisdiction court, the clerk of the superior court in each county and each department head shall sign the completed checklist, retain a copy, and forward the original to the presiding judge of the superior court of the county. The completed and signed checklist is to be received by the presiding judge of the superior court in the county by no later than January 31. Copies of the Compliance Checklists are to be received by the AOC no later than March 1 from the presiding judge of the superior court in each county. The presiding judge of the superior court in each county shall review each checklist received to determine if noncompliance exists and, if so, shall ensure the court or department takes the steps necessary to see that corrective action is taken.

Requests for exceptions to compliance with a standard must be submitted in writing and approved by the presiding judge of the county on a yearly basis. The exception must clearly document the circumstances as to why the standard cannot be met. Exceptions must be approved by the supreme court's administrative director.

COMMENTARY:

Court staff and judges are encouraged to discuss the need for an exception with AOC staff first to determine if there are methods to comply with the standard.

When presiding superior court judges send copies of the Compliance Checklist to the AOC, they should be sent to the attention of the Court Services Division Director, Arizona Supreme Court, 1501 West Washington, Suite 410, Phoenix, Arizona, 85007-3327.

- 1.02 Annually, the clerks of the court of appeals and the supreme court shall complete, or have completed, the Compliance Checklist, sign it and forward the original to the chief judge of the court of appeals or chief justice of the supreme court respectively. The completed and signed checklist is to be received by the chief judges of the court of appeals and the chief justice of the supreme court by no later than January 31. Copies of the Compliance Checklists are to be received by the AOC no later than March 1 from the chief judges of the court of appeals and the chief justice of the supreme court. The chief judge or chief justice, as appropriate, shall review the checklist to determine if noncompliance exists and, if so, take steps necessary to correct the noncompliance.
- 1.03 Compliance Checklists shall be retained for no less than three years.
- 1.04 When other courts or agencies accept or make payments on behalf of the court, the court shall advise each entity receiving or making payments of applicable policies and procedures.

COMMENTARY:

The court is not out of compliance if another entity has control over policies and procedures as long as the court has attempted to help bring the entity into compliance.

If the court is aware that another entity accepts or makes payments on behalf of the court and is not in compliance with the standards, the court should document action taken to inform the entity of the Minimum Accounting Standards, and the steps the court has taken to help bring the entity into compliance.

Some operations of defensive driving schools are relevant to the Minimum Accounting Standards, however, defensive driving schools must comply with defensive driving program requirements in this area and not Minimum Accounting Standards.

2.00 ACCOUNTING SYSTEM

- 2.01 Establish and use an organized and efficient accounting system that ensures accurate reporting of all transactions and provides sufficient documentation for audit purposes and includes the following:

- ▶ An efficient accumulation, recording, and reporting of all transactions.
- ▶ Assignment of authority and responsibility.
- ▶ Segregation of duties.
- ▶ Methods of detecting errors and fraud.

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2.02 Include the following components in the court accounting system:

- a) **Preprinted, consecutively numbered receipts or receipts consecutively numbered by automated system. All receipts shall display the name of the court.**
- b) **Prenumbered checks or checks consecutively numbered by an automated system.**
- c) **Case financial record of all payments received and disbursed on a particular case. A case financial record shall include the following information (If amount received or disbursed is non-case related, see standard 2.02.e.):**
 - **Case number;**
 - **Defendant's name (if applicable);**
 - **Plaintiff's name (if applicable);**
 - **Date payment was received or date court check issued;**
 - **Amounts received or disbursed;**
 - **Name and address of person making the payment or to whom the disbursement was made. (Name and address of person making the payment is only required when the person is (1) posting a bond, or (2) making payment by check or money order and the name and address is not on that check or money order.);**
 - **Receipt/transaction number or check number;**
 - **Method of payment;**
 - **Identification of person accepting payment;**
 - **The total costs assessed by assessment type and/or distribution type;**
 - **Total amount paid and/or converted from bond by distribution type (fine, Criminal Justice Enhancement Fund, Medical Services Enhancement Fund, bond, etc.);**
 - **Balance owed by distribution type;**
 - **Balance held on deposit, including bonds (indicate cash or surety);**
 - **The name of the party against whom fines and fees are assessed;**
 - **The date notice of amount due and other collection notices were sent until amount is paid in full.**

COMMENTARY:

If this information is recorded on a case file, case docket, ticket, complaint, or receipt, a separate case financial record is not required.

If monies are received or disbursed and are not case related, follow procedures in 2.02.e.

- d) **Cash receipts journal and cash disbursements journal which show all payments received and disbursed by day.**

The cash receipts journal and cash disbursements journal shall include the following:

- **Date payment was received or date court check issued;**
- **Amount received or disbursed;**
- **Name of payee if check issued;**
- **Receipt/transaction number or court check number for disbursements;**
- **Payment distribution (fine, Criminal Justice Enhancement Fund, Medical Services Enhancement Fund, bond, etc.).**

COMMENTARY:

The cash receipts journal and cash disbursements journal must provide an audit trail to all individual cash receipt and cash disbursement transactions made in a day.

See 5.07 for information required on cash receipts journal. The cash receipts journal requirements may be met by keeping individual journal entries for each cash receipt, or by using a combination of duplicate receipts (attached to copy of corresponding deposit slip) containing all items listed above and detailed information as listed in 5.05 and a summary journal entry which contains the range of receipt numbers and payment distribution totals for the day. The total of the cash receipts journal for the day must match the bank deposit for the day. Individual cash receipt transactions must be identifiable for each bank deposit.

See 7.06 for information required for cash disbursements journal. The cash disbursements journal requirements may be met by keeping individual journal entries for each disbursement or by using a combination of check register stubs or duplicate copies of check requests containing all items listed above and a summary journal entry which contains the range of check/check request numbers and the payment distribution.

- e) **Record of non-case related receipts. Each record should include applicable information listed in 2.02.c. If this information is recorded on a receipt, a separate non-case related financial transaction record is not required.**
- f) **Open items record (unidentifiable items or bonds).**

COMMENTARY:

An example is a check with no case number or party name.

- g) Monthly bank reconciliation records.
- h) Monthly remittance reports identifying monies collected and transmitted to the treasurer for the month per statutory mandate.

3.00 GENERAL POLICIES AND PROCEDURES

3.01 Post the following financial policies at a conspicuous location in the court office:

- a) The methods of payment that will be accepted.
- b) A receipt will be issued for every payment made in person.
- c) The court's non-sufficient funds (NSF) check policy.
- d) A statement that the receipt is proof of payment.

COMMENTARY:

Suggested language is: "When you make a payment, keep your receipt as proof of payment."

3.02 Allow only bonded or insured employees to receive, deposit, disburse, or handle money.

COMMENTARY:

Pursuant to A.R.S. § 41-621 and §38-251 all state and superior court employees (including adult and juvenile probation) are covered under the state risk management policy for faithful performance and do not need to acquire a separate bond. Pursuant to A.R.S. § 38-252 all county employees are to be covered under their respective county's risk management program.

City court employees should be bonded/insured under local coverage.

3.03 Do not commingle personal monies with court monies. Employees shall not cash personal checks or make personal change from the change fund or cash receipts. Do not make change for court payments with personal monies.

3.04 Maintain a uniform fine/bond schedule and fee schedule, and distribute them to any authorized agency which regularly accepts bonds on behalf of the court.

COMMENTARY:

Fine/bond information can be found in A.R.S. § 22-112 and A.R.S. § 22-124 and fee information can be found in A.R.S. § 22-281, A.R.S. § 22-404,

A.R.S. § 12-284, A.R.S. § 12-119.01 and Administrative Order 96-32 (Revised). These statute references are subject to change.

- 3.05 Segregate the responsibility for receipting and disbursing payments from the responsibility for posting to the case financial records and reconciling the accounting records, to the extent possible, as suggested in Attachments A- D.**

COMMENTARY:

If there are two or more employees in the office, assign the responsibility for receipting and disbursing payments to one or more employees. Assign the responsibility for posting to the case financial record and performing the monthly reconciliation to a different employee. If posting to the case financial record is simultaneous to preparing receipts and checks, as in an automated system, assign the responsibility for performing the monthly reconciliations to an employee who is not responsible for receipting and disbursing payments.

- 3.06 Safeguard accounting records, such as receipts, checks, and monies received by the court.**

COMMENTARY:

- ▶ Store cash receipts in a secured place from the moment they are received until they are deposited in the bank.
- ▶ Have physical restrictions between cash receipts and the public.
- ▶ Post signs controlling admittance to areas where cash receipts are stored. Change locks and combinations upon termination of an employee responsible for handling payments.
- ▶ Limit the number of employees who have access to cash receipts.
- ▶ Keep blank checks and credit card invoices in locked drawers.
- ▶ Do not count deposits in public view.
- ▶ Limit the amount of cash in the cash drawers. Have a system in place for the cashier to remove excess cash.
- ▶ Keep cash drawers, registers, and safes locked when not in use.
- ▶ Use a fireproof safe in which to store money overnight. Count money before storing, and document the source and the amount.
- ▶ Use night deposit locking bags or tamper-proof plastic bags (provided by the bank) to transfer cash receipts. These can be obtained from a bank. If possible, arrange to have a law enforcement officer accompany the individual depositing the money to the treasurer or bank or arrange for armored car pickup.

- 4.00 CHANGE FUND (see Key Terminology for definition)**

- 4.01 Establish a fund for making change.**

COMMENTARY:

A change fund may be established as follows:

- ▶ Designate employees with primary and back-up responsibility for the change fund.
- ▶ Determine the amount of money needed for the change fund, limiting the amount per cash drawer to the amount necessary for daily operations.
- ▶ Obtain the amount of money needed for the change fund from the county or city treasurer.
- ▶ As needed, have the large currency in the change fund converted into coins and smaller currency.

4.02 Do not make loans from the change fund.

4.03 Do not use the change fund to cash personal checks or purchase supplies.

COMMENTARY:

The court may establish and use a petty cash fund if authorized by local funding authority. Petty cash funds may be used to make small court-related purchases (i.e., office supplies). The petty cash fund may not be used to make loans or cash personal checks. Local policies and procedures should be followed regarding replenishing of petty cash funds.

4.04 Reconcile the change fund daily. This reconciliation should be done each day regardless of the amount of cash receipts. The beginning balance of the change fund should remain constant.

COMMENTARY:

Deduct the amount of money maintained in the change fund from the total cash on hand. The amount remaining is the amount of money collected. Reconcile this amount to the daily cash receipts report.

In the event there is a cash shortage or overage, this should be immediately investigated and resolved. If there is still a discrepancy, this should be reported to court management and documented. See standard 9.02 for details on dealing with a documented shortage or overage.

5.00 CASH RECEIPTS

The purpose of this section is to maintain internal control over receiving payments and writing receipts.

5.01 Establish a policy specifying the methods of payments that will be accepted.

COMMENTARY:

A policy of accepting cash, money orders, credit cards, travelers checks, certified checks, or personal checks if guaranteed by the bank is recommended. The presiding superior court judge should attempt to establish a uniform policy for all courts in the county.

5.02 Restrictively endorse all checks immediately, i.e., "For Deposit Only to (court's account name)."

COMMENTARY

If the check is readily identifiable as not belonging to the court, do not endorse; return the check to the sender.

Unidentifiable funds should be endorsed and placed in a "suspense" account until research can be done to determine where the funds belong (which may include contacting the payer). When determined, transfer the monies accordingly.

If the signature on a check is illegible and there is no return address on envelope nor check nor a case number:

- Duplicate the check
- Place the copy in a file labeled "unidentified monies"
- Deposit the check in the suspense account.
- Develop policies and procedures with the local treasurer and finance department for deposit which would then follow the local government's escheatment policy

The "unidentified monies" file is a paper trail for potential disputes over payments.

After monies have remained in a suspense account for at least twelve months without being resolved, the courts should follow the escheatment (unclaimed funds) policy of the local political subdivision. The justice of the peace courts' escheatment procedure is established in A.R.S. §22-116.

5.03 Allow only court personnel and city or county cashier to receipt court payments received in the court. Do not allow independent contractors, such as defensive driving schools, to have access to court monies or receipt court payments received in the court.

COMMENTARY:

Independent contractors may receive and receipt monies that are payable to them. For example, defensive driving schools may receive and receipt defensive driving fees.

- 5.04 Secure all cash and checks received in a location that is out of the public view and is only accessible to authorized personnel.**

COMMENTARY:

Keep the payments received in a cash drawer or tray that is locked when not in use and in a place that is out of reach and out of sight of the public. It is recommended that a separate cash drawer or tray be maintained by each cashier. If using an automated cash register or automated system, each cashier should use a separate coding key or user identification code.

- 5.05 Issue a receipt for each payment made in person. For all other payments, either issue a receipt for each payment or prepare a sequentially numbered transaction record for each payment. A receipt or transaction record shall include:**

- a) Case number, if applicable;
- b) Defendant's name, if applicable;
- c) Plaintiff's name, if applicable;
- d) Date payment was received;
- e) Amount received;
- f) Name and address of the person making the payment (only required if not included on financial record and person is (1) posting a bond, or (2) making a payment by check or money order and the name and address are not on that check or money order.);
- g) Identification of person receiving the payment;
- h) Method of payment (cash, check, credit card, etc.);
- i) Sequential receipt/transaction number;
- j) Name of court.

COMMENTARY:

Courts may want to simplify preparation of the cash receipts journal in a manual accounting system by including the allocation or distribution of the amount collected to the receivable type (such as, fine, surcharge, assessments, etc.) on the receipt and retaining a copy of the receipt.

- 5.06 Record all payments received immediately on the case financial record unless an automated system immediately journals payments and posts them daily to the case financial record.**

Record the following information on the case financial record:

- a) Case number;
- b) Defendant's name (if applicable);
- c) Plaintiff's name (if applicable);
- d) Date payment was received;
- e) Amount received;
- f) Method of payment;
- g) Name and address of the person making the payment (Name and address is only required when a person is (1) posting a bond, or (2) making a payment by check or money order and the name and address is not on that check or money order.);
- h) Receipt/transaction number;
- i) Total amount paid and/or converted from bond, by distribution type (fine, surcharges, bond, etc.);
- j) Balance owed by distribution type (fine, surcharges, bond, etc.);
- k) Identification of person accepting payment.

COMMENTARY:

If this information is recorded on a case file, case docket, ticket, complaint, or receipt, a separate case financial record is not required.

5.07 Record all payments received on the cash receipts journal and include:

- a) Date payment was received;
- b) Amount received;
- c) Receipt/transaction number;
- d) Payment distribution by type (fine, Criminal Justice Enhancement Fund, Medical Services Enhancement Fund, bond, etc.).

COMMENTARY:

The cash receipts journal requirements may be met by keeping individual journal entries for each cash receipt or by using a combination of duplicate receipts (attached to copy of corresponding deposit slip) containing all items listed above and detailed information as listed in 5.06 and a summary journal entry which contains the range of receipt numbers and the amounts for the day. The total of the cash receipts journal for the day must match the bank deposit for the day. Individual cash receipts transactions must be identifiable for each bank deposit.

NOTE: The latest edition of the surcharge question and answer guide references the percent distribution for the fine, CJEF and MSEF allocations depending on violation date.

5.08 Courts with an automated accounting system must ensure that:

- a) Only authorized personnel such as the system administrator can set or reset the receipt number assigned by the computer;
- b) The system permits the voiding of a receipt or a check and will not allow the original computer entry of the payment to be changed or deleted;
- c) The system establishes a documented audit trail of all changes to the financial system and all changes to financial records. These changes may be made and accessed only by authorized personnel.

COMMENTARY:

The system should have a multi-level access structure to permit changes by authorized personnel only. The system should have the capability to trace changes that were made, by whom and when, for the audit trail. When changes are made to the system, documentation must be kept. The number of authorized personnel who can perform "a" and "c" above should be limited.

5.09 Retain all voided receipts. Do not destroy them.

COMMENTARY:

Void receipts by writing "VOID" across the receipt. Keep these receipts in a voided receipts file or attach them to the cash receipts journal for the month in which the receipt was voided.

5.10 Do not alter receipts. If an error is made, write "VOID" on all copies of the receipt and issue a new receipt.

COMMENTARY:

Adding information to note corrections to name spelling, case number, or distribution of amount collected is not considered altering a receipt.

5.11 Account for all manual receipts issued.

COMMENTARY:

Require that someone other than the person who issued the receipt review the accounting records to verify that receipts are issued in sequence, recorded on the cash receipts journal and have actually been issued, been voided or are unused.

Manual receipts must be preprinted, prenumbered and numerically controlled to assure internal control. Blank generic manual receipt books

will not meet this standard. Receipts must have the court name and a preprinted, unique sequential number on them.. Numerical control is achieved by maintaining the numerical sequence for all manual receipts and taking steps to prevent the duplication or altering of receipts and receipt numbers and reconciling receipt books regularly.

5.12 Do not accept cash from independent contractors such as, defensive driving schools.

5.13 When the court receives monies from independent contractors (i.e. defensive driving diversion fees from schools), issue a receipt. (See 5.05 for information about what to include on receipt.) Perform a reconciliation between court case records and the contractor's report supporting the diversion fee payment.

COMMENTARY:

If possible for your court, post the receipt proportionately back to the individual case financial record(s) as appropriate. An example of this is with defensive driving diversion fees from schools. If a defensive driving school sends a \$100 check to pay the diversion fees for four defendants, the court issues one receipt to the school for the \$100. The court posts \$25 in diversion fees on each of the four defendants' case financial record, recording the original receipt number that was issued to the school.

6.00 DISBURSEMENT POLICIES

6.01 Establish policies to require that disbursements (such as refunding exonerated bonds, paying restitution to victims, and refunding overpayments) be made within a prescribed period of time as dictated by administrative order, court policy, or local ordinance.

COMMENTARY:

An example of this is Administrative Order 94-16 which sets time periods for restitution disbursements to victims.

6.02 Establish a policy identifying who authorizes disbursements and who issues and signs checks or check requisition forms.

7.00 PAYMENTS DISBURSED

7.01 Use prenumbered checks and check requisition forms, and establish a method to secure and account for all checks and check requisition forms.

COMMENTARY:

Require someone other than the person issuing checks to review the accounting records to verify the checks were issued in sequence and recorded on the cash disbursements record. If check requisition forms are used, the check requisition forms should be reconciled to the checks issued.

- 7.02 Limit responsibility for issuing and signing checks or check requisition forms to as few individuals as practical.**

COMMENTARY:

If there are more than two employees in the court office, it is recommended that a policy be established requiring the signature of the supervising authority or that of two employees on any check.

Monitor the bank records to verify that only authorized individuals are on the bank's list of those authorized to sign checks. Notify the bank immediately of any changes in the list of those authorized.

To the extent possible, the person who prepares the check should not sign the check, unless two signatures are required.

- 7.03 Disburse all amounts by check.**

COMMENTARY:

Never pay in cash. When a check is issued to pay a bill (e.g., sheriff fees or witness fees), place the bill in the case file and cancel the bill by writing "paid" on it, the date paid, and the check number.

- 7.04 Checks should be signed by authorized signers only after completing the payee's name, amount, and date. Distribute checks immediately upon completing.**

- 7.05 Post all disbursements immediately on the case financial record.**

Record the following disbursement information on the case financial record:

- a) Case number;**
- b) Defendant's name (if applicable);**
- c) Plaintiff's name (if applicable);**
- d) Date check issued;**
- e) Check amount and/or bond amount converted to court assessments;**
- f) Name of payee;**
- g) Check number;**

h) Payment distribution (fine, surcharges, bond, etc.).

7.06 Record all disbursements on cash disbursements journal and include:

- a) Date court check issues;**
- b) Amount disbursed;**
- c) Name of payee;**
- d) Court check number;**
- e) Payment distribution (fine, surcharges, bond, etc.).**

COMMENTARY:

The cash disbursements journal requirements may be met by keeping individual journal entries for each disbursement or by using a combination of check register stubs or duplicate copies of check requests containing all items listed above and a summary journal entry which contains the range of check/check request numbers and the amounts for the day.

7.07 Retain all voided checks.

COMMENTARY:

Write "VOID" across the check. Place all voided checks in a voided check file, attach the voided check to the corresponding check stub, or attach the voided check to the cash disbursements journal page on which it is shown as voided.

7.08 Establish a method to stop payment and account for checks reported as lost.

COMMENTARY:

If a check is reported as lost, the following procedures are recommended:

- ▶ **Examine the most recent bank reconciliation to verify that the check has not cleared the bank.**
- ▶ **Check with the bank to verify that the check has not cleared the bank since the last bank statement.**
- ▶ **Authorize the bank to stop payment on the check. [See Note after (3) below.]**
- ▶ **Write an explanation of why, when, and by whom the stop payment was ordered. File the explanation in the canceled check file, attach the explanation to the corresponding check stub, or attach the explanation to the cash disbursements journal page on which the check is shown as canceled.**
- ▶ **Back the check out of all accounting records following these procedures:**

- (1) On the next available line of the current month's cash disbursements journal, write "Canceled Check Number ____" in the "Disbursed To" column, and write the amount of the check as a negative entry in the "Check Amount" column.
- (2) Repeat Step 1 for the case financial record.
- (3) On the cash disbursements journal and case financial record for the month when the check was written, write "Canceled" and the date the check was backed out beside the original entries. In addition, write "Canceled" and the date the check was backed out beside the appropriate number on the most recent outstanding check list.

Note: If the bank charges the court for stopping payment on a check, request that the bank bill the court directly rather than deducting the charge from the checking account. Payment can then be made to the bank by the county or the city in the same manner as any other operating expense.

If a replacement check is issued, the following procedures are recommended:

- ▶ Issue a new check following the normal disbursement procedures.
- ▶ Record the new check number next to the canceled check number on all accounting records.

8.00 DEPOSITS AND BANK ACCOUNTS

- 8.01** Establish all bank and investment accounts under the name of the court, unless these accounts are maintained by the city, county, or state (for appellate courts) treasurer and are established in the name of the city, county, or state.

COMMENTARY:

It is recommended that the court use interest bearing bank accounts when possible. The account can be in the name of Clerk of the Court's Office, as appropriate.

- 8.02** Keep the signature cards for all bank and investment accounts current.

COMMENTARY:

Notify the bank immediately of any changes in the list of employees included on the signature cards.

- 8.03** Keep a 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, the rate of interest (if fixed), and the names of those authorized to sign checks or make withdrawals.

- 8.04** **Ensure all bank accounts used to hold court money are insured by the Federal Deposit Insurance Corporation (FDIC) and ensure collateral agreements exist for amounts exceeding the \$100,000 (which includes principal and interest) FDIC insured amount pursuant to A.R.S. § 35-323.**

COMMENTARY:

Monitor your bank accounts to verify that all daily balances exceeding the \$100,000 FDIC insured amount are covered by bank collateral. If the balance ever exceeds the amount covered by the bank collateral in the written agreement, increase the collateral agreement.

Verify that all securities pledged as collateral by the bank are held by a disinterested bank.

- 8.05** **Deposit all monies in the same form (such as check, cash or money order) as received and deposit at least weekly or daily if cash receipts exceed \$300.**

COMMENTARY:

If, due to bank availability and/or bank hours (no night deposit available), the court cannot make daily deposits establish and follow a regular deposit procedure which includes the following provisions:

- ▶ If mail deposits are used, convert all cash to money order before mailing. Retain the money order receipt and attach to deposit slip.
- ▶ If overnight storage is used, the money must be kept in an immovable fire-proof safe or vault.
- ▶ Exception from daily deposits must be noted on Compliance Checklist along with deposit procedures, frequency, and reason for exception.

Depositing daily protects against loss or theft and increases the interest earned.

This standard prohibits cashing personal checks or issuing I.O.U.'s. Do not use monies received by the court to pay for expenses or supplies. Deposit all monies in the same form in which they were received; i.e., checks, bills, coins.

- 8.06** **Maintain a record of the individual receipts included in each deposit.**

COMMENTARY:

The cash receipts journal which includes information listed in 5.08 is adequate to show the total of each deposit, the date of each deposit, and the individual payments received that are included in each deposit.

- 8.07 Segregate the responsibility of reviewing documentation supporting the deposits and making the deposits, to the extent possible.**

COMMENTARY:

See Attachments A and B at the end of Part I of the standards for suggested segregation duties.

9.00 RECONCILIATION

- 9.01 Reconcile and balance all court accounting records at least monthly to verify that all receipts and disbursements are accounted for properly.**

COMMENTARY:

Perform the following reconciliations, and retain a copy of each reconciliation in the court's records:

- ▶ Balance the cash receipts journal and the cash disbursements journal
- ▶ Reconcile the receipts with the deposits
- ▶ Prepare a bank reconciliation
- ▶ Reconcile the record of open items (such as bonds) with all bank accounts and cash balances

Retain the following for each bank account:

- ▶ Copy of the bank reconciliation
- ▶ Record of outstanding checks
- ▶ Record of deposits in transit
- ▶ Bank statements
- ▶ Canceled checks
- ▶ Canceled deposit slips
- ▶ Bank issued debit and credit memos

- 9.02 Reconcile and balance all monies received after each shift but no less than daily and retain documentation of the reconciliation.**

COMMENTARY:

Perform the following daily reconciliation and retain a copy of each reconciliation in the court's records:

- ▶ Reconcile monies collected with the register tape or daily cash receipts report. (Two people should reconcile each drawer/register, if possible; the cashier using the drawer/register should reconcile the drawer/register. A second person, i.e., supervisor, judge or treasurer should verify the reconciliation.)
- ▶ Verify the change fund (change bank) each time the register is reconciled. Each drawer/register should have a fixed "change" amount that is provided by the county/city general fund. Do not use court receipts for the change fund.
- ▶ Report and investigate overages and shortages immediately; document reason for overage or shortage. A record should be kept of this amount for each drawer/register or person. A confirmed cash overage or shortage should be entered into the cash short/over account. This temporary account is closed out each month with either a debit or credit entry. At the end of the month, a debit balance would become an expense and a credit balance would become revenue. Following the local treasurer's procedures, the overage would need to be remitted to the treasurer and any shortage would need to be replenished by the treasurer. For example: an overage of \$25 would create an inflow of cash (credit) of \$25 into the short/over account which would be a debit of \$25 to cash. At the end of the month this account will be closed by debiting \$25 to the short/over account and crediting \$25 to cash. The actual \$25 is sent to the treasurer.

A shortage of \$25 would create an outflow of cash of \$25 into the short/over account (debit) which would be a credit of \$25 to cash. At the end of the month this account will be closed by crediting \$25 to the short/over account and debiting \$25 to cash. A request to replenish \$25 shortage is sent to the treasurer.

- ▶ No personal funds shall be used to make up shortages.

10.00 OUTSTANDING CHECKS

10.01 On at least a monthly basis, investigate all court checks outstanding for more than six months.

COMMENTARY:

- ▶ Send a letter to the payee's last known address advising the payee that the check has not been cashed and, if the payee does not cash the

check or contact the clerk within 30 days, payment will be stopped and the funds will be turned over to the county treasurer as unclaimed fees.

- ▶ If the payee responds that the check has been lost, reissue the check by following the procedures for canceling a check described in 7.00.
- ▶ If the payee cannot be located, follow the procedures for canceling a check described in 7.00, but do not reissue the check.
- ▶ Follow the policies and procedures applicable to your court for the proper disposal of unclaimed funds.

11.00 BONDS

11.01 Require all agencies accepting cash or securities as bond to remit the cash or securities collected to the court on the next working day, or as soon thereafter as practical.

COMMENTARY:

Make sure money is secured when transporting to court.

11.02 Issue a receipt immediately for all bond monies transmitted to the court by other entities and for all bond payments made in person. For bond payments made by individuals through the mail, either issue a receipt or prepare a sequentially numbered transaction record for each payment.

COMMENTARY:

If the monies from more than one bond are transmitted on the same day, and a detailed listing of the individual bond amounts and a total amount transmitted accompanies the monies transmitted, only one receipt for the total amount received is necessary. Post the receipt number on the detailed listing of the individual bond amounts.

All receipts for bond monies should include:

- ▶ Case number, (department report number or booking number can be used if case number or warrant number is not available) if applicable
- ▶ Defendant's name, if applicable
- ▶ Plaintiff's name, if applicable
- ▶ Date payment was received
- ▶ Amount received
- ▶ Name and address of the person making the payment if not included in the case financial record
- ▶ Identification of the person receiving the payment
- ▶ Method of payment (cash, check, credit card, etc.)
- ▶ Sequential receipt/transaction number
- ▶ Name of court

- 11.03** On a monthly basis, review open items record and take appropriate action on all pending/outstanding bonds.
- 11.04** Disburse bond monies by check and only upon order of the court unless otherwise ordered by the judge. Refund bond monies only to the individual(s) who posted the bond or to other individuals authorized by the person posting the bond.

COMMENTARY:

If the individual who posted the bond appears personally at the court, require identification before refunding the bond. The court and the police department should have a form for the poster to sign if the poster wants to allow the bond to be refunded to someone other than the poster or to be used for the fine.

12.00 **REPORTING**

- 12.01** Prepare a monthly remittance report identifying how monies deposited in a bank account or with the city, county, or state (for appellate courts) treasurer for the month are to be distributed. Submit the report within two working days of the mandated deadline.

COMMENTARY:

If a city, county, or state treasurer collects monies on behalf of the court or if the court deposits monies with the city or county treasurer, the court should verify that monies are distributed and reported to the appropriate agencies according to statute.

13.00 **EXTERNAL REVIEW BY AUDITORS**

- 13.01** An external review of the court by auditors shall be performed no less than every three years. The review is to be performed by a Certified Public Accountant (CPA), Public Accountant (PA) currently licensed by the Arizona State Board of Accountancy or Certified Internal Auditor (CIA) or under the direction of a CPA, PA or CIA (based on the requirements listed in section 13.02). Upon completion of the review, a report must be prepared and received by the court from the accountant/auditor, no later than 90 days after the review is completed. Copies of the report must be sent to the presiding judge of the county and the AOC within 7 days of the court receiving the report. A copy of each review report shall also be sent to the State Auditor General's Office for all appellate, superior and justice courts. This copy must also be sent within seven days of the court receiving the report.

13.02

The following are the requirements the accountant/auditor must adhere to in order to provide a report that will comply with this standard.

- a) Each court shall cause to be conducted, at least triennially, an external review of specific elements, in order to make certain determinations as identified by the Administrative Office of the Courts (AOC) in section (e) below.**
- b) The external review shall be performed in accordance with the information provided by the American Institute of Certified Public Accountants, Codification of Professional Standards, AT Section 600, STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS (SSAEs) NO. 4. AGREED-UPON PROCEDURES ENGAGEMENTS.**
- c) Upon completion of the external review, a report must be received by the court from the accountant/auditor, no later than 90 days after the review is completed. Copies of the report must be sent to the presiding judge of the county and the AOC within 7 days of the court receiving the report.**
- d) The accountant/auditor report on the results of the review should describe the procedures performed as outlined in Part III of the MAS book and should contain the elements described in the Codification of Statements on Auditing Standards AT 600.33.**
- e) The accountant/auditor shall follow all procedures in Part III Guide for External Review By Auditors. These procedures were developed to determine whether:**
 - Fines, fees and surcharges are assessed accurately and are supported by adequate internal controls and procedures.**
 - Monies are accurately receipted and reconciled on a timely basis and supported by adequate internal controls and procedures.**
 - Monies are accurately distributed/disbursed and reconciled on a timely basis and supported by adequate internal controls and procedures.**
 - Court is in compliance with the Minimum Accounting Standards**
- f) The accountant/auditor shall grant the court being reviewed, the Supreme Court, AOC, and the Auditor General's Office access, free of charge, to any books, documents, records, and working papers that are**

in any way pertinent to the audit. Further, these items shall be produced at the Supreme Court, AOC or Auditor General upon request.

COMMENTARY:

The external review by auditors is required no less than every three years.

Contact the Court Services Division (602-542-9358) prior to arranging for the external review to assure that no additional procedures have been added or changes made.

The type of external review being required is actually referred to as an Agreed-Upon Procedures Engagement by accountants and auditors. In order to reduce confusion over the terminology used in this standard, an Agreed-Upon Procedures Engagement is referred to as an external review.

At Section 600, Paragraph 3 states: "an Agreed-Upon Procedures Engagement is one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on the subject matter of an assertion."

An Agreed-Upon Procedures Engagement (external review) involves the use of a CPA, PA or CIA for the purpose of making certain determinations requested by the Supreme Court.

This type of review is different from a financial audit or court operational review. The accountants/auditors will perform the procedures outlined in Part III. Prior to the review the court will give an assertion by letter to the auditor stating that the court has an effective internal control system and has complied with the requirements of that MAS. A sample letter of assertion for the court to use is provided in attachment E.

13.03

In addition, when any type of financial or operational audit (other than the external review listed in 13.01 and 13.02) is to be performed in the supreme court, court of appeals, superior or limited jurisdiction court by any agency or private firm regardless of the nature of the audit, the justice of the peace, court administrator, clerk of the court or presiding judge is to advise their respective chief justice, chief judge or presiding judge of the county of the audit before or during the audit. The court is to also provide their respective chief justice, chief judge or presiding judge of the county and the AOC with a copy of all reports, findings, and evaluations from any audit immediately upon its receipt. A copy of each of these reports shall also be sent to the Auditor General's Office for all appellate, superior and justice courts.

Bank Reconciliation: The process of verifying activity posted to the court's accounting records to the bank account statement. This is done to make sure that bank and court records are in agreement and to make sure that discrepancies are investigated and resolved.

Case Financial Record: The listing of the costs assessed in a case, including receipts, disbursements, and the balance held or due on the case. See 2.02 for complete listing of required information.

Cash: Currency, coins, checks, credit/debit cards, drafts, postal and express money orders.

Cash Control Record: The listing of all amounts received and checks issues.

Cash Disbursements Journal: The listing of all payments made by the court by distribution type (restitution, Medical Services Enhancement Fund, Criminal Justice Enhancement Fund, etc.) by date. The journal could be a combination of computer reports, check register stubs or copies of check request forms containing all needed information. See 7.06 for complete listing of required information.

Cash Receipts: All monies received by the court. Includes cash, checks, money orders, credit card vouchers, and any other money instrument.

Cash Receipts Journal: The listing of all cash receipts received by distribution type (Judicial Collection Enhancement Fund, Medical Services Enhancement Fund, Criminal Justice Enhancement Fund, etc.) by date. The total of each day must match the daily bank deposit amount. This record could be a combination of "one-write" records, computer reports or detailed duplicate receipts grouped by and attached to a copy of the corresponding deposit slip containing all needed information. See 5.07 for complete listing of required information.

Change Fund: The amount of money on hand for the purpose of making change. This may also be called a "cash drawer fund".

Check: A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his or her order, or to bearer, from money on deposit, to the credit of the maker.

Collections: Collections include all monies received by a court.

Daily Cash Receipts Report: Used to reconcile monies collected for a day or shift. Includes total cash receipts by method of payment and assessment type, less change fund. If this amount is more or less than receipts issued or transactions posted, the amount plus reason for the overage or shortage is recorded on this report.

Disbursement: The actual payment of funds, usually in the form of a check. Disbursement refers to the time when a check is issued and recorded.

Financial (Accounting) Records: Records maintained by the court to account for all monies received by and disbursed by the court.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures.

The Governmental Accounting Standards Board (GASB) establishes accounting principles and financial reporting standards for state and local government entities.

Internal Controls: Procedures and records designed to minimize opportunity for the mishandling or theft of money.

Investment Record: The accounting record that contains all the information about an investment account.

Mail Receipts Register: A daily listing of all cash receipts received in the mail. Each entry should contain information regarding the name of the person remitting the payment, the amount of the payment and the form of the payment (cash, check, money order, etc.). Two employees would normally open each day's mail and then complete and sign the mail receipts register to verify the mail receipts. (See references to mail receipts register in Attachments A-D.)

Money: Includes coins, paper money, and demand deposits (checks, money orders, cashiers checks, certified checks).

Open Item: Money held for a party or a case that has not been allocated or posted to a particular account for a scheduled disbursement; includes unidentifiable items or bonds.

Petty Cash: Funds used to make small operational purchases.

Receipts: Cash received. See Cash Receipts.

Receivable: See Accounts Receivable.

Surcharge: An amount added to fines, fees, or taxable/assessed costs that is used for a designated purpose.

Transaction: The occurrence of a financial activity that must be recorded.

Transaction Record: Substitute for manual receipt (i.e. mail payments listing, mail receipt register, etc.).

Trust Money: Funds received by the court as child support, bond or restitution which are held in an account until released to the court-designated recipient.

COMMENTARY:

When sending copies of an external review (report on agreed-upon procedures) or any type of financial or operational report to the AOC, send them to the attention of the Court Services Division Director, Arizona Supreme Court, 1501 West Washington, Suite 410, Phoenix, Arizona 85007-3327.

KEY TERMINOLOGY

The following are key terms and definitions used in the Minimum Accounting Standards. Please read and review these terms and refer to them when needed. Your understanding of these terms will be critical in your ability to apply the standards and comply with the checklist.

Accountability: The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry to justify the raising of public resources and the purposes for which they are used.

Accounting Records: See Financial Records

Accounting System: Procedures and records which provide for accumulation and reporting of accounting data in an efficient and accurate manner and which provide appropriate internal controls.

Accounting Transaction: The occurrence of a financial event or condition that must be recorded.

Accounts Receivable: Any monies owed for a specific court obligation such as bonds, fine, surcharge, fees, assessments, restitution, child support, etc., for which there is a record.

Accrue: To accumulate.

Agreed-Upon Procedures Engagement: An engagement in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on the subject matter of an assertion.

Assess: To impose according to an established amount.

Audit: A systematic examination of resource use concluding in a written report. It is a test of management's internal accounting controls and is intended to:

- a) ascertain whether financial statements fairly present financial position and results of operations;
- b) test whether transactions have been legally performed;
- c) identify areas for possible improvements in accounting practices and procedures;

Automated Cash Management System: A system which electronically links financial transactions with case financial records, cash receipts and disbursements journals and other appropriate accounting journals and ledgers. This system should provide a reconstructible financial audit trail for each specific case, party or transaction.

ATTACHMENT A

Segregation for cash receipting activities are listed below.

SEGREGATION OF DUTIES FOR COURTS WITH ONLY TWO PEOPLE TO PERFORM CASH RECEIPTS PROCEDURES	
FUNCTION # 1	FUNCTION # 2
1. Receives cash from payers.	1. Receives cash receipt forms, daily cash receipts summary, mail receipts register, and deposit slip from Person # 1.
2. Prepares a pre-numbered cash receipt form, cash register receipt or computer receipt.	2. Reviews daily cash receipts summary and mail receipts register for accuracy, completeness, and reasonableness, and compares amounts to deposit slip.
3. Opens mail.	3. Signs daily cash receipts summary and mail receipts register to document review.
4. Prepares mail receipts register.	4. Retains a copy of the deposit slip.
5. Stamps all checks, etc. received "For Deposit Only."	5. Returns cash receipt forms, daily cash receipts summary, mail receipts register, and original deposit slip to Person # 1.
6. Retains cash received in a cash register or a locked cash box.	6. Receives the validated deposit slip from Person # 1.
7. Prepares a daily cash receipts summary, reconciling cash receipts to cash collections.	7. Verifies that amount on validated deposit slip agrees with copy of original deposit slip.
8. Investigates and documents cash overages and shortages.	8. Returns validated deposit slip to Person # 1
9. Signs daily cash receipts summary and mail receipts register.	9. Obtains accounting records and reviews for accuracy and completeness and performs bank reconciliation on a monthly basis.
10. Prepares deposit slip in duplicate.	
11. Submits cash receipt forms, daily cash receipts summary, mail receipts register and deposit slip, in duplicate, to Person # 2.	
12. Receives cash receipt forms, daily cash receipts summary, mail receipts register, and original deposit slip from Person # 2.	
13. Deposits cash with bank and receives a validated deposit slip.	
14. Sends validated deposit slip to Person # 2.	

ATTACHMENT A (continuation)

Segregation for cash receipting activities are listed below.

SEGREGATION OF DUTIES FOR COURTS WITH ONLY TWO PEOPLE TO PERFORM CASH RECEIPTS PROCEDURES	
FUNCTION # 1	FUNCTION # 2
15. Records information from daily cash receipts summary in the accounting records.	
16. Receives validated deposit slip from Person # 2.	
17. Files cash receipt forms, mail receipts register, validated deposit slip, and daily cash receipts summary by date.	

NOTE: *City or county personnel, a judge or court personnel may perform the functions. Do not use this listing if there are three or more people to perform these functions. See Attachment B.*

ATTACHMENT B

Segregation for cash receipting activities are listed below.

SEGREGATION OF DUTIES FOR COURTS WITH AT LEAST THREE PEOPLE TO PERFORM CASH RECEIPTS PROCEDURES		
FUNCTION # 1	FUNCTION # 2	FUNCTION # 3
1. Receives cash from payers.	1. Opens mail received with Person # 1.	1. Receives daily cash receipts summary and validated bank deposit slip from Person # 2.
2. Prepares a pre-numbered cash receipt form, cash register receipt or computer receipt.	2. Receives cash receipt forms, daily cash receipts summary and mail receipts register from Person # 1.	2. Verifies that amounts and dates agree on the documents submitted.
3. Opens mail received with Person # 2.	3. Reviews daily cash receipts summary and mail receipts register for accuracy, completeness, and reasonableness.	3. Submits daily cash receipts summary and validated deposit slip to Person # 1.
4. Prepares a mail receipts register of all cash received through the mail.	4. Signs daily cash receipts summary and mail receipts register to document review.	4. Obtains accounting records from Person # 2 and perform bank reconciliation on a monthly basis.
5. Stamps all checks, etc. received "For Deposit Only."	5. Prepares deposit slip and retains copy.	
6. Retains cash received in a cash register or a locked cash box.	6. Records information, including cash overages and shortages, from the daily cash receipts summary in the accounting records.	
7. Prepares a daily cash receipts summary, reconciling cash receipts forms to cash collections.	7. Returns cash receipt forms, daily cash receipts summary, mail receipts register and original deposit slip to Person # 1.	
8. Documents cash overages and shortages on the daily cash receipts summary and investigates.	8. Receives daily cash receipts summary and validated deposit slip from Person # 1.	
9. Signs daily cash receipts summary and mail receipts register.	9. Verifies that amount on validated deposit slip agrees with copy of original deposit slip.	

ATTACHMENT B (continuation)

Segregation for cash receipting activities are listed below.

SEGREGATION OF DUTIES FOR COURTS WITH AT LEAST THREE PEOPLE TO PERFORM CASH RECEIPTS PROCEDURES		
FUNCTION # 1	FUNCTION # 2	FUNCTION # 3
10. Submits cash receipt forms, daily cash receipts summary and mail receipts register to Person # 2.	10. Submits the daily cash receipts summary and validated deposit slip to Person # 3.	
11. Receives cash receipt forms, daily cash receipts summary, mail receipts register, and original deposit slip from Person # 2.		
12. Deposits cash with bank and receives a validated deposit slip.		
13. Attaches validated deposit slip to the daily cash receipts summary and submits to Person # 2		
14. Obtains daily cash receipts summary and validated deposit slip from Person # 3 and files them along with the cash receipt forms and mail receipts register by date.		

NOTE: City or county personnel, a judge or court personnel may perform the functions.

ATTACHMENT C

Segregation for cash disbursements activities are listed below.

SEGREGATION OF DUTIES FOR COURTS WITH ONLY TWO PEOPLE TO PERFORM CASH DISBURSEMENTS PROCEDURES	
FUNCTION # 1	FUNCTION # 2
1. Reviews supporting documentation for accuracy and propriety.	1. Receives all check request forms and supporting documentation from Person # 1. On a test basis, reviews the completeness and accuracy.
2. Prepares check requests forms.	2. Signs check request forms as approval and submits along with supporting documentation to Person # 1.
3. Submits check request forms and supporting documentation to Person # 2 for approval.	3. Receives prepared checks, approved check request forms, and supporting documentation. Compares checks to check request forms, and signs checks.
4. Receives approved check request form and supporting documentation from Person # 2.	4. Submits signed checks, check request forms and supporting documentation to Person # 1.
5. Prepares checks from check request forms, and records in check register.	5. Performs bank reconciliation on a monthly basis. Files canceled checks numerically with bank statement.
6. Submits prepared checks , approved check request forms, and supporting documentation to Person # 2.	
7. Receives signed checks, check request forms, and supporting documentation from Person # 2.	
8. Mails checks.	
9. Records information from check request forms in the accounting records.	
7. Cancels and files check request forms and supporting documentation.	

NOTE: *City or county personnel, a judge or court personnel may perform the functions. Do not use this listing if there are three or more people to perform these functions. See Attachment D.*

ATTACHMENT D

Segregation for cash disbursements activities are listed below.

SEGREGATION OF DUTIES FOR COURTS WITH AT LEAST THREE PEOPLE TO PERFORM CASH DISBURSEMENTS PROCEDURES		
FUNCTION # 1	FUNCTION # 2	FUNCTION # 3
1. Reviews supporting documentation for accuracy and propriety.	1. Receives signed check request forms and supporting documentation from Person # 3 and verifies for completeness and accuracy.	1. Receives check request forms and supporting documentation from Person # 1.
2. Prepares check request forms.	2. Prepares checks from check request forms and records check in register.	2. Signs check request forms as approval.
3. Submits check request forms and supporting documentation to Person # 3 for approval.	3. Submits checks, check request forms and supporting documentation to Person # 3.	3. Submits check request forms and supporting documentation to Person # 2 for check preparation.
4. Receives signed checks from Person # 3.	4. Receives documentation and check request forms from Person # 3.	4. Receives unsigned checks, check request forms, and supporting documentation from Person # 2.
5. Mails checks.	5. Records information from check request forms in the accounting records.	5. Compares checks to the check request forms, and signs checks.
	6. Cancels and files check request forms and supporting documentation by date.	6. Submits signed checks to Person # 1.
		7. Submits documentation and check request forms to Person # 2.
		8. Performs bank reconciliation on a monthly basis. Files canceled checks numerically with bank statement.

NOTE: City or county personnel, a judge or court personnel may perform the functions.

ATTACHMENT E
SAMPLE LETTER OF ASSERTION

<DATE>

<Auditor/Accountant>
<Address>
<City, State Zip code>

Dear <Name>:

As required by the standards for agreed-upon procedures engagements established by the American Institute of Certified Public Accountants (AT § 600.07-.08), the following assertions are provided.

The Minimum Accounting Standards (MAS) for Arizona Courts prescribes the standard accounting policies and procedures to assist courts in complying with applicable statutes and generally accepted accounting principles (GAAP). Part III, the Guide for External Review by Auditors, contains the procedures and sample sizes for the external review.

It is the belief of this court that an effective internal control system has been maintained over the financial accounting and reporting based on the MAS as of _____ (date). The court understands that it is responsible for maintaining an effective internal control system over financial accounting and reporting and its compliance with the MAS.

Sincerely,

<Signed by Presiding Judge of the Court or Head of the Department being reviewed>
<Court Name (and department name, if applicable)>

PART II

COMPLIANCE CHECKLIST

Part II: COMPLIANCE CHECKLIST

Court Name: _____

Date: _____

If a particular accounting standard does not apply to the court because they do not perform a specific function, record n/a for not applicable and write a note of explanation (i.e., if the court does not accept cash, they do not need a change fund; if the court does not have a bank account they do not need to reconcile a bank account). This is considered compliance with the standards. If noncompliance is noted in any area, note the reason for noncompliance on the checklist and indicate steps being taken to come into compliance.

A Compliance Checklist must be prepared at the end of each calendar year. The completed and signed checklist is to be received by the presiding judge of the superior court in the county, chief judges of the court of appeals, or chief justice of the supreme court no later than January 31.

Please maintain a blank copy of the most current Compliance Checklist. This form will be used each year for preparation of the court's Compliance Checklist. This same form will also be used by the accountants/auditors that perform the financial review (agreed-upon procedures). Note the different signature and date lines on the last page of this form.

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1.01 (MAS Pg. 1) COMPLY: ☐ YES ☐ NO

1.01 The Minimum Accounting Standards apply to all court personnel. The presiding judge of the superior court in each county, the presiding judge of each limited jurisdiction court, and the clerk of the superior court in each county are responsible for ensuring that the courts and all departments within the courts are in compliance with these standards. Annually, the presiding judge of each limited jurisdiction court, the clerk of the superior court in each county, and each court department that handles cash (i.e. administrative offices, probation, pretrial services, etc.) shall complete or have completed the Compliance Checklist. The presiding judge of each limited jurisdiction

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court, the clerk of the superior court in each county, and each court department head shall sign the completed checklist, retain a copy, and forward the original to the presiding judge of the superior court of the county. The completed and signed checklist is to be received by the presiding judge of the superior court in the county by no later than January 31. Copies of all Compliance Checklists are to be received by the AOC no later than March 1 from the presiding judge of the superior court in each county. The presiding judge of the superior court in each county shall review each checklist received to determine if noncompliance exists and, if so, shall ensure the court or department takes the steps necessary to see that corrective action is taken.

Requests for exceptions to compliance with a standard must be submitted in writing and approved by the presiding judge of the county on a yearly basis. The exception must clearly document the circumstances as to why the standard cannot be met. Exceptions must be approved by the supreme court's administrative director.

1.02 (MAS Pg. 2) COMPLY: ☐ YES ☐ NO

1.02 Annually, the clerks of the court of appeals and the supreme court shall complete, or have completed, the Compliance Checklist, sign it and forward the original to the chief judge of the court of appeals or chief justice of the supreme court respectively. The completed and signed checklist is to be received by the chief judges of the court of appeals and the chief justice of the supreme court by no later than January 31. Copies of the Compliance Checklists are to be received by the AOC no later than March 1 from the chief judges of the court of appeals and the chief justice of the supreme court. The chief judge or chief

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justice, as appropriate, shall review the checklist to determine if noncompliance exists and, if so, take steps necessary to correct the noncompliance.

1.03 (MAS Pg. 2) COMPLY: ☐ YES ☐ NO

1.03 Compliance Checklists shall be retained for no less than three years.

1.04 (MAS Pg. 2) COMPLY: ☐ YES ☐ NO

1.04 When other courts or agencies accept or make payments on behalf of the court, the court shall advise each entity receiving or making payments of applicable policies and procedures.

2.01 (MAS Pg. 2) COMPLY: ☐ YES ☐ NO

2.01 Establish an organized and efficient accounting system that ensures accurate reporting of all transactions and provides sufficient documentation for audit purposes and includes the following:

- ▶ **An efficient accumulation, recording and reporting of all transactions**
- ▶ **Assignment of authority and responsibility**
- ▶ **Segregation of duties**
- ▶ **Methods of detecting errors and fraud.**

2.02a-c (MAS Pg. 3) COMPLY: ☐ YES ☐ NO

2.02 Include the following components in the court accounting system:

- a) **Preprinted, consecutively numbered receipts or receipts consecutively numbered by automated system. All**

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receipts shall display the name of the court.

b) Prenumbered checks or checks consecutively numbered by an automated system.

c) Case financial record of all payments received and disbursed on a particular case. A case financial record shall include the following information (If amount received or disbursed is non-case related, see standard B.2.3.):

- Case number;
- Defendant's name (if applicable);
- Plaintiff's name (if applicable);
- Date payment was received or date court check issued;
- Amounts received or disbursed;
- Name and address of person making the payment or to whom the disbursement was made. (Name and address of person making the payment is only required when the person is (1) posting a bond, or (2) making a payment by check or money order and the name and address is not on that check or money order.);
- Receipt/transaction number or check number;
- Method of payment;
- Identification of person accepting payment;
- The total costs assessed by assessment type and/or distribution type;
- Total amount paid and/or converted from bond by distribution type (fine, Criminal Justice Enhancement Fund,

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NOTATIONS

- Medical Services Enhancement Fund, bond, etc.);
- Balance owed by distribution type;
- Balance held on deposit, including bonds (indicate cash or surety);
- The name of the party against whom fines and fees are assessed;
- The date notice of amount due and other collection notices were sent until amount is paid in full.

2.02d-h (MAS Pg. 4) COMPLY: ☐ YES ☐ NO

- 2.02 d) Cash receipts journal and cash disbursements journal which show all payments received and disbursed by day.

The cash receipts journal and cash disbursements journal shall include the following:

- Date payment was received or date court check issued;
 - Amount received or disbursed;
 - Name of payee if check issued;
 - Receipt/transaction number or court check number for disbursements;
 - Payment distribution (fine, Criminal Justice Enhancement Fund, Medical Services Enhancement Fund, bond, etc.).
- e) Record of non-case related receipts. Each record should include applicable information listed in 2.02.c. If this information is recorded on a receipt, a separate non-case related financial transaction record is not required.

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- f) **Open items record (unidentifiable items or bonds).**
- g) **Monthly bank reconciliation records.**
- h) **Monthly remittance reports identifying monies collected and transmitted to the treasurer for the month.**

3.01 (MAS Pg. 5) **COMPLY:** ☐ YES ☐ NO

3.01 Post the following financial policies at a conspicuous location in the court office:

- a) **The methods of payment that will be accepted.**
- b) **A receipt will be issued for every payment made in person.**
- c) **The court's non-sufficient funds (NSF) check policy.**
- d) **A statement that the receipt is proof of payment.**

3.02 (MAS Pg. 5) **COMPLY:** ☐ YES ☐ NO

3.02 Allow only bonded or insured employees to receive, deposit, disburse, or handle money.

3.03 (MAS Pg. 5) **COMPLY:** ☐ YES ☐ NO

3.03 Do not commingle personal monies with court monies. Employees shall not cash personal checks or make personal change from the change fund or cash receipts. Do not make change for court payments with personal monies.

3.04 (MAS Pg. 5) **COMPLY:** ☐ YES ☐ NO

3.04 Maintain a uniform fine/bond schedule and fee schedule, and distribute them to any

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authorized agency which regularly accepts bonds on behalf of the court.

3.05 (MAS Pg. 6) COMPLY: ☐ YES ☐ NO

3.05 Segregate the responsibility for receipting and disbursing payments from the responsibility for posting to the case financial records and reconciling the accounting records, to the extent possible, as suggested in attachments A - D.

3.06 (MAS Pg. 6) COMPLY: ☐ YES ☐ NO

3.06 Safeguard accounting records such as receipts, checks, and monies received by the court.

4.01 (MAS Pg. 6) COMPLY: ☐ YES ☐ NO

4.01 Establish a fund for making change.

4.02 (MAS Pg. 7) COMPLY: ☐ YES ☐ NO

4.02 Do not make loans from the change fund.

4.03 (MAS Pg. 7) COMPLY: ☐ YES ☐ NO

4.03 Do not use the change fund to cash personal checks or purchase supplies.

4.04 (MAS Pg. 7) COMPLY: ☐ YES ☐ NO

4.04 Reconcile the change fund daily. This reconciliation should be done each day regardless of the amount of cash receipts. The beginning balance of the change fund should remain constant.

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5.01 (MAS Pg. 8) COMPLY: ☐ YES ☐ NO

5.01 Establish a policy specifying the methods of payments that will be accepted.

5.02 (MAS Pg. 8) COMPLY: ☐ YES ☐ NO

5.02 Restrictively endorse all checks immediately, i.e., "For Deposit Only to (court's account name)."

5.03 (MAS Pg. 8) COMPLY: ☐ YES ☐ NO

5.03 Allow only court personnel and city or county cashier to receipt payments received in the court. Do not allow independent contractors, such as defensive driving schools, to have access to court monies or receipt court payments received in the court.

5.04(MAS Pg. 9) COMPLY: ☐ YES ☐ NO

5.04 Secure all cash and checks received in a location that is out of the public view and is only accessible to authorized personnel.

5.05 (MAS Pg. 9) COMPLY: ☐ YES ☐ NO

5.05 Issue a receipt for each payment made in person. For all other payments, either issue a receipt for each payment or prepare a sequentially numbered transaction record for each payment. A receipt or transaction record shall include:

- a) Case number, if applicable;
- b) Defendant's name, if applicable;
- c) Plaintiff's name, if applicable;
- d) Date payment was received;
- e) Amount received;

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NOTATIONS

- f) Name and address of the person making the payment (only required if not included on case financial record and person is (1) posting a bond, or (2) making a payment by check or money order and the name and address are not on that check or money order.);
- g) Identification of person receiving the payment;
- h) Method of payment (cash, check, credit card, etc.);
- I) Sequential receipt/transaction number;
- j) Name of court.

5.06 (MAS Pg. 9) COMPLY: ☐ YES ☐ NO

5.06 Record all payments received immediately on the case financial record unless an automated system immediately journals payments and posts them daily to the case financial record.

Record the following information on the case financial record:

- a) Case number;
- b) Defendant's name (if applicable);
- c) Plaintiff's name (if applicable);
- d) Date payment was received;
- e) Amount received;
- f) Method of payment;
- g) Name and address of the person making the payment (Name and address is only required when person is (1) posting a bond, or (2) making a payment by check or money order and the name and address is not on that check or money order.);
- h) Receipt/transaction number;
- I) Total amount paid and/or converted from bond, by distribution type (fine, surcharges, bond, etc.);
- j) Balance owed by distribution type (fine, surcharges, bond, etc.);

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- k) Identification of person accepting payment.

5.07 (MAS Pg. 10) COMPLY: ☐ YES ☐ NO

5.07 Record all payments received on the cash receipts journal and include:

- a) Date payment was received;
- b) Amount received;
- c) Receipt/transaction number;
- d) Payment distribution by type (fine, Criminal Justice Enhancement Fund, Medical Services Enhancement Fund, bond, etc.).

5.08 (MAS Pg. 11) COMPLY: ☐ YES ☐ NO

5.08 Courts with an automated accounting system must ensure that:

- a) Only authorized personnel such as the system administrator can set or reset the receipt number assigned by the computer;
- b) The system permits the voiding of a receipt or a check and will not allow the original computer entry of the payment to be changed or deleted;
- c) The system establishes a documented audit trail of all changes to the financial system and all changes to financial records. These changes may only be made and accessed by authorized personnel.

5.09 (MAS Pg. 11) COMPLY: ☐ YES ☐ NO

5.09 Retain all voided receipts. Do not destroy them.

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NOTATIONS

5.10 (MAS Pg. 11) COMPLY: ☐ YES ☐ NO

5.10 Do not alter receipts. If an error is made, write "VOID" on all copies of the receipt and issue a new receipt.

5.11 (MAS Pg. 11) COMPLY: ☐ YES ☐ NO

5.11 Account for all manual receipts issued.

5.12 (MAS Pg. 12) COMPLY: ☐ YES ☐ NO

5.12 Do not accept cash from independent contractors such as, defensive driving schools.

5.13 (MAS Pg. 12) COMPLY: ☐ YES ☐ NO

5.13 When the court receives monies from independent contractors (i.e. defensive driving diversion fees from schools), issue a receipt. (See 5.05 for information about what to include on receipt.) Perform a reconciliation between court case records and the contractor's report supporting the diversion fee payment.

6.01 (MAS Pg. 12) COMPLY: ☐ YES ☐ NO

6.01 Establish policies to require that disbursements (such as refunding exonerated bonds, paying restitution to victims, and refunding overpayments) be made within a prescribed period of time as dictated by administrative order, court policy or local ordinance.

6.02 (MAS Pg. 12) COMPLY: ☐ YES ☐ NO

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NOTATIONS

6.02 **Establish a policy identifying who authorizes disbursements and who issues and signs checks or check requisition forms.**

7.01 (MAS Pg. 12) **COMPLY:** ☐ **YES** ☐ **NO**

7.01 **Use prenumbered checks and check requisition forms, and establish a method to secure and account for all checks and check requisition forms.**

7.02 (MAS Pg. 13) **COMPLY:** ☐ **YES** ☐ **NO**

7.02 **Limit responsibility for issuing and signing checks or check requisition forms to as few individuals as practical.**

7.03 (MAS Pg. 13) **COMPLY:** ☐ **YES** ☐ **NO**

7.03 **Disburse all amounts by check.**

7.04 (MAS Pg. 13) **COMPLY:** ☐ **YES** ☐ **NO**

7.04 **Checks should be signed by authorized signers only after completing the payee's name, amount, and date. Distribute checks immediately upon completing.**

7.05 (MAS Pg. 13) **COMPLY:** ☐ **YES** ☐ **NO**

7.05 **Post all disbursements immediately on the case financial record.**

Record the following disbursement information on the case financial record:

- a) Case number;**
- b) Defendant's name (if applicable);**
- c) Plaintiff's name (if applicable);**

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- d) Date check issued;
- e) Check amount and/or bond amount converted to court assessments;
- f) Name of payee;
- g) Check number;
- h) Payment distribution (fine, surcharges, bond, etc.).

7.06 (MAS Pg. 14) COMPLY: ☐ YES ☐ NO

7.06 Record all disbursements on cash disbursements journal and include:

- a) Date court check issues;
- b) Amount disbursed;
- c) Name of payee;
- d) Court check number;
- e) Payment distribution (fine, surcharges, bond, etc.).

7.07 (MAS Pg. 14) COMPLY: ☐ YES ☐ NO

7.07 Retain all voided checks.

7.08 (MAS Pg. 14) COMPLY: ☐ YES ☐ NO

7.08 Establish a method to stop payment and account for checks reported as lost.

8.01 (MAS Pg. 15) COMPLY: ☐ YES ☐ NO

8.01 Establish all bank and investment accounts under the name of the court, unless these accounts are maintained by the city or county treasurer and are established in the name of the city or county.

8.02 (MAS Pg. 15) COMPLY: ☐ YES ☐ NO

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NOTATIONS

8.02 **Keep the signature cards for all bank and investment accounts current.**

8.03 (MAS Pg. 15) **COMPLY:** ☐ YES ☐ NO

8.03 **Keep a 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, the rate of interest (if fixed), and the names of those authorized to sign checks or make withdrawals.**

8.04 (MAS Pg. 16) **COMPLY:** ☐ YES ☐ NO

8.04 **Ensure all bank accounts used to hold court money are insured by the Federal Deposit Insurance Corporation (FDIC) and ensure collateral agreements exist for amounts exceeding the \$100,000 (which includes principal and interest) FDIC insured amount pursuant to A.R.S. §35-323.**

8.05 (MAS Pg. 16) **COMPLY:** ☐ YES ☐ NO

8.05 **Deposit all monies in the same form as received and deposit at least weekly or daily if cash receipts exceed \$300.**

8.06 (MAS Pg. 16) **COMPLY:** ☐ YES ☐ NO

8.06 **Maintain a record of the individual receipts included in each deposit.**

8.07 (MAS Pg. 17) **COMPLY:** ☐ YES ☐ NO

8.07 **Segregate the responsibility of reviewing documentation supporting the deposits and making the deposits, to the extent possible.**

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9.01 (MAS Pg. 17) COMPLY: ☐ YES ☐ NO

9.01 **Reconcile and balance all court accounting records at least monthly to verify that all receipts and disbursements are accounted for properly.**

9.02 (MAS Pg. 17) COMPLY: ☐ YES ☐ NO

9.02 **Reconcile and balance all monies received after each shift but no less than daily and retain documentation of the reconciliation.**

10.01 (MAS Pg. 18) COMPLY: ☐ YES ☐ NO

10.01 **On at least a monthly basis, investigate all court checks outstanding for more than six months.**

11.01 (MAS Pg. 19) COMPLY: ☐ YES ☐ NO

11.01 **Require all agencies accepting cash or securities as bond to remit the cash or securities collected to the court on the next working day, or as soon thereafter as practical.**

11.02 (MAS Pg. 19) COMPLY: ☐ YES ☐ NO

11.02 **Issue a receipt immediately for all bond monies transmitted to the court by other entities and for all bond payments made in person. For bond payments made by individuals through the mail, either issue a receipt or prepare a sequentially numbered transaction record for each payment.**

11.03 (MAS Pg. 20) COMPLY: ☐ YES ☐ NO

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NOTATIONS

11.03 On a monthly basis, review open items record and take appropriate action on all pending/outstanding bonds.

11.04 (MAS Pg. 20) COMPLY: ☐ YES ☐ NO

11.04 Disburse bond monies by check and only upon order of the court unless otherwise ordered by the judge. Refund bond monies only to the individual(s) who posted the bond or to other individuals authorized by the person posting the bond.

12.01 (MAS Pg. 20) COMPLY: ☐ YES ☐ NO

12.01 Prepare a monthly remittance report identifying how monies deposited in a bank account or with the city, county or state (for appellate courts) treasurer for the month are to be distributed.

13.01 (MAS Pg. 20) COMPLY: ☐ YES ☐ NO

13.01 An external review of the court by auditors shall be performed no less than every three years. The review is to be performed by a Certified Public Accountant (CPA), Public Accountant (PA) currently licensed by the Arizona State Board of Accountancy or Certified Internal Auditor (CIA) or under the direction of a CPA, PA or CIA (based on the requirements listed in 13.02.). Upon completion of the review, a report must be prepared and received by the court from the accountant/auditor, no later than 90 days after the review is completed. Copies of the report must be sent to the presiding judge of the county and the AOC within 7 days of the court receiving the report. A copy of each review report shall also be sent to the Auditor General's Office for all appellate, superior and

STANDARD

NOTATIONS

justice courts. This copy must also be sent within seven days of the court receiving the report.

13.02 (MAS Pg. 21) COMPLY: ☐ YES ☐ NO

13.02 The following are the requirements the accountant/auditor must adhere to in order to provide a report that will comply with this standard.

- a) Each court shall cause to be conducted, at least triennially, an external review of specific elements, accounts, or items of a financial statement in order to make certain determinations as identified by the Administrative Office of the Courts (AOC) in section e. below.
- b) The external review shall be performed in accordance with the information provided by the American Institute of Certified Public Accountants, Codification of Professional Standards, AT Section 600, STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS (SSAEs) NO. 4, AGREED-UPON PROCEDURES ENGAGEMENTS.
- c) Upon completion of the external review, a report must be received by the court from the accountant/auditor, no later than 90 days after the review is completed. Copies of the report must be sent to the presiding judge of the county and the AOC within 7 days of the court receiving the report.
- d) The accountant/auditor report on the results of the review should: describe the procedures performed as outlined

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in part III of the MAS book and should contain the elements described in the **CODIFICATION OF STATEMENTS ON AUDITING STANDARDS AT 600.33.**

- e) **The accountant/auditor shall follow all procedures in Part III Guide For External Review By Auditors. These procedures were developed to determine whether:**
- **Fines, fees and surcharges are assessed accurately and are supported by adequate internal controls and procedures.**
 - **Monies are accurately receipted and reconciled on a timely basis and supported by adequate internal controls and procedures.**
 - **Monies are accurately distributed/disbursed and reconciled on a timely basis and supported by adequate internal controls and procedures.**
 - **Court is in compliance with current Minimum Accounting Standards.**
- f) **The accountant/auditor shall grant the court being reviewed, the Supreme Court, AOC, and the Auditor General's Office access, free of charge, to any books, documents, records, and working papers that are in any way pertinent to the audit. Further, these items shall be produced at the Supreme Court, AOC or Auditor General upon request.**

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13.03 (MAS Pg. 22) COMPLY: ☐ YES ☐ NO

13.03 In addition, when any type of financial or operational audit (other than the external review listed in 13.01 and 13.02) is to be performed in the supreme court, court of appeals, superior or limited jurisdiction court by any agency or private firm regardless of the nature of the audit, the justice of the peace, court administrator, clerk of the court or presiding judge is to advise their respective chief justice, chief judge or presiding judge of the county of the audit before or during the audit. The court is to also provide their respective chief justice, chief judge or presiding judge of the county and the AOC with a copy of all reports, findings, and evaluations from any audit immediately upon its receipt. A copy of each of these reports shall also be sent to the Auditor General's Office for all appellate, superior and justice courts.

-This section to be used by COURTS and DEPARTMENTS submitting annual Compliance Checklist -

Signature of Person Completing Form Date

Signature of Judge/Clerk of Court Date

Please Print Name

Please Print Name

PART III

GUIDE FOR EXTERNAL REVIEWS BY AUDITORS

Part III: GUIDE FOR EXTERNAL REVIEWS BY AUDITORS

Court Name: _____

Date: _____

NOTE: Some document names may vary from court to court.

OBSERVATIONS

If the review will last more than two days, then two non-sequential days will be set aside for observation testing. At the auditor's discretion additional days may be tested.

MAS

Section

Procedure

- | | | |
|-------|----|---|
| 3.01 | 1. | Verify that the court has posted the financial policies required by MAS 3.01 at a conspicuous location in the court office. |
| 3.06 | 2. | Examine accounting records such as receipts, checks and monies received by the court. Verify the court has safeguards in place as defined by MAS. Examine cash and checks received and verify that they are secured in a location that is out of the public view and only accessible to authorized personnel. |
| 5.04 | | |
| 5.02 | 3. | Examine checks received and verify that the court immediately restrictively endorsed them, i.e., "For deposit only (court's account name)." |
| 2.02b | 4. | Examine the checkbook to determine that checks were printed with consecutive numbers and the court's name and address. |
| 7.01 | | |
| | 5. | Observe the mail receipt procedure used by the court for timeliness of endorsement and deposit and for safeguarding of receipts prior to deposit. |

CASH RECEIPTS/REPORTING

A random sample size is defined on the attached Court Size Matrix. The appropriate sample size is to be used for all Cash Receipts testing.

MAS

Section

Procedure

- | | | |
|-------|----|--|
| | 1. | Select a random sample of individual cash receipts and daily mail register (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. |
| 2.02c | a. | Determine the individual cash receipt or daily mail register contained |
| 5.05 | | the following information (as applicable): |

- 2.02a
 - ◆ Imprinted with the court's name and pre-numbered sequentially/consecutively.
 - ◆ Payor, defendant, plaintiff names.
 - ◆ Date payment received.
 - ◆ Amount received by receipt type (bond, time payment, fee/fine, etc).
 - ◆ Case number.
- 5.03
 - ◆ Identification of the cashier who received payment, ensuring this employee was designated to receive cash receipts for the court.
- b. For all trust monies including bond payments, trace and agree all applicable information to the bond ledger (Open Items record on automated system).
- 5.06
 - c. Trace and agree the cash receipt information to the case financial record (i.e., docket), noting all information required by MAS 5.06 was recorded.
- 3.03
 - d. For non trust monies cash receipts, compare the cash receipt amount either to the court's fee and fine schedule or to the order of the court in the case file, as applicable, noting the accuracy in relation to court order, statute, and local ordinance of the allocation of the receipt.
- 3.04
- 8.06
- 9.02
 - For the automated system, note total daily receipts (include all bonds and other trust monies) and allocation of total daily receipts and any significant over or under differences (with proper explanations). See the latest edition of the Surcharge Question and Answer Guide for percent distribution for fine and surcharge allocation depending on violation date.
- 9.02
 - e. Determine whether the change fund was properly reduced from the cash receipt total, if applicable. Verify the cashier signed and dated the summary. Determine whether the supervisor or judge, if the judge is the supervisor, evidenced review of the summary.
- 2.02d
 - f. (Non automated courts) Trace and agree the cash receipt information to the Daily Cash Receipts Summary Report or to inclusion in the cash receipt's journal if batched (i.e. it is necessary to total the daily cash receipts to inclusion in the journal for batched receipts), noting the journal contained information required by MAS 5.07.
- 5.07
 - g. (Automated courts) Compare total daily receipts to the applicable Daily Funds Transmittal Total report, noting propriety of the distribution (from Step 1c).
- 8.05
 - h. (Automated courts) Trace and agree total cash receipts for the day to the validated deposit slip and credit card detail report, as applicable, noting deposit was made in a timely manner (per MAS), and was deposited in the same form as received.
- 3.03
- 11.01
 - I. For receipts received from other agencies (i.e., courts, police departments, etc.) determine the monies were transmitted to the court timely (per MAS).
- 1.04

- j. (Non automated courts) Trace and agree total cash receipts for the day to the validated deposit slip and credit card detail report, as applicable, noting the deposit was made in a timely manner, and into the cash receipts register or cash register, as applicable.
- 2.02h 2. (Non automated courts only) Select 2 months of the Cash Receipts Journal
12.01 for the review period and perform the following:
- a. Foot and cross foot for accuracy.
 - b. Trace and agree amounts by distribution type to the applicable month's City, County or State Treasurer monthly transmittal reports, noting a timely remittance of monies within two working days of mandated deadlines.
 - c. Trace and agree total to a validated City, County or Treasurer deposit slip.
- 2.02h 3. Automated system) Select 1 month per year of the daily Funds Transmittal
12.01 Total report(s) and perform the following:
- a. Trace and agree amounts by distribution type to the applicable month's Funds Transmittal Totals reports, foot as necessary.
 - b. Trace and agree total monthly cash receipts amount and amounts by distribution type to a validated Treasurer's Receipt.
- 5.11 4. For non automated systems, select 2 months or 200 receipts per year,
5.09 whichever is less, from the cash receipts books and account for the
5.10 numerical sequence of the cash receipts. Note all voided receipts were retained and cash receipts were unaltered.
- 5.02 5. Review suspense account for balance and length of time monies have remained in the account.

CASH DISBURSEMENTS

A random sample size is defined on the attached Court Size Matrix. The appropriate sample size is to be used for all Cash Disbursements testing. At the auditor's discretion, an additional sample of half the original size may be used if discrepancies are between 25% and 50%.

MAS

Section

Procedure

- 1. Select a random sample of disbursements from the checkbook register and perform the following:
 - 2.02c a. Trace and agree the date issued, name of payee, check number,
7.05 disbursement type (i.e. bond refund and overpayment), and amount to the case financial record, noting that the file contained the information required by MAS 2.02c.
 - 2.02d b. Trace and agree the date issued, name of payee, check number,

- 7.06 payment type and amount to the cash disbursements journal, noting the journal included all information required by MAS 2.02d.
- 6.02 c. Trace and agree the date issued, name of payee, check number,
7.04 and amount to the canceled check, noting the propriety of the endorsement and signature of the authorized signer.
- 12.01 d. For remittances to the city, county or state treasurer, trace and agree the date and amount to the monthly remittance report, noting the remittance was submitted timely (per MAS) within two working days of mandated deadline.
- 11.04 e. For disbursements of bond monies or restitution payments, verify the
6.01 disbursement was made by check and only upon the order of the court unless otherwise ordered by the judge, and only to the individual(s) entitled to the payment (e.g., for bonds, the person posting the bond or other individuals authorized by the person posting the bond; and for restitution, only to the person(s), or their assigns, ordered by the court).
- f. Note cash disbursements and supporting records appeared unaltered.
2. Note all voided checks were retained.

DEPOSITS AND BANK ACCOUNTS

MAS

Section

Procedure

- 8.01 1. Examine the court's most current bank statement(s) for each account and verify that all bank and investment accounts are established under the name of the court, unless these accounts are maintained by the city or county treasurer and are established in the name of the city or county.
- 8.03 2. Determine whether the court has maintained 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, the rate of interest (if fixed), and the names of those authorized to sign checks or make withdrawals.

RECONCILIATION AND OUTSTANDING CHECKS

MAS

Section

Procedure

- 2.02g Randomly select one month's bank reconciliation and bank statement for each bank account the court maintains and perform the following:
- 9.01 1. Prove the mathematical accuracy of the reconciliation.

2. Compare the bank balance recorded on the bank reconciliation to the balance per the bank statement.
3. Compare the deposits in transit amount recorded on the bank reconciliation to the listing of deposits in transit.
 - a. Compare each deposit on the listing to the court's check register, noting that the date of deposit was subsequent to the bank statement date.
 - b. Inspect subsequent bank statements to ensure deposits in transit are recorded.
4. For courts with manual check preparation, compare canceled checks recorded on the bank statements to the check register and the cash disbursement journal.
5. Compare the outstanding checks amount recorded on the bank reconciliation to the listing of outstanding checks (use the same sample size as for cash receipts and disbursements):
 - a. For courts with manual check disbursement systems, compare the outstanding checks on the listing to the court's check register, noting they were prepared prior to the bank statement date.
 - b. Inspect subsequent bank statements to verify the outstanding checks ultimately cleared the bank ensuring that checks greater than six months outstanding are being investigated.
6. Compare the book balance recorded on the bank reconciliation to the court's ledger balance.

CHANGE FUND

MAS

Section

Procedure

- | | |
|-------------------------------------|---|
| <p>3.03</p> <p>4.02</p> <p>4.03</p> | <p>1. Count the cash drawer daily and compare the money in the cash drawer to the amount of the authorized change fund. For courts with more than three cash drawers, select three cash drawers and perform the above for each of those cash drawers.</p> <p>2. Examine for evidence of loans, personal checks or receipts from supply purchases.</p> |
|-------------------------------------|---|

OPEN ITEMS RECORD (Outstanding bonds, litigant deposits, restitution)

MAS

Section

Procedure

2.02f

Examine the court's open items record noting the number of items

11.03

outstanding more than six (6) months.

INTERNAL CONTROLS

MAS

Section

Procedure

1.

Determine that the segregation of duties for cash receipts and cash disbursements complies with Attachments A-D guidelines to the extent possible for the court.

3.05 2.

For non automated systems only: Determine that the segregation of duties for receipting and disbursing payment from the responsibility for posting to the case financial records and reconciling the accounting records taking in consideration the court's staffing levels complies with attachments A, B, C, and D guidelines.

COURT SIZE MATRIX

CLASS	NUMBER OF CASE FILINGS	SAMPLE SIZE TO BE USED
A	90,000+	30
B	10,000 - 90,000	25
C	5,000 - 9,999	20
D	1,000 - 4,999	15
E	Under 1,000	10

COURT LEVEL: SUPERIOR COURT

CLASS COURT

A	Maricopa
B	Pima
C	Mohave
	Pinal
	Yavapai
	Yuma
D	Coconino
	Cochise
	Gila
	Navajo
	Santa Cruz
	Graham
	Apache
E	La Paz
	Greenlee

COURT LEVEL: APPELLATE COURTS

CLASS COURT

D	Supreme Court
	Court of Appeals, Div I
	Court of Appeals, Div II

COURT LEVEL: JUSTICE OF THE PEACE COURTS

<u>CLASS</u>	<u>COURT</u>	<u>CLASS</u>	<u>COURT</u>
A	Pima Consolidated		Puerco (Sanders)
B	Tempe		Gila Bend
	East Phoenix #1		Bowie
	Northwest Phoenix		Pinetop/Lakeside
	West Mesa		Winslow
	Peoria		Seligman
	Kingman		Quartzsite
	Flagstaff	D	Globe
	South Phoenix		Parker
	Yuma		Somerton
	South Mesa / Gilbert		Safford
	Northeast Phoenix		Eloy
	Central Phoenix		Willcox
	West Phoenix		Maricopa
	Casa Grande		Oracle
	Chandler		Colorado (Moccasin)
	Tolleson		Bisbee
	Glendale		Florence
	East Mesa		Round Valley (Springerville)
	Sierra Vista		Williams
	Maryvale		Ajo
	Mayer		Salome
	East Phoenix #2		Page
C	North Mesa		Wellton
	Buckeye		Show Low
	Benson		Green Valley
	Prescott		Mammoth
	Wickenburg		Miami
	Douglas		Teec Nos Pos (Chinle)
	Snowflake		Clifton
	Lake Havasu		Superior
	Payson		Pima
	Bagdad-Yarnell		Fredonia
	Scottsdale		Duncan
	Nogales		St. Johns
	Holbrook	E	Kayenta
	Bullhead City		Pine
	Verde Valley (Camp Verde)		Hayden/Winkelman
	Apache Junction		East Santa Cruz (Sonoita)

COURT LEVEL: MUNICIPAL COURTS

<u>CLASS</u>	<u>COURT</u>	<u>CLASS</u>	<u>COURT</u>
A	Phoenix Tucson Mesa		Douglas Coolidge Safford Florence Cave Creek Winslow Carefree Williams Eloy Patagonia Benson Wickenburg Thatcher Quartzsite Gila Bend
B	Scottsdale Tempe Glendale Chandler Paradise Valley Flagstaff Yuma Peoria Gilbert Bullhead City Casa Grande		
C	Lake Havasu Oro Valley Nogales Prescott South Tucson Avondale Kingman Prescott Valley Apache Junction Surprise Sedona	E	Youngtown Litchfield Park Pinetop/Lakeside Parker Willcox Clarkdale Eagar Miami Mammoth Kearny St. Johns Springerville Clifton Holbrook Huachuca City Tombstone Jerome Fredonia Wellton Hayden Pima Winkelman Superior Colorado City Sierra Vista Sahuarita Duncan
D	Buckeye Fountain Hills Tolleson Show Low Cottonwood Page Camp Verde Globe Payson Marana Guadalupe Goodyear Somerton San Luis El Mirage Bisbee Chino Valley		