

Audit Highlights



Highlights of performance audit report on the Supreme Court of Nevada issued on October 6, 2014. Legislative Auditor report # LA14-20.

Background

The Nevada Judiciary is one of three branches of government. It consists of the Supreme Court, the State's highest court, and three levels of trial courts: the district, justice, and municipal courts. The Supreme Court rules on appeals from the trial courts, determining if legal errors occurred in court cases, or whether verdicts and judgments were fair and correct.

As of July 26, 2014, the Supreme Court had 150 filled positions. In addition, 89 judges were paid through a budget account administered by the Supreme Court. The main Supreme Court building is located in Carson City, and additional offices are located in Carson City and Las Vegas.

Funding for the Supreme Court is administered by the Administrative Office of the Courts (AOC). Funding comes primarily from the state's General Fund and from administrative assessments on misdemeanor criminal and traffic violations heard in justice and municipal courts. It also collects peremptory challenge fees from district courts when a party to a case seeks a change in the judge hearing the case. Filing fees are collected when a special proceeding is brought to the Supreme Court. Expenditures for the Supreme Court and other accounts it administers were about \$51 million in fiscal year 2014.

Purpose of Audit

The purpose of the audit was to determine whether the Supreme Court has effective controls over the procurement of goods and services, collection of peremptory challenge and court filing fees, and safeguarding of equipment.

This audit focused on the 12-month period ending March 31, 2014, and prior years for some procurement and equipment activities.

Audit Recommendations

This audit report contains six recommendations to improve controls over the procurement of goods and services, collection of certain fees, and safeguarding of equipment.

The Supreme Court accepted five recommendations and rejected one recommendation.

Recommendation Status

The Supreme Court's 60-day plan for corrective action is due on January 6, 2015. In addition, the six-month report on the status of audit recommendations is due on July 6, 2015.

Supreme Court of Nevada

Judicial Branch of Government

Summary

In general, the Supreme Court has adequate controls over the procurement of goods and services. However, the Supreme Court can improve oversight of its procurement activities. Specifically, it needs to take additional action to help ensure multiple bids or quotes are obtained when selecting vendors. From our testing of the procurement of goods and services, we found that most procurements did not have documentation showing multiple bids or quotes were requested. As a result, the Supreme Court cannot demonstrate it received the best product at the best price. In addition, internal procurement policies and procedures were not always followed. Adequate oversight of procurement activities is important to help ensure the Court receives those goods and services desired, and that its interests are protected.

The Supreme Court has effective controls to ensure the timely deposit of peremptory challenge and filing fees. We tested 90 transactions and found these fees were deposited timely. However, additional controls are needed to reduce the risk of loss of these fees. Specifically, checks need to be restrictively endorsed immediately upon receipt, and recorded and reconciled properly. During fiscal year 2014, the Court received over \$565,000 in peremptory challenge and filing fees.

The Supreme Court needs to strengthen its controls over equipment. We found the Court did not properly track its equipment, and as a result its equipment records were not accurate. In addition, the proper disposal of some equipment, such as computers and monitors, could not be verified. Adequate controls in these areas are important to help ensure equipment is properly safeguarded, including items with a high susceptibility to theft or loss, such as laptop computers. State property records indicate the total acquisition cost of items held by the Court is over \$4.1 million.

Key Findings

For 13 of 20 (65%) procurements tested, the Supreme Court did not solicit multiple bids or quotes, or did not document they were requested. The value of these procurements totaled over \$598,000. When competitive procedures are not used to select vendors, the Supreme Court does not have assurance it receives the best product at the best price. For example, one vendor that performs janitorial services has been under contract with the Supreme Court since 2006. The vendor's contract was amended in 2011, but multiple bids were not requested. (page 5)

The Supreme Court has developed procedures to help control its procurement activities. Our testing of over \$1.8 million in procurements of goods and services found procedures were often followed. For example, all 10 procurements of goods tested received the proper approvals before being purchased, and payments were made after the execution of the contract. However, staff did not always follow policies and procedures, including those requiring contract summary sheets and documenting receipt of goods. (page 7)

We tested 30 filing fee and 60 peremptory challenge fee transactions and found the correct fee amount was collected and deposited timely. However, key controls to log, restrictively endorse, and reconcile receipts were not performed or performed timely. Our testing did not identify missing funds; nevertheless, additional controls over cash receipts are needed to help ensure they are not lost or stolen. (page 9)

The Court did not perform an annual inventory of equipment. According to the Court's records, its most recent inventory of information technology (IT) equipment was performed in February 2012. In addition, staff were not sure when the last inventory of non-IT equipment was performed. Nevertheless, our testing of equipment did not find significant problems. However, the Court has less assurance equipment is properly safeguarded when physical inventories are not performed. (page 12)

Our testing of the Court's disposal of IT equipment found discrepancies between the Court's disposal lists and the receipts provided by the entity receiving the equipment. In addition, the Court does not have a receipt for one disposal documenting the entity received the equipment. Policies and procedures do not address the process needed to verify items approved for disposal were disposed of properly. Without adequate controls over the disposal of equipment, the Supreme Court's excess equipment could be stolen or given away improperly. (page 13)