

**NEVADA COURTS
MINIMUM ACCOUNTING STANDARDS
GUIDE FOR EXTERNAL AUDITS**

Frequently Asked Questions (FAQs)



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**Administrative Office of the Courts
Administration Division
Audit Unit**

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**Minimum Accounting Standards Guide for External Audits
Frequently Asked Questions (FAQs)**

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Introduction

This document contains answers to questions frequently asked by courts and their external auditors with regard to the Minimum Accounting Standards Guide for External Audits (MASEA). It will be periodically updated. The questions generally appear in the MASEA # order and will include the original document version and posting date. Questions posed without a specific MASEA # will be identified as "Miscellaneous Guidance". Any and all updates will include the MASEA version number and posting date.

Instructions

- **Miscellaneous Question – Detailed Testing with Multiple Versions of MAS Effective During the Audit Period (V1.1, 2/19)**
The MASEA Instructions Section on page 1, specifically #3, indicates the contracted practitioner should be performing document testing for the most recent complete fiscal year. When the audit period straddles the effective dates of both MAS V3.0 and MAS V3.1, should the external auditor perform testing under both sets of standards dependent on the effective date?

The intent of the standards is for the external auditor to perform detailed document testing under the current, active version of the standards when out performing fieldwork. In this case, MAS V3.1 should be utilized for all document testing. If while performing testing the auditor identifies exceptions due to the fact the requirement was not effective, the auditor can choose to do one of the following:

- 1) Use auditor judgment to determine if the testing exceptions identified are substantial enough to carry forward to the audit report.
- 2) Carry forward the testing exceptions to the audit report and identify the court was not required to follow the standard under MAS V3.0, but they are required under MAS V3.1.

Application of Standards

No questions to address.

General Questions

- **Miscellaneous Guidance – Intent of Verbiage - "Determine Through Interviews and Observation" (V1.1, 2/19)**
Much of the language in the external auditor's guide states "determine through interviews and observation..." The "and" implies that both are required to satisfy the testing. Is this the intent? Or, would one or the other satisfy the testing? Similarly, the word examination (with and) is sometimes included in the listing of the methodology for determining compliance. It is understood that the strength of the methods are, in order, examination, observation, and inquiry and, where applicable, the strongest methodology will be used. Observations of some items may be difficult to achieve during audit fieldwork (e.g., voids of a disbursement instrument under MAS 3.16). Are all methods not required when listed in the external auditor's guide with an "and"?

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The MAS external audit guide uses the verbiage “determine through interviews”, “determine through interviews and observations”, “determine through interviews, observations, and a review”, “determine through interviews, observations, and....”

The intent of this verbiage is for the external auditors to interview staff, observe a process (if possible), and/or examine a document (if possible). However, we do realize that many times the auditor will only be able to inquire about a process/document and not be able to observe the actual process being performed. It is acceptable to determine compliance through inquiry, or via observation of procedures, unless the guide specifically indicates that an examination/review of documentation must be performed.

- **Miscellaneous Question – Examining Confidential Case Information (V1.1, 2/19)**
Is there any guidance if a court refuses to allow an auditor to examine cases/dockets that are considered confidential and/or will only provide redacted information during the external audit testing?

MAS Version 3.1, specifically the Instructions Section, #6 Assistance with Audit and Access to Records on page 6 indicates, “Courts shall provide the independent auditor and the AOC auditors open access to all the judiciary’s records, physical properties, and personnel relevant to the performance of an audit. If necessary, these items shall be produced at the offices of the Supreme Court, AOC Audit Unit, or independent auditor upon request.” To support the external auditor’s access to court records, the MASEA Instructions Section, #4 also indicates, “The court shall provide the contracted practitioner open access to all records, physical properties, and personnel relevant to the performance of an audit. If necessary, these items shall be produced at the offices of the practitioner upon request.” The external auditor should direct the court to this verbiage in the MAS and in the MASEA should an issue arise regarding access to any of the court’s records.

Additionally, if the audit firm/internal auditor has a confidentiality clause in their engagement letter, agreement or policies, we encourage the auditor to present and reference the clause to the court in order to support access to confidential cases/dockets.

If after presentation of this information the court still refuses to provide the chosen information, the external auditor should direct the court to contact the State Court Administrator and/or the Administrative Office of the Courts Audit Manager for further discussions about the court’s issues and concerns with regard to examining the requested information so a resolution can be determined.

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➤ **Miscellaneous Question – Random Sampling (V1.1, 2/19)**

Is the intent of the standards to select a random sample or for the auditor to use haphazard sampling when it comes to choosing a sample size for agreed-upon testing procedures?

The intent of the standards is to use the random sampling technique when choosing testing samples throughout the external audit guide. With that said, if a haphazard sampling methodology was employed during fieldwork before this guidance was issued; we consider the haphazard sampling technique acceptable. If haphazard sampling was performed please add verbiage regarding the allowance of this style of sampling in the final audit report.

➤ **Miscellaneous Question – Method for Calculating Sample Sizes for Courts with Combined Operations (V1.1, 2/19)**

How should testing sample sizes be calculated for courts in which operations are combined (i.e., justice and municipal courts with the same business processes including the same internal controls, utilizing the same staff, and one case management system)?

When calculating testing sample sizes for courts with combined operations, the external auditor should determine how the sample population will be determined. This includes determining what populations are available, a combined population for the courts or separate populations for each court.

As an example, if only a combined population is available, then the 1% sample should be calculated on the population available. However, if each court can provide populations separately for the justice and municipal courts, then testing sample sizes of 1% for each court should be calculated (i.e., 1% for justice and 1% for municipal).

➤ **Miscellaneous Question – Completion of the External Auditor Training Course (V1.1, 3/19)**

If an external auditor completed the required training course in calendar year 2018, does the course need to be retaken in calendar year 2019 in order to complete the MAS group 2 scheduled audits?

External auditors are required to complete the required training before starting any MAS external audit. If the training course was completed in calendar year 2018, the course does not need to be retaken to perform audits in calendar year 2019. The Administrative Office of the Courts will determine if additional training will be required after calendar year 2019. If additional training is required, notification will be posted on the Nevada Supreme Court's website.

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Section 1 – Written Procedure Review

1. For group 1 audits due on March 1, 2019, should the external auditor review the court’s written procedures under both MAS V3.0 and MAS V3.1 when comparing detailed controls and procedures in the Minimum Accounting Standards (MAS) to the court’s operations and established written procedures as the audit period covers both versions of the standards (i.e., MAS V3.0 effective during July 2017-December 2017, MAS V3.1 effective during January 2018-June 2018)? (V1.1, 2/19)

The external auditor should only be reviewing a court’s written procedures against the current, active version of the standards at the time the audit occurs, not both versions of the standards (if effective) during the audit period unless otherwise directed by the Administrative Office of the Courts.

Section 2 – Payment Handling and Receipting Review Procedures

40. How should the auditor calculate the testing sample for payment receipt testing? (V1.1, 2/19)

The auditor should calculate a 1% sample by payment receipt transaction (i.e., tender type) during the fiscal year under audit. If the 1% calculated sample for each payment type is less than 100, you will test the 1% calculated sample for each payment type. If the 1% calculated sample for each payment type is greater than 100, you would only test a total of 100 receipts for each payment type even though the 1% calculated sample is greater than 100.

The following is a sample population by type and associated testing:

<i>Payment Receipt Type (Tender Type)</i>	<i>Population</i>	<i>1% Calculated Receipt Testing Sample</i>	<i>Actual Receipt Testing Sample</i>
Cash	6,000	60	60
Credit Card	14,000	140	100
Money Order	300	3	3
Personal Checks	2,500	25	25
Traveler’s Checks	20	.2 (Rounded up to 1)	1
Total	22,820	229	189

If a court does not have the ability to identify the number of transactions by payment receipt type, the auditor should calculate a 1% sample based on the total receipt transactions that occurred during the fiscal year under audit. Within the 1% calculated sample, the auditor should then choose a random representative sample of all payment receipt transactions (i.e., tender types) attempting to ensure all payment receipt transaction types are tested.

22,820 total payment receipt transaction population x 1% = 228 calculated payment receipt testing sample

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If after choosing the random sample it does not touch on all the areas required for testing, no additional sample should be chosen.

- 41. From the sample selections in step 40, recalculate the financial transaction based upon the fine, fee, or bail schedule and document the results. (NOTE: If the financial transaction originated as an order of conviction, verify that the financial component is appropriately documented in the order of conviction.)**
- a. During this step, determine if the funds collected are appropriately applied based upon applicable Nevada Revised Statutes and local ordinances. (V1.1, 2/19)**

Marsy's Law which became effective on November 27, 2018, requires all payments received by the court to be applied to restitution first, before all other fines/fees owed to the court. No grace period was provided for court implementation of this new law.

This change in the Nevada Constitution will require external auditors to determine how the court is obtaining information to ensure they are applying restitution payments first when performing payment receipt testing under this step.

Specifically, the Nevada Constitution Article 1, Section 8A state, "Each person who is the victim of a crime is entitled to the following rights:

(l) To full and timely restitution....

(p) To have all monetary payments, money and property collected from any person who has been ordered to make restitution be first applied to pay the amounts ordered as restitution to the victim...."

Guidance was provided to the courts indicating the need to work with their justice partners to determine how information and payments remitted would be handled as payments received must be applied to restitution first regardless of who is collecting the funds (i.e., the Court, Department of Parole and Probation, District Attorney's Office, etc.). As a result, each court must develop their own method to ensure payments received are being applied as required by the new law.

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Section 3 – Disbursements

- 41. What is the intent of “recalculate”? Does this mean the auditors should review the original fine, fee or bail documented on the citation to a prior fee (i.e., bail) schedule or does recalculate mean the application of the amount collected to the various assessment related areas (e.g., NRS 176.059 and other associated NRS splits - \$2 Juvenile Offenders fee, \$7 Justice/Municipal Court fee, \$5 State General Fund fee, Remaining Fee Amount to State, \$7 Specialty Court fee, \$3 DNA Testing fee, etc.)? (V1.1, 2/19)**

The intent of this step is to ensure the application of the amount collected is appropriate based on the established revenue splits in local ordinances and Nevada Revised Statutes. Many times the bail set will be revised if a defendant appears before a judge. The judge may then order a fine to be paid. This fine can be upon the discretion of the judge. Whether bail or the ordered fine occurs, the auditor should determine the appropriate split of revenues received by the court. The court should be able to provide the auditor the references for the applicable statutes and local ordinances.

- 57. How should the auditor calculate the testing sample for disbursements? (V1.1, 2/19)**

The auditor should calculate a 1% sample by disbursement type (i.e., cash, checks, voucher requests) during the fiscal year under audit. If the 1% calculated sample for each disbursement type is less than 100, you will test the 1% calculated sample for each disbursement type. If the 1% calculated sample for each disbursement type is greater than 100, you would only test a total of 100 disbursements for each disbursement type even though the 1% calculated sample is greater than 100.

The following is a sample population by type and associated testing:

<i>Disbursement Type</i>	<i>Population</i>	<i>1% Calculated Disbursement Testing Sample</i>	<i>Actual Disbursement Testing Sample</i>
Cash	10	.1 (Rounded Up to 1)	1
Checks	15,000	150	100
Voucher Requests	2,500	25	25
Total	17,510	176	126

If a court does not have the ability to identify the number of transactions by disbursement type, the auditor should calculate a 1% sample based on the total disbursements that occurred during the fiscal year under audit. Within the 1% calculated sample, the auditor should then choose a random representative sample of all disbursement transactions attempting to ensure all disbursement types are tested.

17,510 total disbursement type population x 1% = 175 calculated disbursement testing sample

If after choosing the random sample it does not touch on all the areas required for testing, no additional sample should be chosen.

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[Section 4 – Conversion of Monetary Penalties Imposed by the Court to Alternative Sentencing and Modification of Sentencing](#)

No questions to address.

[Section 4B – District Court Ordered Fines and Fees](#)

No questions to address.

[Section 5 – Trust Accounts](#)

81. What type(s) of trust transactions would a court have in which this external audit guide step would be applicable (MAS 5.4)? (V1.1, 2/19)

Courts should have a list of bonding companies and agents readily available, including bonding limits of individuals who are authorized to post bonds with the court. The bonding companies and agents are required by NRS 20.050 to post information annually with the County Clerk. If the court does not readily maintain this information, the court must be able to obtain this information from the local jail/detention center and the County Clerk.

For both criminal and civil matters requiring surety bonds, bonds for mechanics liens, etc. are an example of why the courts need to maintain a list of bonding companies and agents including their bonding limits. This is to ensure bonds accepted by the court are from bonding companies and agents who are appropriately registered by law and to determine they are issuing bonds for amounts within the limits they are insured. All district, justice, and municipal courts should maintain this information regardless of the size of the court's operation.

The Appellate Courts are the only courts in which this is not applicable, as bonds to process appeals from matters in the district court to the appellate court are filed in the district court and remain there until there is a final determination on the appeal.

[Section 6 – Bank Accounts](#)

112. If an auditor finds the court's monthly bank reconciliations to be inaccurate/incomplete during the audit, the auditor is instructed to re-perform the bank reconciliations for the audit period and document the results. Does this apply if the court's local government performs the bank reconciliation for the operating bank account where non-trust money is deposited? (V1.1, 3/19)

If when inquiring about the court's bank accounts (*as required by MASEA step 109*) the auditor learns the local government is responsible for managing and reconciling the court's bank account, then no re-performance of the local government's bank reconciliation is required. If the court handles their own bank accounts which includes obtaining the bank statements, then the auditor should examine the monthly bank reconciliations performed. If upon examination the auditor finds the reconciliations to be inaccurate/incomplete, then the auditor must re-perform the bank reconciliations for the audit period and document their results. The judiciary does not have jurisdiction over local government financial operations.

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If during audit procedures an auditor notes a local government is not performing the required bank reconciliations, the issue should be brought to the attention of the court under audit and documented in the final audit report under MASEA step 109.

Section 7 – Financial Management

No questions to address.

Section 8 – Computer Access and Security

117. Is the court required to complete a PCI-DSS self-assessment if their credit card operations are outsourced to a third party (MAS 8.10-8.11)? (V1.1, 9/19)

If when inquiring about credit card acceptance the auditor learns the court uses a third party processor the auditor should further inquire if the court accepts credit and debit cards in person, over the telephone, and/or if they are accepted through other methods, which could include the internet. The responses to these questions will assist in determining which self-assessment the court should be completing. Additionally, if at any time staff touches a credit/debit card and/or obtains a credit card number over the phone for processing through a terminal and/or through the internet AND the court uses a third party processor, the court is still required to complete the appropriate annual PCI-DSS self-assessment questionnaire.

The PCI Security Standards Council does provide guidance regarding the appropriate PCI-DSS self-assessment questionnaire to be completed. This can be found on their website at www.pcisecuritystandards.org/document_library, under their Document Library under “SAQs”. Specific guidance can also be found in the SAQ Instructions and Guidelines document.

Additionally, the court must have a security standards policy that addresses how the court accepts credit/debit card payments (e.g., through the internet, payment terminals, etc.) including if a third party processor is involved. If at any time court staff physically handles a credit/debit card then annual training on the security standards policy must be provided to staff to ensure appropriate guidance is provided regarding the handling of sensitive credit/debit card information.

The completion of the annual self-assessment, data security standards policy, and annual training is required by Nevada law under NRS 603A and required under MAS 8.10 and MAS 8.12.

The purpose of the auditors review is to assess compliance with the minimum requirements of the completion of the annual self-assessment, data security standards policy, and annual training on said policy, not to perform an actual audit of PCI-DSS.

Section 9 – General Administrative Security and Key Controls

No questions to address.

Section 10 - Record Retention

No questions to address.

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[Appendix A – CPA’s/Auditor’s Report on Applying Agreed-Upon Procedures](#)

No questions to address.

[Requirements for Summarizing Findings of Procedures Performed](#)

➤ ***Miscellaneous Question - Audit Reports, Public Records (V1.1, 2/19)***

Concerns have surfaced regarding audit reports being public records. To address concerns about confidential information being included in the audit report that could pose a threat to the court and its operations, auditors should document only the findings in the report with enough detail to identify the issue and for a correction to occur. Reports should address compliance with the requirements.

American Institute of Certified Public Accountants (AICPA) Statements on Standards of Attestation Engagements (SSAE) 18 requires that CPA’s provide a list of procedures performed or referenced in Agreed-Upon procedures engagements. These can be provided in a supplemental schedule with the final report in order to ensure AICPA compliance and to ensure the court has the appropriate information for correction to occur.