

AUDIT REPORT

Laughlin Township Constable
Revenue and Expenditures
Audit

July 2020

CLARK COUNTY *Nevada*

Audit Department

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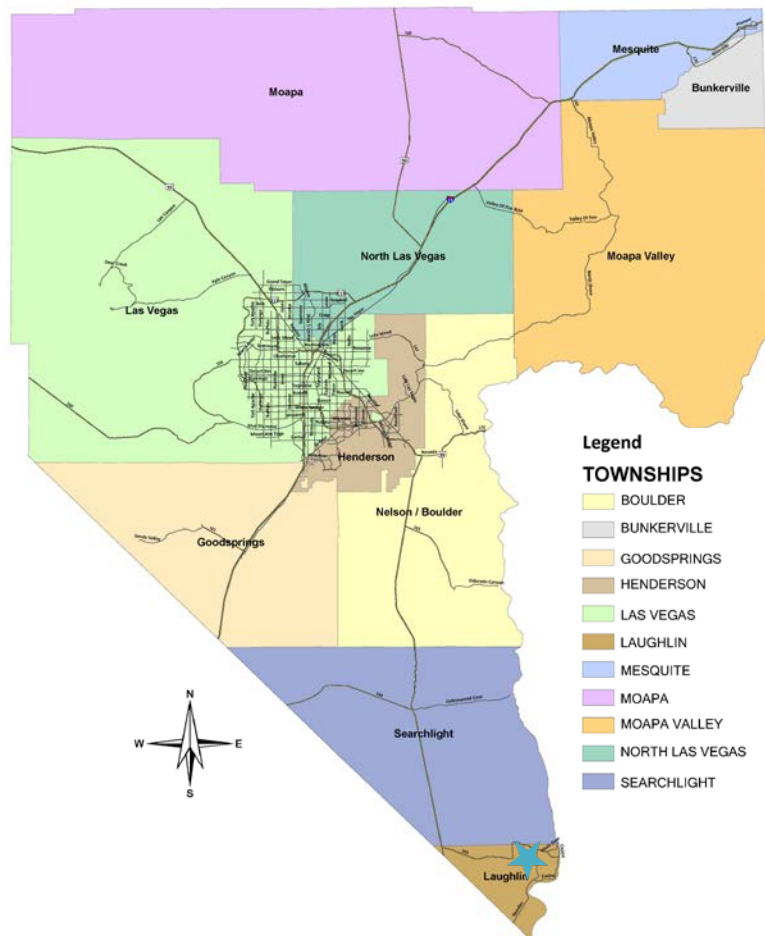
Background

The Laughlin Township Constable's Office is one of eleven constable offices in Clark County. Nevada Constables are peace officers empowered with serving civil processes such as summonses, complaints, small claims documents, notices of evictions, notices of hearings, writs of garnishments, writs of executions and subpoenas. The Laughlin Constable's Office also provides enforcement in complex civil cases.

Nevada constables serve a four-year term, until their successors are elected and qualified. The current Laughlin Township Constable was re-elected in 2018.

Eleven Constable Offices Serve Clark County

Exhibit 1: Map of the Eleven Townships in Clark County



Source: Clark County Geographic Information Systems Management Office. Dated 11/07/2019

While the map above shows the boundaries of each Constable, Constables are not limited to providing services within their township. (*Laughlin Township Constable Jordan Ross, an Individual, and Henderson Township Constable Earl*

Mitchell, an Individual, vs. Constable John Bonaventura, an Individual, case #A-12-663876-C)

Constables are Entitled to Collect Fees pursuant to NRS 258.125

Constables are entitled to collect fees for the services they provide, pursuant to NRS 258.125. These fees range from \$2 to \$48. Constables are also entitled to a small commission percentage for collecting all sums on execution or writ.

NRS 258.040 requires that the Board of County Commissioners establish the compensation for all Clark County Constables. On July 3, 2018, the Board set the annual compensation for the Laughlin Township Constable at \$1,750 plus the fees collected, effective January 7, 2019.

NRS 258.060 allows Constables to appoint deputies to perform services for the Constable. In larger townships, deputies are required to maintain category II peace officer certification.

All deputy appointments are done in writing and filed, along with an oath of office, with the Clark County Recorder. As of December 2019, the Laughlin Township Constable's Office consists of the elected Constable, 5 clerical staff members and 14 deputies.

The Laughlin Township Constable's Office is not Operated as an Enterprise Fund

Unlike some of the larger urban constable offices, the Laughlin Township Constable's Office is not operated as an enterprise fund (*a separate accounting fund used to account for operations where the intent is to have expenses be recovered through charges to the customers.*). Instead, the office is provided with a small yearly budget from the Clark County General Fund (*the primary account used for traditional government services*) to supplement the fees earned by the Constable.

The County provided the Office with \$81,916 in funding for its Fiscal Year 2019 budget. The funds were for the Constable's annual stipend, compensation for one office assistant, office supplies, operating supplies, communication services and insurance. Actual expenditures for the year were \$72,605.

Fees Not Needed for Operational Costs are Retained by the Constable as Compensation

The fees retained by the Constable are used to pay for the operational costs not covered by the County budget. These costs include deputy constable compensation, additional clerical and operational staff compensation, additional office supplies, postage, fuel, and all other all costs necessary to perform the duties of the office. Residual fees are retained by the Constable as part of his compensation.

Exhibit 2 shows the total fees collected by the Laughlin Township Constable's Office in fiscal years 2017 to 2019.

Exhibit 2: Statutory Fee Revenue Has Increased Since 2017

Statutory Fee Category	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Notices	\$ 624	\$ 2,486	\$ 8,411
Evictions	1,092	1,596	1,698
Small Claims	84	187	136
Garnishment Fees	110,155	238,145	207,619
Execution Payments ⁽¹⁾	2,383,665	4,149,346	4,728,179
Garnishment Commissions	40,887	75,465	88,409
Subpoenas	75	3,000	3,705
Summons	45,090	52,773	45,021
Mileage	57,645	96,408	84,460
Copies	1,104	2,213	2,754
Total	\$ 2,640,421	\$ 4,621,619	\$ 5,170,392
Less: Exec Payments ⁽¹⁾	2,383,665	4,149,346	4,728,179
Total Constable Fees	\$ 256,756	\$ 472,273	\$ 442,213

Source: Quarterly Financial Reports filed with the Clark County Clerk's Office

⁽¹⁾ Payments on a writ of execution are typically remitted by a debtor's employer. These Funds are received and deposited by the Constable and then remitted to the plaintiff/judgment creditor.

In 2018, there were several articles in the Las Vegas Review Journal and a Clark County Audit Report related to the operations at the Henderson Constable's Office. At that time, the Laughlin Constable's Office business increased substantially. This change is reflected in the significant increase in fees from fiscal year 2017 to 2018.

7,517 New Cases Were Filed in 2019

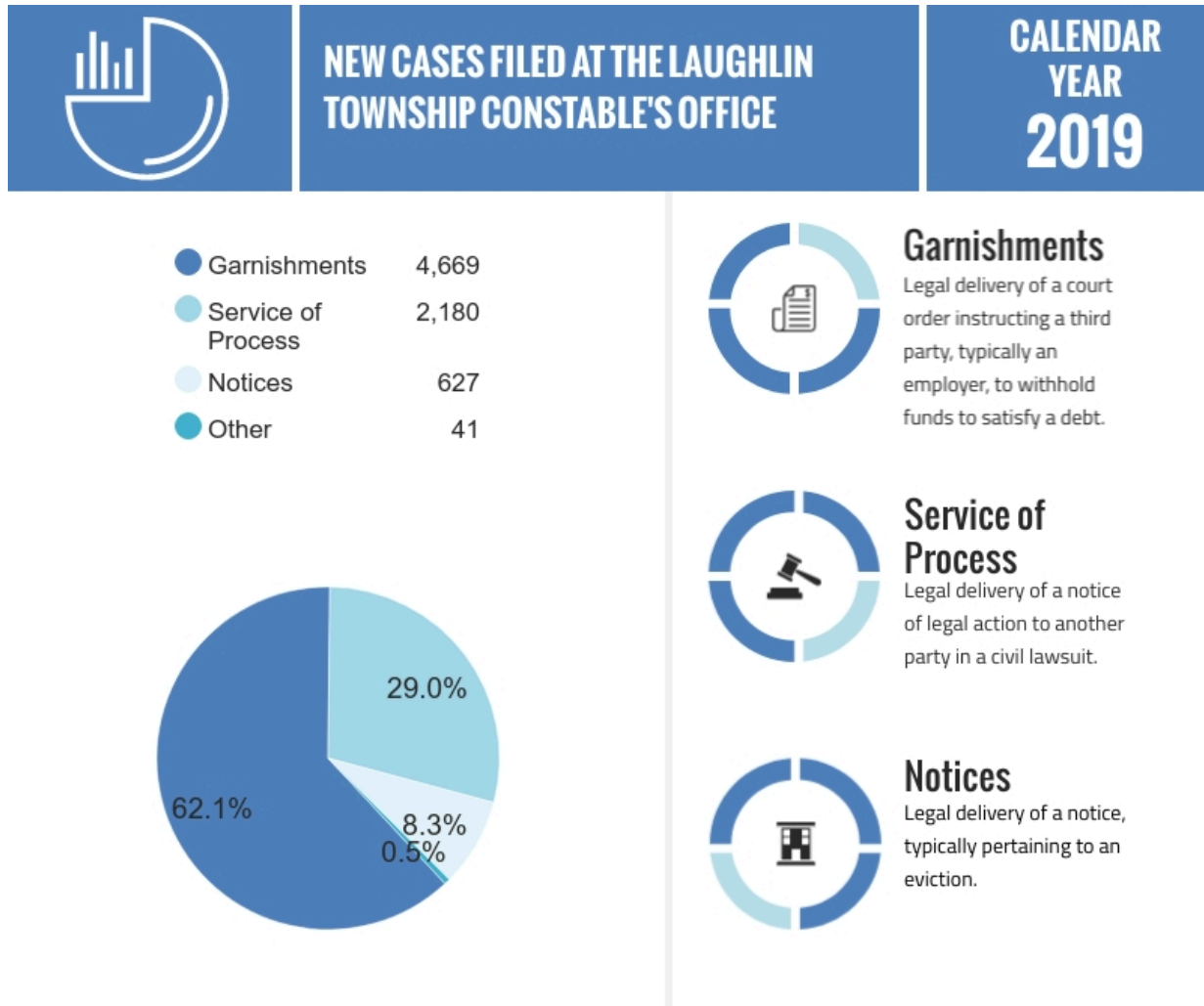
7,517 New Cases Were Filed in 2019, with the bulk of the caseload attributed to garnishment cases.

Each new case filing requires a review of the service application, case management data entry, mailing legal documents, payment processing and staff assignment (*for delivery*). With garnishment cases, staff have to also process periodic debtor payments which includes receipting, depositing and then remitting the payment to corresponding client.

Serving complex civil cases involves a variety of additional procedures including planning, coordinating staff and seizure of property, as prescribed by court order.

All cases are monitored to ensure adherence to the various legal timelines. Exhibit 3 illustrates the volume by case type.

Exhibit 3: Case Volume Drives Office Revenue



Source: Laughlin Township Case Management System Reporting

The Constable uses CourtView Justice Solutions to assist with the case management needs of the Office. CourtView is an integrated judicial case management system used by various County departments. Financial management is augmented through the use of Intuit QuickBooks, an accounting program.

The Constable uses two bank accounts - one for operational purposes and one to deposit and remit funds held in trust. Both of these accounts are under his full custody and control. Between May 2018 and May 2019, the Office received \$5,340,105 in entrusted funds.

Due to the variety and volume of operations, strong internal controls are needed to ensure the Office is able to safeguard entrusted funds, appropriately account for revenue and expenditures, and provide core services in an effective and timely manner.

Scope and Objectives

The objectives of this audit were to:

- Determine whether revenue and expenditure transactions are timely, properly accounted, properly recorded and supported in accordance with governing laws and regulations;
- Determine whether adequate controls are in place to safeguard assets; and
- Review compliance with applicable Nevada Revised Statutes.

Our procedures considered the period of May 1, 2018 through June 30, 2019. The last day of fieldwork was January 7, 2020.

Methodology

To accomplish our objectives, we conducted a preliminary survey that included reviewing applicable policies, procedures and statutes. We also interviewed staff and performed a walkthrough observation of the Laughlin Township Constable's Office to identify key operations. Based on the risks identified during our preliminary survey and discussions with staff, we developed an audit program. We then performed the following testing procedures:

- Identified current business practices and controls and evaluated them against best practices for payment handling, asset safeguarding, and general financial management.
- Examined County General Fund records for fiscal year 2019 to identify and review all reimbursements requests for accuracy, support and appropriateness.
- Reviewed all bank reconciliations performed between May 2018 and May 2019 to determine if they were reviewed and in agreement with the Office's financial records.

- Traced all garnishment receipts between May 2018 and May 2019 from the case management system to the Office's trust account to determine whether funds held in trust were kept separate from operating funds.
- Judgmentally selected four months between May 2018 and May 2019 and reviewed all corresponding operating bank account transactions (*total of 325*) to determine whether the account was being used for business purposes only.
- Used professional judgment to select a sample of 50 garnishment payment receipts (*out of 37,273 total receipts*) processed between May 2018 and May 2019 to test whether the receipted funds were deposited timely and the correct amount was remitted to the entitled party. We also tested the commission charged on those payments to determine whether the charges were allowed by statute.
- Used statistical sampling to select a sample of 72 cases opened between May 2018 and May 2019 (*out of 11,030*) to test whether the fees charged by the Office were consistent with the fees allowed by NRS.
- Used professional judgment to select a sample of 50 cases opened between May 2018 and May 2019 (*out of 11,030*) that included a mileage fee payment, to test whether the distances recorded in the case management system were reasonable and the mileage fee charges were in accordance with NRS.
- Used professional judgment to select a sample of 5 weekly cash receipt journals between May 2018 and May 2019 (*out of 36*) to test whether all receipted funds were properly recorded, completely accounted for and deposited in a timely manner to the appropriate bank account.
- Used professional judgment to select a sample of two months of client billings and payments (*processed in calendar year 2019*) to test whether the clients were billed accurately, the account receivables activity was reasonably resolved, and the client payments were recorded correctly.
- Used statistical sampling to select 40 voided cases (*out of 67*) between May 2018 and May 2019 to test whether the void was supported and reasonable.

- Used statistical sampling to select 56 (*out of 157*) reversed payment transactions between May 2018 and May 2019 to test whether the reversal was appropriate, supported and a subsequent correcting transaction was processed when applicable.
- Reviewed compliance with applicable NRS Chapter 258 requirements related to peace officer certifications, oaths of offices, bonds, and quarterly financial statement filings. Used professional judgment to select a sample of two quarterly financial statements filed in fiscal year 2019 to review for accuracy.
- Reviewed all complex civil enforcement cases (*total of 3*) processed between January 2019 and August 2019 to test whether any property seizure was done in accordance with court orders and performed by at least two deputies. Also tested whether any seized property was statutorily exempt, complex case billings were reasonable and supported, and seized property was safeguarded and accounted for, whenever applicable.
- Reviewed selected controls for the CourtView case management application to ensure they are adequate and in compliance with Clark County Information Technology Directives. Also, whether the current user level access to the application was appropriate based on employment status.

While some samples selected were not statistically relevant, we believe they are sufficient to provide findings for the population as a whole.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal control are included in the detailed results.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our department is independent per the GAGAS requirements for internal auditors.

Conclusions

The Laughlin Township Constable's Office revenue and expenditure transactions are generally timely, properly accounted for, properly recorded, and reasonably supported. Further, procedures are in place to safeguard assets and the Office is performing core duties in accordance with governing laws and regulations. We did find some opportunities for improvement in the Office's internal bookkeeping and complex civil enforcement procedures. We also found some deputy appointments that were not filed, and two inactive employees who retained access to the case management computer system after their separation from employment.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

Auditee responses were not audited, and the auditor expresses no opinion on those responses.

Findings, Recommendations, and Responses

Internal Accounting Procedures Can Be Improved (Medium)

The Office's internal accounting can be improved by enhancing the bank reconciliation process, implementing a cash receipt journal, and cross-training staff in financial operations. These issues are discussed in detail below.

Reconciliation of Operating Account and Trust Account Can Be Enhanced

The reconciliation for the Office's trust account (*the bank account used to deposit and remit entrusted funds*) consists of identifying outstanding checks by comparing the monthly checks presented to the bank and comparing against the Office's check register. The process also includes periodically verifying that daily deposits were credited by the bank. The reconciliation is not entirely documented.

The reconciliation of the Office's operating account (*used for operational expenses and to deposit service fees*) consists of periodically reviewing deposits and reviewing all expenditures processed by the bank for business appropriateness.

Neither the reconciliation of the operating or trust account is reviewed by an independent party.

Although current reconciliation procedures provide some assurance that deposited funds were credited by the bank and checks are being presented for payment, we believe it falls short of a proper bank reconciliation and can be improved. The reconciliation process is hindered by a large unadjusted book balance carried in QuickBooks (*the financial software used by the Office*) that hasn't been resolved in several years.

A proper bank reconciliation includes agreeing the cash balance, per the bank statement, to the cash balance per an independent source (*book balance*). Any differences are reconciled, and discrepancies are researched. A reconciliation should be documented and include supporting documentation to ensure a review is able to be performed. A proper reconciliation ensures all funds are accounted for, assists in identifying errors or fraud, assists in identifying stale checks and allows for financial oversight by a person independent of the transactions.

A Cash Receipt Journal Should Be Implemented

The Office currently does not use a cash receipt journal. Since the majority of funds received are checks, funds are generally deposited the same day they are received (*using an electronic check reader*), and later recorded in the case management system (*sometimes the following day*). There is no independent daily record of money received outside of the bank deposit record (*available online*). The data in the case management system cannot be relied on due to the delay between receipt and recording of the transaction.

Lack of a cash receipt journal complicates research should there be a discrepancy in the amount credited by the bank. This journal will also allow an independent party to review the deposit and ensure all received funds were deposited. Lastly, a cash receipt journal will also act as a record of all money received.

Cross-Training is Needed to Reduced Risk of Sole Financial Control

The Constable currently relies on one staff member to perform various financial management tasks with minor oversight, including: preparing and processing payroll, performing bank reconciliations, preparing disbursement checks, recording information in QuickBooks, preparing and maintaining check ledgers and maintaining custody of blank check stock. This staff member also has full bank account access. None of the other staff members have the training to perform these duties.

The performance of routine financial transactions (*i.e. receipting funds, depositing funds, crediting payments, recording case details etc....*) is divided among the clerical staff, creating an assembly line environment. While this results in an efficient and segregated process, the specific

steps required to perform each process are not known by every staff member.

We believe having this much reliance on one staff member could interrupt operations should the staff member become unavailable. Further, the current arrangement increases the risk that fraud may go undetected.

We believe cross-training can better prepare other staff members to perform each other's duties and will ensure continued operations. Further, cross-training will assist in enhancing separation of duties and implementing a review of key financial tasks.

Recommendation

- 1.1 Maintain a balance of cash on hand, separate from the bank, for both operational cash and entrusted funds. Every month compare this balance against the end of month bank statement balance. Reconcile and research any differences.
- 1.2 If necessary, adjust the QuickBooks cash balance to aid with the reconciliation process.
- 1.3 Implement a review of the bank reconciliation to ensure the work was performed correctly and any reconciling items were researched.
- 1.4 Implement a cash receipt journal that documents the amounts received and pertinent information such as payee name and date.
- 1.5 Cross-train staff to be able to perform key financial tasks.

Management Response

1.1 -1.4

I have a designed a thorough, but I believe cost-effective way of proper cost journaling. Additionally, I have established a new method of separately journaling those revenues that cannot be processed by CourtView. A monthly balance process will be established with an additional control requiring prior approval before entering any adjustments to reconcile any balance discrepancy.

All this has been and has been incorporated as General Bulletin 411.4 Cash Balance Guide within the Agency Policy and Procedure Manual.

As an adjunct to this I have also drafted new formal petty cash procedures which have been incorporated as General Bulletins 411.1 Petty Cash Batch Report

Guide, 411.2 Petty Cash Reconciliation Report Guide and 411.3 General Petty Cash Guide and accompanying Forms LCO-801, Petty Cash Batch Report; LCO-802 Petty Cash Voucher and LCO-803 Petty Cash Reconciliation Form. Although this was not explicitly mentioned in the audit, I felt it was implied and wanted to address the issue.

1.5

Two Deputy Clerks are being cross trained in the key financial tasks referred to by audit staff.

Access to the bank accounts has now been restricted solely to the Constable.

Labor and Compensation Agreements Not Finalized (Low)

The Laughlin Constable does not have labor/compensation agreements for private staff. He is currently in the process of creating the agreements.

We rated this finding as low because we confirmed that the Constable reports wages paid to the Internal Revenue Service (*through form 1099 Miscellaneous Income reporting*). Further, compensation and work to be performed is verbally communicated to private staff and generally known. Nonetheless, we believe employee agreements should be in place.

Employment agreements normally document the relationship between an organization and an employee regarding agreed-upon compensation, responsibilities, limitations and any pertinent rights. Such agreements also help to ensure compliance with Nevada labor laws, set expectations for staff and provide legal protection to the County and Constable.

Recommendation

2.1 Continue to work with counsel to finalize employment agreements.

Management Response

2.1 Beginning with the current agreement used by the Las Vegas Township Constable's Office as a template, we improved several provisions and corrected several others such a number of Oxford Comma errors.

The agreement is ready and has been incorporated as Appendix 351-D into the General Workplace Management Handbook within the Agency Policy & Procedure Manual. Agreements will soon be signed at

a training module where its provisions will be reviewed with deputies.

After the implementation of agreements for deputy constables, we will draft similar agreements for my civilian contractors.

Complex Civil Enforcement Case Documentation Needs to Be Retained (Low)

We reviewed three complex civil enforcement cases. Of the three cases reviewed, two did not have a written inventory of seized property readily available (*confirmation of seized property was obtained through third party sources*). Further, the one case that did have an inventory document on file only had one signature attesting to the seizure when two are required (*we confirmed that two deputies participated in the enforcement*).

Based on our discussions, we believe two deputies participate in property seizures, but the inventory seizure document is not being signed by the second person.

Failing to maintain comprehensive case documentation can delay research and increase labor time should there be a need to research a case file or provide confirmation to counsel or a court.

Recommendation

- 3.1 Remind deputy constables to complete the Property Inventory Report whenever a property seizure takes place. Seized inventory documentation should be signed by two deputies attesting to the collection.
- 3.2 Have staff perform a periodic review of complex case files to ensure that seizure documentation was obtained and retained in the file.

Management Response

- 3.1 I have consolidated our previous three separate Property Inventory Reports into a new single form LCO-302 Property Inventory Report. I have clarified the design of the form to make clear two officers are needed and sent out a temporary order regarding its proper usage. Formal procedures on its use have been codified and have been incorporated as General Bulletin 614.9 Property Inventory Guide, into the Civil Enforcement Handbook within the Agency Policy & Procedure Manual
- 3.2 I will personally conduct a semi-annual review, electronically scheduled in my calendar, of all complex enforcement case files to ensure compliance with proper use of the Property Inventory Reports.

Deputy Constable Appointments Were Not Filed (Low)

The Laughlin Constable filed an oath of office for all deputy constables and operational staff. However, written appointments were not recorded as required by statute. NRS 258.060 (3) states:

“All appointments of deputies under the provisions of this section must be in writing and must, together with the oath of office of the deputies, be filed and recorded within 30 days after the appointment in a book provided for that purpose in the office of the recorder of the county within which the constable legally holds and exercises his or her office.”

Failure to record statutory required filings reduces compliance with NRS and reduces transparency. The Constable indicated that this was an oversight, and filed the written appointments in December 2019

Recommendation

- 4.1 Create a checklist reminder to ensure both written appointments and oaths of office get filed within 30 days whenever a new appointment is made or revoked.

Management Response

- 4.1 Two new forms LCO-502 New Agency Member Report and LCO-503 Agency Member Separation Report have been designed and are being implemented to track a variety of required steps for new and departing personnel, including tax forms, background checks, uniforms, county ID badges, county IT access and that the appropriate oaths of office and appointments are issued or revoked as appropriate. These reports will be kept in each person’s personnel file.

Access to the Case Management Application Needs to Be Periodically Reviewed (Low)

Two terminated staff members retained access to the case management system after termination of their employment. One employee was terminated in September 2018 and the other in March 2019.

Access to the case management system is controlled by the County’s Information Technology (IT), CourtView Support Team. A Community of Interest meeting occurs every quarter to discuss topics related to the CourtView case management system. During the first quarter meeting, the support team reviews current access to the application. The Constable’s Office was not present at this meeting in 2019 to request changes to the user accounts. CourtView departments are also able to request a listing of active users at their discretion.

Active accounts for terminated employees create the risk that the accounts can be compromised or used by others in the Office to perform functions not normally allowed by their own user accounts. The Constable should perform a periodic review of all active users to ensure that all access is valid and appropriate.

Recommendation

- 5.1 Request that the IT Support Team deactivate the two terminated employees' access to CourtView.
- 5.2 Implement a periodic reminder, at least quarterly, to request a user access listing report from the CourtView Support Team. Review the report to ensure access is appropriate and retain documentation showing the review was performed.

Management Response

- 5.1 Network access for the two former contractors, which had already been placed on a temporary disable order due to inactivity, has been permanently revoked.
- 5.2 I have scheduled a periodic biannual reminder in my calendar to remind me to generate an IT work request for a listing report.