



Clark County Courts
Administration



Charles J. Short
Court Executive Officer

Sept 14, 2007

Janette Bloom
Clerk of Court
Supreme Court of Nevada
Supreme Court Building
201 South Carson Street, Suite 201
Carson City, Nevada 89701-4702

Dear Clerk Bloom:

Enclosed are the original and 8 copies of our Supplemental Report in response to Supreme Court ORDER EXTENDING SUSPENSION OF APPLICATION OF NRCP 38 GOVERNING THE DEPOSIT OF JUROR FEES IN THE EIGHTH JUDICIAL DISTRICT COURT issued on July 26, 2007.

Please file the original and return a filed stamped copy in the enclosed return addressed envelope. Please provide copies to the seven Supreme Court Justices.

Very truly yours,


Charles J. Short
Court Executive Officer

CJS:akl

Enc.

cc: Chief Judge Kathy A. Hardcastle
Steve Grierson, Assistant Clerk of the Court
Jeff Adams, Fiscal Services Manager

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DISTRICT COURT
SUPPLEMENTAL REPORT

Sept 14, 2007

SUPPLEMENTAL REPORT OVERVIEW

On behalf of the Eighth Judicial District Court, please accept our Supplemental Report pursuant to your ORDER SUSPENDING APPLICATION OF NRCP 38 GOVERNING THE DEPOSIT OF JUROR FEES IN THE EIGHTH JUDICIAL DISTRICT COURT ADKT No. 405, July 26, 2007. The Supplemental Report provides updates to the relevant sections of the original report. Any update to the original report is distinguished by bold italics.

The Supplemental Report contains information consistent with our original goal of resolving fundamental financial problems encountered upon our formal acceptance of Clerk of the Court functions on January 16, 2007. Our strategy is now to reduce the risk of deposit loss to as close to zero as possible before conversion into the new case management system. We believe that segmenting the trust fund into like classes and returning deposits is critical.

We believe that this supplemental report demonstrates considerable progress toward these goals and our Clerk of the Court's continuous commitment to restore the financial public trust and confidence of this office.

BACKGROUND

On January 16, 2007, the Nevada Supreme Court issued an "Order Suspending Application of NRCP 38 Governing the Deposit of Juror Fees in the Eighth Judicial District Court." The Order stated, in part, as follows:

"...Both the Eighth Judicial District Court's Finance Department's report and the County Clerk's response to Chief Judge Hardcastle's petition highlight the need to modernize and reconcile the Clerk Trust Account....this court has determined that temporary suspension of the jury demand fee would assist the Eighth Judicial District Court's efforts to streamline its current business practices and automate the Clerk Trust Account....the Eighth Judicial District Court

1 shall, on or before May 15, 2007, file a report with the clerk of this court detailing the effects of
2 the suspension of the jury demand fee. The report must also include, at a minimum, specifics
3 concerning the Eighth Judicial District Court's progress in reconciling the Clerk Trust Account
4 and the new procedures implemented for fee collection and refunds."
5

6 On July 26, 2007, the Nevada Supreme Court issued an "Order Extending Suspension of Application
7 of NRC 38 Governing the Deposit of Juror Fees in the Eighth Judicial District Court." The Order
8 stated, in part, as follows:

9 "IT IS HEREBY ORDERED that the Eighth Judicial District shall file a supplemental report
10 with the clerk of this court on or before September 14, 2007. The supplemental report shall
11 update the information provided in the court's May report and specifically inform this court on
12 the status of its efforts to retain professional CPA assistance in updating and reconciling the
13 trust account."
14

15 **OBJECTIVES**

16 The objectives of our report are to file with the Supreme Court:

- 17 • An update of the information and recommendations provided in the court's May report.
- 18 • Specifically inform this court on the status of its efforts to retain professional CPA
19 assistance in updating and reconciling the trust account.
- 20 • An update of the court's efforts to bill for and collect all fees owed to the Eighth
21 Judicial District Court by litigants arising out of civil jury trials at the conclusion of
22 trial.
23

24 **SUPPLEMENTAL REPORT OBJECTIVES**

25 *The objectives of this supplemental report will be:*

- 26 • *The review of progress on recommendations provided in the court's May report.*
- 27 • *The identification of any new issues that have occurred since the last report.*
28

29 **DETAIL OF FINDINGS**

30 **Clerk of Court Transition**

The County Clerk had supervised the Eighth Judicial District Court Clerk of Court function from the

1 date that Eighth Judicial District Court was created in 1909 until January 15, 2007. On Tuesday,
2 January 16, 2007, this District's Clerk of Court function formally became the responsibility of the
3 District Court Administrator as provided by Rule 1.50 of the Eighth Judicial Court Rules.

4 Recognizing that the Court faced uncharted territory, the Court requested Clark County Internal
5 Audit to provide auditors to accompany court staff during the first days of the Clerk of Court
6 integration and to observe all associated fiscal operations. A copy of a two page summary titled
7 "Clerk's Office Observation" prepared by Mr. Jeremiah Carroll II, Director of Clark County's Audit
8 Department, was enclosed in the May report. As noted in the first paragraph of that document ---
9 "These observations and procedures do not represent a complete examination of the clerk's office and
10 should not be construed as an audit of the clerk's office."

11 The memorandum predominantly highlights the lack of key internal financial controls, which existed
12 when the Court assumed control of the Clerk of Court responsibility. However, the memorandum
13 provides only one comment related to the trust fund as noted herein: "The trust funds are currently
14 tracked using a manual system that is unreliable and not reconciled. This process needs to be
15 automated so that the account can be reconciled on a monthly basis."
16

17 **The Effects of the Suspension of the Jury Demand Deposit.**

18 As noted earlier, the Nevada Supreme Court issued an order on January 16, 2007, suspending the
19 application of NRCP 38 governing deposit of juror fees in the Eighth Judicial District Court. The
20 impact of suspending the jury demand fees could be realized through a change in the number of jury
21 demand notices received on civil cases, the number of civil jury trials and the value to the court of the
22 staff relieved of the responsibility to account for the civil jury demand deposits.
23

24 Court records indicate that during 2006, civil jury demand fees were received on approximately 300
25 to 350 civil cases a month, or just over 1,000 cases a quarter, prior to the order suspending the jury
26 demand fee. During the first quarter of 2007, the court received approximately 1,300 civil jury demand
27 notices representing an estimated 30% increase in the number of such notices over the prior quarter.
28 Review of the demand notices indicates that 99% of those filed originated from lawyers who now make
29 the filing of the jury demand an automatic element of the procedure they follow in litigating a civil
30 case. Discussion by court staff with several law firms revealed that the law firms do not view the filing
of the demand deposit as increasing the chance of a civil case moving to a jury trial.

1 Analyzing the civil trials during calendar year 2006, the District Court averaged 15 civil jury trials a
2 month. In contrast, during the first four months of 2007, the District Court averaged 11 civil jury trials
3 per month. One would not expect the suspension of the jury demand fee to impact the number of civil
4 jury trials occurring in the first quarter of 2007 since these cases were subject to NRCP 38
5 requirements at the time those cases were filed. Any impact of the NRCP 38's suspension in the Eighth
6 Judicial District Court on the number of jury trials will not be realized until the cases filed in the first
7 quarter of 2007 are trial ready.
8

9 In looking at the value of staff and the time required to manage the jury fee deposit process prior to
10 NRCP 38's suspension; on any given work day the equivalent of 2 to 3 financial office assistant clerks
11 were required to receipt the jury demand fee deposits and refund those deposits where a civil case was
12 resolved without the necessity of a jury trial. Accordingly, the suspension made the staff available for
13 other clerk of court financial tasks. In large measure, this staff, combined with District Court Finance
14 Division staff applied all available hours relieved through the suspension of NRCP 38's requirement to
15 the arduous task of reconciling the Clerk of Court Trust Fund. In later sections of this report, the
16 efforts of this group and the resulting avoidance of the potential loss of several million dollars of trust
17 fund deposits speaks volumes to the wisdom of the Nevada Supreme Court's decision.
18

19 *Update – During the first 8 months of 2007, the court conducted 154 civil jury trials. Of that total,*
20 *33 represented Short Trials; thus, 121 other civil trials occurred or a monthly average of 15. To*
21 *date, the 2007 monthly average is identical to the average experienced in 2006 for Civil Trials when*
22 *comparing like trial populations. No significant change has occurred in the number of civil jury*
23 *trials as a result of the jury fee suspension.*
24

25 **Procedures Used to Collect or Refund Jury Fees in Civil Jury Trial.**

26 We are using the same basic procedures that were in place when we integrated the Clerk of the Court
27 into District Court. All accounts are billed and collected in a timely manner at the conclusion of each
28 trial. A detailed listing of all billings and collections is kept by fiscal services showing the status of all
29 receivables and refunds.
30

1 **Recommendation--May's report:** No change is recommended for the post civil jury trial
collection/refund of jury fees procedure.

1 *Update – All accounts are billed and collected in a timely manner at the conclusion of each trial.*
2

3 **District Court's Progress in Reconciling and Automating the Trust Account**

4 *Scope of Trust Cases and Amounts on Deposit*

5 The May report revealed that there were 10,352 total deposits with 7,913 of those or 76% resulting
6 from the civil jury demand deposit and 2,439 other deposits as of Feb 19, 2007.

7 The total dollar amount of the Trust Fund from all deposits was \$23,117,690 with \$3,038,608 or 13%
8 representing jury demand fees. Please note that this listing was created in an Excel spreadsheet by
9 fiscal services staff from a 750 page, Blackstone printout, over a 3 month period.
10
11

12 *Update – Currently there are 8,466 total deposits with 5,984 of those or 70% resulting from the civil*
13 *jury demand deposit and 2,482 other deposits as of September 8, 2007. Of the other deposits, 750 are*
14 *for appeal bonds at \$250 each.*
15

16 **Recommendation--May's report:** A. Court Financial staff should continue to update the trust fund
17 account spreadsheet as required by case research B. The refund of all jury demand fees currently on
18 deposit. C. Continued suspension of NRCP 38 for one year.
19

20 *Update – A. Maintaining the additional trust fund account spreadsheet became time prohibitive with*
21 *the number and amount of overall cases needing to be updated, as such, we were unable to update*
22 *the spreadsheets and have difficulty managing even the closed case accounts. B. Our*
23 *recommendation remains unchanged. C. Our recommendation remains unchanged.*
24

25 *Hand Typed Trust Cards*

26 Each new case for which a trust deposit was accepted by the Clerk's Office, a four-part trust card
27 was required to be hand typed. Part I for the customer, Part II for the case file, Part III for fiscal
28 services and Part IV is the trust card filed by case number. These trust deposits are entered into the
29 case management system (Blackstone) on the same day that they are received. Additional deposits
30 received on existing cases required the clerk to find the existing trust card so the additional deposit
31 amounts could be hand posted to the existing trust card, this process consumed a great deal of Clerk of
32 the Court finance division staff. The District Court has an opportunity to discontinue the trust cards
3 completely and record all trust deposits, disbursements and notations recording each action on the trust

1 account with the implementation of the new case management system (Odyssey) for all civil cases.

2
3 **Recommendation--May's report:** Design the civil module of the new case management system to
4 provide a record for trust fund deposits, disbursements and trust notations at the case level.

5
6 *Update - The court has developed an excel spreadsheet to replace the four-part hand typed trust*
7 *card system utilized over last few decades. This interim solution has saved many staff hours and has*
8 *increased overall efficiency. The court has targeted the summer of 2008 for implementation of the*
9 *new case management system. Early design meetings with our new case management vendor, Tyler,*
10 *indicate that the case management's financial module will automatically post to the civil case*
11 *associated with the trust fund deposit. In addition, financial reporting imbedded in the financial*
12 *module will allow the court to automate the daily balancing of trust fund deposits and refunds. This*
13 *court believes the daily balancing capabilities of trust fund transactions is an essential "go-live"*
14 *requirement for the new case management system.*

15
16 *Online Banking with Nevada State Bank*

17 *Online banking has been implemented and is a significant step forward for the Clerk of the Court.*
18 *Prior to online banking, it was difficult to get timely stop payments, bank statements, account activity*
19 *or balances. District Court has recently established a web browser-based suite of electronic services,*
20 *which allows us to effectively manage our Nevada State Bank Trust Accounts online. We have both*
21 *same day and previous day balance reporting. We can transfer funds between accounts, place stop*
22 *payments on individual checks or a range of checks, and have the ability to view electronic versions of*
23 *account statements. In addition, we have eliminated redundancy in imaging all balance reports and*
24 *documentation as Nevada State Bank is providing the images electronically. An additional feature we*
25 *have implemented relates to remote deposits. We now have the ability to post deposits on the same*
26 *day. Prior to online banking, deposits were collected by Loomis Fargo and posted to the trust accounts*
27 *the next day. This feature will facilitate daily reconciliation of the Trust Account.*

28
29 **Recommendation--May's report:** Reconcile the Trust Fund accounts daily.

30
Update - Our recommendation remains unchanged.

1 *Blackstone Trust Accounts with no Corresponding Trust Card*

2 There are two separate trust accounts and each has a separate bank account. One is for civil/criminal
3 trust deposits and one is for family trust deposits. The Blackstone case management system shows
4 10,352 Civil trust deposits but the hand typed trust cards show only 10,061. There are 291 civil trust
5 deposits showing in the case management system that do not have corresponding trust cards. For
6 Family Court, the case management system shows 444 trust deposits but the hand typed trust cards
7 show only 206, the number of trust deposits showing in the case management system that do not have
8 corresponding trust cards is 238. The case management system (Blackstone) **does not** reconcile to the
9 hand typed trust cards or to the bank.

10
11 **Recommendation--May's report:** Abolish the trust card system and rely on the new case
12 management system to manage and report on all trust fund accounts.

13
14 *Update - The court's recommendation is unchanged.*

15
16 *Blackstone's Automated Detail Trust Report--Incorrect Balances*

17 This report prints all amounts for which there exists a balance owed to a depositor. It shows the
18 original amount deposited and by whom. It shows all additional deposits on this particular case and
19 any payments made by the Clerk of the Court to depositors on this case. While working the detail trust
20 listing report produced by Blackstone, we noticed that the balances for all cases that had partial
21 payments against the initial bond payment returned an incorrect amount on the report. We contacted
22 CMC (Blackstone vendor) and they corrected this programming error. Balancing all outstanding
23 accounts to the bank will ensure these reporting errors do not occur.

24
25 *Update - The court will continue to improve and enhance the tools that we currently use as we*
26 *prepare for conversion to a new case management system. Our strategy is now to reduce the risk of*
27 *deposit loss to as close to zero as possible before conversion into the new case management system.*
We believe that segmenting the trust fund into like classes and returning deposits is critical. For
example, our recommendation to return deposits for Jury Demands and Supreme Court Appeals fits
this strategy. Subsequent collection of costs for actual costs incurred could occur upon final
resolution of the case.

1 *Review of Proposed Escheatment to the State of Nevada by the Clark County Clerk.*
2 **Unclaimed property**

3 During the three months prior to District Court taking control of this account, the County Clerk
4 issued about 3,200 checks totaling over \$27,000,000. At the time District Court assumed responsibility
5 for the Clerk of the Court on January 16, 2007, separate and distinct from the 3,200 checks issued by
6 the County Clerk, there were over 526 checks identified on over 691 cases totaling \$5,194,168.59,
7 which had been identified by the County Clerk for escheatment to the State of Nevada as unclaimed
8 property.

9 A careful case-by-case review of the 526 checks revealed 386 of these checks totaling \$230,194.91
10 were correctly identified for escheatment. The remaining 140 checks representing \$4,963,973.68 had
11 previously been paid. Failure of the County Clerk's fiscal staff to recognize the original payments had
12 occurred placed Clark County at risk of committing \$4,963,978.68 in other deposited monies.
13 An exhaustive review of the causes that lead to this potential loss are noted as follows.

14 During the months of November and December of 2004, due to a fraud alert placed on the trust
15 account by Nevada State Bank, many checks were paid by a special "pay sequence code" number that
16 appeared on the bank statement rather than the usual check number. Because the County Clerk did not
17 **reconcile the** bank statement and had a part-time position identifying which checks had cleared the
18 bank, 123 of these "pay sequence code" items were not recognized as cleared checks and thus, had
19 been put in the escheatment process in error. The remaining 17 checks were placed in the escheatment
20 process in error due to the following reasons: 1) already escheated 2) paid twice 3) already cleared the
21 bank 4) duplicate escheatment (placed in the escheatment file more than once). This unexpected and
22 serious potential for fiscal loss has consumed much of the Court's finance staff time since discovering
23 this situation. Protecting the remaining trust fund balance and eliminating the potential taxpayer
24 exposure of replacing what we know was at least \$4.9 million has been much of our focus over the past
25 four months. The review of the County Clerk's list of items for escheatment is complete. Action to
26 prevent the duplicate payment of trust fund deposits has occurred.

27
28 **Recommendation--May's report:** No further action needed relative to the review of the County
29 Clerk's list of items for escheatment.

*Update - Despite our recommendation that no further action was required, pursuant to recent
changes to Nevada Law (SB 103) which becomes effective October 1, 2007, our staff attorney*

1 reviewed our current practices regarding escheatment and recommended implementation of a new
2 policy and procedure. In summary, this procedure requires the Clerk of the Court to provide one
3 additional notice to known parties on any property held by the court, one year after the property
4 becomes available. Then, absent any contact, prepare an electronic escheatment to the State of
5 Nevada. To date, we have researched and prepared approximately 6 out of 15 spreadsheet pages of
6 identified escheatment cases. These escheatment cases represent approximately \$350,000 of the
7 total trust fund account. Once we complete notification on as many cases as possible by October 15,
8 2007, the Clerk of the Court will electronically escheat these cases to the State Treasurer pursuant to
9 Nevada law. Over the next year, it is our goal to establish an escheatment process that is timely and
10 accurate.

11 Duplicate Payments

12
13
14 As noted earlier, during the three months prior to District Court taking control of this account, the
15 County Clerk issued about 3,200 checks totaling over \$27,000,000. This volume, in such a short
16 period of time, gave rise to numerous problems including duplicate payments. As of this date, the
17 Court has identified two duplicate payments. A Bond amount of \$5,000 posted to the trust account on
18 4/26/02 was repaid to Casablanca Travel Services on two separate dates. First, Check # 35701 was
19 issued 11/8/04 and never cashed. Check # 36911 was issued on 4/28/05, and check # 37046 was
20 issued on 5/12/05; both of these checks cleared the bank in May of 2005. The County Clerk had
21 included Check # 35701 in the file of checks to be escheated to the State of Nevada. Essentially, the
22 \$5,000 was committed for payment on three separate occasions. Staff research in the white and yellow
23 pages for Casablanca Travel Service turned up no entity with that name in Nevada. Research on the
24 Nevada Secretary of State website shows that Casablanca Travel Service's business license was
25 revoked on 11/1/05. It lists Mark Duncan as an officer of the corporation. Several phone calls were
26 made to the former attorney representing the Casablanca Travel Services, Steve L. Sorenson of
27 Sorenson & Associates, were not returned. James McClendon signed for Casablanca Travel Services.
28 It appears that the company may have been sold at some point. This example illustrates our concerns
29 with the adequacy of prior controls on the trust account. We do expect to find this situation repeated.
30 As a result, fiscal prudence require us to examine all the work the County Clerk did in an attempt to
1 clean up this account as control of the account was being turned over to District Court.

1 **Recommendation--May's report:** Continue researching each one of the 3,200 trust payments made
2 by the County Clerk during the three months prior to District Court taking control of this account.
3

4 **Update –** The court is in the process of verifying that these trust payments have not previously
5 cleared the bank. Internal audit is reviewing each payment over \$100,000 from the date of deposit
6 thru August 2007 to ensure that these amounts have not cleared the bank more than once. This
7 represents about 90% of the dollar amount of all of the 3,200 plus checks written by the County
8 Clerk during her last three months as Clerk of the Court. District Court fiscal services is looking at
9 all amounts between \$5,000 and \$100,000 to ensure they are not duplicate payments. This represents
10 about 5% of the dollar amount of all of the 3,200 plus checks written by the County Clerk during her
11 last three months as Clerk of the Court. In summary, ~~\$26,016,957 of the \$27,330,128 in trust fund~~
12 ~~payments issued will be tested to determine if duplicate payment occurred during the last 90 days of~~
13 ~~the County Clerk's supervision.~~
14

15 **NEW ITEMS OF CONSIDERATION**

16 When reviewing trust account balances and activity, a similar fee collection process was
17 identified for resolution; collection of the \$250.00 bond for costs on cases appealed to the Nevada
18 Supreme Court (N.R.A.P. 7). During the time period of January 2002 through August 2007, there
19 were approximately 2,324 cases that posted the \$250.00 bond for costs. Out of those cases, only 25
20 resulted in a memorandum for costs being issued by the Supreme Court or 1%.
21

22 **Recommendation:** Suspend N.R.A.P. 7 for the collection of the appeal bond for costs until such
23 time as the new case management system is implemented or no more than one year. In addition, it is
24 respectfully requested that this court authorize the return of appeal bond for costs in an effort to
25 allow for the reconciliation of the Clerk of the Court trust account.
26

27 **SUMMARY OF RECOMMENDATIONS**

28 Based on the number of irregularities encountered in working with the Clerk of the Court trust accounts
29 over the past four months, District Court is making the following recommendations:

- No change is recommended for the post civil jury trial collection/refund of jury fees procedure.
- A. Court Financial staff should continue to update the trust fund account spreadsheet as required by case research
- B. The refund of all jury demand fees currently on deposit.
- C.

1 Continued suspension of NRCP 38 for one year.

2 ■ Design of the civil module of the new case management system provide a record for trust fund
3 deposits, disbursements and trust notations at the case level.

4 ■ Reconcile the Trust Fund accounts daily.

5 ■ Abolish the trust card system and rely on the new case management system to manage and
6 report on all trust fund accounts.

7 ■ No further action needed relative to the review of the County Clerk's list of items for
8 escheatment.

9 ■ Continue researching each one of the 3,200 trust payments made by the County Clerk during
10 the three months prior to District Court taking control of this account.

11 In closing, the Courts final recommendation relates to a request of the Clark County Manager. The
12 court is in the process of formally requesting our County Manager to assign Internal Audit to review
13 District Court's work and prepare an audit report of their findings.
14

15 **SUPPLEMENTAL REPORT RECOMMENDATIONS**

16 ■ *Continue post civil jury trial collection/refund of jury fees procedures.*

17 ■ *Authorize the Eighth Judicial District Court to return all previous jury fee deposits as
18 part of a comprehensive plan to reconcile accounts prior to conversion into the case
19 management system.*

20 ■ *Continue the suspension of NRCP 38 until the new case management system's
21 implementation or no more than one year.*

22 ■ *Require proper financial functional requirements of the new case management system
23 before implementation.*

24 ■ *Continue to pursue daily reconciliation of the trust fund.*

25 ■ *Implement escheatment procedures as outline in this report.*

26 ■ *Suspend N.R.A.P. 7 bond for costs requirements until the new case management system
27 is implemented or no more than one year.*

28 ■ *Authorize the return of any existing N.R.A.P. 7 bond for cost payments in order to
29 reconcile prior to data conversion into the new case management system.*

0 ■ *Accept the proposal from the Clark County Internal Audit Department and approved by
the County Manager to provide for one CPA and four to five para legal assistants at an
estimated cost of \$275,000. This will assist with all trust fund reconciliation activities.*

RSM! McGladrey

TO: Jeff Adams, Financial Services Manager

CC

DATE: December 14, 2007

SUBJECT: **Trust Account Reconciliation - Weekly Status Report**
 Reporting Period Covered: December 10, 2007 – December 14, 2007

RSM MCGGLADREY TEAM MANAGEMENT

- Shawn O'Mara, Director Risk Management
- Mark Gibson, Consulting Manager

MILESTONE STATUS

Activity and Responsible Manager	Start Date	Complete Date	Comments
Operations/Financial			
Introductory – Kick Off Meeting	12/10/07	12/11/07	
Reviewed Trust Account Cards	12/10/07	12/10/07	
Conduct Trust Account Process Interviews			
1. Jeff Adams	12/10/07	12/10/07	
2. Sherry Frascarelli	12/10/07	12/10/07	
3. Tim Davis & Sandra Hakans	12/11/07	12/11/07	
4. Steve Rohberg	12/10/07	12/10/07	
5. Barbara Bell & Tia Everett	12/11/07	12/11/07	
6. Camille Williams	12/12/07	12/12/07	
7. Dean Butz	12/13/07	12/13/07	
8. Tiffany Skaggs	12/13/07	12/13/07	
9. Debbie Baker	12/13/07	12/13/07	
10. Nevada State Bank – Marcus Klien, Mary Rourke, & Joanne Lopez	12/14/07	12/14/07	
Reviewed Internal Audit Reports	12/11/07	12/11/07	
Reviewed Bank Account Statements from 2005 to 2007	12/11/07	12/13/07	
Information Technology			
Reviewed BlackStone	12/10/07	12/14/07	
Reviewed Scanned Cards	12/10/07	12/14/07	
Identification of Data Sources	12/10/07	12/14/07	

CURRENT PERIOD ACCOMPLISHMENTS/PROGRESS:

1. Interviewed subject matter experts and obtained an understanding of the Trust Account processes for Civil/Criminal and Family Courts.
2. Obtained access to the Blackstone database.
3. Began preliminary analysis of the Blackstone database.
4. Initiated analysis of the scanned Trust Cards to see if they can be read by OCR to an electronic file.
5. Read the relevant internal audit reports for the Trust Account process.
6. Met with the Nevada State Bank to see if the historical Trust Account bank account statements can be obtained in electronic format.
7. Reviewed the hardcopy Trust Account cards.
8. Developed an initial project plan.

PLANS FOR NEXT PERIOD (MID JANUARY):

1. Finalize the engagement letter.
2. Finalize whether or not OCR can read the Trust Account cards to an electronic file.
3. Finalize whether the historical Trust Account bank statements can be obtained from the Nevada State Bank in electronic format for a significant period of time.
4. Identify the population of Trust Accounts for the Civil/Criminal and Family Courts.
5. Finalize the data analytics and assumptions.
6. Provide a project plan given full implementation of electronic solutions and a project plan for full manual reconciliation of the Trust Accounts.

ISSUES/RISKS:

1. Need to obtain as much historical Trust Account bank statements from Nevada State Bank in electronic format, as possible.
2. Need to obtain a projection for OCR's ability to read and scan the relevant Trust Account card fields to an electronic format.
3. Need to confirm and sign the engagement letter.

UPCOMING SCHEDULE:

- The engagement team will be identified upon engagement letter approval. We look forward to initiating the actual Trust Account reconciliation process in early to mid-January.

OTHER COMMENTS:

- During our interviews of the subject matter experts for the Trust Account process, we noticed the following internal controls issues:
 - There is a lack of segregation of duties with respect to the handling of cash in the Trust Account process. Ideally to mitigate the risk that cash may be misappropriate the functions of transaction authorization, cash custody, record keeping, and reconciliation should be segregated so that only one person performs each function. In cases where staff size or transaction volume does not economically permit a one to one assignment of function to individuals, then one person should not perform more than two functions. In the case of the Trust Accounts, the daily cashier tills are being

verified by Debbie Baker and Tammy Skaggs. They, along with Camille Williams, are also responsible for completing the deposit slip, entering remittances in Blackstone or Odyssey, printing checks, mailing the checks, and receiving the bank statements. It is recommended that some of these functions should be segregated to others in the Legal department so that no one person can perform more than two of these functions.

- In the Family Court Trust Account process remittance checks are mailed by Tammy to Dean Butz via intercom any mail. There is a risk that these checks may be subject to unauthorized access via an interception during the mailing process. It is recommended that someone in the Legal department should mail the checks directly to the recipient. Dean Butz can review the mailed checks on-line via Odyssey to confirm that they were sent.
- In the Family Court Trust Account process, when Dean Butz receives a check for a Trust Account deposit, the checks are retained in Dean's top drawer at his desk. The checks are not retained in the locked till drawer. It is recommended that when Dean receives a Family Court Trust Account deposit in the form of cash or check, the amount should be placed in the till.
- In October, 2007 there were approximately 20 "Pay Sequence" remittances that were returned by Nevada State Bank as counterfeit checks. These checks should be investigated to determine whether the initial remittances were authorized and the root cause for NSB to process them as counterfeit.

