

# **City of Cottonwood Municipal Court**

Cottonwood, Arizona

## **Independent Accountants' Report on Agreed-Upon Procedures**

*For the Period from July 1, 2021 to June 30, 2022*

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings**  
**For the Period from July 1, 2021 to June 30, 2022**

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Arizona Supreme Court, Administrative Office of the Courts  
Presiding Judge, Honorable Catherine Kelley of the City of Cottonwood Municipal Court  
Cottonwood, Arizona

We have performed the procedures, as listed in Exhibit A, on the City of Cottonwood Municipal Court's ("Court") compliance with the requirements set forth in the Arizona Code for Judicial Administration Section 1-401, *Minimum Accounting Standards (MAS)* for the period from July 1, 2021 through June 30, 2022. The City's management is responsible for the Court's compliance with the Minimum Accounting Standards.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the Court's compliance with the Minimum Accounting Standards. Additionally, Arizona Supreme Court, Administrative Office of the Courts ("AOC"), and the City of Cottonwood Municipal Court ("Court"), have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed were appropriate for their purposes.

The procedures and associated findings are described in Exhibit A.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Court's compliance with the Minimum Accounting Standards. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Arizona Supreme Court, Administrative Office of the Courts and the management of the City of Cottonwood Municipal Court and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "The PUN Group, LLP". The signature is fluid and cursive, with "The PUN Group" on the first line and "LLP" on the second line.

Phoenix, Arizona  
September 26, 2022

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A**

**Agreed-Upon Procedures and Findings:**

**PROCEDURE: Administrative Requirements**

1. Determined if all financial transactions were recorded in an automated receipts journal and included:
  - a. Date payment was received;
  - b. Amount received;
  - c. Receipt/transaction number; and
  - d. Receipt allocation by type, such as, but not limited to fine, criminal justice enhancement fund, medical services enhancement fund, restitution, and bond.
2. Determined if all financial disbursements were recorded in an automated disbursements journal and included:
  - a. Date check issued;
  - b. Amount disbursed;
  - c. Name of payee;
  - d. Court check number;
  - e. Type of payment disbursement, such as, but not limited to fines, surcharges, restitution, and bonds;
  - f. and Electronic fund transaction number, if applicable.
3. Determined if the court had established written policies and procedures that prescribe the court's financial practices, and which applied to any departments or divisions within the court's administrative structure that received or disbursed money.
4. Determined if the court or probation department had a **granted secondary technology request** on file with the AOC. If so, reviewed the granted secondary technology request for allowable technology specific to the preparation and verification of financials. Determined if the court had established written policies and procedures that prescribe how the technology will be used.
5. Verified that the court displayed its payment acceptance policies on any court-sponsored webpage and in a location within the court's main lobby easily viewable by the general public, such as next to each customer service station, and that the payment acceptance policies included the following:
  - a. A statement regarding the methods of payment that the court accepts, which shall include, but is not limited to: cash, cashier's check, certified check, money order, credit card, debit card, or other financial institution generated fund transfer instrument and other forms or means of payment mandated by the supreme court; *See AO 2020-202(2)(e)(f)*;
  - b. A statement that a receipt shall be provided for every payment made in person to the court;
  - c. A statement that the receipt provided by the court is proof of payment; and
  - d. A statement regarding the court's dishonored payment policy.

**FINDING:** No exceptions were noted as a result of applying these procedures.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Independent Review by Auditors**

1. Reviewed the last auditor's final report to determine if the court retained a copy of the final report showing the date on which it was received by the court and that it was forwarded to the AOC within seven days from receipt.
2. Reviewed the final reports issued for the last independent review by auditor and for the last operational review conducted by the AOC to determine if the court had addressed all the financial findings noted in the reports.

**FINDING:** The last operational review conducted by the Administrative Office of the Courts was dated August 2017 and the last external review performed by the City's external auditor was dated November 1, 2019. The City Court has addressed all findings noted in the operational review. The findings of the external review regarding the restitution disbursements and voided receipts were not corrected as of June 30, 2022, and are noted as exceptions in the report below under "Cash Handling and Receipting" and "Disbursements".

**PROCEDURE: Safeguarding Monies and Financial Records**

1. Determined through interviews, observation, and by taking an inventory of the contents of the safe, if the court safeguards all monies received for the court and financial records, such as, but not limited to receipts, blank checks, and financial reconciliation documents as follows:
  - a. Assigned each cashier a unique user identification. The user identification was used only by the assigned user.
  - b. Changed safe keys, combinations, or both upon either:
    - i. Termination of employment of a person who was granted access to a safe, unless access to the court or area where the safe is located was restricted by electronic access control; or
    - ii. Change of responsibility of an employee who was granted access to a safe, unless the area where the safe is located was restricted by electronic access control.
  - c. Maintained physical restrictions between the public and the areas where court monies and financial records were stored and allow only authorized access to those areas.
  - d. Displayed signs limiting admittance to areas where court monies and financial records were stored, unless access was restricted by electronic access control.
  - e. Retained, counted, and handled all court monies in a secure location that was not accessible to the public and was only accessible to authorized personnel until monies are deposited with the bank or local treasurer.
  - f. Stored all court monies in a locked location from the moment they are received until they were deposited with the bank or local treasurer.
  - g. Used locking bank bags or tamper-proof bags to transfer court monies to the bank or local treasurer.
  - h. Kept cash drawers, cash boxes, payment drop boxes, bank bags, safes, and vaults locked and secured at all times when not in use.
  - i. Stored all court monies overnight in a locked safe or vault with restricted access that was immovable or attached using a method that would prevent easy removal.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Safeguarding Monies and Financial Records (Continued)**

- j. Secured blank checks, unissued manual receipts, and any documentation that contained a whole credit card number, such as phone payment logs in a safe, locked cabinet, or locked area, and allowed only authorized court personnel to access these documents.
- k. Each cashier individually secured the assigned cash drawer fund in a separate lockable drawer or locking bank bag at all times prior to balance and reconciliation and second person verification.
- l. Court personnel shall not commingle personal or non-court monies with court monies. This includes but is not limited to making personal change from the cash drawer fund, court change fund, or court deposit monies, and making change for court payments with personal monies.
- m. Court personnel shall not cash personal checks or purchase supplies using monies from the cash drawer fund or the court change fund.
- n. Court employees and authorized personnel who issued receipts on behalf of the court shall not keep court monies with their own personal funds, deposit court monies in a personal bank account, or take court monies home with them upon departure.
- o. Court personnel shall investigate any shortage or overage of court monies within one business day. If there is still a discrepancy, court personnel shall document the discrepancy on the applicable cashier's cash drawer fund reconciliation documentation as part of the daily deposit reconciliation documentation.
- p. Court personnel shall not correct an original entry to any financial document or instrument by erasing or masking the erroneous entry. To correct an error, court personnel making the correction shall strikethrough the original entry, and initial and date the corrected entry.
- q. Prohibit the use of signature stamps when signing financial documents such as checks. Courts may use check signature software or a check signing machine to imprint authorized signatures on checks.

**FINDING:** No exceptions were noted as a result of applying these procedures.

**PROCEDURE: Segregation of Duties**

- 1. Determined through interviews, observation, and a review of documentation, if the court provided internal controls for financial functions, ensured the safety of public monies and the reliability of court records, and allowed for the detection of errors, as follows:
  - a. Documented the preparation of daily cash counts and their corresponding reconciliations, deposit reconciliations, monthly reconciliations, the review of outstanding bonds over 90 days, and quarterly reconciliations using a method that identified the preparer such as initials or signatures and included the date of document preparations. The preparer must not also be the second person verifier of the document.
  - b. Documented the verification of daily cash counts and their corresponding reconciliations, deposit reconciliations, issued and voided manual receipts, monthly reconciliations, and quarterly reconciliations using a method that identified the verifier such as initials or signatures and included the date of document verification. The second person verifier must not also be the preparer of the document.
  - c. Signed checks prepared by someone else, unless the check requires two signatures. Checks must not be made out to "Cash" and the signing of blank checks is prohibited. For courts with electronic disbursements, ensure that the person who entered and authorized the electronic disbursement was not the same person who verified the electronic disbursement.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Segregation of Duties (Continued)**

- d. Had a second authorized person verify void or reverse (adjusted) automated receipts in the automated financial management system if a correction was needed. The verification must be documented.
- e. For courts that did not have sufficient staffing to provide for a second person verifier at all times, determined if the court had adopted written financial policies and procedures to control the risk of unauthorized financial transactions. These written financial policies and procedures must detail arrangements made with designated local government employees authorized by the court to verify transactions in accordance with the requirements in this section.

**FINDING:** No exceptions were noted as a result of applying these procedures. The City's Finance Department prepared and issued the Court-authorized checks (excluding bond checks). Bond checks required a first and second authorized signor as required by the *Minimum Accounting Standards*.

**PROCEDURE: Cash Handling and Receiving**

*Acceptance of Payment*

1. Observed the court's practice for accepting payments to determine if only court authorized personnel or electronic interfaces received payments on behalf of the court.

*Online Transaction Retrieval*

1. Determined if the court had a manual retrieval process for online transactions. If so, the court must retrieve and receipt the transactions to the case financial management system no later than the end of the next business day.
2. Determined if the court had an automated retrieval process for online transactions. If so, the court must receipt the transactions to the case financial management system no later than the end of the next business day.
3. Verified that in addition to the receipting elements listed in *Automated and Manual Receipting Requirements* (4)(a) through (j), receipts associated with online transactions included:
  - a. Online transaction date;
  - b. Online transaction number; and
  - c. Name and address of cardholder, if available; however, there shall be at a minimum, an audit trail to identify the cardholder's information for disbursement purposes.

*Endorsement of Checks*

1. During the observation of the daily cash count of the cashier cash drawer fund and when court personnel opened the daily mail, determined:

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Cash Handling and Receipting (Continued)**

- a. For courts that did not utilize an automated financial management system that electronically endorsed checks:
  - i. If all checks payable to the court were properly and clearly endorsed with a restrictive endorsement stamp that read “For Deposit Only – Payable To (account’s name)” no later than the end of the business day on the date the check was received into the automated financial management system.
- b. For courts that utilized an automated financial management system that electronically endorsed checks when an automated receipt was generated:
  - i. If the court receipted all checks immediately when received. If the court was unable to receipt the checks when received, that the checks were immediately secured for safeguarding purposes, with receipting into the automated financial management system to be completed no later than the end of the next business day.
  - ii. That the automated financial management system properly and clearly endorsed all checks payable to the court with a restrictive endorsement stamp that read “For Deposit Only – Payable To (account’s name),” when an automated receipt was generated.
2. Determined through interviews that the court did not endorse checks payable to another court and sent the checks to the proper court within two business days.

***Receipting of Unidentified Monies***

1. Determined, by reviewing the court’s “Unidentified Monies” file, if the court had a process for handling monies that were received without information identifying the party’s name, case number, and sender information if the court was unable to identify the party and case number for which the monies were received, and if the process included the following:
  - a. Receipted the unidentifiable monies into a suspense or hold account within the automated financial management system, no later than the end of the next business day and depositing the monies to the local treasurer or bank accordingly.
  - b. Endorsed checks received without information identifying the party’s name, case number, and sender information in accordance with the *Endorsement of Checks* guidelines identified above.
  - c. Retained copies or an electronic image of a cash log that details the breakdown and total of any monetary denominations received, the checks received, the credit card transaction details received, receipts generated by the automated management system, and any additional necessary supporting documentation in the “Unidentified Monies” file.

***Automated and Manual Receipting Requirements***

1. Determined if the court was receipting all monies no later than the end of the next business day.
2. Determined if the receipts generated by the court reflect the date the monies were receipted.
3. Determined if the court issued a sequentially numbered receipt or transaction for each payment.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Cash Handling and Receipting (Continued)**

4. Using the cash receipts journal as the source document, **selected a random sample of at least 20 individual receipts** (for bonds, fines, fees, surcharges, and restitution for all court levels; add child support, probate, and other trust monies for superior court). Determine if the individual receipts contained the following information:
  - a. Name of the court;
  - b. Case number, if applicable;
  - c. Defendant's name, if applicable;
  - d. Plaintiff's name, if applicable;
  - e. Date payment was received;
  - f. Amount received;
  - g. Name and address of the third-party payor making the payment, if available, and if not included on the case financial records;
  - h. Identification of person that received the payment;
  - i. Method of payment such as cash, check, payment card, or EFT; and
  - j. Unique sequential receipt/transaction number.
5. **Sampled 10 defensive driving school payments** and verified if the monies from the defensive driving schools were received by the end of the next business day and payment was recorded in each defendant's case financial record. Determined (*Independent Contractors section of MAS*) if payments received from defensive driving schools were received in the form of business check, cashier's check, money order, EFT, or wire transfer. *This item is not applicable to probation departments reviewed.*
6. Determined if the court received overpayments as an overpayment and not as a fine, surcharge, bond, or restitution.

***Issued and Unissued Manual Receipting Requirements***

1. Determined if manual receipts were only used when the court's automated financial management system was inoperable. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
2. Determined if manual receipts were entered into the automated financial management system by the end of the business day or as soon as the system was operable. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
3. Reviewed the court's manual receipt book and **sample 10 manual receipts** to verify the following:
  - a. Manual receipts were at least a two-part form, pre-printed with unique sequential numbers and the name of the court on each receipt. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
  - b. Manual receipts were issued in sequence within each book and are cross-referenced; the manual receipt number issued was referenced on the automated receipt or recorded in a docket entry in the automated financial management system; and the automated receipt number was referenced on the manual receipt. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Cash Handling and Receipting (Continued)**

- c. A second person reviewed the manual receipts no later than the end of the next business day following receipt issuance, verified that the receipts were issued in sequence, recorded in the automated financial management system, and that all receipts had been issued. *This item is not applicable to probation departments reviewed that do not have access to the clerk of court's case management system.*
- d. The court had established written policies and procedures to account for and reconcile all unissued manual receipts at least quarterly and that the court documents the reconciliation of all unissued manual receipts.

***Automated and Manual Voided Receipts***

1. Selected a **sample of 10 automated voided receipts, 10 automated reversed (adjusted) receipts, and 10 manual voided receipts** to determine that all voided receipts were not altered in any way and to verify the following:
  - a. If an error was made or a correction was needed that “VOID” or “Reverse” (adjusted) was indicated on the automated receipt; the reason for the void or reversal (adjusted) was indicated on the automated receipt or in the case financial record; and the voided or reversed (adjusted) receipt number was cross-referenced on the replacement automated receipt, if applicable, in the case financial record.
  - b. If an error was made or a correction was needed that “VOID” and the reason for the void was indicated on all retained copies of the manual receipt; that the voided manual receipt number was cross-referenced on the replacement manual receipt, if applicable; and that the second person review of voided manual receipts took place no later than the end of the next business day following receipt void.

***Counterfeit Cash***

1. Determined if the court had established written policies and procedures on identifying and handling counterfeit cash in accordance with U.S. Department of the Treasury, Office of Domestic Finance, Advanced Counterfeit Deterrence guidelines.

***Petty Cash***

1. If the court used a petty cash fund, verified the court was following local policies and procedures regarding usage and reimbursement of the petty cash funds. Also, reviewed and verified the monthly reconciliation of the petty cash fund.

**FINDING:** When applying these procedures, we identified one exception, which related to voided receipts (see Voided Receipts Finding #1 above). The replacement receipts reviewed as a part of the voided receipt testing did not include the voided receipt number as required by the *Minimum Accounting Standards*.

For the sequential manual receipt log, the Court had not issued a manual receipt during the period July 1, 2021 to June 30, 2022. Therefore, the agreed-upon procedures over manual receipts did not apply. The Court did not maintain a petty cash fund, therefore agreed-upon procedures over petty cash did not apply.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Disbursement Processing**

1. **Sampled at least 10 disbursements** to determine if disbursements were made only in the form of a check, credit to the payment card originally used to make the payment, or an EFT and that all checks or payment card adjustments or reversals were signed by authorized signers.
2. Verified that checks issued by the court were pre-printed with unique sequential numbers, or electronically signed, and disbursed in sequential order.
3. For all sampled disbursements, verified that disbursements were recorded in the court's automated financial management system by the end of the next business day and disbursed within the time period prescribed in the court's written policies and procedures.
4. For all sampled disbursements, verified that each automated disbursement record contained the following: case number; case party names; date check issued; name of payee; court check number; type of payment disbursement (such as fines, surcharges, suspense, hold, restitution, bond, or bond amount converted to court assessments); amount disbursed; and electronic fund transaction number, if applicable.
5. **Sampled 10 bond disbursements** and verified that bond monies were disbursed according to written court order by a judicial officer and only to the individual who posted the bond or to the third party authorized to receive the bond monies by the person posting the bond. If bond monies were converted to pay court-ordered monetary obligations, verified that the express written permission of the bond poster was received, unless the bond poster was the defendant. Determined if the court had established written policies and procedures for refunding and disbursing bond monies within a prescribed time period. *This item is not applicable to probation departments reviewed.*
6. **Sampled 10 restitution payments** and verified restitution payments were disbursed to victims within the time requirements established by ACJA § 5-204.
7. **Sampled 10 overpayments** and verified that overpayment monies were disbursed according to the policies and procedures set forth by the court. Determined if the court had established written policies and procedures that included a reasonable threshold amount for refunding overpayments within a prescribed time period.
8. **Sampled 10 suspense or hold monies** and verified that the monies were applied or disbursed according to the policies and procedures set forth by the court. Determined if the court had established written policies and procedures to account for monies held in a suspense or hold account on a monthly basis, and to apply these monies to a party's case financial record or disburse them to the appropriate party with a prescribed time period.
9. Verified that disbursement checks voided due to error were flagged void/stop payment in the court's automated financial management system. Verified that disbursement checks reported lost or stolen were flagged void/stop payment in the court's automated financial management system, unless this function was performed by a city, county, or state treasurer (in the case of appellate courts).
10. Verified that when the court issued replacement disbursement checks for void/stop payment, outstanding, lost, or stolen disbursement checks, that the new disbursement check was issued following normal disbursement procedures.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Disbursement Processing (Continued)**

11. Determined if the court identified all checks outstanding over 180 days, unless this function was performed by a city, county, or state treasurer (in the case of appellate courts) and verified the following:
  - a. Checks outstanding over 180 days were flagged void/stop payment in the court's automated financial management system; and
  - b. Determined if the court investigated all checks outstanding over 180 days, documenting the action taken or disposition of the investigated checks outstanding in the court's automated financial management system and on the court's monthly reconciliation documentation.
12. Verified void/stop payment disbursement checks had "VOID" or "Stop Payment" written across both the physical face and signature line of the void/stop payment disbursement check and that all applicable void/stop payment disbursement checks were available for retention (for example, checks issued via electronic disbursement, lost in the mail, or stolen would not be available for retention).
13. Determined if, pursuant to A.R.S. §§ 44-302(10) and (11), 44-307, and 44-308 for municipal courts and A.R.S. § 22-116 for justice courts, the court reported and remitted unclaimed (abandoned) funds to the Department of Revenue or county treasurer, unless this function was performed by a city, county, or state treasurer (in the case of appellate courts) the following:
  - a. Any unidentified monies received which remain unclaimed;
  - b. Any disbursement checks outstanding over 180 days which remain unclaimed; and
  - c. If the court retained documentation of all monies reported and remitted to the Department of Revenue or county treasurer as unclaimed funds in accordance with the retention schedule.

**FINDING:** When applying these procedures, we identified only one exception, which related to restitution payments (see Disbursements #6 above). On one of the ten restitution payments tested, the disbursement to the victim did not occur within the time requirements of A.C.J.A. Section 5-204.

**PROCEDURE: Bank Accounts and Deposits**

1. Unless bank accounts were maintained by the city, county or, in the case of appellate courts, the state treasurer, and were established in the name of the city, county, or state:
  - a. Examined a recent bank statement for each account and verify that all checking, investment, or other bank accounts were established under the name of the court. For co-located courts, confirmed that the courts did not share a bank account and that individual bank accounts were established under the name of each court;
  - b. Determined if the court maintained a current list of all checking, investment, and other bank accounts which included the following: the name and address of the banking institution, the account number, the account name, and the names of persons authorized to sign checks or make withdrawals from each account;
  - c. Determined if the court maintained current signature cards for all bank and investment accounts involving court monies; and
  - d. Determined if the court maintained a record of all bank accounts closed, including the date the bank account was closed and the reason the bank account was closed.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Bank Accounts and Deposits (Continued)**

2. *Note: This item is not applicable to probation departments reviewed.* Determined if the court deposited currency, coins, and checks with the bank or local treasurer by the next business day the court and the bank or local treasurer were open, unless the total is less than \$300. If the total was less than \$300, at a minimum the funds were to be deposited on a subsequent business day when the accumulated undeposited funds reach or exceed \$300, or deposited once per week, whichever is earlier. For deposits made with the local treasurer determined the following:
3. The court retained documentation that confirms that court monies were delivered to or retrieved by the local treasurer for deposit within the required timelines. The court and the local treasurer were to initial or sign and date the documentation acknowledging receipt of the court monies deposited, unless court monies are transported by armored car, in which case a log was to be maintained.
4. Compared bank or local treasurer deposits to the cash receipts journal to determine if the monies were deposited in the same form as received.
5. Determined through interviews and observations that checks scanned by the court for electronic deposit were retained not more than 30 days after the completion of the bank reconciliation for the month in which the checks were deposited, and that personal mobile devices were not used to scan checks. Shredding is the preferred method of disposal.

**Deposit Practices for Probation Departments Only**

In addition to the noted applicable *bank account and deposit* requirements above, for probation departments that collected court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors determine the following:

- a. If the probation department deposited all monies with the clerk of the court or directly into the clerk of court's bank account by the next business day;
- b. If the probation department had established written policies and procedures that reflected the arrangements made by the department to ensure a secure process for depositing monies with the clerk of court; and
- c. If the probation department retained documentation that confirmed that the monies had been delivered to or retrieved by the clerk of court for deposit within the required timelines.

**FINDING:** No exceptions were noted as a result of applying these procedures. Bank accounts were held in the City's name and managed by the City's Finance Department.

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Reconciliation of Financial Records**

**Selected two weeks of financial records** and consistently use the same month of the two-week period selected to review reconciliations.

***Daily Reconciliations***

1. Determined through interviews and observation that:
  - a. Each cashier responsible for a beginning change fund counted the beginning change fund provided before usage, as either the preparer or second person verifier;
  - b. The court change fund was counted by two separate authorized court personnel at least daily; and
  - c. Each cashier responsible for a cash drawer fund counted all monies received, including any beginning change fund monies, after each shift to ensure balance and reconciliation with the receipts journal.
  - d. At least two separate authorized court personnel were involved in the deposit balance and reconciliation process; one authorized personnel who acted in the capacity of preparer and one additional authorized person who acted in the capacity of verifier to ensure the balance and reconciliation of the daily deposit with the receipts journal. The verification of the deposit preparation occurred at the time of the deposit preparation and prior to the depositing of funds with the bank or local treasurer; and (*Bank Accounts and Deposits section of MAS*).
  - e. During the observation of the preparation of the daily deposit balance and reconciliation process, using the cash receipts journal as the source document, verify the total daily receipts to the cash receipts journal to determine these totals tallied to the daily cash receipts summary report or deposit ticket.
2. Determined for the two-week period selected for review that the total receipts (for all payment types received) for each day matched the bank account statement or the daily funds' transmittal report and receipt issued by the local treasurer.

***Monthly Reconciliations***

1. Reviewed and verified the following:
  - a. The reconciliation of the receipts journal for the month to the monthly remittance report submitted to the local treasurer (city, county, or state as applicable) and compare to the disbursement check issued;
  - b. The reconciliation of the deposits with the receipts journal;
  - c. The reconciliation of the disbursement checks written with the disbursements journal;
  - d. The reconciliation of the court's record of open items to the automated financial management system report to all bank accounts and cash balances; and
  - e. The reconciliation of all bank accounts maintained by the court.
2. Determined if the court monthly reviewed all bonds posted outstanding over 90 days and bond records. **Sampled 5 bonds posted more than 90 days** to verify if the court determined the status of the bond based on court order, took appropriate action, documented the disposition of the bond reviewed, and retained the documentation. *This item is not applicable to probation departments reviewed.*

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Reconciliation of Financial Records (Continued)**

3. Reviewed all reconciliations and supporting documentation for the month selected to determine if the reconciliations were performed monthly and accurately. Verified that the court did not simply add a fictional amount to the monthly reconciliations in order to force the reconciliation into balance and if there was a variance it was clearly documented as a line item on the reconciliation and resolved within no more than 30 days from the reconciliation.

***Financial Record Retention***

1. Determined if the court retained the following records for each bank account as required by the records retention schedule:
  - a. Bank account reconciliations;
  - b. Bank statements;
  - c. Records of deposits in transit;
  - d. Bank issued debit and credit memos;
  - e. Canceled deposit slips;
  - f. Canceled checks; and
  - g. Any documentation that requests the adjustment or void of a case financial record.
2. Determined if the court retained the records of the daily and monthly financial reconciliations performed and supporting documentation in accordance with the records retention schedule.

**FINDING:** No exceptions were noted as a result of applying these procedures. The Court maintained its receipt, deposit and reconciliation records. The City's Finance Department maintained the bank accounts and related banking records.

**PROCEDURE: Reporting**

1. **Selected one month's remittance report** to determine if the report identified the allocation and distribution of the monies, that the monies have been remitted to the local treasurer (city, county, or state as applicable), and that the court received documentation acknowledging the submission of the report from the local treasurer. *This item is not applicable to probation departments reviewed.*

**FINDING:** No exceptions were noted as a result of applying these procedures.

**PROCEDURE: Probation Departments**

1. Determined if the probation department had a **granted alternative collection practices proposal** on file with the AOC. If so, reviewed the granted alternative collection practices proposal and adjust testing methodology accordingly.
2. For probation departments that collected court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors and that received those payments into the clerk of court's case management system determined the following:

**City of Cottonwood Municipal Court**  
**Summary of Agreed-Upon Procedures and Findings (Continued)**  
**For the Period from July 1, 2021 to June 30, 2022**

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**EXHIBIT A (Continued)**

**Agreed-Upon Procedures and Findings (Continued):**

**PROCEDURE: Probation Departments (Continued)**

- a. If the **probation officers or probation staff** authorized to accept payments and deposit monies **were deputized clerks of the court**;
- b. If payments received were made payable to the clerk of the court;
- c. If payments were not collected in the field; and
- d. If payment acceptance policies were displayed in each department's main lobby and on the department's webpage.

3. For probation departments that collected court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors that *did not have access to the clerk of court's case management system*, reviewed the department's manual receipt book and **sampled 10 manual receipts** to verify the following:
  - a. Manual receipts were at least a three-part form, pre-printed with unique sequential numbers and the name of the probation department on each receipt;
  - b. Manual receipts were issued in sequence within each book and a copy was given to the clerk of court no later than the next business day; and
  - c. Documentation was retained that confirms that the issued manual receipt copies were delivered to or retrieved by the clerk of the court.
4. For probation departments that collected court-ordered fines, fees, or restitution from juvenile probationers, adult probationers, or third-party payors that *did not have access to the clerk of court's case management system* determine the following:
  - a. If payments received were made payable only to the clerk of the court;
  - b. If payments were not collected in the field; and
  - c. If payment acceptance policies were displayed in each department's main lobby and on the department's webpage.

**FINDING:** The Court did not have a probation department during the period from July 1, 2021 to June 30, 2022. Therefore, the agreed-upon procedures over probation departments did not apply.