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REPORT NO. 02-618

December 2, 2002

Mr. Daniel J. Becker, State Court Administrator
Administrative Office of the Courts
450 South State Street
P.O. Box 140241
Salt Lake City, Utah 84114-0241

Dear Mr. Becker:

We have reviewed the following District and Juvenile Courts for the year ended December 31, 2001:

Second Judicial District

Davis County District Court – Layton
Davis County Juvenile Court
Morgan County District Court
Weber County District Court – Ogden
Weber County District Court – Roy

Fourth Judicial District

Utah County Juvenile Court – Provo*
Utah County Juvenile Court – Orem*
Utah County District Court – Salem

*These Courts were tested together as one court since all of the financial-related transactions for the Juvenile Court in Orem are processed by the Juvenile Court in Provo except for the receipt of payments from defendants.

We performed the procedures enumerated below to certain accounting records and to aspects of the internal control at these courts:

1. We reviewed the cash receipting, cash disbursing, recording, and reconciling duties for adequacy of separation of duties for internal control purposes.
2. We reviewed the internal control over cash receipting procedures, including accounts receivable, and tested samples of cash receipt transactions at each court. At the Morgan County District Court, we expanded our review to include cash receipt transactions for the year ended December 31, 2000 due to a significant decrease in the amount of cash receipts at the court in 2001 compared to the amount of receipts in 2000.
3. We reviewed the cash disbursement procedures in order to gain an understanding of the internal control over the disbursement of trust funds and determine if the controls had been placed in operation.
4. We reviewed the courts' detail trust fund records to determine that they agreed to the actual funds held in the trust accounts. We determined if the courts' trust bank accounts were being reconciled monthly and reviewed one monthly reconciliation at each court for unusual reconciling items. We

also tested a sample of trust fund cases at each court that had been held for more than one year to determine if the funds were properly being held in the trust accounts or should have been disbursed.

5. We tested a sample of accounts receivable balances to determine if they were valid and if collection efforts were being performed.
6. We also reviewed internal control over and counted petty cash funds.

The above procedures were performed to assist the Administrative Office of the Courts (AOC) and the individual courts in evaluating their internal controls, procedures for collecting, recording, and distributing of all court imposed funds, and compliance with State laws and the courts' accounting policies and procedures.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of the courts' internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures, or had we made an audit of the effectiveness of the courts' internal control, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached findings and recommendations section of this report. We feel that Findings 1 through 3 are significant findings to the AOC due to the number of court locations that either have these weaknesses or could potentially have these weaknesses. Other findings identified as significant weaknesses on the Table of Contents are considered significant to the individual court locations. If these weaknesses are left uncorrected, an unacceptable amount of errors or misappropriations within those individual areas could occur without detection.

This report is intended solely for the information and use of the AOC and the courts we reviewed, and is not intended to be, and should not be, used by anyone other than these specified parties. This report has been organized with findings directed to the AOC, followed by those directed to the individual courts reviewed. The findings directed to the AOC include those that are common to all or some of the courts reviewed, and those that we want to bring to the AOC's attention and that require specific action by the AOC.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the AOC and the courts during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please call Debbie Empey, Audit Director, at (801) 538-1342.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Heather Mackenzie-Campbell, Internal Audit Director
Fred Jayne, Finance Manager
Myron K. March, Deputy Court Administrator

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ADMINISTRATIVE OFFICE OF THE COURTS
FOR THE YEAR ENDED DECEMBER 31, 2001

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Administrative Office of the Courts

Chief Justice Christine M. Durham
Utah Supreme Court
Chair, Utah Judicial Council

Daniel J. Becker
State Court Administrator
Myron K. March
Deputy Court Administrator

November 21, 2002

Mr. Auston Johnson, Utah State Auditor
211 State Capitol
Salt Lake City, Utah

Dear Mr. Johnson:

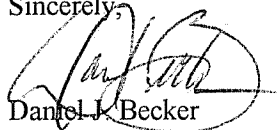
I am pleased to provide this response by the Administrative Office of the Courts to the review conducted by your office of the internal controls of certain District and Juvenile Courts in the Second and Fourth Judicial Districts for the year ending December 31, 2001. As in past years, we very much appreciate the professional manner in which your staff conducts these reviews, and are particularly grateful for the time which Ms. Debbie Empey and Mr. Nathan Harrison spent with us reviewing the results of this year's audit.

In the material which follows we have comments on the audit findings and recommendations from both the Administrative Office of the Courts and the judicial district perspective. I believe these comments are responsive to both the immediate issues, as well as actions which need to be taken to prevent a recurrence of the problem in the future. An illustration of the later is the long term effort we have had in working with the Department of Corrections to develop within the Department the capability of maintaining accounts receivable records on probationers, thereby, eliminating the dual record keeping, with all the attendant problems, by the courts and Adult Probation and Parole. We were pleased to report at our exit conference, that this effort is near completion.

A number of the audit findings this year related to the contract court sites in Morgan and Salem. These audits covered procedures performed by non-state employees in offices with one employee or a fraction of an employee's time. As with other contract sites in the state, these operations present some unique challenges, however, I am confident that, despite their small size and independent status, all of the recommendations will be appropriately addressed.

All of the information and recommendations contained in this report has been given careful attention and appropriate action has either been taken or is underway. Thank you for the opportunity to provide this response.

Sincerely,



Daniel J. Becker

cc: Chief Justice Christine M. Durham
Heather Mackenzie-Campbell

**The mission of the Utah judiciary is to provide the people an open, fair,
efficient, and independent system for the advancement of justice under the law.**

ADMINISTRATIVE OFFICE OF THE COURTS

ADMINISTRATIVE OFFICE OF THE COURTS

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2001

1. **ACCOUNTS RECEIVABLE WEAKNESSES** (Significant Weakness)

We noted the following weaknesses during our review of outstanding accounts receivable:

a. **Inaccurate Accounts Receivable Listings**

Four of the eight courts reviewed (Davis County District Court in Layton, Morgan County District Court, Weber County District Court in Ogden, and Utah County Juvenile Court in Provo) had inaccurate accounts receivable listings. The errors at the courts that resulted in the inaccurate listings were caused by creating inappropriate receivable balances, failing to record initial receivable balances or recording them incorrectly, making adjustments to the receivable balances for the wrong amounts, suspending fines inappropriately, and failing to remove receivable balances for cases that had been closed or dismissed with no additional amounts due to the courts. All noted inaccuracies were communicated to the appropriate courts during our review.

An accurate accounts receivable listing is a control statement that documents the total of all outstanding accounts. This listing can be used to ensure that all accounts receivable are reviewed for timely payment. Inaccurate accounts receivable balances on the listing prevent the courts from using the listing to ensure that adequate collection efforts have been made.

b. **Inadequate Collection Efforts**

Four of the eight courts reviewed (Davis County District Court in Layton, Weber County District Courts in Ogden and Roy, and Utah County Juvenile Court in Provo) have not performed adequate collection efforts on accounts receivable. According to *Utah Code* Section 78-7-33(2), the district courts are responsible for collecting accounts receivable prior to transferring the responsibility for collecting the receivables to the Office of State Debt Collection (OSDC). The Administrative Office of the Courts (AOC) has instructed the courts on the procedures for collecting receivables but has not established a formal, written policy regarding collections for district courts. As a result, collection efforts vary from court to court and from case to case. In a number of instances, our reviews noted that the district courts have not made any efforts to collect the outstanding receivable balances. A written policy should define the timing and methods to be employed by all district courts when collecting accounts receivable. The policy should require collection efforts to begin as soon as the receivable becomes past due and continue until the receivable is transferred to OSDC. Insufficient pursuit and collection of receivables results in lost revenue to the State. Also, as delinquent accounts age, their collection becomes more difficult.

ADMINISTRATIVE OFFICE OF THE COURTS

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Recommendation:

We recommend that the Administrative Office of the Courts:

- a. Work with the individual courts to correct the inaccurate accounts receivable listings.**
- b. Implement a written policy regarding the collection of accounts receivable balances at the district courts prior to the transfer of the uncollected balances to the Office of State Debt Collection.**

AOC Response:

Over the past several years, the Administrative Office of the Courts (AOC) has worked with individual courts to correct accounts receivable listings. In addition, formal accounts receivable review and collection procedures were provided to the Clerks of Court who manage the court offices. The AOC delayed incorporating the written procedures into the Utah State Courts Accounting Manual pending the transfer of a majority of outstanding accounts receivable to Adult Probation & Parole (AP&P). Per state statute, when a defendant is sentenced to probation supervision with AP&P, that agency has jurisdiction over the case accounts receivable.

AP&P accounts receivables on the courts books should be transferred to that agency by yearend. In conjunction with the removal of AP&P accounts from the courts receivable listing, the Accounting Manual Committee will review the written procedures to be included in the manual at the October 2002 meeting. The AOC will emphasize the importance for court managers to ensure that each district court has a process in place to review accounts receivables for validity and collection, including the timely transfer of uncollected balances to the Office of State Debt Collection (OSDC).

2. INADEQUATE SEPARATION OF DUTIES (Significant Weakness)

We commend the courts for their efforts and improvement in separating duties related to cash receipting, cash disbursing, and record keeping. Most of the courts reviewed were very conscientious of separating duties and had implemented independent review procedures as a compensating control for duties that could not be adequately separated.

Two courts have some weaknesses related to inadequate separation of cash receipting, cash disbursing and record-keeping duties. The Utah County District Court in Salem did not implement the Accounting Model developed by the AOC. The Morgan County District Court did implement the AOC Accounting Model, but the yearly review by the Support Services

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Coordinator required by the Model does not appear to effectively compensate for the various separation of duties weaknesses that exist at the Court.

Recommendation:

We recommend that the Administrative Office of the Courts work with the Morgan County District Court and the Utah County District Court in Salem to ensure that duties are properly separated or, when necessary, that effective compensating controls are implemented.

AOC Response:

Under the direction of the AOC, court managers have met with management of the Morgan County District Court and the Utah County District Court in Salem to develop, review, and revise the Accounting Models to ensure duties are separated to the extent possible. External review procedures will be performed in both of these court offices on a quarterly basis to effectively compensate for the separation of duty weaknesses that exist due to the limited number of clerks employed.

3. **LACK OF POLICY REGARDING CASES SENT TO THE OFFICE OF STATE DEBT COLLECTION** (Significant Weakness)

During our review of the Morgan County District Court, we noted 2 instances where cases were recalled from the Office of State Debt Collection (OSDC) or where the Court recreated receivable balances so that payments made by defendants subsequent to the case being transferred to OSDC could be receipted. Neither OSDC nor the AOC have formal policies regarding payments made to courts after cases have been transferred to OSDC. Because formal policies do not exist, individual courts have no guidance on this matter. A case could be properly sent to OSDC by a court and then recalled and adjusted to conceal a misappropriation of a subsequent payment. In addition, the court could recreate a receivable to receive a payment and not recall the case from OSDC, which would result in an overstatement of the receivable balance at OSDC and in the State's financial statements.

Recommendation:

We recommend that the Administrative Office of the Courts work with the Office of State Debt Collection to implement a written policy regarding the receipt of payments on cases that have been transferred to the Office of State Debt Collection.

ADMINISTRATIVE OFFICE OF THE COURTS

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AOC Response:

Within the past year, the AOC and OSDC developed an Email process for communicating and documenting the recalling of a case from OSDC. This procedure has been discussed with the Clerks of Court at their bi-monthly meetings with the expectation of the AOC that they would instruct their staff concerning the recall procedures. In addition, the written procedures were provided to the clerks as a reference, so they would know when and how this process should be carried out. While developing the recall procedure, the CORIS computer system was programmed to allow only authorized clerks to recall a case from OSDC. The Accounting Manual Committee will review the written procedures for inclusion the Utah State Courts Accounting Manual at the October 2002 meeting.

SECOND JUDICIAL DISTRICT COURTS

ADMINISTRATIVE OFFICE OF THE COURTS

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

DAVIS COUNTY DISTRICT COURT – LAYTON

4. **ACCOUNTS RECEIVABLE WEAKNESSES** (Significant Weakness)

We reviewed 25 outstanding accounts receivable at the Davis County District Court in Layton and noted the following weaknesses:

- a. The Court has inaccurate accounts receivable balances. One receivable balance was listed as \$181 when it should have been \$0. The receivable was inadvertently created in the Court Records Information System (CORIS) when the Court attempted to reissue a check to refund funds held in trust to the defendant. Another receivable balance was listed as \$750 when it should have been \$0. When the judge ordered forfeiture proceedings to commence on the defendant's \$750 bond, the Court immediately forfeited the bond instead of creating a bail forfeiture notice on CORIS, thus creating a \$750 receivable. Because the defendant was arrested within two months, the bond forfeiture was inappropriate and the resulting receivable is not valid. These errors resulted in an overstatement of the Court's accounts receivable balance and in an inaccurate accounts receivable listing.
- b. The Court is not following the State's policy for making adequate collection efforts. Sixteen of the 25 receivables we reviewed had balances ranging from 63 to 888 days past due. The Court had attempted to collect only 2 of the 16 receivables and had not sent any of the receivables to the Office of State Debt Collection. According to State Finance Policy 06.01-13, accounts that are 61 days past due should be sent to the Office of State Debt Collection for further collection efforts. Two additional receivable balances were 7 and 47 days past due but the Court had not attempted to collect the receivables. The Court should attempt to collect all outstanding receivables as soon as they become past due. Insufficient pursuit and collection of receivables results in lost revenues to the State. Also, as delinquent accounts age, their collection becomes more difficult.

Recommendation:

We recommend that the Davis County District Court in Layton:

- a. **Eliminate invalid accounts receivable balances and maintain an accurate accounts receivable listing.**
- b. **Review accounts receivable on a regular basis, make appropriate collection efforts, and transfer all accounts 61 days or more past due to the Office of State Debt Collection, as required by State Finance Policy.**

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Response:

Prior to the date of this audit, the Second District did not have a collections department. Deputy clerks were involved in the collection process. Because of the number of case filings and lack of clerical resources, collection efforts during this time were minimal. In February 2002, the collection program was implemented in this district and the collection clerk will review accounts receivables for accuracy. Work began in the Layton Court in June, and in one month collections generated \$17,605. We are confident the Court is now in compliance with policy.

Implementation Date: *June 2002*

Person Responsible: *Court Executive, Clerk of Court, Support Services Coordinator, and Collection Clerk*

5. INCORRECT SURCHARGE CALCULATION

During our review of 25 outstanding accounts receivable and 25 adjustments to accounts receivable at the Davis County District Court in Layton, we noted one case where the defendant's offense was subject to a 35% surcharge but the surcharge was calculated at 85%. This error occurred because the Court incorrectly entered the violation in CORIS as a class B misdemeanor instead of a class C misdemeanor. Failure to calculate and remit the proper surcharge results in non-compliance with State law.

Recommendation:

We recommend that the Davis County District Court in Layton properly enter surcharge information on CORIS to ensure that correct surcharge amounts are calculated and remitted to the State.

Response:

We will continue to emphasize accuracy regarding the application of fines and surcharges.

Implementation Date: *Immediately*

Person Responsible: *Assistant Clerk of Court*

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MORGAN COUNTY DISTRICT COURT

6. **INADEQUATE SEPARATION OF DUTIES** (Significant Weakness)

The Morgan County District Court does not have adequate separation of duties. The Deputy Court Clerk makes initial entries on CORIS, has primary cash receipting responsibilities, prepares deposits, prepares and sends billings, and performs write-offs, suspensions, dismissals, and other adjustments on CORIS. Inadequate separation of duties exists when the same individual has custody of assets, access to accounting records, and/or reconciliation responsibilities. Inadequate separation of duties could allow errors and fraud to occur without detection. In situations where it is not possible to separate duties, effective compensating controls should be implemented.

The AOC's Accounting Model for the Court identifies various reviews and reconciliations performed by the Second District Support Services Coordinator as the compensating control for the separation of duties weaknesses at the Court. Due to the number and types of errors we noted at the Court, as described in finding Numbers 7 and 8, the yearly review by the Support Services Coordinator does not appear to effectively compensate for the various separation of duties weaknesses at the Court.

Recommendation:

We recommend that the Court either separate the conflicting duties or implement effective compensating controls.

Response:

Management will meet with the County to ensure the amended accounting model is complied with. Quarterly reviews of hand receipts and mail logs will be performed by the district's Support Services Coordinator. A more comprehensive review will be conducted semi-annually rather than annually.

Implementation Date: November 1, 2002

Person(s) Responsible: Court Executive, Deputy Court Clerks, County Clerk, and Support Services Coordinator

7. **INADEQUATE CASH RECEIPTING CONTROLS** (Significant Weakness)

When the Morgan County District Court receives cash/checks, the Deputy Court Clerk enters the amounts on CORIS. Occasionally, a Morgan County handwritten receipt is issued instead

ADMINISTRATIVE OFFICE OF THE COURTS

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2001

of the amounts being entered directly on CORIS. The individuals authorized to issue County handwritten receipts are the Deputy Court Clerk, the Morgan County Clerk, and the Deputy County Clerk. When handwritten receipts are issued for the Court, the carbon copy is given to the Deputy Court Clerk who then inputs the amount on CORIS, if appropriate. For cash/checks received through the mail, the Deputy Court Clerk prepares a mail log. The entries on the log are totaled and “witnessed” by the County Clerk or Deputy County Clerk to ensure all cash/checks received by mail were accurately recorded on the log. The Deputy Court Clerk then inputs the amounts on CORIS. The Deputy Court Clerk periodically closes and prints the receipt accounting records from CORIS, prepares the cash count form and the deposit, and deposits the cash/checks received with the Morgan County Treasurer. The County Treasurer verifies that the deposit total agrees to the cash count form.

During our review of 10 cash receipting transactions and the corresponding receipt accounting records at the Court, we noted the following weaknesses:

- a. The Court does not reconcile the cash/checks received to the CORIS receipt accounting records and to the amounts deposited. The amount deposited and the receipt accounting records did not agree for 1 of 10 CORIS cash receipting transactions we reviewed. Upon further investigation, we determined that the adjustments that caused the deposit to appear \$500 short were appropriate, and the \$500 check was receipted and deposited earlier. A reconciliation of the cash/checks received to the CORIS receipt accounting records and to the amounts deposited would have noted and corrected this error. The Receipting section of the Accounting Policies and Procedures Manual requires the reconciliation to be performed by someone independent of the cash receipting function.

The Court is not performing certain procedures required by the Accounting Policies and Procedures Manual to facilitate the reconciliation of cash/checks received to the CORIS receipt accounting records and to the amounts deposited. We noted the following:

- 1) CORIS receipt accounting records are not closed out on a daily basis.
- 2) The handwritten receipts are not reconciled to CORIS and to the amounts deposited at least monthly. The AOC’s Accounting Model addresses hand receipt reconciliation; however, this section of the Model was not completed for the Morgan County District Court.
- 3) The cash/checks received by mail and recorded on the mail log are not reconciled to CORIS on a daily basis.
- 4) The cash/checks received by mail are not accurately recorded on the mail log. For 1 of 10 CORIS receipt accounting records we reviewed, the cash/checks received by mail that were “witnessed” by the County Clerk did not agree to the entries on the mail log.

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For this control to be effective, it must be performed accurately. We were able to determine, however, that all cash/checks received by mail for the period covered by the receipt accounting records reviewed were properly input into CORIS and deposited.

- 5) The cash vs. check composition of the deposit is not reconciled to the cash vs. check composition recorded when transactions are initially entered on CORIS.
- b. Checks are not restrictively endorsed until the time of deposit, which could be up to five days after the check was received at the Court. The Receipting section of the Accounting Policies and Procedures Manual requires checks received by the Court for payment to be restrictively endorsed immediately upon receipt.

Not following established policies and procedures results in inadequate controls over the cash receipting function at the Morgan County District Court and could allow errors or misappropriations to occur without detection.

Recommendation:

We recommend that the Morgan County District Court:

- a. **Reconcile cash/checks received to the CORIS receipt accounting records and to the amounts deposited. To facilitate this reconciliation, we recommend that the Court:**
 - 1) **Close the CORIS receipt accounting records on a daily basis.**
 - 2) **Perform an independent reconciliation of handwritten receipts to CORIS and to the amounts deposited at least monthly.**
 - 3) **Perform an independent reconciliation of cash/checks received by mail and recorded on the mail log to CORIS on a daily basis.**
 - 4) **Ensure that all cash/checks received by mail are accurately recorded on the mail log.**
 - 5) **Perform an independent reconciliation of the cash vs. check composition of the deposit to the cash vs. check composition recorded when the transactions are initially entered on CORIS.**
- b. **Endorse all checks immediately upon receipt.**

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Response:

The Court will comply with Utah Code Section 51-4-1 and deposit within 3 days. The Court will be encouraged to end the journal on Tuesday and Thursday. As part of the mail process, the county will ensure mail has been logged correctly. All checks whether received over the counter or by mail will be immediately endorsed as required.

As stated previously, the Support Services Coordinator will review quarterly handwritten receipts and reconcile the mail log. A more comprehensive review will be performed semi-annually to include cash vs. check deposit compositions.

Implementation Date: November 1, 2002

Person(s) Responsible: Deputy Court Clerk, County Clerk, and Support Services Coordinator

8. **ACCOUNTS RECEIVABLE WEAKNESSES** (Significant Weakness)

During our review at the Morgan County District Court, we noted a significant decrease in cash receipts collected by the Court during the year ended December 31, 2001, when compared to the same period in 2000, even though the number of cases prosecuted at the Court increased during the year. We reviewed each of the cases initiated by the Court during 2000 and 2001 and noted 16 cases and 15 cases, respectively, that had been adjusted, credited, dismissed, or transferred to another Court. Because these types of transactions have the potential to reduce the amount of cash receipts received by the Court, we reviewed each of these cases to determine the propriety of the transactions. During our review of these cases, we noted the following weaknesses:

- a. For one case in 2001, the Court recorded the initial receivable balance incorrectly on CORIS and the subsequent adjustment to the balance was also made for the wrong amount. Consequently, the receivable balance was \$0 when it should have been \$250. These errors resulted in an understatement of the accounts receivable balance and an inaccurate accounts receivable listing.
- b. For two cases in 2001, the Court did not establish trust account receivable balances on CORIS. For one case, the trust account receivable balance should have been \$700; and for the other case, the trust account receivable balance should have been \$25. Not appropriately establishing trust receivables in CORIS prevents the Court from properly fulfilling their obligation to collect and remit trust funds.
- c. The Court does not consistently document the dismissal of charges. We noted 4 cases in 2000 and 2 cases in 2001 where the dismissals were appropriate, based on our review of the

ADMINISTRATIVE OFFICE OF THE COURTS

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2001

tape recording of the Court session, but were not supported by documentation in the case files. Not maintaining adequate supporting documentation for cases that have been dismissed increases the risk that inappropriate adjustments to accounts receivable, errors, and/or misappropriations could occur without detection.

- d. For one case opened in 2001, the Court inappropriately sent the case to the Office of State Debt Collection (OSDC) too early. The Judge initially set the review date for this case for November 2002, but the case was sent to OSDC in February 2002, nearly a full year before the receivable would have been past due. This error occurred because the review date was set incorrectly in CORIS for November 2001 instead of November 2002. Not setting review dates appropriately in CORIS increases the risk that errors and/or misappropriations will occur without detection and results in non-compliance with State Finance Policy.

Recommendation:

We recommend that the Morgan County District Court:

- a. **Record accounts receivable balances accurately in CORIS and calculate and apply adjustments to accounts receivable accurately.**
- b. **Establish trust account receivables in CORIS for all balances due to the Court.**
- c. **Obtain supporting documentation for all case dismissals and retain this documentation in the case files.**
- d. **Ensure that review dates are appropriately set in CORIS and comply with State Finance Policy by not sending receivables to the Office of State Debt Collection unless they are 61 days past due.**

Response:

We will calculate accounts receivable accurately and file documentation in the case file on all dismissals. The clerk will ensure trust accounts receivable are created as required. Additional training will be provided as needed.

The 2nd District Collections Department recently started to focus on Morgan's accounts receivable and will ensure cases are sent to OSDC in a timely manner. Local policy recently adopted will only allow the collection clerk to send cases to OSDC and the collection clerk will review accounts receivable for accuracy. When cases need to be recalled from OSDC, the Clerk of the Court in Ogden will make the recall. This should compensate for the weakness that currently exists when one clerk has authority to handle all functions.

ADMINISTRATIVE OFFICE OF THE COURTS

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2001

Implementation Date: Immediately

Person(s) Responsible: Clerk of Court, Deputy Court Clerk, Support Services Coordinator, and Collection Clerk

9. **INADEQUATE REVIEW OF TRUST FUND CASES** (Significant Weakness)

During our review of trust account disbursements at the Morgan County District Court, we noted that the Court is not reviewing the trust account balances regularly to determine the appropriate disposition of the funds being held. We noted an instance where the Court held a \$300 cash bond for more than 21 months after the resolution of the case before it was disbursed and was not actively pursuing the payee during the period that the cash was held. The Trust section of the Accounting Policies and Procedures Manual indicates that a quarterly review of trust balances should be performed to ensure that funds held in trust are being held appropriately and that trust balances held in excess of 12 months should be remitted to the State Treasurer's Division of Unclaimed Property if the payee cannot be located. Lack of a procedure to identify and track trust payments and not disbursing trust balances in a timely manner increases the risk that trust receipts will be held by the Court inappropriately and that errors and/or misappropriations will occur without detection.

Recommendation:

We recommend that the Morgan County District Court perform a quarterly review of trust balances, disburse trust balances in a timely manner, and remit all unclaimed trust amounts held in excess of 12 months to the State Treasurer's Division of Unclaimed Property.

Response:

The Support Services Coordinator will run the trust summary report quarterly and inform the clerk if money needs to be disposed. The clerk will review checks available to be written monthly and inform the county when checks should be issued.

Implementation Date: Current

Person(s) Responsible: Deputy Court Clerk and Support Services Coordinator

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WEBER COUNTY DISTRICT COURT – OGDEN

10. ACCOUNTS RECEIVABLE WEAKNESSES (Significant Weakness)

We reviewed 25 outstanding accounts receivable at the Weber County District Court in Ogden and noted the following weaknesses:

- a. One of the 25 accounts receivable balances we reviewed was listed as \$400 when the amount should have been \$0. The defendant served jail time in lieu of the \$400 fine and no longer owes the amount to the Court. This error resulted in an overstatement of the Court's accounts receivable balance and an inaccurate accounts receivable listing.
- b. The Court is not following the State's policy for making adequate collection efforts. Eleven of the 25 accounts receivable we reviewed had balances ranging from 180 to 672 days past due, but the Court had not attempted to collect on these accounts and had not sent any of the receivables to the Office of State Debt Collection. According to State Finance Policy 06-01.13, accounts receivable that are 61 days past due should be turned over to the Office of State Debt Collection for further collection efforts. Insufficient pursuit and collection of receivables results in lost revenues to the State. Also, as delinquent accounts age, their collection becomes more difficult.

Recommendation:

We recommend that the Weber County District Court in Ogden:

- a. **Eliminate invalid accounts receivable balances and maintain an accurate accounts receivable listing.**
- b. **Review accounts receivable on a regular basis, make appropriate collection efforts, and transfer all accounts 61 days or more past due to the Office of State Debt Collection, as required by State Finance Policy.**

Response:

As of February 2002, a collection clerk was hired to work on outstanding accounts receivable and will review accounts receivable for accuracy. The on-going efforts have generated \$39,974 in four months. We are confident the court will now be in compliance with policy.

Implementation Date: Ongoing

Person(s) Responsible: Court Executive, Clerk of Court, Support Services Coordinator, and Collection Clerk

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11. **INADEQUATE REVIEW OF TRUST FUND CASES** (Significant Weakness)

The Weber County District Court in Ogden is not performing a quarterly review of cases for which trust money is being held as required by the Trust Section of the Accounting Policies and Procedures Manual. For 1 of 5 cases reviewed, a \$220 payment by a defendant was incorrectly recorded in CORIS as a bail bond in the trust account when it should have been recorded as a fine payment in the revenue account. A quarterly review would help detect this type of error and would help the Court determine if the amount held in trust for each applicable case is proper, or if the amount should be disbursed to the individual, forfeited, or sent to the State Division of Unclaimed Property. If a quarterly review is not performed, funds could be improperly held in the trust fund for extended periods of time.

Recommendation:

We recommend that the Weber County District Court in Ogden perform quarterly reviews of all cases for which trust money is being held to determine if the amount being held is proper or if action needs to be taken to forfeit the amount, return the amount to the person who posted it, or disburse the amount to the State Division of Unclaimed Property.

Response:

The Court will ensure the accountant reviews the trust account quarterly as required. The process for disposing of bail money is currently being examined. Changes in this process will result in compliance. The work done by collections will also assist the accountant to know when monies are to be disposed.

Implementation Date: November 1, 2002

Person(s) Responsible: Clerk of Court, Accountant, Support Services Coordinator, and Collections Clerk

12. **NONCOMPLIANCE WITH PETTY CASH FUND POLICY**

We selected a total of 8 petty cash disbursements from the 2 petty cash funds maintained at the Weber County District Court in Ogden and reviewed the supporting documentation for each disbursement. We noted 5 instances where the Court made disbursements prohibited by the Cash Funds Section of the Accounting Policies and Procedures Manual. These instances of noncompliance included purchasing: a) Christmas decorations, which are prohibited; b) juror refreshments without prior approval; c) \$68 in postage stamps, which exceeds the \$50 limit established by policy; and d) office supplies, which are required to be purchased using the State

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contract with Office Depot for office supplies. Not following the petty cash policy could result in the improper use of State funds.

Recommendation:

We recommend that the Court comply with the petty cash policy as contained in the Cash Funds Section of the Accounting Policies and Procedures Manual.

Response:

The Court will review petty cash policy and procedure and ensure compliance. When an emergency arises that requires an exception to policy i.e. when office supplies must be obtained immediately and the Court can not wait for next day delivery from Office Depot, an exception note signed by the district's Court Executive will be filed as currently required.

Implementation Date: *Immediately*

Person(s) Responsible: *Court Executive and Clerk of Court*

WEBER COUNTY DISTRICT COURT – ROY

13. **INADEQUATE COLLECTION EFFORTS**

The Weber County District Court in Roy is not following the State's policy for making adequate collection efforts. Two of the 24 outstanding accounts receivable we reviewed had balances that were 149 and 223 days past due, but the Court had not attempted to collect on these accounts and had not sent the receivables to the Office of State Debt Collection. According to State Finance Accounting Policy 06-01.13, accounts receivable that are 61 days past due should be turned over to the Office of State Debt Collection for further collection efforts. Insufficient pursuit and collection of receivables results in lost revenues to the State. Also, as delinquent accounts age, their collection becomes more difficult.

Recommendation:

We recommend that the Weber County District Court in Roy review accounts receivable on a regular basis, make appropriate collection efforts, and transfer all accounts 61 days or more past due to the Office of State Debt Collection, as required by State Finance Policy.

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Response:

Prior to the date of this audit, the Second District did not have a collections department. Deputy clerks were involved in the collection process. Because of the number of case filings and lack of clerical resources, collection efforts during this time were minimal. In February, 2002, the collection program was implemented in this district. Work has only recently begun in the Roy Court. We are confident the court is now in compliance with policy.

Implementation Date: *Ongoing*

Employee(s) Responsible: *Court Executive, Clerk of Court, Support Services Coordinator, and Collections Clerk*

FOURTH JUDICIAL DISTRICT COURTS

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UTAH COUNTY JUVENILE COURT – PROVO *(includes Orem Juvenile Court transactions)*

14. **MISSING DOCUMENTATION** (Significant Weakness)

The Utah County Juvenile Courts in Provo and Orem were unable to locate some of the case files for 1 of the 25 outstanding accounts receivable balances we reviewed. For this case, the defendant resided in Sandy, but the proceedings related to the receivable balance we reviewed were handled by the Juvenile Court in Orem, where the crime was committed. The documentation related to the case should have been forwarded to the Salt Lake County Juvenile Court in Sandy by the Juvenile Court in Orem. Although the Juvenile Court in Sandy located the defendant's case file for charges previous to 1999, the Courts were unable to locate any documentation relating to the defendant's February 2001 court-ordered fines still outstanding as of the date of our review. Without adequate documentation, the Court is unable to properly monitor or review the status of the outstanding receivable balances.

Recommendation:

We recommend that the responsible Court maintain all necessary documentation relating to juvenile court proceedings and orders in the defendants' case files.

Response:

This case was transferred from the Third District Juvenile Court to the Fourth District Juvenile Court for adjudication of a denied charge. The matter was adjudicated. Juvenile Court policy is to return the packet to the original District upon adjudication. After an extensive search of our files, it is our belief that the paperwork was returned to the Sandy Office of the Juvenile Court. We do not send packets certified mail due to the exorbitant cost of postage.

Our process on this type of transaction will now be that when a packet is returned to a sending district, we will create a critical message indicating the date it was sent. We will close the incident with the orders of the court and the acronym for the original district.

Implementation Date: *Immediately*

Employee Responsible: *Clerk of Court*

15. **ACCOUNTS RECEIVABLE WEAKNESSES**

We noted the following weaknesses during our review of 25 outstanding accounts receivable balances at the Utah County Juvenile Court in Provo:

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- a. An \$800 fine was not included in a defendant's accounts receivable balance because it had been inappropriately suspended by the Court. The defendant was fined \$800 with the condition that if the defendant paid an outstanding fine, the \$800 fine would be suspended. Although the defendant had not yet paid the outstanding fine, the Court Clerk entered the \$800 fine as having been suspended. An accurate accounts receivable listing is a control statement that documents the total of all outstanding accounts. Not accurately recording amounts due to the Court results in an inaccurate accounts receivable listing and could result in lost revenue to the State.
- b. One accounts receivable balance totaling \$117, due December 19, 2000, did not have adequate collection efforts. The Court issued a collections letter in December 2000 and the defendant made a payment on March 21, 2001, but no additional collection efforts had been performed by the Court. Insufficient pursuit and collection of receivables results in lost revenue to the State. Also, as delinquent accounts age, their collection becomes more difficult.

Recommendation:

We recommend that the Utah County Juvenile Court in Provo:

- a. **Maintain an accurate accounts receivable listing by accurately recording amounts due to the Court and updating the listing to reflect new or adjusted court orders.**
- b. **Review accounts receivable on a regular basis and ensure that appropriate collection efforts are made for all outstanding accounts receivable.**

Response:

- a. *Prior to the year 2000, it was our policy to suspend certain amounts in court which were ordered suspended on condition of another requirement, i.e. fine to be suspended upon completion of a class. If the class was not completed, the fine would be reinstated and collection efforts would be implemented.*

Since that time our policy has been that no amount is suspended until the required action has taken place. We have reviewed this policy with our in-court clerks and feel confident that is now happening.

Implementation Date: *Immediately*

Employee Responsible: *Clerk of Court*

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- b. *Of the 25 records that were pulled, there was one case that did not have subsequent efforts following the original letter. It is our policy to actively pursue these matters as evidenced by our successful collections. Once this error was discovered, the collections clerk immediately sent out a letter to collect this past due amount. Overdue letters are issued once a month and tracked through the collections department. We have reviewed this policy with the new collections clerk to insure compliance.*

Implementation Date: Immediately

Employee Responsible: Clerk of Court

16. CASH RECEIPTING WEAKNESSES

We noted the following weaknesses during our review of 25 cash receipts received at the Utah County Juvenile Courts in Provo and Orem:

- a. The individual cashier totals on the bank account recap report did not always agree to the cashier count-out forms. For 8 of 24 daily deposits reviewed, we noted that individual cash drawers were combined by the cashiers before the cashier count-out forms were prepared. When cash drawers are combined before they are counted and verified, accountability for total collections is compromised and assigning responsibility for errors or misappropriations becomes problematic.
- b. For 9 of 24 daily deposits reviewed, the cash vs. check amounts on the cashier count-out forms and deposit did not always agree to the cash vs. check amounts on the bank account recap report, although the totals agreed. This may be a result of the cashiers not indicating the correct mode of payment (cash/check) when entering payments on the computer system. By not properly tracking the mode of payment, accountability for receipts is compromised and the risk of fraud or misappropriation is increased.

Recommendation:

We recommend that the Utah County Juvenile Courts in Provo and Orem ensure that each cashier completes a separate count-out form on a daily basis and that the total on the count-out form, as well as the cash vs. check amounts, are reconciled to the daily receipts on the bank account recap report.

Response:

- a. *It is our policy that each cashier complete a separate count-out form on a daily basis and we are confident that this is happening and that there is no combining of cash drawers*

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prior to the count-out form being filled out. We believe this problem is a result of the following: We have a separate computer in the Provo and Orem offices for the purpose of cashiering. It is necessary for each cashier to log in prior to issuing a receipt. However we have discovered that if Cashier A issues a receipt and does not back out of the data system sufficiently far enough, and then Cashier B writes a receipt on the same computer, the transaction will inadvertently appear on Cashier A's receipt listing the following day. In every instance cited in the audit, we believe this is what happened. At no time do we allow cashiers to combine drawers prior to filling out count-out sheets. In order to rectify this problem we have reminded cashiers and others using the computers to back out completely when they have finished. We have also instructed our cashiers to make sure that the previous transaction has been backed out prior to writing a receipt. We have also asked that the Budget Support Officer re-run the receipt listing after correcting this problem should it somehow occur in the future.

Implementation Date: Immediately

Employee Responsible: Clerk of Court

- b. We have noted some instances where people paying fines, etc. have indicated to the cashier that they would be paying in cash, subsequently discovered that they didn't have that much cash and paid with check instead, or paid with a check and cash after the receipt had been issued. The cashiers have noted this on the receipt itself, but since the receipts are not kept long term this information is no longer available. We realize that instead of doing this we should, in fact, have the Budget Control Officer reverse the receipt and correct it. We have reviewed with the cashiers this policy and we are also checking the receipt listing each day to make sure that the check and cash totals agree with what is actually received.*

Implementation Date: Immediately

Employee Responsible: Clerk of Court

UTAH COUNTY DISTRICT COURT – SALEM

17. **INADEQUATE SEPARATION OF DUTIES** (Significant Weakness)

The Utah County District Court in Salem has not implemented the AOC's Accounting Model. As a result, the following separation of duties weaknesses exist at the Court:

- a. The Assistant Clerk of Court has access to checks and cash received at the Court, files and tracks citations, records cash receipting transactions for the Court, prepares and sends

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billings, initiates or approves the adjustment or transfer of accounts receivable, and reviews expected receipts.

- b. One Deputy Clerk has access to checks and cash received at the Court, reconciles receipt records to the amounts deposited, files and tracks citations, and records cash receipting transactions for the Court.
- c. Another Deputy Clerk has access to checks and cash received at the Court, files and tracks citations, and records cash receipting transactions for the Court.

Inadequate separation of duties exists when the same individual has both custody of assets and recording and/or reconciling duties. Without adequate separation of duties, misappropriations, errors, and/or fraud could occur without detection. In situations where it is not possible to separate conflicting duties, compensating controls should be implemented, such as independent reviews of accounts receivable and adjustments to accounts receivable, and a reconciliation of citations issued to citations received and recorded on the Court's accounting system.

Recommendation:

We recommend that the Utah County District Court in Salem implement the Administrative Office of the Court's Accounting Model to adequately separate conflicting duties and/or implement compensating controls.

Response:

An Accounting Model for the Salem Department has been prepared and will be in effect upon review by the AOC Audit Department.

Note:

Each clerk will be issued \$50 cash with a locked bag. Locked cash drawers and a key box for duplicate keys will be put into place as soon as they can be purchased.

Each clerk will be issued a set of hand receipts in numerical sequence which will be kept in their individual locked cash drawers.

Implementation Date: Immediately

Employee Responsible: Assistant Clerk of Court

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18. **UNTIMELY FINE AND ASSESSMENT REMITTANCES** (Significant Weakness)

Salem City collects funds for the Court, including fines and assessments due to the State, and then remits the funds to the State Treasurer. However, the Court does not calculate the amount of fines and assessments due in a timely enough manner to enable the City to remit the funds to the State on or before the 10th day of the month following collection, as required by *Utah Code* Section 51-4-2(4). Fine and assessment remittances for 6 of the 10 months we reviewed were late, varying between 8 to 55 days after the required remittance date. Not remitting the collected fine and assessment amounts to the State in a timely manner increases the risk of loss or misappropriation of the funds and results in lost interest revenue to the State.

Recommendation:

We recommend that the Utah County District Court in Salem comply with State law by calculating the fine and assessment collections in a timely manner to enable Salem City to remit the proper fine and assessment amounts to the State Treasurer by the 10th of the month following the month the funds were collected.

Response:

The new computer system AData Perfect® is now operational and will enable the clerk to remit the monies in a timely manner.

Implementation Date: November 1, 2002

Employee Responsible: Assistant Clerk of Court

19. **NO PREPARATION OF A LOG OF CASH/CHECKS RECEIVED BY MAIL**

The Utah County District Court in Salem does not prepare a log of cash/checks that are received by mail. The Receipting Section of the Accounting Policies and Procedures Manual requires the Court to keep a log of all payments received by mail, excluding out-of-state attorney fees and garnishee checks, and to reconcile the log to the Court's accounting records on a daily basis. The preparation of the log and the subsequent reconciliation of the log to the accounting records will help to prevent errors or misappropriations from occurring at the Court without detection.

Recommendation:

We recommend that the Utah County District Court in Salem prepare a log of all cash/checks received by mail and reconcile the log to the accounting records on a daily basis.

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Response:

Salem Court will prepare and reconcile a mail log on a daily basis.

Implementation Date: *November 1, 2002*

Employee Responsible: *Assistant Clerk of Court*

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STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

Court	Last Audited	Finding Description	Status
Weber County District Court – Ogden	CY93	Insufficient Waiting Period Before Trust Fund Check Issuance	Implemented
		Invalid Accounts Receivable Balances	Not Implemented
		Failure to Remit Unclaimed Property to the State	Implemented
Weber County District Court – Roy	CY93	Inadequate Separation of Duties	Implemented
Morgan County District Court	CY93	Insufficient Waiting Period Before Trust Fund Check Issuance	Implemented
		Untimely Deposits	Implemented
		Inadequate Separation of Duties	Not Implemented
Davis County District Court – Layton	CY93	Invalid Accounts Receivable Balance	Not Implemented
		Inadequate Collection Efforts	Not Implemented
		Incorrect Application of Surcharge	Not Implemented
		Inadequate Separation of Duties	Implemented
Utah County District Court – Salem	CY94	Inadequate Separation of Duties	Not Implemented
Davis County Juvenile Court	CY93	Insufficient Waiting Period Before Trust Fund Check Issuance	Implemented
		Bank Account Reconciliation Not Performed	Implemented
		Inadequate Collection Efforts	Implemented
		Inadequate Trust Account Detail	Implemented
		Inadequate Separation of Duties	Implemented
Utah County Juvenile Court – Provo	CY94	No Independent Reconciliation of Bearer Checks	Implemented
		Inadequate Documentation and Untimely Deposits	Implemented
		Bank Account Reconciliation Not Performed	Implemented
		Failure to Remit Unclaimed Property to the State	Implemented
		Inadequate Review of Cash Receipt Allocations	Implemented
		Improper Petty Cash Reimbursement	Implemented
Utah County Juvenile Court – Orem	CY94	No Findings	