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REPORT NO. 02-619-B

June 17, 2002

Mayor Michael Deamer
250 North Main
Centerville, UT 84014

Dear Mayor Deamer:

We have performed the procedures described below to certain aspects of the internal control and compliance at the Centerville Justice Court (the Court) for the period January 1, 2001 through December 31, 2001. The purpose of these procedures is to assist the Court in evaluating its internal control and compliance with applicable State laws. The procedures performed were as follows:

1. We reviewed the internal control over cash receipting procedures and tested a sample of cash receipt transactions.
2. We reviewed the Court's procedures for collecting and recording certain fines, fees, and bails imposed by the Court.
3. We reviewed the Court's procedures for remitting the required portion of fines and fees to the State of Utah and tested a sample of remittances.
4. We confirmed a sample of accounts receivable balances.
5. We confirmed a sample of case adjustments.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of the Court's 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 Court's 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 all three findings are significant weaknesses

to the Court. If these weaknesses are left uncorrected, an unacceptable amount of errors or misappropriations could occur without detection.

This report is intended solely for the information and use of the City of Centerville and the Court and is not intended to be and should not be used by anyone other than these specified parties.

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 Court 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 538-1342.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Judge David L. Miller
Richard Schwermer, Assistant Court Administrator, Administrative Office of the Courts
Heather Mackenzie-Campbell, Audit Manager, Administrative Office of the Courts

CENTERVILLE JUSTICE COURT
FOR THE PERIOD JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

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CENTERVILLE JUSTICE COURT

FINDINGS AND RECOMMENDATIONS FOR THE PERIOD JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

1. INADEQUATE SEPARATION OF DUTIES (Significant Weakness)

The court clerks at the Centerville Justice Court (the Court) have access to cash receipts, receive and record citations from issuing entities on the accounting system, perform collection efforts on cases, approve and/or enter adjustments in the accounting system, and have access to non-sufficient funds (NSF) checks.

Inadequate separation of duties exists when the same individual has access to assets, access to the accounting records, and collection responsibilities. Inadequate separation of duties could allow errors and fraud to occur without detection. Separation of duties weaknesses often occur in entities where there are a few employees who must perform multiple duties. In situations where it is impractical to separate duties due to the small number of employees, additional controls should be implemented. In this case, adequate compensating controls would include the following independent reviews/reconciliations by someone who does not handle cash and checks:

- a. A reconciliation of citations issued to the citations received and recorded on the Court's accounting system to ensure that all citations received are recorded on the system. This would necessitate the cooperation of the entities that issue citations within the jurisdiction of the Court.
- b. A review of the accounts receivable adjustments made by the court clerks for propriety.
- c. A review of the collection efforts made by the court clerks to ensure that all necessary billing notifications (Failure to Appear Notices, Orders To Show Cause, Warrants, etc.) are sent.
- d. A review of NSF checks and NSF collection efforts made by the court clerks or having an individual without access to the system and cash receipts be the custodian of the checks (i.e. the City).

Recommendation:

We recommend that the Court separate these duties. If separation is not possible due to the limited number of employees at the Court, we recommend that the compensating controls mentioned above be implemented.

Court's Response:

- a. *In January of 2002 the Court began having clerks sign up for one of three positions each day. The first position being the "receiving" clerk. This clerk receives and applies all incoming payments both by mail and in person. The second position is the "witness" clerk. This clerk verifies that monies and citations received by the receiving clerk are accurately*

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recorded and applied. The third position is that of "reconciliation" clerk. This clerk counts the money at the beginning of the day and then reconciles at the close of each day to ensure that the receiving clerk performed his/her job accurately and that all monies are accounted for.

The Court has made efforts to have the entities that issue citations within its jurisdiction help in its efforts to reconcile citations issued to citations recorded on the Court's accounting system. The Court has discovered that getting these agencies to take the extra time to provide the Court with this information is a difficult task. In the interim, the Court has established a compensating control to reconcile the citations received from these agencies to the citations entered into the Court's accounting system. Immediately upon receiving new citations, the receiving clerk counts and records how many tickets were received and from what agency they came from. This process is witnessed by the witness clerk and recorded on a daily log. When the citations are entered into the accounting system the reconciliation clerk then records on the daily log the corresponding docket numbers for each of the citations received and entered. We have found this to be an effective procedure to aid in reconciling citations received to citations that are entered into the accounting system.

b.-c. In July of 2002, the court supervisor will no longer receipt any monies or make adjustments to cases. This will enable the supervisor to reconcile daily receipts and review all adjustments made by the court clerks in a very objective manner. The supervisor will also verify that all billing notifications are processed and sent with accuracy. This change will greatly improve the Court's ability to account and manage its monies while reducing the chances of potential misconduct by clerks.

d. The Court is now receiving only a copy of NSF checks to keep in the defendant's file. The original check is being kept with the City Treasurer.

2. INADEQUATE DOCUMENTATION FOR ADJUSTMENTS TO CASES (Significant Weakness)

We tested a sample of 25 adjustments to case balances and noted that 11 of the cases did not have adequate supporting documentation to indicate the adjustment was appropriate. In 10 of the cases, the court clerks had made notations in the file regarding the adjustment and the sentencing form showed the adjustment but there was no documentation showing the judge approved the adjustment. In the other case, the adjustment was made for jail time served; however, there is no documentation of the actual jail time served. Adjustments should have sufficient supporting documentation to verify that the adjustment was appropriate and to provide an audit trail to facilitate an independent review of adjustments, as recommended in the separation of duties finding.

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Recommendation:

We recommend that the Court maintain appropriate supporting documentation for adjustments to cases.

Court's Response:

The Court will be sure that supporting documents are included to account for all adjustments made. The judge is also signing all arraignment forms for which adjustments are made during court.

3. ERRORS IN SURCHARGE REMITTANCE (Significant Weakness)

We reviewed all of the 2001 Monthly Surcharge Reports and noted the following errors in the remittance of surcharge to the State:

- a. The Court calculates monthly surcharge amounts as reported on the Monthly Assessments and Case Receipts Summary Report, which is generated by the Court's accounting system. However, as of the date of our testwork, the monthly summary reports that we printed for calendar year 2001 showed monthly amounts that differed from the surcharge amounts remitted and appear to have resulted in a net underpayment of \$3,561 in surcharges to the State. It appears that these differences primarily occur when payments on citations are received and recorded in a month prior to the recording of a disposition for the case. The accounting system does not calculate surcharge until a disposition is entered. Therefore, no surcharge is calculated or paid in the month the payment was recorded. Instead the payment is shown in the "other" column on the Case Receipts Detail Report. The Court should track these types of payments to ensure that when a disposition is ultimately recorded, the appropriate surcharge is included in the surcharge remittance to the State Treasurer's Office.
- b. The Centerville City Justice Court did not comply with the State's deadline for surcharge remittance for all 12 remittances in calendar year 2001. *Utah Code 51-4-2(4)* requires that the Court remit all surcharge revenue collected on or before the 10th day of the following month. Failure to remit the collected surcharge monies in a timely manner each month violates State law. The Court has been unable to prepare the report by the 10th of the following month and, as a result, the City cannot prepare and send the remittance by the required deadline.

Recommendation:

We recommend that the Court prepare the surcharge report in a timely manner to allow the City to remit all surcharge revenue to the State in accordance with State law. We also

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recommend that the Court ensure that surcharge is calculated for payments categorized in the “other” column when a disposition is finally recorded.

Court's Response:

The Court will review the surcharge remittance on a quarterly basis to ensure that the correct amount of surcharge monies are sent to the State Treasurer's Office. This will be done by reprinting past month's reports and comparing them to the original reports printed for that month. Any differences in surcharge remittance will then be paid to the State Treasurer's Office.

The Court will be upgrading its software in the next few months and it is anticipated that the program will be significantly better in its accounting functions and reports.

Because of difficulties many courts had in submitting their reports for revenue remittance, the Utah Legislature amended the prior 10 day requirement this year so that courts now have 20 days to report and submit surcharge.

The Court will comply with State law by preparing its monthly surcharge report in a timely manner. This will allow time for the City to remit all surcharge revenue to the State by the 20th of the following month.