



Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

211 STATE CAPITOL
SALT LAKE CITY, UTAH 84114
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

REPORT NO. 02-619-C

June 25, 2002

Mayor Thomas C. Waggoner
and Clearfield City Council
55 South State Street
Clearfield, UT 84015

Dear Mayor Waggoner and City Council:

We have performed the procedures described below to certain aspects of the internal control and compliance at the Clearfield City 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 four 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 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 John L. Sandberg
Richard Schwermer, Assistant Court Administrator, Administrative Office of the Courts
Heather Mackenzie-Campbell, Audit Manager, Administrative Office of the Courts

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

TABLE OF CONTENTS

	<u>Page</u>
FINDINGS AND RECOMMENDATIONS:	
1. INADEQUATE SEPARATION OF DUTIES (Significant Weakness)	1
2. INADEQUATE CASH RECEIPTS RECONCILIATION (Significant Weakness)	1
3. INADEQUATE DOCUMENTATION FOR ADJUSTMENTS TO CASES (Significant Weakness)	2
4. SURCHARGE REMITTANCE ERRORS (Significant Weakness)	3

CLEARFIELD CITY 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 Clearfield City 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, and approve and/or enter adjustments in the accounting system. 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 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 tickets within the jurisdiction of the court.
- A review of the accounts receivable adjustments made by the court clerks for propriety.
- 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.

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 court clerk has been assigned the task of entering the citations and a different court clerk has been assigned the task of making adjustments to cases when needed. The end of day receipt closeout will be moved to the Finance Department. A Finance Department employee will update ledgers and closeout open receipts at the end of the day. We are requesting law enforcement provide the Court with an inventory of citations issued to enable reconciliation of citations entered in the court docketing system.

2. INADEQUATE CASH RECEIPTS RECONCILIATION (Significant Weakness)

We noted two instances where the Court's daily receipt report showed cash collections that were \$30 higher in total than the funds the Court remitted to the City for deposit. Since the

CLEARFIELD CITY JUSTICE COURT

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

discrepancies were not detected, it appears that the Court does not perform an adequate reconciliation of cash/checks received to amounts deposited. The initial record of cash/checks received should be traced to a validated deposit by an individual who does not have cash receipting responsibilities. While these discrepancies could be due to clerical error, they could also be an indication of fraud.

Recommendation:

We recommend that the Court have an individual who does not have cash receipting responsibilities reconcile the initial record of cash/checks received to amounts deposited.

Court's Response:

The cash receipts reconciliation task will be removed and placed with the Finance Department. An employee from Finance will count and reconcile the cash and checks at the end of the day.

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

We tested a sample of 25 adjustments to case balances and noted that 5 of the cases did not have adequate supporting documentation to indicate the adjustment was appropriate. In 3 of the cases, the court clerks had made notations in the file regarding the adjustment but copies of insurance records and/or registration information was not available. In the other 2 cases, the only information available was a copy of the docket. All 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 Finding Number 1.

Recommendation:

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

Court's Response:

Copies of insurance, restitution proof, and registration documents have been made and kept in the files since Fall 2001. This change was made in response to a recommendation from the Administrative Office of the Courts Auditor.

CLEARFIELD CITY JUSTICE COURT

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

4. SURCHARGE REMITTANCE ERRORS (Significant Weakness)

The Court remits monthly surcharge amounts as reported on the Monthly Assessments and Case Receipts Summary Report, which is generated by the Court's accounting system (Caselle). 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 amounts remitted by the Court and appear to have resulted in a possible net underpayment of \$1,307 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.

Recommendation:

We recommend that the Court ensure that surcharge is calculated and remitted for payments categorized in the "other" column when a disposition is finally recorded.

Court's Response:

The Court has installed new software, which solves this problem. The old software allowed transactions to be split between two days, causing the indicated problem. This is no longer possible.