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REPORT NO. 05-619-J

September 8, 2005

Mayor Calvin Balch and City Council
50 West 100 South
Blanding, Utah 84511

Dear Mayor Balch and City Council:

We have performed the procedures described below to certain aspects of the internal control and compliance at the Blanding City Justice Court (the Court) for the period January 1, 2004 through December 31, 2004. 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 both 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. However, the report is a matter of public record and its distribution is not limited.

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 James J. Harris
Richard Schwermer, Assistant Court Administrator, Administrative Office of the Courts
Heather Mackenzie-Campbell, Audit Manager, Administrative Office of the Courts

BLANDING CITY JUSTICE COURT
FOR THE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

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BLANDING CITY JUSTICE COURT

FINDINGS AND RECOMMENDATIONS FOR THE PERIOD JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

1. INADEQUATE SEPARATION OF DUTIES (Significant Weakness)

The Court Clerk at the Blanding City Justice Court (the Court) has access to cash and checks, receives and records citations from issuing entities on the accounting system, performs collection efforts on cases, approves or initiates write-offs, and reviews accounts receivable. 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 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 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 Clerk for propriety.
- A review of the surcharge reports and surcharge remittances sent to the State to ensure that correct amounts are properly remitted.

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:

Because we are a small city and cannot afford to hire a second full time person, a complete separation of duties would be a financial hardship and is impractical. We will work to implement the recommendations for other adequate compensating controls as follows:

a. Reconciliation of citations.

All citations received for the Court are already being crosschecked on two levels to be sure they are all entered into the police record as well as the Court record. All the citations written by the Blanding Police are reconciled and accounted for by the secretary when the officer turns in his ticket book.

The Court does not know if the officers in the other agencies turn in or reconcile their citations. The Court does not have authority over these other agencies. Our Judge has written a letter to the other police agencies involved asking for a numerical list of citations

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issued to our Court, by the individual officers, for each month so that we can reconcile citations issued with those entered in our Court.

b. *Adjustments/suspensions of fines.*

The Judge orders all adjustments. The “write-off” or “suspensions” are entered into the computer by the clerk and submitted back to the Judge to proof. Any adjustments or suspensions after adjudication are followed through by a “date” sensitive flag, according to the original judgment and also confirmed by the Judge. Any amended sentences are initiated by the Judge and entered by the clerk. Since the time of the audit, the Court is running a detailed summary report of all adjustments and suspensions at the end of the month and has them reviewed by the Judge.

c. *Confirmation of remittance sent to the State.*

Since the time of the audit, the city treasurer gives the Court a copy of the remittance statement that was mailed to the State.

2. **ERRORS IN SURCHARGE REMITTANCE** (Significant Weakness)

We examined the monthly surcharge remittances made by the Court and tested a sample of 25 cash receipts and the related surcharge payments and noted the following errors in the remittance of surcharge to the State:

- a. The Court calculates surcharge amounts to be remitted to the State based on the Monthly Collection Summary Report, which is generated by the Court’s accounting system. We noted the amounts remitted to the State were \$54.89 more than the applicable surcharges listed on the Yearly Collection Summary that was printed from the accounting system at the time of our testwork for calendar year 2004. The Court should resolve the differences between the reports to ensure that the correct amount of surcharges due to the State are remitted.
- b. The Court did not remit the surcharge payments to the State Treasurer’s Office in a timely manner. Per *Utah Code*, Section 51-4-2(4)(a), the correct amount is to be remitted to the State Treasurer’s Office by the 10th of the month following the receipt of the surcharges. All 12 of the monthly remittances tested for 2004 were late, varying from 3 days to over 7 months late. Failure to remit the collected surcharge amounts in a timely manner each month violates State law.

Recommendation:

We recommend that the Court:

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- a. Resolve the differences between the Monthly Collections Summary Reports and the Yearly Collections Summary to ensure that the correct amount of surcharges due to the State are remitted.**
- b. Remit the proper surcharge amounts to the State Treasurer's Office by the 10th of each month, in compliance with State law.**

Court's Response:

- a. There were several programming problems in Caselle that the Court was unaware of until just prior to the audit. Staying any portion of the fine the same day the case is adjudicated causes the computer to throw in error figures. The program does not allow the Court to add and subtract the fine in the same day without causing errors. The error began when Caselle started staying part of the \$32.00 security fee. This is a programming problem that neither the Court nor Caselle were able to fix once we found it.*

There were also three cases in about a six week period where the surcharge was entered wrong (by the Court) in the computer before it was discovered. In trying to correct these figures, it undoubtedly affected the balances. We think the over paid \$54.89 would be about the amount the Court found to be in error on those three cases.

Our Court is a "guinea pig" court. The Court receives the program first, and then any errors that are found are corrected before it is distributed to the rest of the courts. This will probably always contribute to a few errors and changes throughout the year.

The Court and Caselle are unable to go back over the past and find all the errors. Caselle and the Court are aware of the problems. Now that we are aware of the program problem, we believe we can avoid the error by altering the way we enter the sentence. The Court has had to change the way we fine and suspend to meet the system's program limitations.

The Court is now running a cash summary detail at the end of each month to ensure money is allocated properly and is attaching the report to the monthly statement.

The surcharge amount that was in error was corrected long ago.

- b. The Court and City will work to submit the report and money by the 10th of each month.*