



CLINTON CITY JUSTICE COURT

Findings and Recommendations
For the Period January 1, 2005 through December 31, 2005

Report No. 06-653-A

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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REPORT NO. 06-653-A

October 2, 2006

Mayor L. Mitch Adams and City Council
1906 West 1800 North
Clinton, Utah 84015

Dear Mayor Adams and City Council:

We have performed the procedures described below to evaluate certain aspects of the internal control and compliance at the Clinton City Justice Court (the Court) for the period January 1, 2005 through December 31, 2005. 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 internal control over procedures for collecting and recording certain fines, fees, and bails imposed by the Court.
3. We reviewed the Court's internal control over 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. Also, we suggest that the Court and the City consider adopting the *Suggested Accounting Procedures for Utah Justice Courts*, published by the Administrative Office of the Courts.

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 (801) 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

CLINTON CITY JUSTICE COURT
FOR THE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
FINDINGS AND RECOMMENDATIONS:	
1. INADEQUATE SEPARATION OF DUTIES (Significant Weakness)	1
2. ERRORS IN SURCHARGE REMITTANCES (Significant Weakness)	1

CLINTON CITY JUSTICE COURT

FINDINGS AND RECOMMENDATIONS FOR THE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

1. INADEQUATE SEPARATION OF DUTIES (Significant Weakness)

Clinton City (the City) receives cash and checks on behalf of the Clinton City Justice Court (the Court). We noted a separation of duties weakness at the City whereby an employee in the City Treasurer's Office performs the bank reconciliation, handles NSF checks, and takes deposits to the bank.

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 order to eliminate this weakness, the City should perform a reconciliation of the bank statement by an individual who does not have access to cash/checks received, disbursements, or the accounting system (Caselle). If an independent individual cannot perform the bank reconciliation, then a thorough independent review of the bank reconciliation should be performed periodically.

Recommendation:

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

Clinton City's Response:

We have separated duties among employees in order to prevent any possibilities of error or fraud to Clinton City. The individual responsible for reconciling the bank statement is no longer responsible for taking deposits to the bank or handling NSF checks. These two functions have been assigned to other employees in this office and we are confident that this will meet your recommendations.

2. ERRORS IN SURCHARGE REMITTANCES (Significant Weakness)

We examined the monthly surcharge remittances made by the City on behalf of the Court and tested a sample of 25 cash receipts and the related surcharge payments and noted the following errors in the remittances of surcharges 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 Caselle. We noted the amounts remitted to the State were \$1,788 less 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 2005. The Court should resolve the differences between the reports to ensure that the correct amount of surcharges due to the State are remitted.

CLINTON CITY JUSTICE COURT

FINDINGS AND RECOMMENDATIONS FOR THE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

- b. No surcharge is calculated or remitted for payments that are originally categorized in the “other” column on the collections detail report. The “other” column on this report includes all payments where no disposition was entered before the payment was made. If a disposition of the case is not entered in the same month that the payment is received, the payment will not be properly applied between the fine portion and the surcharge portion. It appears likely that some of the differences noted in a. above are caused by this weakness. 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. Failure to properly enter a disposition for each case could result in an underpayment of surcharges to the State.
- c. In two cases, the Court made adjustments to the original fine. The adjustments reduced the security surcharges \$23.86 below the required amount. Per *Utah Code* Section 78-5-116.5(1), in addition to any fine, penalty, forfeiture, or other surcharge, a security surcharge of \$32 shall be assessed on all convictions for offenses listed in the uniform bail schedule adopted by the Judicial Council and all moving traffic violations. Failure to apply or remit correct security surcharges is a violation of State law.
- d. 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. The monthly remittances for 7 of the 12 months in 2005 were not approved by the judge for payment until several days (varying from 5 to 18 days) after the remittance was due to the State Treasurer. Once the judge approves a remittance, the City must have time to issue the check and send it to the State Treasurer. Failure to remit the collected surcharge amounts in a timely manner each month violates State law.

Recommendation:

We recommend that the Court:

- a. **Resolve the differences between the monthly collections summary reports and the yearly collections summary report to ensure that the correct amount of surcharges due to the State are remitted.**
- b. **Perform a monthly review of the “other” column on the collections detail report to ensure that when a disposition for each case is ultimately recorded the appropriate surcharge is calculated and remitted to the State.**
- c. **Comply with *Utah Code* Section 78-5-116.5(1) and remit the correct security surcharges to the State.**

CLINTON CITY JUSTICE COURT

FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

- d. Remit the proper surcharge amounts to the State Treasurer's Office by the 10th of each month, in compliance with State law.**

Clinton City Justice Court's Response:

- a. *The Court submits surcharge on a month to month basis per Caselle's monthly software reports. Apparently the software has a weakness due to adjustments, amendments or jail time served. The Court remits the monies to the State that the software supports at the time. The Court cannot change the yearly report due to cases where the defendants may do jail time in lieu of fines, or the Judge may suspend monies owed for a satisfaction in probation within the set year; therefore, the State has been overpaid. The Court has investigated the difference and we will not remit the offset amount.*
- b. *The Court will review on a monthly basis the "other" column in Caselle's monthly reports. The Court will track this weakness and make sure that a disposition is entered on each case for the month that a payment was made and that the appropriate surcharge is remitted.*
- c. *The Court is working with Caselle to resolve a weakness in the software. The software allows the security surcharge to change on cases where the Judge had amended or enhanced a fine. The security surcharge amount should not be changed from the \$32.00 set by the State. The Court will work with Caselle to get this resolved and to be in compliance with Utah Code, Section 78-5-116.5(1).*
- d. *The Court will remit monthly surcharges to the State in a timely manner. The 10-day period set by State law for the remittance is impractical, but the Court will strive to submit within the time allowed. As the auditors on site indicated, Clinton Justice Court's record of submission is among the better in the State.*