



**ADMINISTRATIVE OFFICE OF THE COURTS**

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Management Letter  
For the Year Ended June 30, 2007

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Report No. 07-18

*Keeping Utah  
Financially Strong*

AUSTON G. JOHNSON, CPA  
UTAH STATE AUDITOR



**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

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**REPORT NO. 07-18**

December 5, 2007

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

Dear Mr. Becker:

We have completed our audit of the financial statements of the State of Utah as of and for the year ended June 30, 2007 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report thereon, dated November 20, 2007, is issued under separate cover. We have not yet completed the statewide federal compliance audit for the year ended June 30, 2007. Our report on the statewide federal compliance audit for the year ended June 30, 2007 should be issued in January 2008. Any additional findings relating to the Administrative Office of the Courts (AOC) which result from the completion of the federal compliance audit will be issued to you as a supplement to this letter.

In planning and performing our audit we considered the AOC's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinions on the State's financial statements and on the State's compliance with the requirements of its major programs, but not for the purpose of expressing an opinion on the effectiveness of the AOC's internal control. Accordingly, we do not express an opinion on the effectiveness of the AOC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies. These deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements or noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to 1) initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or 2) administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements or that noncompliance with a type of compliance requirement of a federal program that are more than inconsequential will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of management and others within the AOC 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.

The AOC's written responses to the findings and recommendations identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We appreciate the courtesy and assistance extended to us by the personnel of the AOC during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please call Joe Christensen, Deputy State Auditor, at (801) 538-1354.

Sincerely,

Auston G. Johnson, CPA  
Utah State Auditor

cc: Fred Jayne, Management Services Director  
Heather Mackenzie-Campbell, Audit Manager  
Myron March, Deputy State Court Administrator

**ADMINISTRATIVE OFFICE OF THE COURTS**  
FOR THE YEAR ENDED JUNE 30, 2007

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Finding Type:

MW Material Internal Control Weakness  
SD Significant Deficiency of Internal Control  
MN Material Noncompliance  
RN Reportable Noncompliance or Illegal Acts

Applicable To:

s State Financial Statements  
f Federal Program

# **ADMINISTRATIVE OFFICE OF THE COURTS**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007**

### **1. SEPARATION OF DUTIES WEAKNESS – SAP PAYROLL SYSTEM (Repeat Finding)**

Federal Agency: **various**

Federal Award Number: **various**

CFDA Number and Title: **various**

Questioned Costs: **\$-0-**

Pass-through Entity: N/A

As part of our annual audit of State payroll expenditures, we reviewed the reports associated with 45 payroll expenditures to ensure that they were properly reviewed, approved, and retained. We selected three expenditures for review at the Administrative Office of the Courts (AOC) and noted that for one of the three expenditures, an individual at the 3<sup>rd</sup> District Court had the ability to enter time into the SAP Payroll System (the System) and also reviewed and approved the payroll reports. A separation of duties weakness exists when the same individual has the ability to enter time into the System and also reviews and approves required payroll reports. State Accounting Policies and Procedures (FIACCT 11-17.00) require a manager or supervisor other than the time entry operator(s) to review and approve the payroll reports each pay period. Inadequate separation of duties could allow errors or misappropriations related to payroll expenditures to occur without detection.

#### **Recommendation:**

**We recommend that the AOC ensure that payroll reports are reviewed and approved by managers or supervisors who do not have the ability to enter time into the System.**

#### **AOC's Response:**

*Corrective Action Planned: Change employee's access from "Time Entry" to "Payroll Monitor."*

*Contact Person, Title, Phone #: Peggy Gentles, Trial Court Executive, (801) 238-7315*

*Correction Date: Completed on November 15, 2007. Inadvertently, Unit 0314 was left off change. This Unit was added November 27, 2007.*

## **ADMINISTRATIVE OFFICE OF THE COURTS**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

#### 2. **SEPARATION OF DUTIES WEAKNESS – HUMAN RESOURCE ENTERPRISE SYSTEM**

Federal Agency: **various**

Federal Award Number: **various**

CFDA Number and Title: **various**

Questioned Costs: **\$-0-**

Pass-through Entity: N/A

We reviewed the State's Human Resource Enterprise (HRE) system for proper separation of duties associated with salary action input and approval. We identified one user id, associated with an AOC employee, with the ability to input and approve salary actions based on user level security. Failure to adequately separate these duties increases the risk that inappropriate salary actions could be initiated and approved without detection.

#### **Recommendation:**

**We recommend that the Courts work with the State Department of Human Resource Management to ensure that HRE salary action input and approval privileges are not given to the same individual.**

#### **AOC's Response:**

*Corrective action planned: Courts' Human Resources was given prior notification of these audit findings on October 25, 2007. Delete the user id access right to approve salary actions.*

*Contact Person, Title, Phone #: Robert Parkes, Human Resources Director, (801) 578-3802*

*Correction Date: Immediate action was taken by contacting Mike Tribe (of DHRM) and directing him to delete the user id with the ability to approve salary actions. Mike confirmed, on October 29, 2007, that he deleted the user id.*