



**A Report to the Citizens  
of Salt Lake County and the  
Board of County Commissioners**

**November 1998**

**A Performance Audit of**

**Salt Lake County  
Attorney's Debt  
Collection**

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A PERFORMANCE AUDIT  
of  
SALT LAKE COUNTY ATTORNEY'S DEBT COLLECTION

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# A Performance Audit of Salt Lake County Attorney's Debt Collection

*This report is divided into the following sections:*

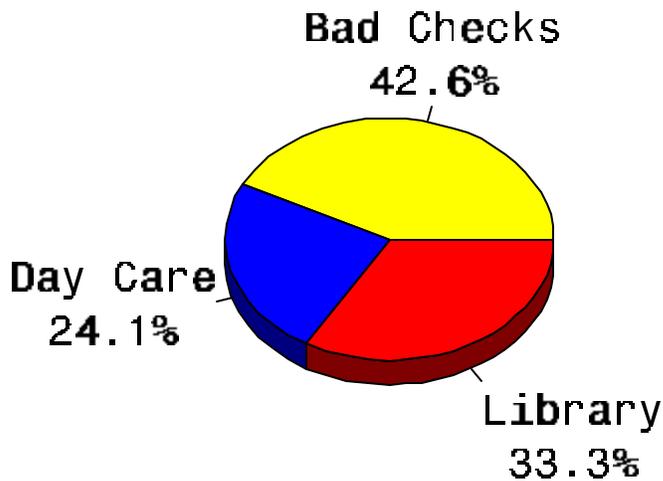
- I. Introduction*
- II. Findings and Recommendations*

## **I. Introduction**

The County Attorney is charged with collecting bad checks and past-due accounts for county agencies. Collection is also accomplished for subrogations of liability, subrogations of Workmans Compensation, Industrial Commission assignments, legal defender recoupment fees and bond collections. The emphasis of this report is on the collection services performed for County Agencies and thus, we concentrated our efforts on Bad Checks, Library Fees and Fines, and Day Care past due accounts.

The collection activity takes place in the Government Services Division. In 1997, \$285,042.10 was collected in the Bad Check, Day Care and Library categories. Of this amount, \$215,350.79 represents the principal amount, \$40,375.38 constitutes Attorney's Fees, and \$29,315.93 are Sheriff's Fees. The total amount collected by type is shown graphically below:

### **Bad Debt Collections - 1997**



**Total Collected = \$285,042**

Until recently, the information relative to each account was kept on a Rolodex type file. While this was effective in tracking the status of each account, there was no way to determine the number of accounts accepted for collection, the number settled with a demand letter, the number served with Summons and Complaint, or any other statistical measure except dollars collected.

Currently, most payments are made by walk-in clients. When a payor arrives, the legal secretary assigned to the case (they are assigned by type of collection to two staff members) comes to the front counter and receives the payment and gives the client a receipt. They then annotate the clients record, note the amount received on the deposit slip and place the funds in a zippered bank bag in a desk drawer. This process is flowcharted as Appendix A.

## **II. Findings and Recommendations**

### **Efficiency and Effectiveness**

Because the Rolodex card files were, until recently, used for account tracking, no statistics were available for measuring the efficiency and/or effectiveness of the debt collection effort. In the Spring of 1998, the Attorney's Office began using a computerized database program to track each account. When an account is referred for collection it is entered into the database and then annotated as the account progresses through the system. The use of this database will allow management to assess different program components such as number of referrals per month, number of Summonses and Complaints issued, and the number served with a Summons. Management will also be able to produce an aging report which will allow analysis of the age of each account, grouped by number of days; i.e., 0 to 30, and 31 to 60 days. Additionally, statistics relative to the number of accounts handled by the Attorney's Office staff will make it easier to justify staffing needs.

One area of concern is the high number of un-served Summonses and Complaints. These are accounts which have been turned over to the Sheriff's office for service (of the Summons and Complaint) which are allowed to lapse un-served. The courts give 120 days to serve the defendant. If the Summons is not served, it is said to have lapsed and the account is returned to the Attorney's Office. It must then be sent back to the court for a reissue of the Summons and Complaint. These lapsed accounts are then four months older

and thus more difficult to collect. Recently, the Attorney's Office has been sending approximately one-half of the Summonses to constables for servicing. This has reduced the work load on the Sheriffs Office and has increased the percentage of Summonses and Complaints served on defendants.

**Pre-Assignment Collection Efforts**

Before these accounts are referred to the Attorney's Office for collection each agency makes their own collection efforts as outlined below:

**Returned Checks:** In accordance with Countywide Policy 1306, the Treasurer's Office is charged with the initial collection efforts on returned checks for all County agencies. According to Treasurer's Office records, in 1997, Salt Lake County had 3,969 checks returned for various reasons. Of these, 1726 (43.5%) were collected by the Treasurer's Office. The typical returned check is either collected or sent to the Attorney's office within one month of notification by the bank.

**Day Care Accounts:** Day Care accounts are processed according to the "Salt Lake County Parks & Recreation Division Policy on Child Care Accounts Receivable." This policy calls for weekly review and notification of the client when any account becomes more that two weeks past due. Clients are given 48 hours to either bring the account current or negotiate a "Past Due Tuition Payment Agreement" to establish a payback schedule. Any account declared uncollectible by a program director or which is greater than 60 days old is forwarded to the Attorney's Office.

**Library Accounts:** Library accounts are the result of lost and/or overdue library materials. According to Library procedure, "After the account becomes 90 days past due and the account has overdue items, the items are changed to a 'lost' status." A letter is then sent to the patron giving them 10 days to return the item(s) and pay any late fees. A second demand letter is to be sent at the 150 day mark giving the patron 30 days before the account is turned over to the Attorney's Office for collection. Following this procedure means the soonest the Attorney's Office will see an account is when it is 180 days (or six months) old. A random sample taken for the recently completed Library Audit shows an average of 331 days or eleven months before the accounts in the sample were turned over to the Attorney's Office for collection.

In a recently completed audit of the Library, we recommended that the

Library turn over accounts to the Attorney's Office in a more timely manner and investigate the possibility of outsourcing library collections.

**Controls relative to Cash Collection**

As outlined in the introduction, accounts are paid either by mail or walk-in payment. Payments received by mail are turned over to the legal secretary for recording and deposit, no receipt is issued. Walk-in payments are receipted, collected and the proceeds from either type of payment are placed in a zippered bank bag in a desk drawer.

Bank deposits are made when the deposit slip is full. Overnight storage of the funds on hand is in a locked desk drawer. Because several people need access to the bank bag during the day, and the custodian may not be in the office at any given time, the key to the desk drawer is kept under an in-basket, out of sight, but readily available.

The cash handling procedures described above do not comply with County Policy 1062, "*Management of Public Funds.*" Policy 1062 requires, in Section 3.8.1.1, that "*Receipts of \$250 or more (\$50 in cash and \$200 in checks) will be deposited on a daily basis.*" In addition, the policy calls for "*A combination cashbox, safe or vault which will afford adequate protection...*" (Section 2.3.1).

**Recommendations:**

- ! In addition to writing receipts for walk-in collections, we recommend that the Attorney's Office begin logging all mail-in payments as they are received.
- ! We recommend that the Attorney's Office deposit receipts in accordance with Policy 1062.
- ! We recommend that the Attorney's Office utilize a locking cashbox to secure receipts, in accordance with Policy 1062.

**Action taken:** The Attorney's Office has begun using a locking cashbox and depositing receipts in accordance with Policy 1062. In addition, they have instituted a log-in procedure for mail-in payments.

**Distribution of Funds Collected**

Once the Attorney's Office has collected an account in full, the funds are disbursed. Collections are deposited into the Attorney's Trust Account. (The account is at First Security Bank, deposits are made at the Treasurer's Office). The Attorney's Office then issues checks to the appropriate entities. The principal amount goes to the agency which assigned the account. Court costs, if applicable, are paid to the court which issued the Summons. Sheriff's Fees are paid to the Sheriff's Office on those accounts which have Summonses and Complaints served by the Sheriff. Originally, the Attorney's Office issued a check to each agency involved for each account collected. Potentially, three checks per account. Recently, the Attorney's Office has issued one check for a number of Library collections. This check is then recorded as a cash receipt by the Auditor's Cashier.

The checking account used for these transactions was originally set up as an imprest checking account. The authorized amount is \$ 500.00 although clearly the fund is operated in amounts greater than that.

We believe that if the authorized amount was raised on this account, it could be used to pay all court costs and other expenses associated with the collection efforts to agencies outside Salt Lake County. All collections could be deposited to the main depository account and distributed to the appropriate agency by use of journal vouchers. This process would greatly reduce the number of checks required to be written from the imprest account. It would also simplify tracking collections and expenses.

Currently, the accounting for the collection and disbursement is done on an off-the-shelf, PC based, software program. The program also prints the checks. Under the proposed system, the accounting would remain essentially the same. Only the need to issue checks to disburse collections would be eliminated. This will require, in coordination with the Auditor's and Treasurer's Offices, the establishment of a depository account for the Attorney's Office. This change will cause collections (revenue) and expenses to be more accurately reported in the County's financial system (LGFS).

**Recommendation:** We recommend that the Attorney's Office begin depositing receipts directly into the main depository account and prepare journal vouchers for disbursement of collections to County agencies. Court fees, constable fees and other expenses would be disbursed using the imprest checking account.

# County Attorney Collection Activity

## Payments Receiving Process

