



A Report
to the
Citizens
of
Salt Lake
County,
the Mayor,
and the
County
Council

**A Performance Review of the
Management of the**

Salt Lake County Justice Court Jury/Witness and Trust Accounts

September 2011

**Gregory P. Hawkins
Salt Lake County Auditor**



GREGORY P. HAWKINS
Salt Lake County Auditor

2001 South State Street
Suite N-3300
Salt Lake City, UT 84190-1100

(801) 468-3381
(801) 468-3296 / fax

GHawkins@slco.org

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

MICHAEL P. CHABRIES, PhD
Senior Advisor

STUART TSAI, JD, MPA
Administrative Assistant

STEPHEN G. SPENCER, CPA
Director, Division of Fiscal
Accountability & Compliance

JAMES B. WIGHTMAN, CPA
Director, Division of Compliance &
Performance Assessment

LANCE R. BROWN, CPA
Director, Division of Budget,
Analytics & Compliance

DAVID L. BECK
Director, Division of Property
Tax Compliance

September 12, 2011

Honorable Peter Corroon, Mayor
Salt Lake County

Honorable Max Burdick, Chair
Salt Lake County Council

Members of the Salt Lake County Council:

Re: Performance Review of the Management of Salt Lake County Justice Court's Jury/Witness Imprest and Trust Operations Accounts

Dear Mayor Corroon, Chair Burdick and Council Members:

Attached is our report on the above captioned topic. The fieldwork was completed during July 2011. Management was briefed on our findings and recommendations on September 9, 2011.

We have formatted and divided this report in a way to make it easier for stakeholders and the public to review and digest. Sections I and IV provide the quickest, yet most comprehensive overview of the report, with cross-references to more detailed explanations in Section V. The report is divided into five major sections as follows:

- I. **Executive Summary** – providing a quick overview of the most significant findings
- II. **Introduction** – providing general background on the Justice Court's Witness/Jury and Trust checking accounts
- III. **Scope and Objectives** – establishing the purpose, breadth, and limitations of our inquiries
- IV. **Summary of Findings and Recommendations** – summarizing in tabular form for easy reference and cross-referencing to the full report
- V. **Findings and Analysis** – providing detailed analysis of each finding and related methodology

We would be pleased to discuss any questions or concerns you may have.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By James B. Wightman, CPA
Director, Compliance and Performance Assessment

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**JAMES B. WIGHTMAN, CPA, CISA, MBA, MAcc
Director, Compliance and Performance Assessment**

Audit performed by:

Larry Decker, CPA, CIA

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I. Executive Summary

Jury/Witness Account

Custodianship and management oversight of the Jury/Witness account was markedly substandard, and in violation of cash management best practices. Over the 7+ years examined, the custodian's running-balance check register was never reconciled to the monthly bank statement. Moreover, the custodian recorded transactions in an electronic spreadsheet, first in Lotus through December 2007, under the retired custodian, thereafter in Excel, under the current custodian. The custodians appeared to be unaware and untrained regarding the proper way to reconcile this account to the monthly bank statement.

Over this entire period, no effort was made by the custodians or management to improve check issuance and recording procedures by use of technology to integrate and streamline processes. To our amazement, we discovered that check issuance was still being done by court clerks using electric typewriters.

We also discovered that the line-item detail in the running-balance spreadsheets prior to 2008 had been deleted by the retired custodian. We reconstructed the line-items using data from a separate check-tracking spreadsheet and monthly bank statements. We determined that the cumulative account total in the reconstructed, running-balance spreadsheet was (\$270), instead of \$2,405 in the running-balance register. Neither total was even close to the bank statement balance of \$13,206.

Arithmetic errors, duplicate checks, gaps in check sequence, and unrecorded checks were found in the check-tracking spreadsheet and in the running balance spreadsheet. Checks were recorded in batches instead of individually, presumably because most were issued for \$18.50, the daily stipend for reporting to court as a witness or juror. These errors explained a relatively small part of the \$13,500 difference in the book versus bank statement balances. The more significant error was caused by checks that never cleared the bank, but remained in the check-tracking spreadsheet.

State law requires that a listing of stale-dated checks (one year or more past date of issuance) be forwarded to the State Unclaimed Property Division, along with a check for the cumulative total. Neither custodian has taken action on this requirement. This violates the provisions of Countywide Policy #1203, Section 5.1.4.

Finally, the custodians did not follow the proper procedure for determining the correct amount to request from the Auditor to replenish the account to its authorized balance, \$7,500. They used a "plug" figure, rather than the actual total of checks issued since the last request. The "plug" figure was the difference between the ending balance in the running-balance spreadsheet and the imprest limit, \$7500. Thus, the replenishment requests were in error because of errors in the running-balance spreadsheet total.

Trust Account

The same two people that were custodians of the Jury/Witness were also the accountants for the Trust account. The accounting for this fund was more complex because funds deposited by defendants were held in trust and checks were written for various purposes and amounts.

In the face of this challenge, we again found sub-standard accounting and management oversight practices similar to the Jury/Witness account. The most predictable mirrored the deficiencies previously outlined. Two Trust account-management systems were used unnecessarily duplicating the tracking of receipts and the recording of checks issued. A State court-mandated system, CORIS, has modules to handle all cash management functions. However, the accountant only used CORIS to record defendant deposits to and checks issued from the Trust account and not to issue or print checks. Moreover, she did not have complete confidence in it to adequately track defendant balances.

Predictably, the accountants used electronic spreadsheets to track Trust account balances by individual defendant. The spreadsheet process pre-dates CORIS's implementation and continues today. Apparently, agency management had been unwillingly to allocate the time and resources to train the accountants on CORIS and engage resources to update the CORIS database.

Even though individual defendant Trust accounts were maintained in Lotus/Excel, the spreadsheets were not formulated to compute the sum total of all defendant account balances. Therefore, the accountant made no comparison or reconciliation of the spreadsheet to the bank statement to determine if the account had the correct balance.

In reviewing monthly reconciliations, we discovered arbitrary adjustments to book balances; and, in some months, book to bank differences remained un-reconciled, without explanation. Additionally, checks recorded in the reconciliation were listed only by check number and did not indicate the payee's name.

Summary

The deficiencies in the management of these accounts created a perfect environment for perpetrating fraud. The three elements of a fraud environment are: 1) financial pressure; 2) opportunity; and 3) rationalization.

- If an employee feels *pressured financially*, which may occur in tough economic times, he/she may look for ways to find easy money
- *Opportunity* is created when financial duties are not separated and management is not aware of and does not enforce internal-control policies and procedures
- *Rationalization* is fostered in an environment that is heavy with cash transactions, so that one, small embezzlement may be hidden and easy to cloak, especially where little or no management oversight is practiced

From our audit procedures and tests we have no basis to conclude that fraudulent transactions such as embezzlement occurred. We encourage agency management to review our findings and make any inquiries they deem necessary with the former and current custodians/accountants.

The narrative that follows outlines our findings and recommendations in greater detail.

II. Introduction

The Salt Lake County Justice Court adjudicates B and C misdemeanor cases, but no A misdemeanors or felonies. Typical cases presented before the courts are traffic violations, including DUIs, assault, domestic violence, theft, and animal control violations.

The courts maintain two checking accounts in their operations, a Jury/Witness imprest checking account (Jury Witness account), and a Trust operating checking account (Trust account). The Jury/Witness account has an established imprest balance of \$7,500, and the Trust account had a reconciled book balance of \$75,316 as of April 30, 2011. The Trust account balance fluctuates according to account activity. The Trust account is an operating checking account, not an imprest fund, with deposits based on receipts where payments from court defendants are held and subsequently disbursed to individuals or organizations as mandated by the court.

Jury/Witness and Trust accounts are among the most time consuming and difficult checking accounts in the County to manage given the number of checks written, and in the case of the Trust account, the varied number of court mandates and the preparation of deposits nearly every day. In 2010, 515 checks were issued out of the Jury/Witness account, and from January 1, 2003 through April 30, 2011, 10,861 checks were issued. A greater volume of checks were issued in earlier years when more courts were in operation than today, reflecting the larger County jurisdictional area. From the Trust account, 270 checks were issued in 2010, and approximately 5,684 checks were issued from January 1, 2001 through April 30, 2011. Throughout our report, we use the terms, “book balance” and “account record” interchangeably to describe the Justice Court’s recording of account activity.

The complexities and inefficiencies in managing these accounts were exacerbated by the continued practice of issuing checks in manual, typewritten form, and tracking transactions in a poorly designed electronic spreadsheet format.

III. Scope and Objectives

Our audit examined internal controls and account balances in the Salt Lake County Justice Court Jury/Witness and Trust accounts. We also counted the petty cash account and balanced it to its \$200 limit, but performed no further work on the management of that account. Our scope was focused on the review of account management of the Jury/Witness and Trust accounts, including related deposits and disbursements.

The Jury/Witness account has an established imprest balance of \$7,500, and the Trust account had a reconciled book balance of \$75,316 as of April 30, 2011. The Trust account balance fluctuates according to account activity. The Trust account is an operating checking account, not an imprest fund, with deposits based on receipts where payments from court defendants are held and subsequently disbursed to individuals or organizations as mandated by the court. Our audit objectives were to determine whether:

- Account book balances reconciled to bank balances without significant unexplained differences.
- Duties were segregated to safeguard against theft of funds that otherwise could occur when placing multiple responsibilities in one individual.
- Systems were in place to ensure that receipts and disbursements were recorded and the account balances were tracked efficiently and effectively.

Our work was designed to provide reasonable, but not absolute, assurance that the system of internal controls was adequate, records current, and daily transactions valid. As our examination of transactions was based on a test of sampled items, there is a risk that we would not have discovered theft because it occurred in items not selected for review.

IV. Summary of Findings and Recommendations

#	Finding	Recommendation	Main Report Reference Page
1.0	Jury/Witness Account		11
1.1	Bank reconciliations were not performed on the Jury/Witness account.	A monthly bank reconciliation of the Jury/Witness account should be assigned to and performed by an employee other than the custodian and stored electronically, with a hard copy filed and signed by the employee performing the reconciliation and the head judge or other administrator, as evidence of review.	12
1.2	Our review of the Jury/Witness account was hindered because the running balance prior to 2008 was deleted.	<ol style="list-style-type: none"> 1. The running balance in the Jury/Witness account should be combined with a more comprehensive checking account journal (check register). 2. The check register should be automated using software available on the market, such as QuickBooks, incorporating the downloading of activity directly from the bank account electronically. 3. The automated system should also eliminate the manual preparation of checks on a typewriter. 	13
1.3	Arithmetic errors, duplicate checks, gaps in check sequence, and unrecorded checks were found in the account record.	<ol style="list-style-type: none"> 1. The running balance in the Jury/Witness account should be combined with a more comprehensive checking account journal (check register). 2. The check register should be automated using software on the market, such as QuickBooks, incorporating the downloading of activity directly from the bank account electronically. 3. The automated system should also eliminate the manual preparation of checks on a typewriter. 4. The account should be reconciled monthly, including review and sign off by agency management. 5. The bank should be contacted regarding duplicate check numbers on bank statements to determine whether these are indeed duplicate check numbers or, alternatively, bank errors. 	14
1.4	Checks were recorded in batches instead of individually in the account record.	<ol style="list-style-type: none"> 1. The running balance in the Jury/Witness account should be combined with a more comprehensive checking account journal (check register). 2. The check register should be automated using software available on the market, such as QuickBooks, incorporating the downloading of activity directly from the bank account electronically. 3. The automated system should also eliminate the manual preparation of checks on a typewriter. 	16

#	Finding	Recommendation	Main Report Reference Page
1.5	From our reconstruction of the data, we determined that the cumulative account total in the running balance spreadsheet was (\$270) instead of the recorded \$2,405, neither total coming close to the bank statement balance of \$13,206.	<ol style="list-style-type: none"> 1. The reimbursement request to the Auditor’s Office should have the following information entered: <i>(see the figures in the body of the report)</i> 2. The reimbursement request to the Auditor’s Office should include an addendum with the following information: <i>(see the figures in the body of the report)</i> 3. The Justice Court book balance should be corrected for the items noted in number 2 above, except the last item of \$85 because it is already included in “Arithmetic and Posting Errors” and has been removed above for account reimbursement purposes only. 	17
1.6	Reimbursement requests were based on the difference between the authorized \$7,500 limit and the ending book balance.	The amount requested on MPF Form 6, “Reimbursement Request and Control Listing” should be the sum of checks disbursed and recorded since the last reimbursement, instead of simply the difference between \$7,500 and the ending book balance.	19
1.7	Checks outstanding one year or more were not sent to the State Unclaimed Property Division.	<ol style="list-style-type: none"> 1. The Jury/Witness account custodian should make an entry in the check register to increase the account balance by \$6,276.54 to reflect the unaccounted for difference prior to 2003. 2. Justice Court administration should consult with the District Attorney as to the disposition of the unaccounted for difference of \$6,276.54. . 3. The Jury/Witness account custodian should make an upward adjustment to the check register balance representing the 348 checks outstanding for one year or more since January 1, 2003, totaling \$6,468.50. The Jury/Witness account custodian should submit a listing of checks outstanding one year or more, as identified in #2 above, to the Utah State Division of Unclaimed Property, along with a check in the amount of \$6,468.50. 4. The Auditor’s office has a charge to audit the books and accounts of the Justice Court at least annually under Utah Code § 17-19-1 (3) (a): <p>“At least annually, the county auditor shall examine the books and accounts of the county executive, county attorney, district attorney, county treasurer, county clerk, county recorder, county sheriff, and county surveyor.”</p> <p>The Auditor’s Division of Compliance and Performance Assessment has not carried out this mandate for eight years due to the evolution of the</p> 	20

#	Finding	Recommendation	Main Report Reference Page
		County's risk environment, participation in Countywide projects to address areas where internal controls and performance have degraded, and an incremental reduction of staff over the past 4 years.	
1.8	Inadequate documentation was on file to support the issuance of Jury/Witness checks.	<ol style="list-style-type: none"> 1. The Justice Court should consider implementing an electronic record of the venires to facilitate cross-referencing to the backup documentation for checks issued. 2. The Justice Court should consider scanning and filing, electronically, in a document management system, the District Attorney's Office subpoenas as backup documentation for witness checks issued. 	21
1.9	Current technology was not used in managing the Jury/Witness account.	The Justice Court should implement use of a software package, such as QuickBooks, to automate the management of the Jury/Witness account, including issuance of checks.	22
2.0	Trust Account		23
2.1	Arbitrary adjustments were made to book balances, and book to bank differences, in some months, remained un-reconciled and without explanation.	<ol style="list-style-type: none"> 1. Arbitrarily adjusting the beginning balance in the reconciliation to an amount different from the previous month's ending balance should be discontinued. 2. The book balance should be increased by \$270 to account for the arbitrary change in the beginning balance in August 2010, and then a correction made for this same amount to reverse the double-booked deposit. 3. When performing bank reconciliations, all reconciling items should be identified and resolved to derive an accurate reconciliation, thereby beginning the new month with a clean, reconciled balance. 	25
2.2	A Trust account running balance was not maintained, and checks recorded in the reconciliation did not include payee name.	<ol style="list-style-type: none"> 1. Implementation of a running balance feature in the Trust account should be combined with a more comprehensive checking-account journal (check register). 2. The check register should be automated using CORIS software available through the State Administrative Office of the Courts, incorporating the downloading of activity directly from the bank account electronically. 	28
2.3	Gaps in Trust account check sequence occurred, and check numbers from these gaps cleared the bank.	The Trust accountant, court clerks, and agency managers should be vigilant to ensure that checks are issued in proper sequence and any gaps in sequencing are identified and explained.	29

#	Finding	Recommendation	Main Report Reference Page
2.4	Inefficiencies occurred because two account management systems were used, for both tracking receipts and recording payments.	<ol style="list-style-type: none"> 1. Justice Court staff involved in the operation and management of the Trust Account should receive sufficient training in the CORIS software to enable full use of its cash management capabilities. 2. The Justice Court accountant should resolve problems within CORIS so that it becomes the sole management system without use of the spreadsheet. 3. The accountant should reconcile the Trust account book balance, to the total of all remaining defendant bank balances in the Excel spreadsheet. 4. The accountant should reconcile the computed spreadsheet balance to the bank-statement balance at the same cutoff date and determine whether it represents sufficient or excessive funds for existing commitments 	30
2.5	The court management system, CORIS, was not used to track, maintain, or reconcile the account balance or to print checks.	The Justice Court should work towards implementing the cash-management module, including the check writing and recording features, of CORIS to create greater operational efficiency.	32
2.6	Inefficiency occurred because payment-card payments intended for the Trust account posted to a separate Revenue account.	The Justice Court should obtain an additional terminal for processing transactions by payment card into the Trust account.	32
2.7	Monthly bank reconciliations were not reviewed by a judge or other administrator.	<ol style="list-style-type: none"> 1. A Justice Court employee, other than the accountant, should perform the monthly bank reconciliation, for review by the Trust accountant, and final sign-off by the presiding Judge. 2. The Justice Court employee should be trained to prepare each reconciliation by reviewing for check sequencing, carrying forward the previous month's ending balance to the next month, and cross-checking the sum of checks issued, deposits made, and checks outstanding for the month reconciled. 	33
2.8	The destination of funds from three closed Trust accounts was unknown and not documented.	The Justice Court accountant should determine how remaining balances in the three discontinued Trust bank accounts were brought to "0," either by contacting the bank or the former accountant.	34

V. Findings and Analysis

Our findings and analysis are divided into the following sections:

- Jury/Witness Account
 - Trust Account
-

1.0 Jury/Witness Account

The Jury/Witness account is used to pay individuals summoned to court as either jurors or witnesses. All individuals are paid \$18.50 per day as mandated in State Statute. Mileage reimbursement is also paid out of the account if individuals travel more than a designated distance. Since very few trials exceed a day in length, and very few individuals are summoned from areas beyond the mileage limit, nearly all checks issued are for \$18.50. Thus, a separate check stock is secured in a locked filing cabinet and pre-printed with the \$18.50 amount. Additionally, blank check stock is maintained and secured for payments that are not the standard \$18.50.

To segregate duties, the custodian does not issue checks; rather, this task is assigned to various court clerks. The custodian distributes batches of checks to court clerks who issue them to jurors or witnesses, and she records the sequence numbers of these batches in a log. Checks require two signatures by two clerks of the court, but neither the judge nor the custodian signs them, and carbon copies of all checks issued are retained on file.

However, the custodian retained account reconciliation duties, with essentially no management oversight of the process, in violation of Countywide policy, as discussed below. The custodian periodically requested reimbursement of the account to its \$7,500 limit by completing and sending an MPF Form 6, "Reimbursement Request and Control Listing," to the Auditor's Office. Both the custodian and lead judge sign this form. Currently one full-time and one part-time judge are assigned to the court.

Our findings are the following:

- **Bank reconciliations were not performed on the Jury/Witness account.**
- **Our review of the Jury/Witness account was hindered because the running balance prior to 2008 was deleted.**
- **Arithmetic errors, duplicate checks, gaps in check sequence, and unrecorded checks were found in the account record.**
- **Checks were recorded in batches instead of individually in the account record.**

- ***From our reconstruction of the data, we determined that the cumulative account total in the running balance spreadsheet was (\$270) instead of the recorded \$2,405, neither total coming close to the bank statement balance of \$13,206.***
- ***Reimbursement requests were based on the difference between the authorized \$7,500 limit and the ending book balance.***
- ***Checks outstanding one year or more were not sent to the State Unclaimed Property Division.***
- ***Inadequate documentation was on file to support the issuance of Jury/Witness checks.***
- ***Current technology was not used in managing the Jury/Witness account.***

1.1 Bank reconciliations were not performed on the Jury/Witness account.

For the period we examined, from January 2003 through April 2011, the book balance was not reconciled to the bank statement balance. Instead, as a way of tracking checks that cleared the bank, the custodian performed a monthly process of recording, in Excel, checks written that month, and designating checks that cleared in a separate column. She then entered the bank statement opening balance, subtracted checks from the current month that cleared, and the outstanding checks from previous months that cleared, and thereby arrived at the ending bank statement balance. However, no reconciliation was made of the outstanding checks that had not cleared the account.

The custodian tracked checks clearing the bank, but never reconciled book to bank balances.

In essence, the custodian determined which checks from the bank statement represented those issued in the current month versus those in previous months. Despite the intent of this exercise, no process was in place that indicated the beginning book and bank balances, adjusted for reconciling items, such as unprocessed, outstanding checks, to bring the ending book and bank balances into agreement. The custodian only requested a cursory management review of her reconciliation process. Without a properly performed reconciliation with management review and sign off, theft of funds from the account may have occurred without detection.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 5.1.3, states:

"In the case of Imprest Checking/Operating Accounts, the account's bank statement balance shall be reconciled at least monthly by an employee designated by Agency Management, who is not the Custodian."

The Excel spreadsheet check tracking process was established many years ago and continues to the present. This process not only failed to reconcile the account, but it incorporated practices of the prior custodian that were not understood or used by the current custodian, such as a listing of yearly totals of outstanding checks dating back to 1994. While these totals continued to be carried forward to each succeeding month's spreadsheet, they were not supported by underlying check numbers or detail of individual amounts.

Another process, carried over from the prior custodian, of separating the check-tracking and running-balance spreadsheets, both performed by the custodian, with no management enforcement or sign-off of monthly bank reconciliations, raises serious questions about the management of this account.

RECOMMENDATION:

A monthly bank reconciliation of the Jury/Witness account should be assigned to and performed by an employee other than the custodian and stored electronically, with a hard copy filed and signed by the employee performing the reconciliation and the head judge or other administrator, as evidence of review.

1.2 Our review of the Jury/Witness account was hindered because the running balance prior to 2008 was deleted.

On January 1, 2008, the beginning balance recorded in the running balance spreadsheet was \$2,215. How this balance was derived was not clear because the prior running balance was deleted from the electronic spreadsheet. Prior to 2008, account activity was recorded in Lotus spreadsheets. Since then, balances were maintained in Excel. Oddly, a listing of checks issued prior to January 1, 2008, remained largely intact in Lotus files, though separate from the running-balance spreadsheet. The new custodian could not reconstruct the Lotus spreadsheet because she did not have the Lotus software loaded on her machine.

The running-balance spreadsheet totals and check detail prior to 2008 were inexplicably deleted by the retired custodian.

Checks were recorded in both the running-balance spreadsheet, and check-tracking spreadsheet described in the previous section. Deletion of nearly all check line-item detail prior to 2008 caused the running-balance spreadsheet cells to show "error" in the running balance column.

The running-balance spreadsheet was presumably used to track account activity, adjusting the running total each time a check was issued or deposit made. However, the running balance formula had been corrupted by the deletion of the check detail.

Best practice in cash management would combine these two spreadsheets into one "check register" that would journal the checks

issued and cleared, deposits made to the account, and the running balance of the account on a perpetual basis.

The current custodian, who assumed her duties in 2008, was not aware of the prior custodian's action in deleting the running balance prior to January 1, 2008. Nor did she have access to this data, as previously noted, because she did not have Lotus software on her machine. The beginning balance that she used was provided by the prior custodian and accepted in good faith. Apparently, no one in Justice Court administration had knowledge of or involvement in this action by the prior custodian.

RECOMMENDATIONS:

1. ***The running balance in the Jury/Witness account should be combined with a more comprehensive checking account journal (check register).***
2. ***The check register should be automated using software available on the market, such as QuickBooks, incorporating the downloading of activity directly from the bank account electronically.***
3. ***The automated system should also eliminate the manual preparation of checks on a typewriter.***

1.3 Arithmetic errors, duplicate checks, gaps in check sequence, and unrecorded checks were found in the account record.

We found these errors and discrepancies occurring in the account both prior to 2008, when the running balance had been deleted, and after 2008. We identified addition errors by recalculating running balances. We identified other discrepancies by comparing checks cleared per bank to checks cleared per books. We used the Audit Command Language (ACL) data mining and analysis tool to compare bank and book data and also to determine where duplicate checks and gaps in check sequencing occurred. Ultimately, these errors created an incorrect and unreliable account balance.

Table 1 below shows error frequency and dollar amount, differentiated by those errors prior to 2008, and those after January 1, 2008. Additional explanation in the next section shows their effect on the book balance.

ERRORS IN JURY WITNESS ACCOUNT RECORD				
Type of Check Recording Error	Occurrences 2003-2007	\$ Amount 2003-2007	Occurrences 2008-2011	\$ Amount 2008-2011
Arithmetic			25	(\$3,378)
Duplicate	20	\$370	40	\$685
Unrecorded	247	\$4,835	32	\$666
"0" but Cleared	19	\$352	9	\$167

Table 1. Four different types of errors in the book balance were identified

Arithmetic errors could only be isolated after 2007 because only then does the running balance appear in the account record. Many of these errors resulted from the current custodian inserting a row into the Excel spreadsheet to record additional checks. Inserting rows changes the running-balance formula. The formula requires adjustment, but no adjustment was made. Altogether, we found 25 arithmetic errors in the running balance, both positive and negative, for a net negative total of \$3,378.

Duplicate check numbers appeared in both check registers and bank statements. The seven duplicate checks recorded by the bank, all between 2003 and 2011, and totaling \$129.50 (7 X \$18.50), will require adjustment of the book balance. Neither custodian identified these duplicate check numbers for follow-up with bank personnel. This oversight would have been caught during a monthly reconciliation of the check register to the bank statement. However, as pointed out, these reconciliations were not performed.

Duplicate check numbers recorded in accounting records, but not in the bank statements, were removed from the account record in our analysis because they did not clear the bank. Twenty duplicate check numbers occurred prior to 2008. For our analysis, we relied on the monthly check-tracking spreadsheet referred to previously as our data source for this period.

Checks were sometimes duplicated on this tracking spreadsheet from one month to the next, frequently with an explanation that they were "used" in the succeeding month. Occasionally, a check was included in two consecutive months without any explanation at all.

For checks written since 2008, we found 40 duplicates totaling \$685 and deleted these from the account record since they did not clear the bank. We identified duplicate checks issued since January 1, 2008, from detail recorded in running balance spreadsheets. These duplicate checks erroneously reduced the balance by \$685. None of the duplicate checks in the account record corresponded to those in the bank statement.

Numerous gaps in check sequence also occurred. Consistent check sequencing controls the legitimate, authorized issuance of checks. Skips and gaps could indicate removal of a check for unauthorized, personal use. An individual check issued out of sequence and not appearing in the account record can conceal a theft.

Several "gaps" occurred where checks cleared the bank but were not recorded in account records; and some checks recorded as "void" still cleared the bank.

Within these gaps we found checks that cleared the bank and were not reflected in accounting records. As noted in Table 1 above, 247 checks totaling \$4,835 were not recorded in the check tracking spreadsheet from 2003 to 2007, as were 32 checks between 2008 and 2011, but mostly from 2008. Most pre-2008 unrecorded checks were attributed to two months of detail, February 2005 and July 2006, in missing check-tracking spreadsheets. The prior custodian was responsible for the

account during this time period.

Another item shown in Table 1 above is labeled “0 but cleared,” meaning a check was recorded as “0” but still cleared the bank for \$18.50. On the check tracking spreadsheet, these entries usually included a “void” or sometimes “missing” notation. Recording checks as voided is a common way for a cashier or custodian to cover a theft of funds, especially in the absence of a monthly reconciliation of accounting records to the bank statement with proper oversight.

Such frequently occurring errors in the account record provide an environment conducive to theft. The one limiting factor on the magnitude of theft is that all checks were issued for \$18.50. Thus, any significant theft would include issuing blocks of several checks to the same payee. We found no evidence of this kind of activity.

RECOMMENDATIONS:

- 1. The running balance in the Jury/Witness account should be combined with a more comprehensive checking account journal (check register).**
- 2. The check register should be automated using software on the market, such as QuickBooks, incorporating the downloading of activity directly from the bank account electronically.**
- 3. The automated system should also eliminate the manual preparation of checks on a typewriter.**
- 4. The account should be reconciled monthly, including review and sign off by agency management.**
- 5. The bank should be contacted regarding duplicate check numbers on bank statements to determine whether these are indeed duplicate check numbers or, alternatively, bank errors.**

1.4 Checks were recorded in batches instead of individually in the account record.

As previously discussed, checks were recorded in groups, for example, a single line would show check numbers 50111 – 50114, with a total of \$74 (\$18.50 X 4). They were not recorded in separate line items in the running-balance spreadsheet. As a long-established practice, the custodian received batched checks from the clerks and entered the batch total, indicating the check numbers in the batch, in the running-balance spreadsheet. With so many disbursements of the same amount, an abbreviated record proved more practical to the Justice Court staff. From an audit or management review standpoint, however, batching creates difficulty in determining which checks in a batch were actually issued, duplicated, voided, etc. as in the errors noted previously. Another factor leading to errors was creation of a separate file at the beginning of each year for the running balance.

To state again, the running-balance spreadsheet did not include the payee’s name, only check number, date, and amount. We were able to

determine, with great effort the name and case number recorded on individual check copies maintained on file.

RECOMMENDATIONS:

- 1. The running balance in the Jury/Witness account should be combined with a more comprehensive checking account journal (check register).**
- 2. The check register should be automated using software available on the market, such as QuickBooks, incorporating the downloading of activity directly from the bank account electronically.**
- 3. The automated system should also eliminate the manual preparation of checks on a typewriter.**

- 1.5 From our reconstruction of the data, we determined that the cumulative account total in the running-balance spreadsheet was (\$270) instead of the recorded \$2,405, neither total coming close to the bank-statement balance of \$13,206.**

These account discrepancies and variations point to not only errors, but also inadequate management and oversight of the account, much of it caused by system inadequacies.

We reconciled the accounting records to the bank statement balance from January 1, 2003, through April 30, 2011. We used January 1, 2003, as the starting date because, prior to that, bank statements were not consistently on file. Our reconciliation follows:

Bank Balance, January 1, 2003	\$12,743.52
Receipts January 2003 – April 2011	\$187,480.26
Payments January 2003 – April 2011	(\$187,018.24)
Less: Unaccounted for difference prior to Jan 1, 2003	(\$6,276.54)
Outstanding checks, Jan 1, 2003 – Apr 30, 2011	(\$7,319.50)
Add: Duplicate Checks by the Bank (7 @ \$18.50)	\$129.50
Bank error (check cleared as \$19.50)	\$1.00
Less: Bank error (check cleared as \$8.50)	(\$10.00)
Book Balance, April 30, 2011	<u>(\$270.00)</u>

In arriving at the outstanding check total of \$7,319.50, we scanned all bank statements from January 2003 through April 2011 and copied line items to Excel spreadsheets in a digitally readable format. We then compared checks that cleared the bank to check listings in the check-tracking spreadsheets for the period before January 1, 2008, and the

running-balance spreadsheets after January 1, 2008. In the latter case, we unbundled checks recorded in batches to present them individually for comparison purposes.

We re-created a running balance from January 1, 2003, to December 31, 2007, using the recorded January 1, 2008, starting balance of \$2,215.

Working backwards, we added back checks issued and subtracted deposits made to arrive at a beginning book balance on January 1, 2003, of \$5,763.95. This reconstructed balance would have approximated but not equaled the original account balance, because check detail used in the original running balance had been deleted. Thus, our re-created running balance for 2003 through 2007 would not have reflected errors in the custodian's original running-balance spreadsheet.

Wide disparities were discovered between the bank balance of \$13,206, compared to the custodian's book balance of \$2,405, and the Auditor's adjusted book balance of (\$270).

In arriving at the corrected ending balance at April 30, 2011, of (\$270), we took the current custodian's recorded ending balance of \$2,405 at that date, and corrected it for errors found in the running-balance spreadsheet since January 1, 2008. We started with 2008 because of the lack of a running balance prior to that date. Our calculation was as follows:

Custodian's Book Balance, April 30, 2011	\$2,405.00
Less: Arithmetic Errors, Net	(\$3,378.00)
Unrecorded Checks	(\$666.00)
Recorded "0" Amounts that cleared as \$18.50	(\$166.50)
Add: Unrecorded Deposit - January 2009	\$795.50
Duplicate Recording of Checks	\$684.50
Voided Check already reimbursed	\$18.50
Checks recorded at incorrect amount	<u>\$37.00</u>
Adjusted Book Balance, April 30, 2011	<u>(\$270.00)</u>

As noted, a deposit for \$795.50 had not been entered in the accounting record, though it had been deposited in January 2009, and two entries were made recording a single check at \$37 when these check numbers actually cleared for only \$18.50 each. This could have resulted from confusion in recording checks in batches. The staff may have intended to write two checks, but only one check number was entered. Net arithmetic errors of -\$3,378 include an \$85 adjustment for the custodian's misstated January 1, 2011 beginning balance. This amount should not be included in the reimbursement request since it does not represent disbursement of funds.

RECOMMENDATIONS:

1. *The reimbursement request to the Auditor's Office should have the following information entered:*

<i>Total Reimbursement on this Request (through Ck #53103)</i>	<i>\$7,770.00</i>
<i>Cash on Hand</i>	<i>(\$270.00)</i>
<i>Fund Balance of Imprest Account</i>	<i>\$7,500.00</i>

2. *The reimbursement request to the Auditor's Office should include an addendum with the following information:*

<i>Checks since last reimbursement (through Ck #53103)</i>	<i>\$5,180.00</i>
<i>Checks not recorded but cleared bank</i>	<i>\$666.00</i>
<i>Checks recorded as "0" but cleared bank</i>	<i>\$166.50</i>
<i>Arithmetic and Posting Errors</i>	<i>\$3,378.00</i>
<i>Unrecorded Deposit</i>	<i>(\$795.50)</i>
<i>Duplicate Recording of Checks</i>	<i>(\$684.50)</i>
<i>Voided Check</i>	<i>(\$18.50)</i>
<i>Checks recorded for incorrect amounts</i>	<i>(\$37.00)</i>
<i>Incorrect book balance carried forward to 1/1/2011</i>	<i>(\$85.00)</i>

Total Reimbursement on this Request (through Ck #53103) \$7,770.00

3. *The Justice Court book balance should be corrected for the items noted in number 2 above, except the last item of \$85 because it is already included in "Arithmetic and Posting Errors" and has been removed above for account reimbursement purposes only.*

- 1.6 **Reimbursement requests were based on the difference between the authorized \$7,500 limit and the ending book balance.**

Instead of requesting the sum of the actual amount of checks listed in the account record since the last reimbursement, this "plug" figure was used. This procedure led to incorrect reimbursement because of posting and arithmetic errors noted previously. The ending balance was in error, and therefore the reimbursement request was in error. Though not specifically stated, the intent of Countywide Policy 1203, "Petty Cash and Other Imprest Funds" is that the line titled "Total Reimbursement on this Request" should be the sum of individual checks disbursed, which means the total of individual checks listed in the check register.

Incorrect reimbursements resulted from use of a "plug" figure, instead of the actual sum of checks issued since the last reimbursement request.

Justice Court employees were not aware that the correct method for completing MPF Form 6, "Reimbursement Request and Control Listing," was to enter the sum of checks disbursed as the reimbursement amount. The methodology of subtracting the ending book balance from the \$7,500 limit was based on erroneous, yet unchallenged instruction from the prior custodian. The current custodian relied on instructions from the previous custodian that \$7,500 minus the ending running balance always equaled the sum of checks issued since the last reimbursement. However, this simplistic approach overlooks any cumulative arithmetic errors or other recording

discrepancies that may have occurred prior to the current reimbursement request. A proper book to bank reconciliation would have taken these prior period items into account.

RECOMMENDATION:

The amount requested on MPF Form 6, "Reimbursement Request and Control Listing" should be the sum of checks disbursed and recorded since the last reimbursement, instead of simply the difference between \$7,500 and the ending book balance.

1.7 Checks outstanding one year or more were not sent to the State Unclaimed Property Division.

The large gap of about \$13,000 between book and bank balances reflects the significant number of outstanding checks not remitted to the Utah

Because checks one year or more outstanding were not sent to the State Unclaimed Property Division, the bank balance has exceeded the book balance by about \$13,000.

State Unclaimed Property Division. Though not cashed, these checks were, nevertheless, reimbursed through the Auditor's Office, thereby creating a bank balance larger than the \$7,500 limit.

The current custodian's explanation for not forwarding these checks to the State Unclaimed Property Division was lack of priority, given the many duties assigned to staff. Since taking over the account, the current custodian has taken no action on this matter, pending a reconciliation of the account and determination of a correct, reconciled balance. In the absence of any prior notification by this office and any proactive inquiry by the custodian, this matter would have continued to go unresolved.

Countywide Policy #1203, Section 5.1.4, states:

"Copies of stale-dated checks issued...shall be submitted...to the Treasurer's Office...A check issued by the Custodian for the total...shall be included...for submission by the Treasurer to the Utah State Unclaimed Property Division."

In our bank reconciliation, we noted an unaccounted for difference of \$6,276.54, prior to January 1, 2003. We concluded that this difference likely represents outstanding checks, but some of this total could be attributable to accounting errors. In the latter case, the total amount would be payable to Salt Lake County as a refund of amounts previously disbursed in error.

During the period January 1, 2003, through April 30, 2011, we noted \$7,320 in outstanding checks of which 348, totaling \$6,468.50, should have been submitted to the State Unclaimed Property Division. We have identified these 348 checks and can provide this detail to the Justice Court.

RECOMMENDATIONS:

1. *The Jury/Witness account custodian should make an entry in the check register to increase the account balance by \$6,276.54 to reflect the unaccounted for difference prior to 2003.*
2. *Justice Court administration should consult with the District Attorney as to the disposition of the unaccounted for difference of \$6,276.54. .*
3. *The Jury/Witness account custodian should make an upward adjustment to the check register balance representing the 348 checks outstanding for one year or more since January 1, 2003, totaling \$6,468.50. The Jury/Witness account custodian should submit a listing of checks outstanding one year or more to the Utah State Division of Unclaimed Property, along with a check in the amount of \$6,468.50.*
4. *The Auditor's office has a charge to audit the books and accounts of the Justice Court at least annually under Utah Code § 17-19-1 (3) (a):*

“At least annually, the county auditor shall examine the books and accounts of the county executive, county attorney, district attorney, county treasurer, county clerk, county recorder, county sheriff, and county surveyor.”

The Auditor's Division of Compliance and Performance Assessment has not carried out this mandate for eight years due to the evolution of the County's risk environment, participation in Countywide projects to address areas where internal controls and performance have degraded, and an incremental reduction of staff over the past 4 years.

1.8 Inadequate documentation was on file to support the issuance of Jury/Witness checks.

We noted that jurors summoned to court were listed on a document called a “venire.” A separate document was generated for each trial for which a jury had been called and was saved in hard copy form, but not electronically.

As opposed to jurors, a witness appearing in court presents a subpoena from the District Attorney from which they are paid. However, no documentation was kept on file to establish which witnesses had been called and paid. The court docket may include witness names, but finding them would be inordinately time consuming, so we did not review the dockets. In some cases, the trial was canceled though the witness was paid for appearing in court.

When a check was issued, either jurors or witnesses, as the case may be, sign the top half of the check, above the perforation, attesting to their

service. The Justice Court considers this signature sufficient documentation for issuance of the check.

Despite the juror or witness signing the top half of the check copy, evidence to support check authorization is weak. Thus, an unauthorized individual could easily sign for a check. Though the venire provides authorization where jurors are concerned, we would have had to examine each entry in hard copy format, page by page, to determine whether an individual paid was actually authorized. Without adequate documentation supporting the checks issued, assurance of valid authorization cannot be easily determined.

During our audit we sampled 71 checks issued from January 2008 through April 2011. Of the 71 check copies signed by payees, 38 were disbursements to jurors and 33 to witnesses. Two of the 38 juror checks could not be referenced to the venire.

RECOMMENDATIONS:

1. ***The Justice Court should consider implementing an electronic record of the venires to facilitate cross-referencing to the backup documentation for checks issued.***
2. ***The Justice Court should consider scanning and filing, electronically, in a document management system, the District Attorney's Office subpoenas as backup documentation for witness checks issued.***

1.9 Current technology was not used in managing the Jury/Witness account.

Advanced technology, including optical scanning and electronic check processing, have not been implemented by agency management to enhance efficiency in managing the Jury/Witness checking account. Jury and witness checks are pre-printed for \$18.50, but payee names and dates are entered on a typewriter by a clerk of the court. A copy of the check is given to the custodian who enters the transaction into the running- balance spreadsheet. The Justice Court continues to use outdated processes because of established convention and perceived budget concerns.

Typewriters were used to issue checks to jurors and witnesses instead of computer-based software and efficient printer technology.

Using typewriters and manually posting checks to spreadsheets consumes staff time already stretched by many other duties. The process is likewise ineffective in that it is wrought with errors in account balances. Relatively inexpensive software, available on the market, could streamline account maintenance and reduce or eliminate transactional errors inherent in a manual system.

RECOMMENDATION:

The Justice Court should implement use of a software package, such as QuickBooks, to automate the management of the Jury/Witness account, including issuance of checks.

2.0 Trust Account

The Trust Account is used to receive and hold money for eventual distribution to defendants who posted bail, or other parties. Payments into the account serve different purposes, including posting bail, making restitution to victims, and paying attorney's fees to the Legal Defender's Association (LDA).

The Trust account is unique in that activity includes both deposits of collections from the public and issuance of checks. A "standing order" issued by the court authorizes payments of restitution and LDA fees, without a separate order from the judge. In these cases, a clerk merely issues a check for the ordered amount. Restitution payments deposited to the account must be paid to the victim within seven days, requiring timely disbursement by the clerk. Forfeiture of bail, either as a refund to the defendant or payment towards a fine, must be ordered separately by the judge.

In the past, four courts operated within the County Justice Court system, each with its own separate bank trust account. Today, a single bank trust account exists for one court presided over by one full-time and one part-time judge. Figure 1 on page 24 shows bank and book balances in the account at the beginning of each year from January 2001 until April 30, 2011. Convergence of the blue and red lines starting in 2009 resulted from the transfer of checks outstanding for one year or more, to the State Unclaimed Property Division. We commend the accountant for taking this action.

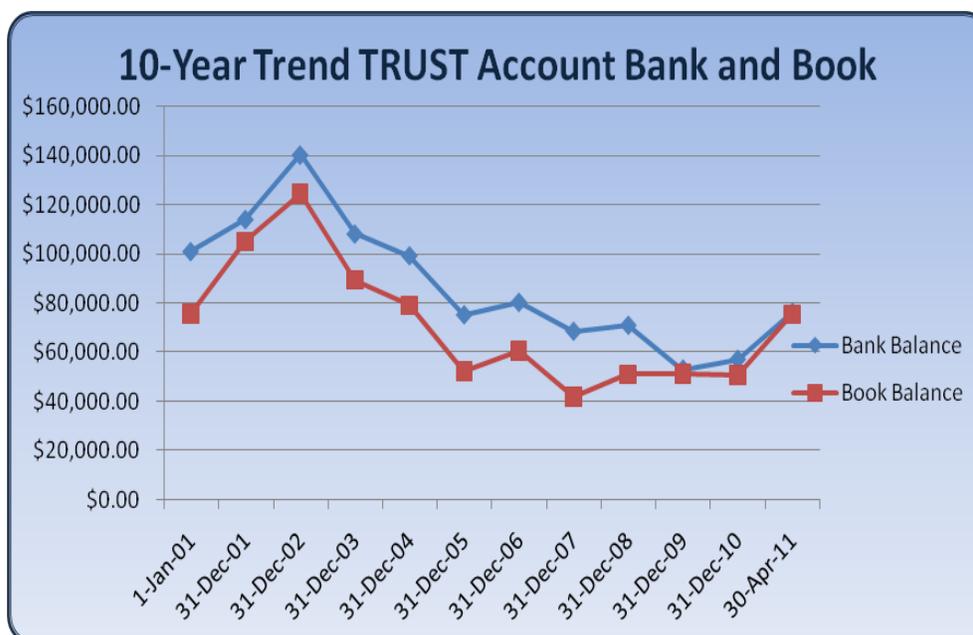


Figure 1. The Trust account balance peaked at over \$140,000 in 2003

The Jury/Witness account custodian is the same person who serves as the accountant for the Trust account. Our findings in the Justice Court Trust account are as follows:

- **Arbitrary adjustments were made to book balances, and book to bank differences, in some months, remained un-reconciled and without explanation.**
- **A Trust account running balance was not maintained, and checks recorded in the reconciliation did not include payee name.**
- **Gaps in Trust account check sequence occurred, and check numbers from these gaps cleared the bank.**
- **Inefficiencies occurred because two account management systems were used, for both tracking receipts and recording payments.**
- **The court management system, CORIS, was not used to track, maintain, or reconcile the account balance or to print checks.**
- **Inefficiency occurred because payment-card payments intended for the Trust account posted to a separate Revenue account.**
- **Monthly bank reconciliations were not reviewed by a judge or other administrator.**
- **The destination of funds from three closed Trust accounts was unknown and not documented.**

2.1 Arbitrary adjustments were made to book balances, and book to bank differences, in some months, remained un-reconciled and without explanation.

As opposed to the Jury/Witness account, monthly reconciliations of book balances to bank-statement balances were ostensibly performed on this account. However, some errors and discrepancies were found. The most significant difference was one for \$27,172.63 in November 2006. The “reconciled” bank balance and book balance differed from one another by this amount, so in essence, they did not reconcile.

We investigated the difference, identified errors made, reconciled the account so that both bank and book balances matched, and resolved the \$27,172.63 difference as follows:

November 2006 Unreconciled Difference	\$27,172.63
Less: Outstanding Checks in Reconciliation	
Outstanding Checks Shown vs.	\$13,280.08
Actual Outstanding Checks	- \$16,931.33
	(\$3,651.25)
Returned Check Carried Forward in Error from Previous Month’s Reconciliation	(\$242.00)
Check Recorded for \$10,000 More in October than Actually Issued	(\$10,000.00)
Checks Listed as Written in November, even Though No Checks were Issued	(\$16,250.44)
Add: Bank Initiated Debit – November	\$2,500.00
Bank Return-Item Charge – November	\$470.36
Check #5196 Recorded as \$4,737 but Cleared for \$4,737.70	<u>\$0.70</u>
TOTAL – Unreconciled Difference Resolved	<u>\$0.00</u>

Curiously, no checks were issued from the Trust account during November 2006, though the accountant’s reconciliation showed checks totaling \$16,250 were issued. We determined that these checks were outstanding checks issued in previous months. No explanation was provided for making this \$16,250 entry in the reconciliation. Five other differences occurred in bank reconciliations between January 1, 2001, and April 30, 2011, two for \$210, one for \$50, and the other two for \$10 or less.

A more frequent error we discovered was failing to carry forward the ending balance from one month to the beginning of the next month. In 13 cases between January 1, 2001, and April 30, 2011, the ending balance of the previous month was not carried forward to the next month’s beginning book balance. Six of these differences exceeded \$1,000 and are listed in Table 2, on Page 26. Negative numbers indicate the amount by which the beginning balance was less than the previous month’s ending balance.

Differences > \$1,000 – Ending Book Balance not Matched to Beginning Balance – Month to Month	
Date	Difference
Nov 1, 2001	\$1,089
Dec 1, 2001	(\$1,089)
Jul 1, 2004	(\$1,901)
Nov 1, 2004	(\$3,364)
Dec 1, 2006	\$23,521
Jul 1, 2007	\$5,428

Table 2. One error of over \$20,000 was discovered in carrying forward the ending balance.

We tied the \$23,521 difference in December 2006 to the reconciliation error in November that year, as noted above. Part of this erroneous account-balance carry forward was due to a check, issued in October 2006, which was recorded for \$10,000 more than the amount of the check that cleared the bank. The remaining difference for November 2006 of \$13,521 was resolved by our reconstruction of the bank reconciliation.

We isolated these errors by examining book balances for every month from January 1, 2003, through April 30, 2011. We copied and pasted to our files all monthly accountant bank reconciliations for the period January 1, 2001, through April 30, 2011. This comprised about 246 reconciliations. Of this total, eight monthly reconciliations were missing from the Justice Court's electronic file. The most recent missing reconciliation was for December 2007. We could not determine the reason for these missing reconciliations, though it appears the accountant, in creating a new reconciliation each month, inadvertently deleted the prior month's file.

Prior to 2007, some month-end book balances were not consistently carried forward to the next month's beginning book balance in the reconciliation.

To test the validity of transactions in the Trust account, we examined a statistically-valid, random sample of 50 checks out of 1,518 issued between January 2007 and April 2011. We examined cancelled checks and traced these to their posting in the Court Office Record Information System (CORIS). We found that all checks represented cases on file. We then judgmentally selected 21 payee names from checks examined to determine whether they were supported by payments into the account. Again, we found supported payments without exception, as posted in CORIS.

We also selected a statistically random sample of 21 deposits out of 1,066 made between January 2007 and April 2011 and traced these to bank statements and also their posting in CORIS, where again we found they represented cases on record. We commend the Justice Court for their diligence in recording and cross-referencing these items.

We were able to reconcile the Trust account for the 12-month period from May 1, 2010, to April 30, 2011. During this period we noticed that the

beginning August 2010 book balance was \$270 less than the July ending book balance even though the two should have matched. We identified this as a double entry of a deposit for this amount. The Justice Court should have identified it as such in their reconciliation, but instead resolved it as an unexplained change to the book balance.

Our reconstructed reconciliation of book to bank balances, as of April 30, 2011, resulted in a balance of \$75,315.97, the same amount shown on the Justice Court reconciliation.

Figure 2, below, shows balance fluctuations during this period. The downward trend in recent years reflects reduced caseload due to the closing of three County Justice Courts.

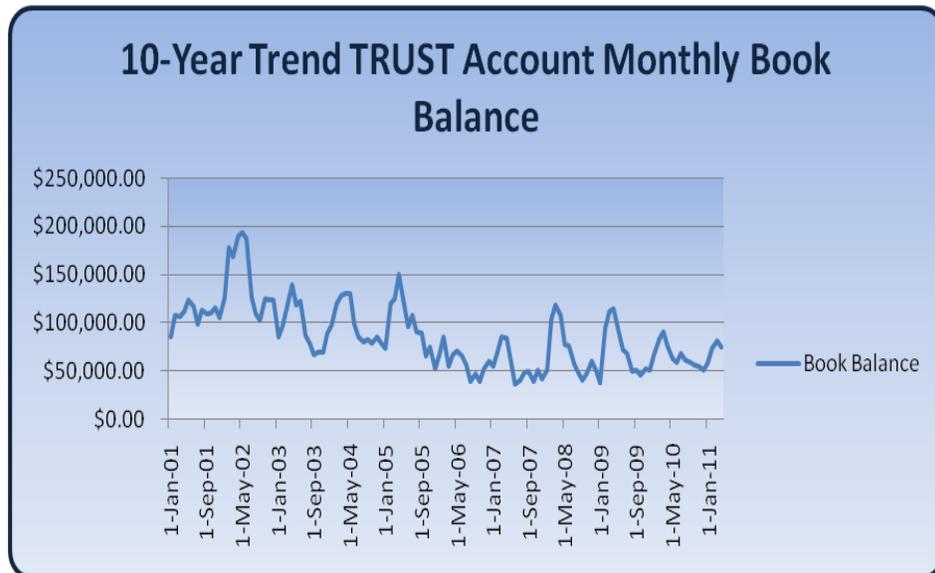


Figure 2. *The Trust account balance varied widely in any given year.*

Peaks in the graph indicate receipt of “Finders” or “Gotcha” checks from the Utah State Tax Commission. Citizens with outstanding warrants are subject to forfeiture of all or a portion of their tax refunds to cover the warrant amount. These amounts are typically collected during the tax filing season.

RECOMMENDATIONS:

1. ***Arbitrarily adjusting the beginning balance in the reconciliation to an amount different from the previous month's ending balance should be discontinued.***
2. ***The book balance should be increased by \$270 to account for the arbitrary change in the beginning balance in August 2010, and then a correction made for this same amount to reverse the double-booked deposit.***
3. ***When performing bank reconciliations, all reconciling items should be identified and resolved to derive an accurate reconciliation, thereby beginning the new month with a clean, reconciled balance.***

2.2 A Trust account running balance was not maintained, and checks recorded in the reconciliation did not include payee name.

While checks issued during a given month were listed on monthly reconciliations, no running-balance, checking-account register was maintained, to record each check issued, and deposit or correction made.

The checks recorded in the electronic reconciliation spreadsheet did provide a record of checks by amount and check number sequence. However, the spreadsheet was not designed to provide a running balance or to record the payee's name. Deposits were also listed each month, but again, not recorded in any running book balance. The sum total of checks and deposits were separately listed in the spreadsheet, and carried over to the reconciliation. The accountant records checks that did not clear that month on another list found on the same spreadsheet, which is automatically carried over to the reconciliation.

A running balance was not used in account management; instead, checks were recorded piecemeal in monthly reconciliation spreadsheets, without indicating the payee name.

Mirroring the problems with the Jury/Witness account, the check listing spreadsheet was piecemealed together each month, coinciding with the monthly bank reconciliations. However, this was not a cumulative compilation because a separate file or spreadsheet tab was created for each month, and ending balances were not always carried over to the current month, especially for months prior to 2007. Therefore, we had to examine each month to determine checks issued in that month.

Prior to 2008, reconciliations were performed in Lotus. Therefore, we had to convert all monthly files from 2003 through 2007 to Excel. Our office compiled a single check listing from January 2001 through April 2008 by copying checks listed on the book reconciliations for each month. The difficulty in validating account activity, due to the accountant not maintaining a running balance, and failing to list payee name, did not facilitate management oversight or audit analysis, and thereby created opportunity for theft.

RECOMMENDATION:

- 1. Implementation of a running balance feature in the Trust account should be combined with a more comprehensive checking-account journal (check register).**
- 2. The check register should be automated using CORIS software available through the State Administrative Office of the Courts, incorporating the downloading of activity directly from the bank account electronically.**

2.3 Gaps in Trust account check sequence occurred, and check numbers from these gaps cleared the bank.

We found 12 gaps in check sequencing from 2001 through 2007. No gaps were identified after that date. To find these gaps, we entered our compiled check data gathered from each month's bank-to-book reconciliation spreadsheet into Audit Command Language (ACL), a data mining tool. Using this tool, we were able to readily identify gaps in sequencing.

Of the 12 sequencing gaps, eight were associated with missing monthly bank reconciliations, as previously discussed. We could not capture check data otherwise available, and therefore, gaps appeared. Of the remaining four gaps, one occurred in 2001 when bank statements were no longer on file, thus checks that cleared could not be determined. Twenty-two checks were in this gap. In another gap of two checks, we found one that cleared for \$50, and in the third gap, a single check cleared for \$3.

Within the final gap, we found 37 unrecorded checks from June 2007 totaling \$27,975 that nevertheless cleared the bank. Upon further examination, we noticed an "unaccounted for" difference in the reconciliation that month of \$23,908. Also, the prior month's (May) reconciliation was missing, but checks issued in May were recorded in the June reconciliation spreadsheet and included as "checks written" in the reconciliation.

To resolve this issue, we reconstructed both May and June reconciliations, placing checks in their proper month, and adding in unrecorded checks for June. From this process, we were able to reconcile book-to-bank balances for those two months, and therefore account for the 37-check gap. We determined that checks were issued for authorized purposes by examining the check copies, which on their face seemed to indicate an authorized purpose.

As previously noted, accurate accounting for check sequencing is an essential best-practice in cash management. When properly attended to and enforced, the opportunity for an employee to conceal theft is significantly reduced. Though the sequencing gaps we identified

occurred several years ago, the importance of following a consistent sequence should be reinforced with those responsible for this function.

RECOMMENDATION:

The Trust accountant, court clerks, and agency managers should be vigilant to ensure that checks are issued in proper sequence and any gaps in sequencing are identified and explained.

2.4 Inefficiencies occurred because two account management systems were used, for both tracking receipts and recording payments.

CORIS is software used for managing inmate and court operations. This system was mandated by the State Administrative office of the Courts (AOC) and installed in the Justice Court in 2002. Among its many features, it provides and maintains:

- The Justice Court docket, where official actions from the judge on each case are recorded
- Individual case notes and directives from the judge
- Sentencing, in-court processing, and citations records
- A cash management and cashiering module used for collections and disbursements

The software resides on a server at AOC offices and is administered by them.

However, the Justice Court utilizes CORIS merely to record payments received and checks written related to the Trust account, and does not take advantage of its full cash-management capabilities. For example, Trust account balances are tracked by individual defendant name in an Excel spreadsheet. Use of the spreadsheet pre-dates CORIS implementation and continues in use because of the Trust accountant's lack of confidence that correct and complete information has been entered in CORIS, particularly in earlier years.

In many cases, the Trust accountant asserts, a defendant's balance in CORIS may not be accurate. This lack of confidence and the lack of time and resources to remedy past problems and get adequate systems training has precluded full use and reliance on CORIS.

Therefore, an Excel spreadsheet is used in conjunction with CORIS to track each defendant's account balance. At the end of 2010, the Excel spreadsheet contained records of payments received, for example bail-postings, disbursements made out of the account, and individual remaining balances for 2,090 defendants. The spreadsheet includes individual defendant balances; however, the cumulative balance for all defendant accounts is not totaled in the spreadsheet, where it could be

used for reconciliation with the bank statement. The administrative staff maintains that the spreadsheet can be reconciled to bank-statement balances, though it would require a modification of the spreadsheet formulas and fields.

In our audit we added individual remaining balances on the spreadsheet for 2010 and arrived at a total of \$53,879. We compared this to an ending bank balance at December 31, 2010, of \$56,932, and an ending reconciled book balance of \$50,706. While these totals are close in amount, a proper reconciliation would provide added confidence that the Trust account contains the expected amount of funds.

Although our derived spreadsheet cumulative total was close to the bank statement ending balance, (\$53,879 vs. \$56,932), the cumulative total in CORIS showed an ending negative account balance of \$147,153. This demonstrated the inaccuracy of the cumulative balance in CORIS. The accountant intends to identify and correct CORIS data errors so that its potential can be fully utilized. As of the date of this report, the accountant had not reconciled either the spreadsheet balances or data in CORIS to the bank balance.

Account activity was unnecessarily double recorded in an Excel spreadsheet when it could have been recorded only once in the software-based CORIS system.

Entering data in both CORIS and the spreadsheet is not only duplicative but time consuming. Using CORIS as the sole data entry point would be faster and easier. The larger issue, though, is how CORIS compares to the bank balance and whether sufficient funds are in the account to cover future disbursements, or whether funds are insufficient to cover existing commitments. We did note that when disbursing funds, CORIS checks for and requires a corresponding

balance of funds already in place under the defendant's name, on whose behalf the disbursement is made. Sound accounting practices require that the book balance in CORIS be reconciled to the amount still owed to individuals, and that no deficiency or excess of funds remains.

RECOMMENDATIONS:

- 1. Justice Court staff involved in the operation and management of the Trust Account should receive sufficient training in the CORIS software to enable full use of its cash management capabilities.**
- 2. The Justice Court accountant should resolve problems within CORIS so that it becomes the sole management system without use of the spreadsheet.**
- 3. The accountant should reconcile the Trust account book balance to the total of all remaining defendant bank balances in the Excel spreadsheet.**
- 4. The accountant should reconcile the computed spreadsheet balance to the bank-statement balance at the same cutoff date and determine whether it represents sufficient or excessive funds for existing commitments.**

2.5 The court management system, CORIS, was not used to track, maintain, or reconcile the account balance or to print checks.

Checks were issued with a typewriter, and a carbon copy was retained on file. This time-consuming process that also includes manually posting checks into CORIS, creates inefficiencies that could be overcome using the full capabilities of the CORIS software. Not only would defendant accounts be tracked more accurately, but also checks can be printed and recorded in a single step.

A typewriter, instead of the more efficient and automated CORIS software system, was used to issue checks.

The reason for not obtaining or using the check printing feature is, again, lack of confidence in the accuracy of the current CORIS system balances. Once resolved, the staff intends to move forward with the check-printing feature.

RECOMMENDATION:

The Justice Court should work towards implementing the cash-management module, including the check writing and recording features, of CORIS to create greater operational efficiency.

2.6 Inefficiency occurred because payment-card payments intended for the Trust account posted to a separate Revenue account.

The payment-card terminal in use at the Justice Court posts all payments to a Revenue account, which is an account originally established for posting payment of fines. However, all payment-card payments, whether in payment of, for example, restitution or LDA fees to the Trust account, or payment of fines to the Revenue account, are all posted to the Revenue account.

Thus, if a customer pays, by one payment-card transaction, both a fine (recorded in the Revenue account) and a restitution payment (recorded in the Trust account), CORIS separates the two on the accounting records. However, since all receipts are posted to the Revenue account, subsequent disbursements related to the Trust account can only be made through a convoluted process. The Revenue account is controlled by the Auditor's Office. Therefore, a special disbursement request, described below, must be made to the Auditor's office.

If disbursement is for refund of bail to a defendant or restitution to a victim, a Justice Court clerk sends a letter to the Auditor's Office for the amount requested. The Auditor's Office issues a check through the payables system. The Justice Court's accountant requests a copy of the check from the Auditor's Office, from which she posts the disbursement in CORIS.

The lack of a dedicated Trust account payment-card terminal created the unnecessary step of requesting some Trust payments from the Auditor's Office.

On the other hand, if disbursement is to the LDA, the Auditor's Office makes a journal entry transferring money to the Statutory and General account, under the control of the Mayor's office. Funds are disbursed through the Criminal Justice Services Division of the Human Services Department. Thus, the Justice Court does not directly make the disbursement to the LDA.

A separate payment-card processing terminal for Trust account transactions would solve this problem. However, the Trust accountant perceives that budgetary constraints prevent such a purchase. Nevertheless, time-consuming processes such as sending letters to the Auditor's Office and their preparation of journal entries, which far exceed the expense of a second processing terminal, could be avoided.

RECOMMENDATION:

The Justice Court should obtain an additional terminal for processing transactions by payment card into the Trust account.

2.7 Monthly bank reconciliations were not reviewed by a judge or other administrator.

As noted above, the accountant "reconciles" the Trust account each month. The accountant's supervisor is the presiding judge. With their many duties on the bench, judges may lack time to adequately understand account management and properly review transactions affecting the reconciliation. In past years, the presiding judge reviewed reconciliations, but has since stopped. Without proper review, however, funds could be stolen and the theft concealed by manipulating reconciliation data.

The accountant has segregated some duties, for example, she does not both issue checks and reconcile the account. Also, her administrative rights are limited within CORIS. For example, she cannot delete or change the amount of a transaction, though she can reverse a transaction, in which case her name would be documented. However, our examination disclosed significant weaknesses in the issuance of checks to clerks and the tracking of checks issued.

RECOMMENDATIONS:

1. ***A Justice Court employee, other than the accountant, should perform the monthly bank reconciliation, for review by the Trust accountant, and final sign-off by the presiding Judge.***
2. ***The Justice Court employee should be trained to prepare each reconciliation by reviewing for check sequencing, carrying forward the previous month's ending balance to the next month, and cross-checking the sum of checks issued, deposits made, and checks outstanding for the month reconciled.***

2.8 The destination of funds from three closed Trust accounts was unknown and not documented.

The accountant does not know how the three other Trust bank accounts in operation until about mid-2004 or 2005 were closed or what happened to funds in closing them. Bank reconciliations for these accounts in the electronic file disappeared from the account record by mid-to-late 2004, though a single book reconciliation posted for each court in 2005. For Court 3, however, the reconciliation posted was their last reconciliation from 2004. Court 5's 2005 reconciliation matched its last 2004 reconciliation, but Court 4's reconciliation differed, and in fact, had an unreconciled difference in 2005. The last bank statements on file are from April 2007, though no activity was shown on them. No checks cleared and no deposits were shown, only account balances.

The disposition of balances in three closed Trust accounts, whose last bank statements on file were from April 2007, was not documented.

Table 3 below shows the last book and bank balances in these accounts.

DISCONTINUED JUSTICE COURT TRUST ACCOUNTS – LAST DOCUMENTS ON FILE						
Court	Judge	Last Book Bal Date	Last Book Balance	Last Bank Bal per Recon	Last Bank Balance Date	Last Bank Balance
3	Adamson	Jun 2004	\$246	\$1,778	Apr 2007	\$1,208
4	Acomb	Jun 2005	\$5,334	\$4,570	Apr 2007	\$4,360
5	Rigby	May 2005	\$867	\$3,536	Apr 2007	\$1,382

Table 3. Transactions to close these accounts were not documented or on file.

During the time these other three accounts were open, the courts had higher caseloads, as reflected in higher Trust accounts balances. Monthly book compared to bank balances for all four accounts combined from January 2001 through discontinuance of the three accounts in 2004 is shown in Figure 3, on page 35.

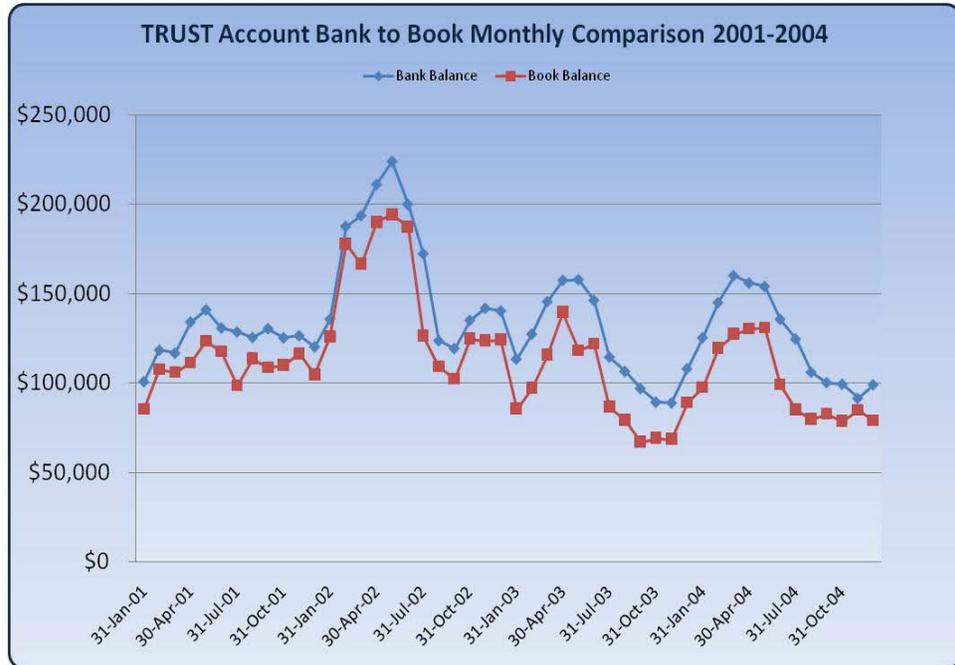


Figure 3. The gap between bank and book balances represents outstanding checks.

Logically, balances remaining in these accounts would have been transferred to the account that remained in existence, though without any evidence of such, the proper handling of these funds remains in question.

RECOMMENDATION:

The Justice Court should determine how remaining balances in the three discontinued Trust bank accounts were brought to "0," either by contacting the bank or the former accountant.

We appreciate the consistent help and cooperation of the Justice Court Jury/Witness account custodian and Trust account accountant in answering questions, providing information, and looking for documents as we completed our audit work. This audit required review of significant amounts of data covering several years and thousands of transactions. Implementing our recommendations should help ensure against theft and streamline processes to allow for greater accuracy and confidence in cash handling.