

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY  
BEN McADAMS, MAYOR



An Audit of the Key Controls of  
Criminal Justice Services

December 31, 2013

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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December 31, 2013

Ben McAdams, Mayor  
Salt Lake County  
2001 S State St #N2100  
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Criminal Justice Services

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Criminal Justice Services in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Criminal Justice Services and the cooperation from Larry Haefeli, Internal Services Manager, Scarlett Andrew, Purchasing Coordinator, Donna Rack, Office Specialist, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Criminal Justice Services during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins  
Salt Lake County Auditor

By Anita C. Kasal  
Deputy Auditor

cc: Gary Dalton, Division Director  
Ron Oldroyd, Associate Director  
Connie Young, Fiscal Manager

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## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Criminal Justice Services. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

## Conclusion

The Criminal Justice Services Division has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over accounts receivable have a higher likelihood of leading to loss of County property.

## Findings and Recommendations

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***Finding # 1 - The accounts receivable ledger was not reconciled monthly.***

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### **Risk Level: High**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.3.2 states that:

"The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step."

The accounts receivable ledger was not reconciled on a monthly basis.

The Fiscal Manager commented that with their current system she had no way of knowing the accounts receivable ledger balance.

When a reconciliation of the accounts receivable ledger is not performed monthly, funds are at a greater risk of being lost, stolen, or diverted for personal use.

### ***Recommendation***

We recommend that the accounts receivable ledger be reconciled each month to invoices and payments.

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***Finding # 2 - Internal controls over payments received through the mail were not adequate.***

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**Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," Section 3.15 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

In an interview, the auditor was told that only one employee opens the mail, that checks received by mail were not recorded in a log, and that the same employee who received payments through the mail also posted the checks.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that mail be opened in the presence of two employees, checks recorded on a log, and the log reconciled with the daily deposit, or that compensating controls be adopted.

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***Finding # 3 - Aging information was not collected, maintained, reported, or acted upon for accounts receivable.***

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**Risk Level: Moderate**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.5 states:

"Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. An aged analysis of accounts receivable ledger balances (aging schedule) shall be prepared each month."

No aging report was being prepared monthly.

When aging reports are not prepared and acted upon, County funds are likely to remain outstanding for a longer period of time, losing their earning potential.

***Recommendation***

We recommend that an aging analysis be implemented and acted upon.

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***Finding # 4 - The cashier duties were not properly segregated for maintaining the accounts receivable.***

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**Risk Level: Moderate**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.4 states that:

"The employee who maintains the accounts receivable ledger shall be separate from the employee who prepares invoices and the employee who collects payments."

Each cashier maintains an accounts receivable ledger for a client when receiving and posting payments and making and posting charges.

When maintenance of the accounts receivable ledger and all the posting functions are performed by the same person, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the accounts receivable duties are properly segregated.

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***Finding # 5 - The comprehensive software inventory was incomplete.***

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**Risk Level: Low**

Countywide Policy #1400-3, "Information Technology Security Policy: Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

The Criminal Justice System Division did not maintain a completed software inventory.

Failure to maintain a software inventory completely increases the risk of unlicensed software on Agency Management computers, which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

***Recommendation***

We recommend that the Criminal Justice System Division complete the software inventory.

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***Finding # 6 - Voids were not always handled in accordance with Countywide policy.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.7.3 states:

"A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void."

We reviewed 17 voids found in a 29 day sample of deposits and found 3 voids were not properly signed.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that cashiers document and sign the voided receipts and that supervisors sign voided receipts as evidence of review.

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***Finding # 7 - Deposits were not always made in a timely manner.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 4 out of 29 deposits examined were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

***Recommendation***

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

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***Finding # 8 - There were no receipts or evidence of monthly reconciliations with the Sam's card bank statement.***

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**Risk Level: Low**

Countywide Policy #7036, "Charge Cards/Proprietary," Sections 5.1 and 5.2 state that:

"Copies, either hardcopy or electronic copy are acceptable, of all receipts and statements must be kept by the division or department in a secure location and should comply with the retention schedule set for accounts payable documents...The cardholder will reconcile original receipts with the bank statement monthly."

We found that no receipts were retained for purchases. We also found no evidence of completed reconciliations with the Sam's card bank statement.

The fiscal manager reported that she had sent all of this information on to Mayor's Financial Administration Office.

When receipts and reconciliations are not retained with copies of the bank statement, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that receipts and monthly reconciliations be retained with the proprietary card bank statements.

## **Additional Information**

### **Background**

The Criminal Justice Services Division is located at 145 East 1300 South, Suite #501 in Salt Lake City. Programs include: Pretrial Services, Pretrial Jail Screening Unit, Day Reporting Center, Probation Services, and Court & Treatment Services. The mission of the Criminal Justice Services is to provide the County citizens with effective and innovative alternatives to incarceration. Clients must be 18 years of age or older to receive services and must be referred or sentenced by a District or Justice Court Judge.

### **Scope**

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending October 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



**BEN McADAMS**  
Salt Lake County Mayor

**LORI BAYS**  
Human Services Director

**CRIMINAL JUSTICE  
SERVICES DIVISION**

**GARY K. DALTON**  
DIRECTOR

**RONALD L. OLDROYD**  
ASSOCIATE DIRECTOR

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January 27, 2014

Ms. Anita Kasal, Deputy Auditor  
Salt Lake County Auditor's Office  
2001 South State Street, N-2100  
Salt Lake City, Utah 84114-4575

Dear Ms. Kasal:

We have received your audit findings for the Division of Criminal Justice Services dated January 02, 2014.

Thank you for your thorough and competent review of our records, processes, and internal controls as it applies to the daily activities of the Division. We are grateful for your time and efforts in our behalf.

Your analysis and findings will be used to improve our processes and strengthen our resolve to be good stewards of the public's resources. Your conclusion that we "...have put into place key internal controls for managing public funds" and "...most risks identified were minor and would not be expected to result in the material loss of County assets" was heartening.

Our response to your findings #1-8 are attached for your consideration in the final report. Generally, we are in agreement with your findings, but as noted in finding #7, we make deposits always within three working days per policy unless we are up against a weekend or holiday. Those are times that we do not have staff available and the deposit may have to wait for the next available work day.

Thanks again for your good work on this audit. If you have any questions, please feel free to contact Connie Young, Fiscal Manager, or me.

Sincerely,

  
Gary K. Dalton

Attachment: CJS Response to Findings

cc: Gregory P. Hawkins, County Auditor  
Lori Bays, Director, DHS, for Mayor Ben McAdams  
Ron Oldroyd, Associate Director  
Connie Young, Fiscal Manager

***Finding # 1 - The accounts receivable ledger was not reconciled monthly.***

Criminal Justice Services has an exception for this finding in SLCounty Policy 1220, Item # 2.3.1.2.

***Finding # 2 - Internal controls over payments received through the mail were not adequate.***

Checks are rarely (maybe 6 times per year) received in the mail, but in the future every mail item will be opened by two people in the Support Services area to ensure that checks received are recorded properly and not diverted to personal use.

***Finding # 3 - Aging information was not collected, maintained, reported, or acted upon for accounts receivable.***

Since there was no electronic record of the CJS accounts receivable, creating an aging report would be virtually impossible. It would require a manual process of going through thousands of vouchers each month to determine the aging sequences.

In the future with Peoplesoft Accounts Receivable, the Fiscal Coordinator will be able to create an aging report, based on the capabilities of the Peoplesoft program.

***Finding # 4 - The cashier duties were not properly segregated for maintaining the accounts receivable.***

CJS believes we have sufficient segregation of duties in the fee collections area. There are 8 people who collect fees at different times of the day. Fees are only collected as cashier's check, money order or debit/credit card. There is no cash involved. Even though one of the cashiers may have collected a fee and recorded it, that same cashier may or may not be the one who prepares the Payment Ledger and deposit in the evening, depending on who is available. The task of the preparation and creation of the deposit slip is generally done by a designated cashier, and when she is not available, then another cashier takes on the task. The deposit is made by a cashier who has very little involvement in the collection/reporting process. Limited staff requires that each cashier take responsibility where and when it is needed.

***Finding # 5 - The comprehensive software inventory was incomplete.***

The CJS controlled asset inventory list shows all software that is used on County computers within CJS. The controlled asset inventory has a list of all software, and documentation of such is contained in a book held by the Fiscal Coordinator, who reports that she was not asked for this documentation in the audit.

CJS will begin tracking the number of authorized and actual installations to be filed with the license agreements and proof of purchase. This process will be executed by January 31, 2014 and maintained by the division Network Specialist.

***Finding # 6 - Voids were not always handled in accordance with Countywide policy.***

The Support Services Supervisor has been informed of this finding and will begin signing void slips daily beginning January 9, 2014, except for days when he is not in the office.

***Finding # 7 - Deposits were not always made in a timely manner.***

There were no deposits that were made after the 3<sup>rd</sup> business day. It isn't practical to believe that fees collected should be deposited on a day when County employees do not work, including Saturday, Sunday or a holiday.

***Finding # 8 - There were no receipts or evidence of monthly reconciliations with the Sam's card bank statement.***

Reconciliation with the receipts to statement is made on the Sam's Club card every month when the statement comes. We have chosen to send the originals to the Auditor's office and have not kept copies of the individual receipts. However, we will keep copies of the individual invoices in our files beginning in January, 2014: