

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



An Audit of the
Justice Court Trust Account

July 30, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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July 30, 2013

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

Re: An Audit of Justice Court Trust Account

Dear Mayor McAdams:

We recently completed an analysis of the Justice Court Trust Account pursuant to 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. 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 the Justice Court and the cooperation from Shane Leidig, Data Systems Administrator; Kevin Bryant, Specialty Court Clerk; Bruce Larsen, Temporary Accountant; Richard Yerbury, Accountant, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Trust Account records 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 Cherylann Johnson MBA, CIA, CFE
Sr. Deputy Auditor

cc: Honorable Shauna Graves-Robertson, Judge
Richard Yerbury, Accountant



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Justice Court Trust Account. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with selected internal controls.

Conclusion

The Trust Account is used for deposits held in trust, for or on behalf of any person, relating primarily to posting bail, making restitution to victims, and paying attorney fees to the Legal Defender's Association (LDA). Activity in the Trust Account includes both deposits of trust monies and disbursements. Restitution payments deposited to the account must be paid to the victim within seven days, requiring timely disbursement by the Court Clerk. Forfeiture of bail, either as a refund to the defendant or payment towards a fine, is not paid until ordered by the Judge. The Justice Court maintains the trust monies received and keeps a record for each person on whose behalf the Court receives trust monies. Management has implemented some recommendations from an audit performed previously. Despite these positive factors, we found some areas where improvements could be made. The Trust Account balance was not reconciled with the bank balance or the balance sheet account in AFIN. In addition, check signatories need to be updated, bank reconciliations were not performed in a timely manner, and two account management systems were used for tracking activity in the Trust Account.

Findings and Recommendations

Finding # 1 - The balance per the "Trust Account Balance Ledger" was not reconciled with the bank balance.

Risk Level: Moderate

The Justice Court's "Trust Account Balance Ledger" serves as the supporting detail for the amount in the Trust Account bank account. The balance in the "Trust Account Balance Ledger" should match the bank balance.

We obtained the bank account balance and compared it to the total amount on the "Trust Account Balance Ledger" that is maintained by the Justice Court. The balance shown in the "Trust Account Balance Ledger" could not be reconciled to the bank account balance. For example, on April 15, 2013, the "Trust Account Balance Ledger" showed that the Trust Account included \$89,505 in trust liabilities. However, the bank balance was \$80,550.

The difference was mainly due to payment card payments that were submitted as trust monies, but were posted to the Revenue Account instead of the Trust Account. The payment card terminal that was used prior to May 2012 did not distinguish between payments that should be accounted for as trust payments and payments that should be accounted for as revenue payments. A new payment card terminal was implemented in May 2012 that has the capability to separate credit and debit card payments into the proper accounts. However, because online payment card payments and some over-the-counter payment card payments were posted to the Revenue Account, the bank account balance for the Trust Account was less than the balance in the "Trust Account Balance Ledger."

Trust payments must be recorded correctly. The accuracy of the amounts received and disbursed from the Trust Account cannot be verified if a reconciliation is not performed between the amount in the bank account and the total posted in the "Trust Account Balance Ledger." Without timely reconciliations it cannot be determined if there are sufficient funds in the Trust Account bank account to satisfy existing liabilities.

Recommendation

We recommend that the Justice Court accountant reconcile the bank balance to the "Trust Account Balance Ledger."

Finding # 2 - Bank reconciliations were not performed in a timely manner.

Risk Level: Moderate

Bank reconciliations should be performed monthly to verify the accuracy of the bank balances and the accounting records. Countywide Policy #1062, "Management of Public Funds," Section 4.7.2 states:

"A bank reconciliation shall be performed at least monthly by an employee designated by Agency Management. Cashiers or employees who prepare deposits shall not perform the bank reconciliation."

The former accountant had the responsibility of reconciling the Trust Account each month. We examined the bank reconciliations for the period January 2012 through March 2013. During 2012, the Trust Account checking account was not reconciled to the bank statements in a timely manner. In addition, there were no bank reconciliations performed for the months of August, October, November, or December 2012.

Errors and/or irregularities are not discovered when the account is not reconciled. Delays in monthly reconciliations allow errors to remain unresolved.

Recommendation

We recommend that the Trust Account checking account be reconciled at least monthly. A Justice Court employee, other than the accountant, should perform the monthly bank reconciliation, for review by the accountant.

Action Taken: Beginning in 2013, the Data Systems Administrator was given the responsibility of performing the monthly bank reconciliations for the Trust Account. The bank reconciliations for January, February, and March 2013 were performed in a timely manner.

Finding # 3 - Fees collected for processing payment cards were posted to the Revenue Account.

Risk Level: Moderate

The expenses for fees imposed by the processing company to cover administrative costs associated with billing and accepting electronic payment card payments should be paid by the patrons that use the service.

When electronic payments were made, a processing fee (convenience fee) was added to the amount paid. The payment card processing fees were posted to the Revenue Account; however, the convenience fees charged by the payment card processing company were charged out of the Trust Account bank account.

Because the convenience fees collected were not posted to the Trust Account, the fee expense was not matched to the money collected to pay those fees. In other words, funds in the Trust Account were used to pay the convenience fees for processing electronic payments; however, the amount collected for the fees was posted to the Revenue Account.

Recommendation

We recommend that the convenience fees collected from patrons for electronic payments of trust monies be posted to the Trust Account to cover the amounts for fees that are charged out of the Trust Account bank account.

Finding # 4 - Two account management systems were used for both tracking receipts into and recording disbursements from the Trust Account.

Risk Level: Low

The Court Records Information System (CORIS) is the case management software used by the Justice Court. Use of CORIS is mandated by the Utah State Court System Administrative Office of the Courts (AOC) for managing court operations and cases. The software was created by and is administered by the AOC.

The Justice Court used CORIS to record payments received and disbursements from the Trust Account. Trust Account balances were also tracked by individual defendant name in a subsidiary ledger which was maintained in an Excel spreadsheet. Inefficiencies occurred because the Excel spreadsheet was used in conjunction with CORIS to track each defendant's account balance. The spreadsheet included individual defendant balances; however, the cumulative balance for all defendant accounts was not totaled in the spreadsheet, where it could be used for reconciliation with the bank statement balance. Using a single system for tracking trust monies would improve data management.

Using two account management systems for tracking receipts into and disbursements from the Trust Account created inefficiencies. Entering data in both CORIS and the Excel spreadsheet was not only duplicative, but time consuming. Using CORIS as the sole data entry point would be more efficient.

Recommendation

We recommend that the Justice Court accountant use the CORIS Trust Account Summary as the sole management system for tracking individual trust monies without use of the Excel spreadsheet.

We recommend that Justice Court staff involved in the operation and management of the Trust Account receive sufficient training in the CORIS software to enable full use of its trust accounting features, including the Trust Account Summary.

Finding # 5 - Total trust monies held per the Justice Court's records were not properly reconciled to the balance sheet account in AFIN.

Risk Level: Low

Care must be taken to ensure the accuracy of the amounts posted as trust monies. Trust monies belong to defendants and are not the County's assets. Therefore, it is crucial that funds are properly accounted for. The Justice Court's records serve as the supporting detail for the Trust Account balance in the County's Advantage Financial (AFIN) statements. The amounts held per the Justice Court records should agree with amounts held per the records for the local government ledger (AFIN records).

The amount recorded in the AFIN balance sheet account for the Justice Court Trust Account was calculated by taking the year-end bank statement balance, adding deposits in transit, and subtracting outstanding checks. No adjustment was made to increase the amount for payment card payments that did not post to the Trust Account (see Finding #11 for more details on this issue).

The Trust Account balance per the County's AFIN reports was understated because some payment card payments of trust monies were not posted to the Trust Account.

Recommendation

We recommend that the Justice Court accountant work with Mayor's Finance to ensure that the balance sheet amount in the Advantage Financial statements is accurate. An adjustment should be made to the Trust Account balance per the bank statement to reflect the amount for payment card payments that were posted to the Revenue Account instead of the Trust Account.

Finding # 6 - The Fund Custodian had the responsibility of performing the bank reconciliations for the Trust Account.

Risk Level: Low

Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. Transaction processing and related activities should be designed so that the work of one individual is either independent of, or serves to check on, the work of another. 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 former accountant was the Fund Custodian for the Trust Account and was assigned the responsibility for performing the bank reconciliations.

Without proper segregation of duties, there is a greater risk of undetected errors and opportunities to misappropriate assets are increased.

Recommendation

We recommend that the Trust Account checking account be reconciled at least monthly. A Justice Court employee, other than the accountant, should perform the monthly bank reconciliation, for review by the accountant.

Action Taken: Beginning in 2013, the Data Systems Administrator was given the responsibility of performing the monthly bank reconciliations for the Trust Account.

Finding # 7 - Funds from the Trust Account were transferred to the Revenue Account by writing paper checks.

Risk Level: Low

Typing checks is the most costly and time-consuming method of transferring funds from one bank account to another. An electronic funds transfer (EFT) provides a fast, efficient method of transferring amounts. EFT payments are also less expensive than paper check payments. Additionally, an EFT goes from one bank account directly to another with no third-party involvement in the transaction. The transfer of funds typically takes minutes if the accounts are within the same bank.

Paper checks were used to transfer amounts from the Justice Court Trust Account to the Revenue Account for bail forfeitures and payments for the Legal Defenders Association fees.

The paper checks used by the Justice Court must be physically sent to the recipient and then deposited into the bank. Using EFT payments is a more economical method of transferring amounts, and eliminates the time-consuming process of typing and signing checks. In addition, the County gains access to the money more quickly with EFT payments.

Recommendation

We recommend that electronic funds transfers be used to transfer funds from the Trust Account for bail forfeitures and for amounts for the Legal Defenders Association fees.

Finding # 8 - Bank reconciliations were not reviewed by management.

Risk Level: Low

Management should review reconciliations for accuracy, examine any differences that cannot be resolved, and authorize appropriate adjustments. Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 5.3.1, states:

"The operations and reconciliation of an Imprest Fund shall be reviewed by the Custodian's immediate supervisor, the Fiscal Manager, or someone designated by Agency Management."

The former accountant was responsible for reconciling the Trust Account each month. When the bank reconciliations were completed, they were not reviewed by management as required by Countywide Policy.

Without proper review, funds could be misappropriated and the action concealed by manipulating reconciliation data.

Recommendation

We recommend that a Justice Court employee, other than the accountant, perform the monthly bank reconciliation of the Trust Account, for review by the accountant.

Finding # 9 - Bail payments paid at the jail were incorrectly coded when entered into the CORIS case management system.

Risk Level: Low

As mentioned previously, the CORIS case management system is used to manage court transactions and payments received for the Trust Account. Payments entered into CORIS should be categorized correctly to ensure proper tracking of trust monies and to ensure CORIS reports contain accurate information.

When bail was paid at the jail, the fiscal staff at the jail deposited the monies and sent an electronic funds transfer (EFT) to the Justice Court Trust Bank Account. A report from the jail Offenders Management System (OMS) was sent to the Justice Court detailing the amounts received to enable the accountant to enter the bail amount into CORIS. The previous accountant entered the amounts into CORIS as "cash" payments, but should have used the "non-cash" payment code.

When EFT payments were coded incorrectly when entered into CORIS, manual adjustments had to be made to the total amount collected per the Transaction Detail Report when reconciling the Trust amount collected that was shown on the report to the actual daily cash collections.

Recommendation

We recommend that bail payments paid at the jail be entered into the CORIS case management system as "non-cash" payments to properly track amounts that are deposited into the Trust Bank Account by electronic funds transfers.

Action Taken: The Data Systems Administrator, who is currently responsible for entering EFT payments into CORIS, enters the EFT payments as "non-cash" payments.

Finding # 10 - Check signatories on the Trust Checking Account need to be updated.

Risk Level: Low

In accordance with standard business practice, the signatories on business accounts should be authorized employees. To eliminate the opportunity for dishonesty and to prevent fraud, check signatories should be updated as necessary. Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.4.4, states:

"Adding or removing authorized account signatories is accomplished by Agency Management submitting a revised Certificate of Authority to the Treasurer for submission to the bank. These certificates are obtained at the Agency's authorized bank."

The check signatories on the Trust Checking Account have not been updated since 2008. Several employees who were authorized to be signatories are no longer employed at the Justice Court.

The County is not protected against loss or misuse when former employees continue to have the authority to write checks against the account. In addition, trust monies in the checking account are not adequately safeguarded against theft.

Recommendation

We recommend that the Justice Court accountant submit a change of signatories letter to the bank when an employee that is an authorized signatory is no longer employed by the Justice Court.

Finding # 11 - Payment card payments intended for the Trust Account were posted to a separate Revenue Account.

Risk Level: Low

Trust Accounts are established by the courts for the benefit of third parties. Court payments that are deemed trust monies should be posted to the Trust Account. Trust monies that are posted directly to the Revenue Account create inefficiencies when the funds are to be disbursed. Furthermore, tracking and identifying trust monies that are posted to the Revenue Account is time consuming.

Prior to May 2012, over-the-counter payment card payments did not post directly to the Trust Account. Instead, the terminal used by the Justice Court posted all payment card payments to a Revenue Account. In May 2012, a new terminal was purchased that has the capability of separating payment card payments between payments that should be posted to the Revenue Account (e.g., payments of fines) and payments that should be posted to the Trust Account (e.g., monies held in trust for bail, restitution and other third-party payments). When receipting payment card payments, the cashiers did not always select the correct button; therefore, some payments that should be posted to the Trust Account were posted to the Revenue Account. In addition, all online payment card payments were posted to the Revenue Account.

Revenues were overstated when payment card payments of trust monies were posted to the Revenue Account. Furthermore, because some payment card payments that should have been posted to the Trust Account were actually posted to the Revenue Account, subsequent disbursements of trust monies could only be made by a special request that was submitted to the Mayor's Finance Accounts Payable Section. If disbursement was for refund of bail to a defendant or restitution to a victim, a Justice Court clerk sent a letter to the Mayor's Office for the amount requested. The Mayor's Office issued a check through the payables system and sent a copy of the check to the Justice Court accountant who posted the disbursement in the CORIS case management system.

Recommendation

We recommend that Trust monies that are posted to the Revenue Account be transferred to the Trust Account on a weekly basis to eliminate the unnecessary step of requesting individual Trust payments from the Mayor's Office.

We recommend that the Justice Court cashiers receive additional training regarding using the correct button on the payment card terminal when receipting payment card payments.

Additional Information

Background

The Utah State Court System is comprised of three types of trial courts that handle criminal and traffic proceedings: District, Juvenile, and Justice Courts. The two main administrative bodies that support the court system are the Utah Judicial Council, the policy-making body and the Administrative Office of the Courts (AOC), which implements the standards, policies, and rules established by the Utah Judicial Council. The Salt Lake County Justice Court is a limited jurisdiction court and has jurisdiction to hear cases ranging from minor traffic offenses to misdemeanor criminal charges, as well as small claims matters.

The Salt Lake County Justice Court's jurisdiction is the unincorporated areas of Salt Lake County and the city of Cottonwood Heights. The mission statement of the Justice Court is "to provide the highest level of judicial service to the citizens of the County and the other levels of the Court at the lowest cost and in the most efficient manner." The Justice Court's revenue comes from fines and forfeitures (when bail is forfeited from the Trust Account pursuant from an order from the Judge), statutory surcharges, and special fees. The Honorable Shauna Graves-Robertson is the presiding Judge for the Justice Court. Judges are appointed by the County Mayor and confirmed by a majority vote of the County Council.

Scope

Our work included a formal examination of financial records related to the following:

- Receipt of trust monies
- Release of monies held in trust
- Segregation of duties
- Reconciliation of trust monies
- Management of court records for trust monies

Our examination period covered January 1, 2012 through March 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation 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.

SALT LAKE COUNTY JUSTICE COURT
JUDGE SHAUNA GRAVES-ROBERTSON

2001 South State Street #S4200
Salt Lake City, Utah 84190-1500
(801) 468-3419



July 8, 2013

Gregory P. Hawkins
Salt Lake County Auditor
2001 South State Street, N3300
Salt Lake City, UT 84114-4575

Re: Audit of the Justice Court Trust Account

Dear Mr. Hawkins:

Pursuant to your audit of the Justice Court Trust Account, I submit the following management responses to your audit findings. Please feel free to contact me if you have any questions or concerns.

Finding # 1 – The balance per the “Trust Account Balance Ledger” was not reconciled with the bank balance.

Management Response – We concur with this finding. The Accountant is currently developing procedures to reconcile the bank account and subsidiary ledgers. The procedures should be in place September 30, 2013.

Finding #2 – Bank reconciliations were not performed in a timely manner.

Management Response – We concur with this finding. The bank accounts are currently being reconciled by the Accountant in a timely manner. In our opinion, since the Accountant does not prepare checks or deposits it is acceptable to have him prepare the reconciliation.

Finding #3 – Fees collected for processing payment cards were posted to the Revenue Account.

Management Response – We concur with this finding. The Accountant is currently working with the bank and Treasurer to reimburse the Trust Account for all bank fees. Procedures should be in place September 30, 2013.

SALT LAKE COUNTY JUSTICE COURT
JUDGE SHAUNA GRAVES-ROBERTSON

2001 South State Street #S4200
Salt Lake City, Utah 84190-1500
(801) 468-3419



Finding #4 – Two account management systems were used for both tracking receipts into and recording disbursements from the Trust Account.

Management Response – We concur with this finding. The Accountant will implement the use of CORIS for tracking Trust balances beginning August 1, 2013.

Finding # 5 – Total trust monies held per the Justice Court’s records were not properly reconciled to the balance sheet in AFIN.

Management Response – We concur with this finding. The Accountant work with the Mayor’s Finance Office to ensure the proper Trust balance is reflected on the balance sheet at December 31, 2013.

Finding #6 – The Fund Custodian had the responsibility of performing bank reconciliations for the Trust Account.

Management Response – We concur with this finding. In our opinion the Accountant/Fund Custodian should prepare the reconciliation. They do not prepare checks, deposits, or journal entries to the cash accounts. We will have the reconciliation reviewed by the Data Systems Administrator beginning August 1, 2013.

Finding #7 – Funds from the Trust Account were transferred to the Revenue Account by writing paper checks.

Management Response – We concur with this finding. The Accountant is currently working with the Treasure and bank to set up a procedure for transferring funds electronically. The procedures should be in place September 30, 2013.

Finding #8 – Bank reconciliations were not reviewed by management.

Management Response – We concur with this finding and will have the reconciliations reviewed by the Data Systems Administrator beginning August 1, 2013.

SALT LAKE COUNTY JUSTICE COURT
JUDGE SHAUNA GRAVES-ROBERTSON

2001 South State Street #S4200
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Finding #9 – Bail payments paid at the jail were incorrectly coded when entered into the CORIS case management system.

Management Response – We concur with this finding and have taken the recommended action.

Finding #10 – Check signatories on the Trust Checking Account need to be updated.

Management Response – We concur with this finding and the Accountant is working with the Treasurer and the bank to update the authorized signatories by September 1, 2013.

Finding #11 – Payment card payments intended for the Trust Account were posted to a separate Revenue Account.

Management Response – We concur with this finding. The Accountant is currently working with the Treasurer and bank to develop a process to transfer these funds. Procedures should be in place September 30, 2013.

Thank you for the opportunity to respond to your findings. I look forward to the improvements that will come from your recommendations.

Sincerely,

A handwritten signature in cursive script, reading 'Shauna Graves-Robertson', written in dark ink.

Honorable Shauna Graves-Robertson, Judge

RECEIVED
JUL 17 2013
OFFICE OF THE
COUNTY AUDITOR