

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



An Audit of the
Justice Court Jury Witness Fees Imprest Account

August 19, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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August 19, 2013

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

Re: An Audit of the Justice Court Jury Witness Fees Imprest Account

Dear Mayor McAdams:

We recently completed an analysis of the Justice Court Jury Witness Fees Imprest 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 Richard Yerbury, Accountant, Shane Leidig, Data Systems Administrator, Bruce Larsen, Temporary Accountant, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Justice Court Jury Witness Fees Imprest Account 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 Jury Witness Fees Imprest Account. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with selected internal controls.

Conclusion

The Jury/Witness Fees Imprest Account, which has an established imprest amount of \$7,500, is used to pay individuals summoned to court as either jurors or witnesses. Pursuant to Utah Code 78-1-119, jurors and witnesses are entitled to \$18.50 for the first day of attendance and \$49.00 for each subsequent day. Jurors are sent a summons for jury duty and must present that summons for payment of the juror fees. A witness must present a valid subpoena, showing that the witness was properly subpoenaed to appear. Very few trials exceed a day in length; therefore, the majority of checks that are issued are for \$18.50.

Management has implemented some recommendations regarding imprest account management from an audit performed previously. Although some recommendations have been implemented, there were areas where improvements could be made. Adequate documentation was not on file to support the issuance of checks to jurors and witnesses. The Jury Witness Fees Imprest Account was too large for its actual level of utilization. Additionally, the check register was incomplete, checks were not used in sequential order, and bank reconciliations were not performed in a timely manner.

Findings and Recommendations

Finding # 1 - Adequate documentation was not on file to support the issuance of checks to jurors and witnesses.

Risk Level: Moderate

According to standard business practice adequate supporting documentation should be maintained for disbursements from an imprest account. However, documentation to support checks disbursed was not always available.

Only 16 of the total checks written in 2012 had documentation to support the disbursement from the Jury Witness Fees Imprest Account. To receive payment for their service, the juror or witness presented a summons (juror) or a subpoena (witness) to the Court Clerk. The Court Clerk looked at the documents, then gave them back to the jurors/witnesses. Therefore, there was no supporting documentation to attach to the check copies for the disbursements from the Imprest Account.

When supporting documentation is not included with the check copy, there is no evidence that the payment was an authorized disbursement.

Recommendation

We recommend that supporting documentation be maintained for payments from the Jury Witness Fees Imprest Account.

Action Taken: Beginning in April 2013, Court Clerks are required to attach either the subpoena or the summons to each check copy when making payments from the account.

Finding # 2 - There was no control listing to record the blank check stock held by each Court Clerk.

Risk Level: Moderate

To limit exposure to thefts, a record of the blank check stock given to each Court Clerk should be maintained.

Each Court Clerk was given a batch of blank check stock to be used for payments to jurors and witnesses. The previous accountant did not keep a control sheet to indicate the check numbers of the blank checks for which each Court Clerk was responsible.

Without a control listing that tracks the blank check stock assigned to each employee, it is difficult to control the check stock and insure that all checks are accounted for. Without a listing of blank check stock, there is no record of the checks available to be used and the risk of cash misappropriation is increased.

Recommendation

We recommend that a control listing of blank check stock be maintained by the accountant.

Finding # 3 - The Jury Witness Fees Imprest Account was too large for its actual level of utilization.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.1.4, states:

"The requested imprest amount should be sufficient to provide adequate operating funds for two months."

The Justice Court has an authorized Imprest Account balance of \$7,500. We obtained replenishment records from Mayor's Finance to analyze the use of the authorized balance. During 2012, the Imprest Account was only replenished twice, once in January 2012 and again in October 2012. The Reimbursement Request submitted in January 2012 represented disbursements from May 2011 through December 2011. The Reimbursement Request submitted in October 2012 represented disbursements from January 2012 through September 2012. Therefore, the funds on hand were sufficient for over seven months of expenditures.

The authorized amount for the Jury Witness Fees Imprest Account was established when there were four Justice Courts operating at the County Government Center. The auditor found that there is less need for disbursements to jurors and witnesses because currently there is only one Justice Court. Therefore, the authorized amount is too large for its actual level of utilization.

Because some of the funds in the Imprest Account remain idle, unused funds lose potential interest earnings or could be appropriated to other areas of need within the County.

Recommendation

We recommend that the Jury Witness Fees Imprest Account be reduced to a level more appropriate to the Justice Court's operational needs.

Finding # 4 - Bank reconciliations were not performed in a timely manner.

Risk Level: Low

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."

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 had the responsibility of reconciling the Jury Witness Fees Imprest Account each month. We examined the bank reconciliations for the period January 2012 through March 2013 and found that there were no bank reconciliations performed for January or February 2012. We also found that the bank reconciliations for April through December 2012 were not performed in a timely manner.

Errors and/or irregularities may not be discovered and the accuracy of the bank balances cannot be verified when the account is not reconciled in a timely manner. Delays in monthly reconciliations allow errors to remain unresolved.

Recommendation

We recommend that the Jury Witness Fees Imprest Account be reconciled at least monthly.

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

Finding # 5 - Checks were not used in sequential order.

Risk Level: Low

Standard business practice requires the use of proper sequencing for business documents. Consistent check sequencing controls the legitimate, authorized issuance of checks.

Each Court Clerk was given a batch of blank check stock to be used for payments for jurors and witnesses. Additional batches of blank checks were kept at the accountant's desk. Different Court Clerks prepared checks throughout the month when jurors and/or witnesses were to be paid for their services. The Court Clerks typed the checks using the blank check stock that was given to them.

Numerous gaps in check sequence occurred, both in the check register and on the bank statement, making it difficult to determine if all checks that had been written were appropriately recorded in the account record. For example, in January 2012, 47 checks cleared the bank, but were not recorded in the check register.

When checks are not used in sequential order, the accuracy and completeness of the accounting records cannot be ensured. An individual check issued out of sequence and not appearing in the account record can conceal a theft.

Recommendation

We recommend that checks be printed in sequential order using the Quicken software, and that the manual preparation of checks using a typewriter be eliminated.

Action Taken: In April 2013, the Justice Court purchased blank check stock to use with the Quicken software. One person prints checks from information entered into Quicken.

Finding # 6 - Two stale-dated checks were paid by the bank.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 1.12 defines a stale-dated check as "a check that is older than six months from the date of issuance, issued by an Agency from an Imprest Fund."

Section 5.1.4 states:

"Copies of stale-dated checks issued from an Imprest Checking/Operating Account, shall be submitted by the Custodian to the Treasurer's Office ... A check issued by the Custodian for the total of the stale-dated checks shall be included with the above documentation for submission by the Treasurer to the Utah State Unclaimed Property Division.

The Uniform Commercial Code § 4-404 states: "A bank is under no obligation to a customer having a checking account to pay a check, other than a certified check, which is presented more than six months after its date."

In November 2011, the previous Custodian submitted to the Utah State Unclaimed Property Division a list of stale-dated checks and a payment for the total amount of the outstanding checks. The list included stale-dated checks written prior to April 30, 2011. However, in 2012, two of the stale-dated checks that had been on the list (one written in August 2006 and one written in March 2007) were paid by the bank.

The auditor noted that a bank may sometimes cash a stale-dated check by mistake or because of inadequate banking procedure. If the Custodian complained to the bank, the bank would be obligated to re-deposit the funds. However, the bank must be notified within a reasonable amount of time.

Although the previous Custodian followed Countywide Policy by submitting the stale-dated checks to the Unclaimed Property Division, she made no notification when the stale-dated checks were paid by the bank. Therefore, the checks were essentially paid twice out of the Jury Witness Fees Imprest bank account, once when the payment was submitted to the Unclaimed Property Division and again when the bank cleared the actual check.

Recommendation

We recommend that the Custodian immediately notify the bank when a stale-dated check has been paid by the bank.

Finding # 7 - Check signatories on the Jury Witness Fees Imprest Checking Account needed 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 Jury Witness Fees Imprest Checking Account had 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.

Recommendation

We recommend that the 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 # 8 - A Reimbursement Request submitted in 2012 was inaccurate.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 1.8 states:

"Imprest Fund Account (Imprest Fund) - A designated amount of money set aside to pay for small, routine operating expenses, wherein at any point in time, the cash available to disburse, plus the supporting vouchers and/or other documentation for monies previously disbursed equals the designated amount, known as the imprest amount."

Section 5.1.1 states:

"Prior to submission of a Reimbursement Request from the Custodian to the Auditor's Office [Mayor's Office], the applicable Petty Cash or other Imprest Fund Account shall be reconciled by the Custodian. The reconciliation, documented on MPF Form 6, 'Reimbursement Request and Control Listing,' or similar form, shall reflect the actual count of Petty Cash on hand, or the Checking Account balance at the date of reconciliation, attested by the reconciling employee's signature. These balances, plus the total of the outstanding Petty Cash Fund vouchers or outstanding Imprest/Operating Account checks, should equal the authorized imprest amount. The reconciliation shall be reviewed and signed by the Fiscal Manager or Agency Management."

The Reimbursement Request (MPF Form 6) submitted in October 2012 was supposed to reimburse the Jury Witness Fees Imprest Account for the checks written from January 2012 through September 2012. A list of disbursements printed from the Quicken check register was used to determine the total reimbursement amount to enter on the MPF Form 6. However, the check register did not include all checks that had been written.

Twenty-seven checks that were written from the Jury Witness Fees Imprest Account in January 2012 (nineteen checks that cleared the bank in January 2012 and eight checks that were outstanding) were not recorded in the check register and were, therefore, not included in the Reimbursement Request that was submitted to Mayor's Finance in October 2012.

Recommendation

We recommend that all checks written from the Jury Witness Fees Imprest Account be accurately recorded in the check register and that a request for reimbursement be submitted that includes the checks that were not accounted for on the October 2012 Reimbursement Request.

Finding # 9 - The Reimbursement Request was based on the difference between the authorized imprest amount and the ending book balance.

Risk Level: Low

Agencies must adhere to certain terms and conditions over the operation and use of imprest accounts. At all times, the amount on hand for the imprest account must equal the authorized amount less any unreimbursed disbursements. The intent of Countywide Policy #1203, "Petty Cash and Other Imprest Funds," is that the line titled "Total Reimbursement on this Request" on the MPF Form 6 should be the sum of individual checks disbursed.

As stated previously in Finding #8, Section 5.1.1 states:

". . . The reconciliation, documented on MPF Form 6, 'Reimbursement Request and Control Listing,' or similar form, shall reflect the actual count of Petty Cash on hand, or the Checking Account balance at the date of reconciliation, attested by the reconciling employee's signature. These balances, plus the total of the outstanding Petty Cash Fund vouchers or outstanding Imprest/Operating Account checks, should equal the authorized imprest amount."

On the Reimbursement Request submitted in October 2012, instead of requesting the sum of the actual amount of checks disbursed since the last reimbursement, the amount requested was based on the difference between the authorized imprest amount of \$7,500 and the ending book balance. A list of checks disbursed was attached to the "Reimbursement Request and Control Listing" (MPF Form 6); however, when all the checks on the list were totaled, the amount was higher than the amount that the previous Custodian entered for the line "Total Reimbursement on this Request."

The methodology of subtracting the ending book balance from the \$7,500 authorized amount was based on an erroneous procedure performed by the previous Custodian. This simplistic approach overlooked recording discrepancies as described in Finding #8. The ending book balance was in error, and, therefore, the amount on the Reimbursement Request was also in error.

Recommendation

We recommend the amount requested for reimbursement on the MPF Form 6 be the sum of checks disbursed since the last reimbursement, instead of simply the difference between \$7,500 and the ending book balance.

Finding # 10 - The check register was incomplete.

Risk Level: Low

According to standard business practice, all disbursements, adjustments, and deposits should be properly recorded in the accounting records of a business to have complete business records. If the beginning cash balance recorded in the business records is incorrect, the bank reconciliation will not be accurate and the adjusted book balance of cash cannot be validated.

In January 2012, the Justice Court started using Quicken Software for tracking checks disbursed from the Jury Witness Imprest Account. The previous accountant should have used the ending book balance at December 31, 2011 as the beginning balance in the Quicken check register. Instead, she used the ending balance from the January 2012 bank statement. We reviewed the disbursements from the account based on the checks written and compared that to the record of checks in the check register. We found eight outstanding checks that were not recorded.

In addition, we used Audit Command Language (ACL) software and performed a comparison of checks that were listed on the bank statements to checks disbursed and recorded in the check register. We found 47 checks that cleared the bank that were not individually recorded in the check register. The amount for the 47 checks was reflected in the ending bank statement balance at January 2012.

Because the bank statement balance was used as the beginning balance for the Quicken check register, the checks written between May 1, 2011 and January 31, 2012 that had not cleared the bank prior to January 31, 2012 were not reflected in the book balance. Therefore, the lists of outstanding checks used for reconciling the bank statements were incomplete and the reconciled book balance was inaccurate.

Recommendation

We recommend that all checks written from the account be properly recorded in the Quicken check register. In addition, the book balance in the check register should be adjusted for the outstanding checks that were not properly recorded when the software was deployed.

Finding # 11 - The Fund Custodian had the responsibility of performing the bank reconciliations for the Jury Witness Fees Imprest 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. 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 Jury Witness Fees Imprest Account and was assigned the responsibility for performing the bank reconciliations.

Without proper segregation of duties, errors or irregularities may go undetected.

Recommendation

We recommend that a Justice Court employee, other than the Custodian, perform the monthly bank reconciliation of the Jury Witness Fees Imprest Account, for review by the Custodian.

Finding # 12 - 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 previous accountant was responsible for reconciling the Jury Witness Fees Imprest Account each month. When the bank reconciliations were completed, they were not reviewed by management as required by Countywide Policy.

When there is no independent review of the reconciliations, errors are less likely to be resolved. Additionally, without proper review, funds could be misappropriated and the action concealed by manipulating reconciliation data.

Recommendation

We recommend that the Custodian review the monthly bank reconciliations for the Jury Witness Fees Imprest Account.

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:

- Account Management
- Disbursement of Imprest Account Funds
- Reconciliation of the Imprest Account
- Segregation of Duties
- Compliance with Policies and Procedures

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.

JUDGE SHAUNA GRAVES-ROBERTSON

2001 South State Street #S4200
Salt Lake City, UT 84114-4575
(385) 468-8200



August 19, 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 Jury Witness Fees Imprest Account

Dear Mr. Hawkins:

Pursuant to your audit of the Justice Court Jury Witness Fees Imprest 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 – Adequate documentation was not on file to support the issuance of checks to jurors and witnesses.

Management Response – We concur with this finding and implemented the recommendation April 1, 2013.

Finding #2 – There was no control listing to record the blank check stock held by each Court Clerk.

Management Response – We concur with this finding and have changed the procedure concerning check writing and control. Beginning May 1, 2013, one clerk (with one clerk acting as back up) is responsible for writing the checks. Blank checks are kept locked in one location.

Finding #3 – The Jury Witness Fees Imprest Account was too large for its actual level of utilization.

Management Response – We concur with this finding. The Accountant will reduce the fund level to \$3,000 by September 30, 2013.

JUDGE SHAUNA GRAVES-ROBERTSON

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Finding #4 – Bank reconciliations were not performed in a timely manner

Management Response – We concur with this finding. As stated in the report we are currently reconciling the account on a timely basis since January 1, 2013.

Finding # 5 – Checks were not used in sequential order.

Management Response – We concur with this finding. As stated before, currently one clerk is responsible for issuing checks. Since the implementation of Quicken checks on May 1, 2013 checks are being issued in sequential order.

Finding #6 – Two stale-dated checks were paid by the bank.

Management Response – We concur with this finding. We will implement the recommendation immediately and notify the bank any time a stale dated check is paid.

Finding #7 – Check signatories on the Jury Witness Fees Imprest Checking Account needed 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 #8 – A reimbursement Request submitted in 2012 was inaccurate.

Management Response – We concur with this finding. All checks are and will continue to be listed in the check register for future reimbursements.

Finding #9 – The Reimbursement Request was based on the difference between the authorized imprest amount and the ending book balance.

Management Response – We concur with this finding. The last reimbursement and all future reimbursements will be based on the checks written.

Finding #10 – The check register was incomplete.

JUDGE SHAUNA GRAVES-ROBERTSON

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Management Response – We concur with this finding and all checks currently written are recorded in the Quicken check register.

Finding #11 – The Fund Custodian had the responsibility of performing the bank reconciliations for the Jury Witness Fees Imprest 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 have the reconciliation reviewed by the Data Systems Administrator starting August 1, 2013.

Finding #12 – Bank reconciliations were not reviewed by management.

Management Response – We concur with this finding and have the reconciliations reviewed by the Data Systems Administrator starting August 1, 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 that reads 'Shauna G. Robertson'.

Honorable Shauna Graves-Robertson, Judge