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SALT LAKE COUNTY AUDITOR'S OFFICE
CRAIG B. SORENSEN, AUDITOR

September 19, 2003

Gary K. Dalton, Director
Criminal Justice Services Division
431 S 300 E, Suite 400
Salt Lake City, UT 84111

RE: Criminal Justice Services Division Audit

Dear Gary:

We recently completed an audit of the Criminal Justice Services Division (CJS) that was limited to an examination of imprest funds, collections, depositing, fixed and controlled assets, and accounts receivable. We conducted an unannounced count of collections on hand, and reviewed the petty cash imprest checking account. We also reviewed deposit documentation on file, observed selected items from the controlled assets list, and made inquiries as to the nature and scope of accounts receivable. As its mission, CJS provides alternatives to incarceration in an effort to relieve overcrowding at the jail.

OVERVIEW

CJS is divided into three organizational units. Two of these units, Probation Services, and Court and Treatment Services, collect fees from patrons or clients for services rendered, but Pre-trial, the third unit, does not assess fees. Instead, it offers pre-trial release free-of-charge to individuals booked into the County Jail who have not yet appeared in court.

CJS staff are on-site at the jail 24 hours a day throughout the year to interview detainees and determine their eligibility for release. Individuals that qualify are released under Pre-trial supervision with a promise to appear in court on the date subsequently indicated. Pre-trial is the most recognized and oldest CJS function, dating back to its initial conception in 1972 with later expansion in 1974 through use of federal grant money. In addition to its pre-trial release function, it also offers life-building and communications skills classes to individuals under its supervision.

Probation Services, and Court and Treatment Services are post-adjudication functions, or in other words, clients they deal with have been convicted and are about to be, or have already been sentenced. Most clients in these programs are alcohol or drug offenders. Probation prepares pre-sentence reports, primarily for Third District Court, for which a \$60 fee is charged to the defendant. These reports provide the judge with an assessment of the needs, risks and temperament of defendants prior to being sentenced. Probation's main function of misdemeanor probation supervision requires a standard \$15 per-month fee from the client.

Court and Treatment Services offers a number of programs, as alternatives to jail, for which fees are collected from participants. For example, the John's Program, for individuals convicted of solicitation of sex, requires a one-time \$350 fee. Drug Court participants are required to pay \$15 per month, while Mental Health Court participants pay a \$100 one-time fee to CJS. Two other programs, Healthy Self Expressions and Passages, also require fees from enrolled individuals. Other fees are in place as programs, classes and circumstances warrant.

Overall, cash handling and fixed and controlled assets management complied with Countywide Policy #1062, "Management of Public Funds," and Policy #1125, "Safeguarding Property/Assets." CJS staff were conscientious in performing their cash handling duties correctly, and were concerned that procedures be in place to minimize the risk of any losses. Financial records were neatly organized, contained the information we needed, and were easily retrieved by CJS staff. To further discuss our findings, we have divided our letter into the three main sections of our audit, Cash Handling, Fixed and Controlled Assets, and Accounts Receivable.

CASH HANDLING

CJS does not accept cash or personal checks from clients as payment for services, only money orders or cashier's checks. The absence of cash significantly reduces overs and shorts, and the risk of theft, and the absence of personal checks precludes any losses that would otherwise occur from insufficient funds in an individual's account.

Because cash is not accepted from CJS clients, our unannounced count of collections comprised money orders and cashier's checks. We balanced these to "vouchers" on hand. A voucher is a client payment form showing the service being performed, the amount owed, and the amount and date of each payment made. It is retained in the individual's file, removed at the time of payment, and then placed back in the file after the day on which payment was made. CJS totals payments recorded on the vouchers at the end of the day and compares the total to the Z-tape and balance sheet, as an additional cross-check.

Payments are also entered into the cash register. We wanted to balance checks on hand to cash register totals, but were unable to do so because personnel did not know how to run a preliminary balance without turning over the register date to the next day, and reducing cumulative totals to zero.

In addition, we randomly sampled 36 deposits from September 2002 through August 2003, and found perfect balancing on each of the days examined. Deposit slip, balance sheet, and Z-tape totals all matched one another without exception. Documentation on file for each day's deposit comprised a balance sheet, Z-tape, voucher totals tape, and deposit slip copy.

In addition to collections, CJS maintains two imprest checking accounts comprised of a petty cash account and a refund account. Even though it is a checking account, petty cash is also disbursed by cash from a pool maintained by regular \$200 withdrawals. We conducted an unannounced count of petty cash and found that it balanced to its authorized limit. The checkbook balance, and cash and vouchers on hand are added together to determine whether the fund balances to its authorized limit.

We noted a number of food purchases from petty cash for such activities as employee "pep rallies," and events marking "graduation" or other significant achievements of CJS clients. In fact, out of the \$984 in vouchers we examined, disbursements for food and beverage comprised \$364 of that amount—\$60 for "pep rallies," \$41 for other administrative meetings, and \$263 for client activities. Meal reimbursement requests were attached to each petty cash voucher we examined where food was purchased.

Countywide Policy on "County Meals," Section 7.3, states that food and beverage may be provided at *staff meetings or organizational meetings with a training function not occurring more often than once a month*. In addition, Section 1.4 authorizes food and beverage purchases for *other functions...specifically authorized by...Department Directors such as meetings involving food costs with individuals who are not paid County employees*. Each year, CJS presents a food and other purchases plan to the Human Services Department Director for his approval. Because of the Department Director's approval, and completion of the meal reimbursement request form, CJS is complying with countwide policy for its food purchases.

In both the petty cash and refund imprest checking accounts we noted proper segregation of duties between disbursing and account reconciliation. The fund custodian of the refund account reconciles the petty cash account, while the fund custodian of petty cash reconciles the refund account checkbook balance to the bank balance. This procedure has only been in effect for four months, but it does show initiative in implementing sound financial practices.

In addition, we noted that documentation for the petty cash reconciliation, showing reconciling items and a book-to-bank balance, had only occurred during the last four months. Nevertheless, this

procedure had been implemented at the time of our audit and demonstrated positive action towards improving accounting operations.

The refund imprest checking account also balanced to its limit, but two small items of concern regarding both accounts are discussed below.

- ***Funds from uncashed refund checks older than one year have not been sent to the State Unclaimed Property Division.***
- ***Petty cash vouchers were not cross-referenced to the checkbook.***

Funds from uncashed refund checks older than one year have not been sent to the State Unclaimed Property Division. The refund checking account is used to issue refunds to clients who have overpaid fees, or paid fees to CJS that should have gone to other government entities. Refunds occur infrequently, about three to six times a month, and can be for amounts in excess of \$100, or as little as \$2, \$3, or \$4.

Four of these smaller checks have been or soon will be outstanding for more than a year, and are recurring reconciling items in the checkbook. They should be referred as unclaimed property to the State Unclaimed Property Division, in accordance with Utah Code 67-4a-210, which defines abandoned property as *Any intangible property held by...a county...that remains unclaimed for more than one year after it became payable or distributable.*

The time required to process small, uncashed checks with the Unclaimed Property Division is excessive when considering the small amount issued. Currently, \$35 in outstanding, uncashed checks are more than six months old, and two of these are older than a year. Seven checks comprise the \$35 total, for an average of \$5 per check. In the past, CJS staff has returned stale-dated checks to the checkbook balance, unaware that funds needed to be referred to the Unclaimed Property Division.

A more cost effective solution would be to issue cash for refunds of \$10 or less, instead of checks. Small-dollar checks are not worth the time it takes to write them. Moreover, a small-dollar check may be inconsequential to the recipient, and therefore will more likely remain uncashed, or become lost. A small portion of the refund imprest checking account could be maintained in cash to provide refunds of \$10 or less. Recipients would sign a refund form to acknowledge their receipt of cash.

RECOMMENDATIONS:

- 1. We recommend that funds from uncashed checks older than one year be sent to the State Division of Unclaimed Property.*
- 2. We recommend that refunds of \$10 or less be issued in cash to avoid issuing small-dollar checks, and the future possibility of processing these as unclaimed property.*

Petty cash vouchers were not cross-referenced to the checkbook. As we examined the petty cash account, it was not readily determinable which vouchers corresponded to cash, as opposed to checks. As already stated, petty cash is an imprest checking account, though CJS periodically withdraws \$200 for use as cash on hand. The voucher should state whether cash or checks were issued, and the check number. Conversely, the voucher number should be written in the checkbook. The composition of petty cash disbursements is important in maintaining sufficient records to document the flow of funds.

RECOMMENDATION:

We recommend that petty cash vouchers state whether cash or check was issued, and include a reference to the check number. Conversely, we recommend that the number from the voucher be written in the checkbook when a check is issued.

FIXED AND CONTROLLED ASSETS

Controlled assets at CJS are comprised mostly of electronic equipment such as personal computers, printers and scanners. Desks, tables and chairs are not included. We concur with this procedure since chairs, desks, and tables are individually assigned in small offices, and their loss would be readily apparent.

We compliment CJS administration and staff for the excellent condition in which we found controlled assets. All items were tagged with a unique identifier number. A controlled assets list was maintained, containing a description of each item, the tag number, as well as the model and serial numbers. The list also specified the room number where each item was located. CJS leases four floors of an office building downtown. The floors are divided into numbered offices or classrooms of mostly equal size, creating an environment where fixed and controlled assets can more easily be tracked. Moreover, PM-2 forms were on file, as were forms signed by individuals for equipment under their control.

We observed a sample of 58 controlled assets out of 378 listed by CJS. We readily found all of them, except for a monitor that had been sent to surplus. A PM-2 was on file for this item. Also, one printer was not tagged, and the serial number did not match the printer listed. We found that it had recently been placed in the office. A tag was placed on it as soon as we brought the discrepancy to the property manager's attention.

In addition, the tags on one computer and monitor did not match the controlled assets list, even though the serial numbers matched. These differences were pointed out to CJS staff for corrective action. Despite generally well-maintained controlled assets, the following finding is presented as an area for improvement.

- ***The fixed assets list has not been updated to reflect recent changes.***

The fixed assets list has not been updated to reflect recent changes. A request has not been made to remove a Sharp copier, traded in for a new one, from the AFIN0801 fixed assets report. The copier is referenced to tag number 96613 and serial number 76212857. A formal request in a letter to the Auditor's Office should be made to remove this item from the list.

In addition, two servers appearing under CJS in the AFIN0801 report are physically located in the County's Information Services Division (IS) at 21st South. The property manager did not know why one of these servers, tag number 97029, was listed under CJS because it had been borrowed from IS and later returned to them. However, now that it has been returned, CJS should send a completed PM-2 form to the Auditor's Office fixed assets section, thereby transferring the item out of the CJS designation on the AFIN0801 report.

The other server, tag number 98128, is CJS property but located in IS due to UNIX maintenance and backup requirements that can only be performed with equipment and personnel there. We did locate the server and agreed the tag number to the fixed assets listing. Although located off-site, its existence and use is known to both parties, legitimizing its designation as a CJS fixed asset.

RECOMMENDATIONS:

- 1. We recommend that the traded-in Sharp copier be removed from the AFIN0801 fixed assets report by formal request in a letter to the Auditor's Office fixed assets section.***
- 2. We recommend that a PM-2 be sent to the Auditor's Office fixed assets section designating the transfer of the server borrowed from Information Services, but subsequently returned to them.***

ACCOUNTS RECEIVABLE

During our audit, we inquired as to the scope and nature of accounts receivable. As mentioned previously, individuals convicted of crimes and assigned probation or alternative program treatment through CJS are assessed a fee for services rendered. Though payment is required up-front, some individuals fail to pay, especially if payment is required monthly. For example, probation monitoring requires a monthly \$15 fee.

Since fees are court-ordered, accounts receivable in CJS differ from most other county organizations. The court will compel individuals to satisfy their debt to CJS under threat of jail time or other types of penalties.

No central list exists of outstanding obligations to CJS, but counselors and case managers monitor individuals assigned to them to determine whether they are paying their fees. Any delinquency in payment should be reported to the court for additional action. Since fees are assessed and payment enforced by the courts, collections are effectively made, and accounts receivable efficiently handled.

In closing, we thank you and your staff for your prompt and courteous attention in gathering documents for our audit team and answering their questions. We appreciate the overall concern for sound financial practices displayed by CJS employees, and the initiative they have taken to implement effective accounting procedures. The recommendations made in this letter will help improve operations and make CJS aware of matters that might not have ordinarily come to your attention. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

cc: Connie Young
Justin Herron
Donna Rackl