

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



An Audit of the Key Controls of the
Salt Lake County Justice Court

October 08, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 08, 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 the Salt Lake County Justice Court

GREGORY P. HAWKINS
Salt Lake County Auditor

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Chief Deputy Auditor

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Salt Lake County Justice Court 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 the Salt Lake County Justice Court and the cooperation from Richard Yerbury, Accountant, Shane Leidig, Data Systems Administrator, Kevin Bryant, Specialty Court Clerk, Collette Faust, Office Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Salt Lake County Justice Court 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 Salt Lake County Justice Court. 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 Salt Lake County Justice Court has put into place some internal controls for managing public funds. However, some risks and areas of non-compliance were identified. Most were minor and would not be expected to result in the material loss of County assets. Risks related to inadequate controls over controlled assets and software inventory have a higher likelihood of leading to loss of County property. In addition, the Payment Card Industry (PCI) Self-Assessment Questionnaire should be completed, signed, and dated to ensure that PCI standards have been established. Reports of recent audits of the Justice Court were released to the public on September 2011, July 2013, and August 2013.

Findings and Recommendations

Finding # 1 - A current "Controlled Assets Inventory Form - Organization" was not available.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2 states:

"Property Manager's Duties . . . Accounting for all controlled assets within the organization's operational and/or physical custody in accordance with paragraph 4.0 of this policy."

Section 4.1 states:

"As mentioned in 2.2, above, general accountability for controlled assets is the responsibility of each organization's Property Manager; however, individual accountability rests with each employee assigned controlled assets."

Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

The "Controlled Assets Inventory Form - Organization" that was available was dated 2011. In addition, there was no signature or date to indicate when the last inventory of controlled assets had been performed.

Internal controls are insufficient for safeguarding the controlled assets for which the Justice Court has custodial responsibility.

Recommendation

We recommend the Property Manager maintain a current list of controlled assets and conduct a physical inventory of controlled assets at least annually.

Finding # 2 - The Justice Court did not use the "Controlled Assets Inventory Form - Employee" for assets that were individually assigned.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures . . . 'Controlled Assets Inventory Form - Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The Justice Court did not use the "Controlled Assets Inventory Form - Employee" for assets, such as computers and monitors, that were assigned to individual employees.

When the "Controlled Assets Inventory Form - Employee" is not used, there is no accountability for the controlled assets in each employee's possession. Failure to track which employee is responsible for assets that are individually assigned increases the risk of asset misappropriation and loss.

Recommendation

We recommend the Property Manager complete a "Controlled Assets Inventory Form - Employee" for each employee who is individually assigned controlled assets. All employees who are assigned controlled assets should review and sign the form to indicate their verification of the assets.

Finding # 3 - The location of use for the Justice Court change fund needs to be updated on the "Petty Cash and Other Imprest Accounts" list.

Risk Level: Low

The definition of a change fund as described in Countywide Policy #1203, "Petty Cash and Other Imprest Funds," is "a cash fund kept on the Agency's premises and maintained at a fixed amount to provide change for over-the-counter transactions."

The "Petty Cash and Other Imprest Accounts" list maintained by Mayor Financial Administration separates the Justice Court change fund into four precinct courts with the same Fund Custodian listed for each change fund. However, the four separate change funds tracked on the list were used at one location.

The auditor noted that when the change funds were originally established, there were four Justice Courts located at the Government Center. Each Justice Court was assigned a change fund amount that was individually tracked on the "Petty Cash and Other Imprest Accounts" list. Currently, there is one Justice Court and the separate change funds have been combined for use at this location.

The "Petty Cash and Other Imprest Accounts" list is used to document the authorized amount of the change fund and the location for the County Agency who is responsible for the money. The change fund is at risk of loss when the location of the fund is listed incorrectly.

Recommendation

We recommend the accountant work with Mayor's Financial Administration to update the "Petty Cash and Other Imprest Accounts" list and combine the four separate change funds into one fund.

Finding # 4 - A current software inventory was not available.

Risk Level: Low

Countywide Policy #1400-3, "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."

During our review of computer controls, we found that the Justice Court did not have a list of the current software inventory used by employees, as required by Countywide Policy.

Without a software inventory, it is impossible to determine if all software installed on County IT resources or systems is properly licensed. The use of unlicensed software may result in fines to the County.

Recommendation

We recommend that management ensure that a current software inventory is compiled and kept up-to-date for all software used at the Justice Court.

Finding # 5 - There was no Fund Transfer Receipt to verify the transfer of the petty cash and change funds to the new Custodian.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Sections 6.1.1 and 6.2.1 state:

"A Backup Custodian may be designated by Agency Management on MPF Form 2 when a Petty Cash or other Imprest Fund is established, or at any time, by completing a new MPF Form 2. If a Backup Custodian has not been designated, the Fiscal Manager or Agency Management designee is deemed to be the Backup Custodian, as determined by Agency Management."

"In the anticipated extended absence of the Custodian, a cash-fund transfer using MPF Form 7A, 'Transfer of Funds Receipt,' may be formally made to carry on normal cash-handling functions by the Backup Custodian, as outlined in 8.1, below. All MPF Forms 7A shall be retained by the Agency."

Section 8.1.1 states:

"When Agency Management designates a new Custodian, all funds under the control of the current Custodian shall be transferred to the new Custodian. Items transferred include all cash, checks, and petty cash vouchers with supporting documentation. The transfer is accomplished by completing and signing MPF Form 7A, 'Transfer of Funds Receipt.' Agency Management or the Fiscal Manager should conduct the transfer with both the outgoing and newly designated Custodians present, if possible."

There was not a Fund Transfer Receipt to verify the transfer of the petty cash and change funds from the former Fund Custodian to a new Custodian when the former Fund Custodian terminated employment with the Justice Court.

Funds are at risk of loss or misappropriation when they are transferred without proper documentation.

Recommendation

We recommend that a Fund Transfer Receipt (MPF Form 7A) be completed when funds are transferred to a new or backup Custodian.

Finding # 6 - A meal reimbursement form was not available for one petty cash voucher.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 10.5.2 states:

"Food or meals may be purchased from Petty Cash and other Imprest Funds. However, such purchases are subject to the provisions of Countywide Policy #1020, County Meals."

Countywide Policy #1020, "County Meals," Section 6.1 states:

"All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to County business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt."

During our review of the petty cash fund, we noted a petty cash voucher for reimbursement for refreshments at a retirement party. However, there was not a meal reimbursement form attached to the voucher.

Without the proper documentation attached to the petty cash voucher, we cannot verify whether proper approval was obtained for the food purchased.

Recommendation

We recommend that a meal reimbursement form be attached to the petty cash voucher for purchases of meals or food using petty cash funds.

Finding # 7 - The Payment Card Industry Self-Assessment Questionnaire was not signed and dated.

Risk Level: Low

Countywide Policy #1400-7, "Information Technology Security," Sections 3.0 and 3.1 state:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety. County agencies that accept, process, transmit or store cardholder data shall develop internal practices and procedure to ensure compliance with the PCI-DSS."

"PCI-DSS compliance requires among other things that County agencies that accept, process, transmit or store cardholder data shall complete the appropriate annual SAQ and AOC for their merchant category."

The Justice Court had a partially completed Payment Card Industry Self-Assessment Questionnaire (PCI SAQ) on file. However, the SAQ was not dated and signed by the former accountant. The requirements in the SAQ help ensure that a merchant has established standards for safeguarding data that is collected when processing payment card transactions.

However, by not signing and completing the annual PCI SAQ, the County is at risk for penalties for not following the Payment Card Industry Data Security Standards and for not providing attestation that credit card information has been safeguarded.

Recommendation

We recommend that the annual PCI SAQ be completed, signed, dated, and filed for reference.

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 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 April 30, 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

JUSTICE COURT

Shauna Graves-Robertson
Justice Court Judge

August 30, 2013

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

Re: Audit of the Key Controls of the Salt Lake County Justice Court

Dear Mr. Hawkins:

Pursuant to your audit of the Key Controls of the Salt Lake County Justice Court, 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 – A current “Controlled Assets Inventory Form – Organization” was not available.

Management Response – We concur with this finding. The Data System Administrator will inventory all controlled and fixed assets by September 30, 2013 using the appropriate forms.

Finding #2 – The Justice Court did not use the “Controlled Assets Inventory Form – Employee” for assets that were individually assigned.

Management Response – We concur with this recommendation. We were under the impression we were mainlining the proper lists. The Data System Administrator has completed the appropriate “Controlled Assets Inventory Form – Employees” by August 26, 2013.

Finding #3 – The location of use for the Justice Court change fund needs to be updated on the “Petty Cash and Other Imprest Accounts” list.

Management Response – We concur with this finding. The Accountant will work with the Mayor Financial Administration to correct the list by September 30, 2013.



Ben McAdams
Salt Lake County Mayor

JUSTICE COURT

Shauna Graves-Robertson
Justice Court Judge

Finding #4 – A current software inventory was not available.

Management Response – We concur with this finding. The Data System Administrator will inventory all software and work with I.S. to maintain compliance of all software by September 30, 2013.

Finding # 5 – There was no Fund Transfer Receipt to verify the transfer of the petty cash and change funds to the new Custodian.

Management Response – We concur with this finding. The Accountant will use the MPF Form 7A for all future fund transfers.

Finding #6 – A meal reimbursement form was not available for one petty cash voucher.

Management Response – We concur with this finding. The Accountant will have meal reimbursement forms attached to the petty cash vouchers in the future.

Finding #7 – The Payment Card Industry Self-Assessment Questionnaire was not signed and dated.

Management Response – We concur with this finding. The Data System Administrator will work with the Accountant to insure internal practices and procedures compliance by October 31, 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 dark ink that reads 'Shauna G. Robertson'. The signature is written in a cursive, flowing style.

Honorable Shauna Graves-Robertson, Judge