



FINANCIAL CONTROLS IN STATE AGENCIES

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

Summary

In response to internal controls issues recently identified at the Utah Communications Authority, the chairs of the Executive Offices and Criminal Justice (EOCJ) Appropriations Subcommittee requested that each agency under the purview of the committee submit a one to two page issue brief describing their financial control procedures in five key areas. These agency-authored briefs are included in this packet. Listed below are the directions that were provided to agencies. Supplemental information provided by agencies is contained in the attachment titled Financial Controls Supplemental Materials.

1. **Control Environment.** According to the Committee of Sponsoring Organizations and the Government Finance Officers' Association, "*Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.*"

Please generally explain how your agency encourages a healthy internal control environment to help ensure accountability for public funds.

2. **Separation of Duties.** The Government Accountability Office states that "*Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.*"

Does your agency distribute financial tasks to ensure that there is sufficient separation of duties? If so, please comment generally on how your agency carries this out.

Please comment specifically on how your agency separates duties related to receipting and disbursing tasks.

3. **Purchasing Cards (P-Cards).** The Utah Division of Finance states that "*The Purchasing Card or P-Card is a Visa card that is designed to supplement or eliminate a variety of processes including petty cash, local check writing, low-value authorizations and small dollar purchase orders. It provides a more efficient, cost effective method of purchasing and payment for small dollar transactions. The P-Card can be used for in-store purchases as well as mail, e-mail, telephone and fax orders. Each card will have pre-established monthly credit limits. Additional limits can also be placed on the dollar amount of each transaction and the number of daily transactions per day. The P-Card will have certain Merchant Category Codes (MCCs) blocked to prevent it being used with inappropriate or high risk vendors.*"

Please comment on the extent to which your agency uses P-Cards and what limitations are placed on those cards, such as compared to a standard credit card.

4. **Written Policy.**

Does your agency currently have a *written* internal controls policy specifically related to separation of duties, receipting and disbursing, and P-Cards? If so, please attach it here.

5. **Other Policies.**

Does your agency have financial control challenges that are specific to your agency, which require special monitoring or procedures? Please provide an overview of any such challenges and the policies used to address them.

Table of Contents

Issue briefs submitted by each agency can be found in the packet on the following pages:

- Governor's Office – page 3
- Commission on Criminal and Juvenile Justice – page 4
- Office of the Attorney General – *The OAG did not submit an issue brief.*
- Office of the State Auditor – page 5
- Office of the State Treasurer – page 6
- Department of Corrections – *Corrections did not submit an issue brief.*
- Board of Pardons and Parole – page 8
- Division of Juvenile Justice Services – page 10
- Courts – page 12
- Department of Public Safety – page 13



FINANCIAL CONTROLS IN STATE AGENCIES: GOVERNOR'S OFFICE

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

The Governor's Office ensures a solid financial internal control environment by maintaining separation of duties and ensuring that staff members with financial responsibilities are familiar with and comply with all policies issued by the Department of Administrative Services. One mechanism that the office uses to ensure that sufficient controls are in place is completing the Division of Finance's *Control Environment* questionnaire on a regular basis. The office also promotes a culture that allows staff to raise concerns with management if they feel work processes should change to comply with policy or improve controls.

2. Separation of Duties

The office maintains separation of duties by ensuring that multiple individuals review and approve the payment of invoices, purchase card transactions, and internal transactions. For example, a travel reimbursement is usually prepared by administrative staff, signed by the supervisor of the person completing the travel, and then forwarded to the Governor's Office of Management and Budget (GOMB) for the payment to be processed. Within GOMB, the reimbursement is reviewed by a support services position, entered in FINET by an accounting technician, and finally approved by a budget manager. Similar processes, including no less than two staff members, are followed for vendor invoice payments and purchase card transaction approvals. As payments move through the approval process, all documentation, including reimbursement forms, invoices, purchase card statements, and receipts, are scanned and attached to the transaction in FINET. This allows the reviewers and approvers to have access to the documentation when they verify that the payment is accurate and appropriate.

3. Purchasing Cards (P-Cards)

The Governor's Office complies with all state policies related to the issuance and use of purchasing cards. As of June 2016, eight staff members hold purchasing cards. As of mid-June 2016, only \$83,000 in purchases were made using a purchasing card during FY 2016. This represents only two percent of non-personnel expenditures. The main categories of purchases made with purchasing cards include lodging and transportation; conference and meeting registrations; and office supplies or subscriptions. When food purchases are made for meetings or conferences, documentation includes a list of the attendees, agenda, and management approval to ensure that purchases remain within state policies for per-diem and group gatherings.

GOMB has assigned a support services position to review the use of purchasing cards within the Governor's Office. Each month, the purchase card holders forward all receipts and backup documentation to the purchasing card coordinator. The coordinator reviews all documentation and compares it to the credit card statements. After the review is completed, all documentation is attached to an accounting document in FINET that is used to allocate purchasing card transactions to the appropriate appropriation, unit, and object. The accounting technician who creates the document in FINET also reviews the documentation to ensure that the charges are appropriate and being billed to the correct funding source. The accounting document goes through a final review and approval to include a supervisor and the budget manager. Because the support services position also provides administrative support for GOMB, the individual currently holds a purchasing card. Anytime that card is used, the purchases receive an extra review by GOMB's administrative coordinator. (I haven't been doing this but probably should.)

4. Written Policy

The Governor's Office closely adheres to all written policies issued by the Department of Administrative Services related to the separation of duties, receipting and disbursing, and purchasing cards. The office doesn't have any additional written policies.

5. Other Policies

The office does not have any unique financial control challenges that require special monitoring or procedures. Even though the office is small compared to most state agencies, a separation of duties and controls has been established.



FINANCIAL CONTROLS IN STATE AGENCIES: COMMISSION ON CRIMINAL AND JUVENILE JUSTICE

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

The Executive Director for the Commission on Criminal and Juvenile Justice (CCJJ) ensures that staff that is assigned responsibilities for financial controls are qualified and supervised in their duties. Staff attends necessary training to stay informed of applicable state and federal laws and regulations. When questions arise staff consults their supervisors to determine the proper procedure to be followed. Internal control questionnaires are prepared by staff and reviewed by appropriate supervisory personnel before being submitted to the Division of Finance. Recommendations from the Division of Finance to improve the control environment are implemented immediately.

2. Separation of Duties

The Commission divides the responsibility for the Financial Management between three people:

1. Check Receipts: One person, with an observer, opens the mail and records check receipts in a receipt book, date stamps the check stub and stamps the endorsement on the back of the check. (The Commission does not accept cash. Checks only.)
2. Deposits: The checks are then given to the Financial Manager who keeps a ledger of all checks and amounts received, and to what accounting unit they should be credited, and records the deposit in FINET. He also conducts the monthly bank reconciliations.
3. Verification: At month's end, a third person reconciles the check receipt book, financial ledger and monthly bank reconciliation to verify all funds have been properly deposited and accounted for.

3. Purchasing Cards (P-Cards)

P-cards are used by the Commission to purchase office supplies, pay for conference registration costs, purchase small office and ergonomic items, food for meetings and other operational costs as required. The Commission follows all State P-card related policies and procedures for purchases, reviews and approvals that pertain to the use of these cards.

4. Written Policy

The Commission follows all written State Financial Policies and Procedures, Generally Accepted Accounting Principles, and Federal Audit guidelines in the management of its finances.

5. Other Policies

CCJJ has been designated as the Single State Agency for a variety of federal programs. The majority of the federal funds received by CCJJ are sub awarded to other agencies (state, local, private). Each sub recipient must comply with a multitude of federal regulations. In addition, federal funds used by CCJJ to administer the grants must adhere to federal regulations. CCJJ monitors the sub recipients to ensure adherence to financial and programmatic requirements. The Commission has developed a policy and procedure manual for grant oversight. In addition, the Utah Office of Victims of Crime, which administers victims grants, has developed their own grant manual and site review form for monitoring sub-recipients. Both manuals are attached.



FINANCIAL CONTROLS IN STATE AGENCIES: OFFICE OF THE STATE AUDITOR

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

The Utah State Auditor and the Office of the State Auditor (OSA) management demonstrate character, integrity, and ethical values by action and attitudes from the top down. Employees are expected to perform their duties with integrity, honesty and accuracy.

2. Separation of Duties

All payroll transactions are initiated by office staff and are reviewed and approved by OSA management. All other disbursement transactions are prepared by OSA administrative staff and reviewed for appropriate procurement and receiving documentation prior to approval by the Office Budget Director. No disbursement transactions can be initiated and approved by the same person.

The Office Budget Director, who has no access to cash receipts, monitors all OSA audit and training billings for proper collection.

The Office Budget Director reviews FINET reports for office transactions and monitors ongoing budget status. The accounting functions within the OSA are deemed to be appropriately separated.

3. Purchasing Cards (P-Cards)

The OSA has a total of five purchase cards. Two are for general use and three are used for travel related purchases. The two general use cards are held by two OSA administrative staff and have card limits of \$4,000 and \$20,000. The three travel cards, each with \$1,000 limits, are all held by one OSA administrative staff and each of these individual cards are used for reservations and travel costs related to specific OSA activities including financial and performance audits and local government monitoring activities.

The OSA purchasing card statements are currently received directly by the OSA receptionist by mail, opened and scanned directly to the OSA Budget Director. (The OSA Budget Director is currently in the process of obtaining direct online access to each of these cards to enable printing of statements and review of transaction reports.) The OSA administrative staff prepare monthly reconciliations by recording each transaction in the appropriate FINET account and attaching original receipts for each transaction. These monthly reconciliation statements are reviewed for propriety and approved on the reconciliation form by the Budget Director. The statements used in this reconciliation are also compared by the Budget Director to the statements directly received to ensure there has been no modification of the statement amounts.

4. Written Policy

During the past year, the OSA has been in the process of preparing written policies and procedures regarding the budget, payroll and accounting transactions. As of June 2016, this process is nearly complete and is expected to be completed by August 2016.

5. Other Policies

There are no financial control challenges specific to the OSA.



FINANCIAL CONTROLS IN STATE AGENCIES: OFFICE OF THE STATE TREASURER

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

The State Treasurer's Office (STO) maintains a strong control environment based primarily on:

- **Professional competence, experience, and training.** Employees of the STO have extensive education, certifications, and backgrounds in finance, accounting, investments, banking, and treasury operations. New employees of the STO are subjected to a criminal background check as a condition of their employment.
- **Robust controls, policies and procedures.** Collections & disbursement functions that create potential exposure to fraud or defalcation (such as deposit receipting, ACH origination, and wire transfer) are maintained under carefully crafted systematic controls (as with user rights on online transaction initiation applications), policies, and procedures.
- **Comprehensive code of ethics and standards of conduct.** The STO maintains an employee code of ethics and conduct that defines the agency's culture, core values, and standards for ethical and professional conduct. Management encourages open lines of communication and regularly discusses with employees the importance of strong internal controls.

2. Separation of Duties

Summary

The Financial Manager and Chief Deputy are primarily responsible for ensuring adequate separation of duties and have evaluated the adequacy of these separations. In most cases, the STO has completely separated transaction initiation, transaction authorization, the recording and review of accounting entries, and reconciliation. In those limited instances where it has been determined impractical to separate duties due to staffing limitations, compensating controls have been implemented to prevent or detect errors or fraud. (See "USTO Separation of Duties Analysis.pdf," attached).

Mail and Cash Receipting Duties Separations

The Executive Secretary and Financial Analyst I are primarily responsible for opening mail and the receipting functions in dual custody and the Financial Analyst I also enters the receipt documents in FINET. (STO receives certain payments by mail). The Financial Analyst III is responsible to ensure all receipts are recorded in FINET and are deposited in the bank and also performs the monthly bank reconciliation. The Financial Manager is primarily responsible for the review and approval of processed receipt documents. The Financial Analyst III and the Financial Manager do not have any other duties related to receipting, thus avoiding conflicts.

The Financial Analyst I assists with the cash receipting function as described above and also enters vendor cash disbursements in FINET, causing a potential conflict. In addition, the Financial Analyst I performs both the data entry of cash receipts and has access to the cash receipts, which causes another potential conflict. The compensating control to these conflicts requires that two people open the mail and each employee signs a check log indicating the completeness and accuracy of the check log. The Financial Analyst III compares the check log to the bank's online balance reporting system and to FINET to ensure funds are properly deposited and recorded.

Cash Disbursement Duties Separations

The Chief Deputy Treasurer authorizes vendor disbursement transactions, the Financial Analyst I enters the transactions in FINET, the Financial Manager I approves vendor disbursements and reviews processed disbursements, the Executive Secretary receives any purchased items.

The responsibility for data entry of vendor payments is separated from the approval function, FINET also enforces that the same employee cannot both enter and approve a payment. The employee responsible for the receipt of purchased items is separate from the employee responsible for purchasing and accounts payable activities. Authorization of vendor disbursements is separate from approval of the payments. The employee responsible to review processed disbursements is separate from the employee that enters disbursement transactions in FINET.

The conflict created by the Financial Analyst I assisting with the cash receipting function and entering vendor cash disbursements is addressed above.

Electronic Disbursements Originated By STO

The STO originates certain Automated Clearing House (ACH) and wire transfer transactions. The written procedures for these transactions are protected pursuant to 63G-2-305(12), so as not to contribute to any social engineering components of attempted imposter fraud.

3. Purchasing Card (P-Card)

The STO uses P-Cards for office supplies and miscellaneous small dollar purchases. P-Card purchases are restricted to certain Merchant Category Codes (MCCs), which strictly limits the potential misuse of the cards.

The STO follows Division of Finance P-Card policy to protect from potential misuse of the agency's P-Cards. The following controls are in place over the P-Card program:

- The Financial Analyst III serves as the P-Card Program Coordinator to oversee the program.
- The P-Card Program Coordinator:
 - Ensures that each purchase is in compliance with state policy.
 - Ensures that each P-Card purchase is accompanied by a corresponding receipt.
 - Ensures that sales tax was not paid on each purchase.
 - Reviews each purchase for reasonableness.
 - Codes each transaction to an appropriate coding block in FINET and submits the P-Card coding transaction FINET document.
 - Attaches all supporting documentation to the FINET document.
- The Financial Manager reviews and approves each FINET P-Card coding document.

4. Written Policy

Attached are written policies and/or procedures for Employee Code of Ethics and Conduct, and Mail, Cash and Check Receipting. The STO follows Finance policies for vendor disbursements and p-card usage – those policies are also attached.

5. Other Policies

Attached also - policy and procedure unique to the STO:

- Public Treasurers' Investment Fund Investment Policy Statement
- Public Treasurers' Investment Fund Customer Instructions and Procedure



FINANCIAL CONTROLS IN STATE AGENCIES: BOARD OF PARDONS AND PAROLE

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

The Board sets the foundation for effective internal controls by carefully assigning authority and responsibilities, developing its people, providing clear direction, and requiring accountability.

The Board separates duties so at least three people are required for each financial transaction to reduce any chance of fraud, abuse, or waste. All transactions are scrutinized by upper level management to ensure they support the mission of the Board. Transactions over \$1,000 are reviewed by the Board Chair.

The Board's employee evaluations set a formal expectation for compliance with financial policies and the proper use of resources. The evaluation includes sections and comments about honesty, professionalism and compliance with rules and policy.

The Board seeks to attract and retain competent employees. Hiring decisions are made using a panel of subject matter experts. Employee responsibilities are documented. The Board encourages succession planning by cross training employees and engaging staff in training arranged by the Board and programs offered by the State or other entities.

The Board sets the tone for ethical conduct both by holding staff accountable but also reinforcing positive behavior. For example, after a successful audit the Board Chair may send a personal email recognizing those staff responsible for their positive job performance.

2. Separation of Duties

The Board assigns responsibilities so critical duties for each transaction are separated among at least three people.

Custodian:

The staff member who orders and receives the resources cannot approve the transaction. This staff member is responsible to document the receipt of the resource and verify the invoice.

Approval:

The transaction must be approved by senior management, the Board Chair, or Vice Chair who ensure the resource appropriately supports the mission of the Board and fits the budget.

Payer/Recorder:

The Board of Pardons and Parole is a small agency. In order to provide proper separation of duties the Board uses accounting staff employed by the Department of Corrections to make the payment and record the transaction. After approval, the Board submits the documentation to the Department of Corrections Finance Department. The Finance Department provides an additional layer of review. The fact that the accounting staff is not employed directly by the Board provides a stronger control environment for financial transactions.

Auditing:

State auditors who are not employed by the Board complete quarterly audits of the Board's transactions to ensure the Board is complying with all financial policies.

Receipting:

The Board does not collect money except a nominal amount for copies of records. If a fee is collected the amount is determined by a records technician who makes the copies. The money is collected by a different employee and then a supervisor counts the money and verifies it matches the required amount. Senior management reviews the daily transactions and documentation before a bank deposit is made. The Department of Corrections accounting staff review the bank statements and Board documentation to ensure the deposits were properly received by the bank.

3. Purchasing Cards (P-Cards)

The purchasing card has a small credit limit to ensure it is only used as intended for small, occasional purchases and to limit any potential for abuse. The purchasing card is used with the same separation of duties noted above so at least three people are involved in any transaction.

Any purchase made with the card is subject to the same scrutiny that would be applied to a larger transaction to ensure the resource is required for the mission of the agency and used in a manner that is not wasteful or abusive.

4. Written Policy

The Board complies with the State of Utah Accounting Policies and Procedures. This is verified by quarterly audits. The sections chiefly applicable to this report are sections 4, 5, 6, 9, and 20.

See <http://apps.finance.utah.gov/nxt/gateway.dll?f=templates&fn=default.htm&vid=nxtpub:app1>

5. Other Policies

Other policies include those related to professionalism and ethical conduct contained in Administrative Rule R477 <http://www.rules.utah.gov/publicat/code/r477/r477-009.htm> and the Board's policy 2.00 regarding professional conduct (attached). The Board has employees sign acknowledging this policy and agreeing to comply.

Executive Order 002-2014 <http://www.rules.utah.gov/execdoks/2014/ExecDoc155325.htm> sets ethical standards for state employees.

FINANCIAL CONTROLS IN STATE AGENCIES: DHS/DIVISION OF JUVENILE JUSTICE SERVICES

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. **Control Environment:** The Department of Human Services (DHS), Division of Juvenile Justice Services (JJS) strives to hire employees to oversee the fiscal operations of the division who possess the highest degree of integrity, ethical values, and fiscal competency to ensure that funds appropriated to and received by JJS are accounted for properly and expended appropriately. Financial forecasts are prepared monthly and reviewed with the Division’s executive and deputy directors. Other leadership responsible for portions of the budget are also updated monthly on financial forecasts. Key budget indicators are monitored on a regular basis—not only by JJS staff, but also by the Department’s Office of Fiscal Operations. Any procurement issues are documented by the Department and corrective action plans implemented. The Division’s Fiscal Administrative Team meets on a monthly basis to review procedures, ensure consistency, and resolve fiscal issues. All financial processes follow State Finance and DHS financial guidelines. Despite hiring competent personnel, internal controls are implemented to ensure accountability of public funds.

2. **Separation of Duties:** JJS requires separation of duties in all financial transactions. Following are JJS procedures as they pertain to certain financial functions:
 - A. **Cash Receipts:** JJS deposits cash receipts into the following revenue sources or expenditure object codes:
 - 2934 – Non-Federal Grants—Local municipal government contributions to Washington County Youth Crisis Center
 - 2974 – Contributions from Private—Private donations to purchase items for youth in our programs such as holiday gifts or school supplies
 - 2981 – Sundry Revenue Collection—This includes restitution paid by juveniles for damages to a JJS facility and payment for out-of-state youth staying in shelter
 - 2802 – Contracts for Services—JJS has two contracts for which payments are received:
 - Salt Lake Observation & Assessment prepares meals for the University Neuropsychiatric Institute girls’ group home
 - Genesis youth provide grounds maintenance for the Utah National Guard
 - Other payments are received as offsets to expenditures and deposited to expenditure accounts. Examples include:
 - A private provider repaying an audit finding
 - A vendor repaying an overcharge or duplicate payment

The process for depositing to these accounts is as follows:

- Envelopes are opened in the presence of two assigned employees and entered into a JJS log
- Cash receipts are entered into “Receipt Writer”, an Access database used by DHS
- Cash receipt along with a transmittal receipt is taken to DHS/Office of Fiscal Operations (OFO)
- DHS/OFO staff signs transmittal receipt, gives copy to JJS staff, then makes the deposit
- “Cash Receipt” is created in FINET by DHS/OFO
- JJS Accountant reconciles log, “Receipt Writer”, FINET, and Bank Statement monthly
- For rural parts of the state, the same process is followed, but with different employees
- The State Division of Finance sends out an “Internal Control Questionnaire” biannually for review

- B. **Cash Disbursements:** Process in place so that every transaction is reviewed by at least two employees
 - Payments to vendors and providers are made via FINET, CAPS (DHS payment system for client service providers that interfaces with FINET), or by utilizing P-Cards
 - Five JJS employees can set-up vendors in FINET. State Finance reviews vendor applications for appropriateness. DHS staff set-up vendors in CAPS based on contracts. JJS administration determines which employees can have P-Cards.
 - JJS uses a purchase order (P.O.) process for every purchase (vendor, P-Card, contract, other state agency, or private provider) with the exception of utilities. P.O.’s are approved by a supervisor.
 - At least two levels of approval are required based on amounts of purchases and procurement regulations.

C. **Client Trust Funds:** When the Juvenile Court orders youth to JJS custody who are receiving SSA (deceased parent) or SSI (disability) benefits from the Social Security Administration, JJS becomes the “Representative Payee” for those funds.

- Funds are received from the Social Security Administration as either a check remitted to JJS Administration or as a direct deposit into an account at Mountain America Credit Union. Checks are deposited as described above in Cash Receipts, except that a designated JJS finance staff deposits to the credit union and returns the deposit receipt to JJS Federal Revenue staff for reconciliation.
- On a case-by-case basis, a JJS Financial Analyst determines amounts that can be retained by JJS as a reimbursement of expenditures for the youth’s cost-of-care and how much, if any, should be reimbursed to the Social Security Administration.
- If funds are to be returned to the Social Security Administration, a check is written after approval from the Division’s Federal Revenue Manager and Administrative Services Director. All checks require two signatures. Three JJS employees are authorized to sign checks.
- If funds are to be retained by JJS, a check is written to the Division and deposited per the Cash Receipts procedures. All deposits are posted to object code 7114.
- A monthly statement is received by the Department of Human Services, Office of Fiscal Operations, and is delivered to the Division’s Financial Analyst. That person reconciles the statement to individual client accounts and submits to the Federal Revenue Manager for review. It is then returned to the Office of Fiscal Operations.
- Every six months an Independent Verification of the Client Trust Accounts is conducted by a JJS Administrative Services Manager not affiliated with the process.

3. **Purchasing Cards (P-Cards):** P-Card Transactions: P-Cards are used as a mechanism to pay for certain purchases. Their use was meant to replace petty cash funds in facilities and programs. JJS has currently assigned P-Cards to 85 of its employees. P-Card limits are typically set at \$500 per transaction with a monthly limit of \$2,000. Procedures include:

- Administration reviews requests for P-Cards.
- An annual review of existing P-Cards is conducted to ensure appropriate distribution.
- Every P-Card transaction requires a purchase order approved by the supervisor.
- The P-Card holder fills out a monthly log as transactions occur. Monthly log and monthly statement are submitted to supervisor for review and approval. A new requirement is that the finance personnel receive the statements instead of the employee with the P-Card.
- Approved logs and statements are submitted to finance personnel to “code-out” the charges to appropriate FINET coding and ensure that the log, statement, and FINET reconcile.

4. **Written Policy:** As a division of the Department of Human Services, JJS adheres to policies and procedures established and maintained by the Department which can be found at: hsofo.utah.gov/services/fiscal-procedures-2/. JJS also adheres to policies and procedures of the Utah Department of Administrative Services, Division of Finance found at finance.utah.gov.

5. **Other Policies:** As mentioned in #2 above, for youths committed to the custody of JJS that are receiving SSA or SSI benefits from the Social Security administration, JJS becomes the Representative Payee for those funds. JJS is allowed to keep those funds as a reimbursement of expense under certain conditions. DHS/Office of Fiscal Operations’ policy 03-004 identifies procedures for this process. A copy is attached.

Other attachments include:

1. A copy of JJS’ most recent cash disbursements questionnaire
2. A copy of JJS’s most recent cash receipts questionnaire
3. A copy of JJS’ most recent independent verification of the Client Trust Accounts



FINANCIAL CONTROLS IN STATE AGENCIES: COURTS

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

Given the nature of the Utah State Courts' business and responsibilities, the Courts establish a strong control environment from the beginning of an employee's career. The Utah State Courts begin at the employee orientation training meeting and emphasize the importance of integrity for our staff and organization. The Courts have an internal Audit Department that conducts audits to make sure that applicable oversight of Court and taxpayer assets are in place. Internal Audit provides required training for employees on a regular basis to emphasize the control environment. In addition, all financial and audit policies are available for an employee's use in the Court's Accounting Manual. These policies are updated on a regular basis to ensure the Courts are operating effectively and protected from inappropriate activity. The Courts cooperate with State Finance and their Internal Controls group to ensure internal audit best practices are in place. The Courts' Internal Audit policy was submitted to the Legislative Fiscal Analyst for their review.

2. Separation of Duties

The Courts understand the importance of the best practice of separation of financial duties to ensure that the organization and employees are protected. Each employee involved in financial transactions and receipt of assets have specific responsibilities to safeguard assets. The Courts have explicit separation of duties responsibilities for the following transactions in the Courts: 1) Hand Receipts, 2) Cash Change Fund, 3) Mail Payments, 4) Revenue/Trust Funds, 5) Trust Fund Disbursements, 6) Juror/Witness Payments, 7) Purchasing/Payables, 8) Fixed Assets, 9) Payroll, and 10) Accounts Receivable Monitoring. The Courts have submitted these policies to the Legislative Fiscal Analyst.

3. Purchasing Cards (P-Cards)

Purchasing Card transactions are the most reviewed transactions in the Utah State Courts. The cardholder makes the purchase and must provide all documentation for the monthly reconciliation. The cardholder's manager must review and sign off on the purchasing card log after checking the documentation. The purchasing card logs and documentation are scanned and emailed to the Courts Finance department. The purchasing card logs are reviewed again and entered to make sure all policies were followed. Thereafter, a final review and approval is done by Courts' Finance department. The Courts have the ability to compare the online purchasing card statement to the scanned purchasing card log. The Courts Purchasing Card policy has been submitted to the Legislative Fiscal Analyst with this report.

4. Written/Other Policies

The Utah State Courts' Internal Controls, accounting policies, and other policies to protect and safeguard state assets are always written and can be reviewed in the Courts' Accounting Manual or the Courts' Human Resources Manual. The Accounting Manual can be found at the following link:

<https://www.utcourts.gov/nxt/gateway.dll?f=templates&fn=default.htm&q=&uq=1&x=&up=1>

The Justice Courts' Suggested Accounting Procedures document, Internal Control of Court-collected Funds document, Guidance to Help prevent and Deter Fraud document, and all other established best practices and policies can be accessed by the Justice Courts at:

<https://www.utcourts.gov/intranet/Just/audit/>



FINANCIAL CONTROLS IN STATE AGENCIES: PUBLIC SAFETY

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE
STAFF: GARY SYPHUS AND CLARE TOBIN LENCE

ISSUE BRIEF

1. Control Environment

The control environment for the Department of Public Safety (DPS) is influenced by the Department of Finance (Finance) rules and regulations and also by personnel and policy at DPS. Top management at DPS seeks to instill financial integrity and ethical values within its employees. This is accomplished by training; strict adherence to Finance rules and regulations monitored closely by DPS's fiscal staff; swift action against any inconsistencies or non-adherence to rules and policy; and the example of top management to have integrity and be honest with all inquiries and analysis.

DPS employs only personnel that have passed criminal background checks and who are competent to carry out the various duties as assigned. DPS offers ongoing training and support to all financial employees to help them be more efficient in their assigned duties.

DPS has implemented virtual teller software programs for Driver License and BCI that require each person receiving funds to reconcile cash receipts with services rendered at the end of each work day. This ensures accountability with cash receipting and issuing of certificates and licenses. This program is being adapted to UHP and Fire Marshal needs and will soon be implemented for every other division that handles cash receipts within DPS.

DPS has strict assignment of authority for purchases/payment of invoices. All purchases and payments go through the proper approval processes that ensure the appropriate level of authority for purchases and payments are assigned to the those responsible and qualified individuals identified by the Commissioner to make financial decisions. DPS follows all Finance policies and procedures for cash disbursements.

DPS also follows closely DHRM rules and policies that ensure each employee is treated fairly, that each employee receives an annual review of performance, and each employee is aware of all grievance and disciplinary procedures. DPS also has an anonymous grievance program that is available at all times to every employee. Each complaint is scrutinized by a highly specialized team of internal investigators.

2. Separation of Duties

The majority of DPS's financial transactions are through accounting software that separates collection of cash receipts from the deposit of cash receipts, and the reconciliation of cash receipts. Each of these functions is handled by a different person. All personnel that handle cash receipts, deposits, and reconciliation are separate from those that handle the processing and recording of financial invoices and payments.

Purchase orders must go through an approval process where an employee initiating the purchase acquisition is different than the person that approves the purchase requisition. Purchase orders are scrutinized by DPS's purchasing agent to ensure purchasing rules are followed and proper signatures are gathered. These purchase orders are tied by fiscal staff to vendor invoices to ensure no modifications of the original purchase order has been made.

Cash disbursement are made and authorized by individuals that have no authority to initiate or approve purchase orders. These individuals have no authority to print checks, sign checks, access blank checks, execute wire transfers, etc. All disbursements require an additional approval from management in order to be processed.

3. Purchasing Cards (P-Cards)

DPS offers P-cards to those individuals that apply and show sufficient reasons for needing a P-card. All P-card users must be approved by their division director to have a P-card. All P-card transactions are recorded monthly on an approval form that is scrutinized and signed by the division director.

All P-card holders are trained on State of Utah purchasing rules and DPS fiscal policies before being issued a P-card. Most P-card holders do have transactional and overall monthly purchase limits, however, some that may use their P-cards for emergency responses are not limited. For example, if the helicopter needs to be fueled for a rescue mission, it would be irresponsible to strand the helicopter due to limitations on the P-card that would render the card unusable until the limit could be increased or an exception made.

All P-card statements are reviewed by fiscal staff to ensure purchasing rules are followed. Separate credit card statements are printed by fiscal and compared to the credit card statements submitted by the P-card holder. Any transactions that are unclear are further scrutinized by DPS fiscal staff and additional documentation gathered.

4. **Written Policy**

Separation of Duties Policy – DPS does not specifically have a policy related to separation of duties for the entire department but individual divisions may have their own policy. See attached for Driver License and DCI cash management policy.

DPS does not have a separation of duties policy for the entire department because due to limited resources DPS would be unable to follow policy. Separation of duty requires that for cash receipts internal controls need to be in place and if these controls are not in place then there are compensating controls. For cash receipts this compensating control would require two people to receive or open customer payments, create a listing and prepare the deposit. In our rural areas, we only have one person that staffs each UHP office. This person is responsible to basically run the office, collecting invoices, receipts for accident reports, deposit cash, etc. DPS would need to hire many new office people to staff these offices with two people in order to have proper compensating controls for separation of duty or require a trooper or other UHP officer to be in the office all day. The cost to provide this additional level of internal control to the taxpayer and motoring public, is not cost beneficial and has not been implemented.

DPS does not have a purchasing card policy but follows policies established by Finance.

The two divisions that collect 90% of cash receipts have cash management policies. See the attached Driver License policy and BCI cash management policies.

5. **Other Policies**

DPS has many unique situations that require special monitoring or procedures. UHP has many rural offices that are staffed by only one person. This requires monitoring by the lieutenant in charge of the office to make sure financial transactions are being accounted and receipted properly.

Troopers will pull over a car and seize drugs and large amounts of cash. SBI has processes and procedures in place to ensure the proper handling of this evidence and that cash is accounted for properly and deposited in the bank. This does require additional resources to be pulled off other areas to assist with these types of cases.

DPS has undercover agents that require cash in order to do their job as undercover alcohol agents, other undercover operations, etc. In these circumstances a certain amount of allowance must be given due to the nature of the work being performed. Often these officers are working alone and one cannot ask a receipt for a drug buy, etc. These are closely monitored by supervisors in charge but many times are left to the judgement of superiors with limited backup for the amounts spent.