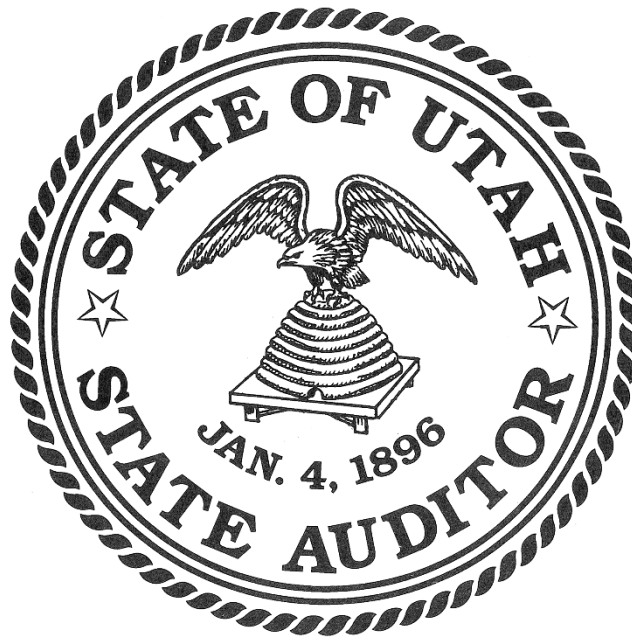


WASATCH COUNTY

Report on Internal Controls
As of October 31, 2018

Report No. WSCO-18-ICR



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor

Jeremy Walker, CPA, Local Government Manager

WASATCH COUNTY

As of October 31, 2018

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OFFICE OF THE
STATE AUDITOR

February 6, 2019

Council Member Danny Goode, Chair
Wasatch County Council
25 North Main
Heber City, UT 84032

Dear Chairman Goode:

As required by *Utah Code* 17-36-45, the Office of the State Auditor has conducted a review of Wasatch County as of October 31, 2018. The purpose of this review is to evaluate the design of the internal control structure of the County. An evaluation of the implementation of internal controls may be the subject of a future review. We made our evaluation through the following procedures:

- The County Clerk/Auditor directed the completion of a questionnaire devised by the Office of the State Auditor. The answers to the questions helped us assess the design of internal control over financial transactions and ethical behavior.
- We reviewed policies and procedures, where available, related to finances and ethics.
- We conducted interviews with county officials to verify the responses provided in the questionnaire.

By its nature, this report focuses on exceptions and weaknesses. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the County during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact Jeremy Walker, Local Government Manager, at 801-538-1040 or jeremywalker@utah.gov.

Office of the State Auditor

cc:	Council Members:	Steve Ferrell
		Kendall Crittenden
		Mark Nelson
		Spencer Park
		Marilyn Crittenden
		Jeff Wade
	Clerk/Auditor	Brent Titcomb
	Treasurer	Karl McDonald
	Manager	Mike Davis

RECOMMENDATIONS

1. **INADEQUATE SEPARATION OF DUTIES OVER CASH ACCOUNTS**

By definition, all treasurers have access to entity bank accounts and cash receipts. Likewise, accountants have access to financial records and systems. This inherent access to cash and record keeping creates a risk of undetected theft or unauthorized disbursements. To manage the risk associated with these key financial duties, the treasurer must perform certain tasks to check the accountant's control over record keeping and the accountant must perform certain tasks to check the treasurer's access to cash receipts and bank accounts.

In Utah, county treasurers collect property taxes for all local government entities within each county. The property tax collection account (Treasurer's Trust Account) is especially risky since most property tax software does not integrate with the accounting system for the rest of the county accounts. This lack of integration can create a scenario where the county treasurer performs all of the accounting and treasurer duties for the Treasurer's Trust Account.

Recommendation:

We recommend the County separate the duties of record keeping and reconciliation of both the property tax collection account (Treasurer's Trust Account) and the county operating accounts. This should be accomplished by having a person outside of the treasurer's office directly receive the bank statements from the bank and perform the bank reconciliation of the Treasurer's Trust Account. Also, someone in the Treasurer's office should directly receive the bank statements from the bank and reconcile all county operating accounts.

2. INADEQUATE GENERAL INTERNAL CONTROLS

- a. (Question 16) The County does not appear to provide management with monthly financial reports comparing current year-to-date spending to the budget.

Recommendation:

We recommend the County provide management with monthly financial reports that compare current year-to-date spending to the budget.

- b. (Question 17) The County does not appear to prepare a monthly bank reconciliation of all bank accounts.

Recommendation:

We recommend the County perform a monthly reconciliation of all bank accounts.

- c. (Question 21) The County does not appear to perform detailed tracking of awarded cash and gift cards, including award type (cash vs. gift card, noting retailer), recipient names, and dates and amounts awarded.

Recommendation:

We recommend the County provide a detailed tracking awarded cash and gift cards, including award type (cash vs. gift card, noting retailer), recipient names, and dates and amounts awarded.

- d. (Question 24) The County does not appear to have procedures in place to ensure that a non-subordinate of the credit or purchase card holder reconciles original receipts to original statements to ensure all transactions are appropriate, authorized, and supported by documentation.

Recommendation:

We recommend the County implement procedures to ensure that a non-subordinate of the credit or purchase card holder reconciles original receipts to original statements to ensure all transactions are appropriate, authorized, and supported by documentation.

- e. (Question 25) The County does not appear to have a process in place to ensure officers and employees disclose conflicts of interest in accordance with Utah Code 17-16a.

Recommendation:

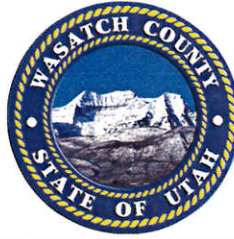
We recommend the County implement a policy that ensures officers or employees disclose conflicts of interest in accordance with Utah Code 17-16a.

BEST PRACTICES TO REDUCE RISK OF FRAUD, ABUSE AND NONCOMPLIANCE

The Office of the State Auditor has identified best practices to reduce the risk of undetected fraud, abuse, and noncompliance in our publication called the *Fraud Risk Assessment Implementation Guide*. This guide, along with other related documents is available on our Local Government Resource Center website (auditor.utah.gov/resources).

The County has already implemented some of our recommended practices. To further reduce the risk of undetected fraud, abuse, and noncompliance we recommend the following:

- Systematically measure the effectiveness of internal controls by implementing a formal internal audit function.
- Maintain a hotline where citizens and employees can anonymously report fraud, abuse or noncompliance or provide a link to the hotline maintained by the Office of the State Auditor.
- Ensure internal controls and financial reporting are reliable by implementing a formal audit committee.
- Strengthen financial sophistication by acquiring the services of a licensed CPA as a member of its management team.
- Facilitate awareness of current regulations and best practices by ensuring that at least one member of the management team receives at least 40 hours of formal training related to accounting, budgeting, or other financial areas each year.
- Promote awareness of ethical dilemmas by requiring all employees, board members and elected officials to sign an annual statement of commitment to acceptable ethical behavior.
- Reinforce understanding of financial concepts and requirements by having Commission/Council members complete the Office of the State Auditor's online training for county officials at least once every four years.
- Establish requirements and expectations by having written policies in the following areas:
 - Reporting fraud or abuse
 - Ethical behavior



February 6, 2019

Jeremy A. Walker, CPA
Manager, Local Governments Division
Office of the State Auditor
Utah State Capitol Complex
East Office Building Suite E310
Salt Lake City, UT 84114-2310

Dear Mr. Walker,

In regards to your letter, dated January 30, 2019, the following are our responses to your audit:

1. INADEQUATE SEPARATION OF DUTIES OVER CASH ACCOUNTS

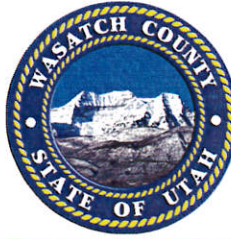
Wasatch County agrees that The Deputy Auditor will reconcile the Treasurer's Trust Account monthly in addition to the Treasurer performing a monthly reconciliation of the Treasurer's Trust Account. The monthly reconciliations will be reviewed by the County Manager and County Council.

The County Operating accounts will continue to be reconciled monthly by the Treasurer's office. In addition, the County agrees that the reconciliation be reviewed by the County Manager and County Council monthly, versus quarterly.

2. INADEQUATE GENERAL INTERNAL CONTROLS

- a. (Question 16) The Deputy Auditor will provide a monthly financial report comparing the current month and year-to-date spending. This monthly financial report will be reviewed by the County Manager and County Council.
- b. (Question 17) Wasatch County agrees and maintains that all accounts as they relate to our accounting system be reconciled monthly. The Treasurer's office will provide a list of all financial accounts that are not currently integrated in our financial software and notify them to cease using the County's Federal Tax ID. This will be reviewed by the County Manager and County Council once completed.

COUNTY MANAGER
Michael K. Davis



COUNTY COUNCIL

Marilyn Crittenden
Steve Farrell
Danny Goode
Kendall Crittenden
Mark Nelson
Jeff Wade
Spencer Park

- c. (Question 21) The Clerk-Auditors Office will create, implement, and disperse to all Wasatch County Employees a tracking system for awarded cash and gift cards. This process will include recording details with the employee name, type (cash vs. gift card) amount, retailer name, reason, and date.
- d. (Question 24) The Clerk-Auditors Office currently approves and reconciles all credit card statements monthly with original receipts. Wasatch County agrees that the Clerk-Auditor department should and will have their credit card statement reconciled and approved by the Treasurer's Office.
- e. (Question 25) Wasatch County will require each appointed or elected officer, as outlined in Utah Code 17-16a, to fill out a conflict of interest form yearly in January.

BEST PRACTICES TO REDUCE RISK OF FRAUD, ABUSE AND NONCOMPLIANCE

Wasatch County will continue to review Best Practices to reduce risk of fraud, abuse, and noncompliance and implement practices as required by Utah Code.

We sincerely thank you for your time and feedback and look forward to continuous strides ahead.

Sincerely,

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Danny Goode, Chair
Wasatch County Council

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Mark Nelson, Vice Chair
Wasatch County Council

COUNTY MANAGER
Michael K. Davis



COUNTY COUNCIL

Marilyn Crittenden
Steve Farrell
Danny Goode
Kendall Crittenden
Mark Nelson
Jeff Wade
Spencer Park

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Marilyn Crittenden
Wasatch County Council

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Steve Farrell
Wasatch County Council

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Kendall Crittenden
Wasatch County Council

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Jeff Wade
Wasatch County Council

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Spencer Park
Wasatch County Council

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Mike Davis
Wasatch County Manager