



Auditor

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Auditor

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To: Davis County Audit Committee
From: Curtis Koch, Auditor; Blake Woodall, Internal Auditor
CC: Troy Rawlings – Davis County Attorney
Date: May 31, 2023
Re: One Million Deposit Issue in Davis County Treasurer Office

Summary of Key Facts:

During the preparation of the February 2023 Collector Account Bank Reconciliation, an unrecorded deposit for \$965,530.64 was identified. The circumstances surrounding this deposit are provided below:

- On 2/15/2023 the Davis County Treasurer moved \$2,000,000 from the Collector PTIF fund to the Davis County Wells Fargo Collector Bank Account
- On 2/16/2023 the Treasurer issued a check payable to the Collector Account from the Collector Account
- The net effect of the Treasurer writing a check to and from the same bank account is \$0
- The check issued on 2/16/2023 was not recorded on the books (Real Tax) until the Auditors office identified the issue
- Treasurer was notified by Auditor staff that the check had not been recorded on the books, as a result the check for \$965,530.64 is an outstanding item on the February 2023 collector account reconciliation

The movement of the \$2,000,000 from the PTIF to the Wells Fargo Collectors bank account covered the \$1,008,891.66 (\$965,530.64 + 43,361.06 interest) due to the taxpayer was not necessary. In addition, the issuance and deposit of a check in the same account served no purpose and only allowed for an error to occur in the bank reconciliation.

When the Treasurer was questioned as to why he issued a check to and from the same account he made the following statement: “The purpose of the check was to offset the check that was mailed to Pacificorp on February 14, 2023 for the appeal settlement...”

Issues/Risks:

The Treasurer’s office lacks key financial controls over key financial processes performed in the office. As a result, significant errors are not prevented or detected in a timely manner. This has

created an environment where the opportunity for fraud may exist. While it is not believed that that fraud occurred in this instance, this highlights the continued concern of the Auditor's Office that there are inadequate internal controls to prevent, detect and correct errors and fraud in the Treasurer's Office.

Recommendations:

It is critical that appropriate cash handling, depositing and reconciliation processes be improved or implemented within the Treasurer's Office.

All checks issued from the Treasurer should be reviewed to determine if they make logical sense.

Timely reconciliation of transactions recorded on the books in comparison to funds received by the bank is absolutely needed and necessary. Further, all funds and deposits received by the Treasurer's office must be accounted for and verified by personnel within the Treasurer's Office and an accurate receipt issued to the department that deposited it.

Conclusion:

Over a period of three years issues with cash receipts, deposits, differences between the books and bank have consistently manifest themselves. As the Treasurer's Office serves as the banker of the County, it is imperative that a holistic-comprehensive control environment be implemented in order to avoid the issue described above, as well as mitigate the risk of errors and fraud. It is the opinion of the Auditor that adequate preventative measures have not been implemented at the time of this error.

The events noted above illustrate that significant control deficiencies exist in the Treasurer's Office cash handling and deposit preparation processes. If appropriate corrective action is not implemented to remediate these issues then Davis County will continue to be exposed to financial risk.

Audit Committee Response:

This report was reported to the Davis County Audit Committee on May 31, 2023. If a response is received from the Audit Committee it will be attached here.