

A REPORT
TO THE DAVIS COUNTY AUDIT COMMITTEE



An Audit of the Mishandling of a Cash Deposit within the Treasurer's
Office

September 8, 2021

Curtis Koch
Davis County Clerk/Auditor

Blake Woodall
Internal Auditor

Summary of Facts

As part of the month end Collector Account Bank Reconciliation process performed by the Clerk/Auditor's office, an \$80 discrepancy was detected in the collector account. Audit Staff contacted staff in the Treasurer's Office on August 12, 2021 and was provided the following information by the individual that handled the transaction in question.

On July 27, 2021 a Davis County property owner came to the Treasurer's Office to pay her property taxes, using the 2021 Property Valuation Notice she had received in the mail ([Attachment A](#)). She presented the valuation notice to a Treasurer Office staff member and \$2,100, which she believed would cover the taxes due. The taxpayer had mistaken the 2020 taxes on the notice for the 2021 estimated taxes. The Treasurers staff explained that \$2,212.21 was due for the 2021 tax year. Treasurer's staff stated that:

- The taxpayer provided payment with \$20 and \$50 dollar bills
- Initially tax payer paid \$2,100 in cash to Treasurer Office staff member
- The staff member took funds to a counting machine, then returned to front window and explained that more money was due
- The taxpayer gave additional bills to the Treasurer staff member who then counted all funds in front of the tax payer then issued a receipt for \$2,300
- Payment of \$2,300 was recorded as a prepayment in Real Tax
- Staff placed the cash on their desktop until the end of day
- At the end of the day, the same staff member prepared deposit for \$2,300 and placed the funds in a sealable plastic bag, but did not seal the bag
- The following day, July 28th, the bag was sealed by a different staff member who did not recount or verify the cash amount
- Loomis picked up funds on July 28th then delivered to Wells Fargo on July 29th

After the discussion with the Treasurer's staff, they said they would consult with the bank regarding the missing \$80. They requested that the bank credit the Davis County Collectors Account for \$80. (See [Attachment B](#) for the complete record of this request.) In response to the requested adjustment, Wells Fargo replied to the Treasurer's Office as follows: "We have reviewed the deposit and have completed our research. We found that the deposit was in fact short. Per the attached tape it is visible that the teller ran the cash twice and the amounts did not change. The teller processed the deposit correctly. We reviewed the teller balances and found no out of balances. Finally, we reviewed film and found no tampering or mishandling of the deposit at any time." As stated by Wells Fargo, they had controls in place to ensure funds actually receipted by the bank teller were correct and accurate.

After receiving the bank's response, the Treasurer's Office Chief Deputy provided the following feedback to Audit staff, "As you can read. It was denied. My next question is whether the County should reverse the \$2,300 on [REDACTED] and give [REDACTED] credit for \$2,220 even though the receipt in her hands still show the \$2,300 paid. Her taxes for 2021 is \$2,212.xx so either way it would cover her complete taxes for 2021."

The above referenced statement and accompanying question by the Treasurer's Office Chief Deputy was sent via email to Treasurer Mark Altom, Treasurer Office staff member Nancy Clark-Smith, and two other individuals in the Clerk/Auditor's Office. Audit staff reported this to Clerk/Auditor Curtis Koch on

August 16th. Since Treasurer Altom did not reply to the question asked by his Chief Deputy as to whether the taxpayer's account should be adjusted to a lower amount than was actually paid and recorded, a follow up email was sent from Clerk/Auditor Koch to Treasurer Altom on August 31st.

Clerk/Auditor Koch stated the following: "Just following up on this email to see if there is any resolution on the missing \$80? We need to finalize the audit report for the September 8th Audit Committee meeting.

Treasurer Altom Replied as follows:

"Jonathan and I have discussed this issue of the missing \$80. My recommendation is that Davis County does a Manual Journal Entry for the shortage of \$80.

We have discussed this with [REDACTED] our staff person that took the cash. She does not recall what happened with the cash. She does remember the taxpayer was initially short for being able to pay the proposed 2021 property taxes from the Valuation Notice. The taxpayer took more cash out of her purse.

This cash transaction was the only cash transaction processed by [REDACTED] that day. The deposit slip shows \$2,300.00 is cash.

We asked Wells Fargo to double check their records for the cash deposit they received from the Treasurer. They verified that two Wells Fargo employees verified the cash.

We also were able to telephone the taxpayer to discuss this transaction with her. She has her receipt which shows \$2,300.00.

I have reasonable assurance that [REDACTED] received \$2,220.00 is cash from the taxpayer, but gave her a receipt for \$2,300.00 in error. I do not suspect any wrongdoing by [REDACTED]

Immediately after this error was discovered, we have changed our cash receipting procedure. We now require that every cash transaction received at the counter is counted by two Treasurer employees. For each cash transaction there is a paper slip showing the parcel number, amount of cash, and both employees who verify the cash initial the slip. Also, for every deposit that has cash, two employees must verify the amount of total cash for that deposit and initial the deposit slip next to the cash section of the deposit slip. This change in procedure improves the cash receipting process for the future."

As noted in Treasurer Altom's response, it was recommended that the \$80 shortage be written-off with a manual journal entry. In response to that recommendation, Clerk/Auditor Koch stated this via email: "...Based upon the information that my office has received, we cannot recommend or execute the manual journal entry for the missing funds. I am happy to include any additional information regarding the reasonable assurance that you have received that indicates your staff received \$2,220 and not \$2,300 in the report."

Findings

- The County has two financial records and a verbal statement from the individual that handled the transaction. All of these show that the taxpayer payed \$2,300. As such, there is no evidence to support the claim that the taxpayer paid \$2,220.
- Due to the lack of internal controls in the Treasurer's Office, it cannot be determined if the funds missing from the cash deposit were lost or stolen.
- The Treasurer's Office does not have a comprehensive control structure to provide the necessary checks and balances over the handling of cash on a daily basis. Super user roles within the Treasurer's Office enable staff to perform core business functions such as cash receipting, recording, reconciling, and canceling/voiding transactions. An individual can have complete control of transactions from beginning to end with little to no oversight, this allows problems or errors to go undetected. This is illustrated by a single person recording the cash transaction and the deposit associated with that transaction without any other person reviewing the transaction. The same weakness was identified and reported in the audit report dated March 26, 2021 and issued to the Treasurer's Office and Davis County Audit Committee.
- The Treasurer's Office is not appropriately using change drawers in the office. This is illustrated by cash being left on the desktop of an employee as well as no change being issued to the taxpayer when they presented more money than was due. The same weakness was identified and reported in a memo dated January 28, 2020 and issued to the Treasurer's Office and Davis County Audit Committee.
- Management review of cash receipts and deposits is not occurring consistently and timely (daily). As a result, timely reconciliation by the Treasurer's office is not being performed to prevent or detect errors. This is illustrated by the error only being identified by the Audit staff at month end reconciliation. The same weakness was identified and reported in the audit report dated March 26, 2021 and issued to the Treasurer's Office and Davis County Audit Committee.
- The initial proposed solution that the original receipt and tax record be altered in order to make an account balance is entirely inappropriate. In this instance, had that recommendation been implemented, it would have been equivalent to theft from a taxpayer.
- The second proposed solution that a manual journal entry be performed by the Clerk/Auditor to correct missing cash of \$80 is inappropriate. All financial records and statements by staff indicate that the taxpayer paid \$2,300.
- It is the responsibility of the Treasurer's Office to be the primary source to prevent, detect, and correct errors.

Recommendations

The recommendations made in the March 26, 2021 audit continue to be appropriate. They are:

The Treasurer's Office should implement a holistic-comprehensive system of internal controls. In order to do this, start by identifying the core business processes and the roles/responsibilities of staff members within those processes. As part of the control environment consider activities designed to prevent, detect, or correct errors and fraud. Control activities might include, separation of duties, timely reconciliation or transactions, reviews and signoff, secondary reviews, and other activities designed then implemented by department management.

The role of super users that can complete an entire transaction process from beginning to end should be eliminated. This should be done by identifying incompatible duties such as processing or posting a transaction then also canceling/bouncing the same transaction.

The Treasurer's Office should develop a plan to reconcile transactions timely, some transactions may need to be reviewed and reconciled daily while other transactions could be reconciled weekly. Timeliness of reconciling transactions are critical to identifying and correcting errors.

The monthly bank reconciliation of the Tax Collectors bank account performed by the Auditor's office should be a review that all transactions tie out and that appropriate supporting documentation exists.

Prior to the review and reconciliation of the Collector Account by the Auditor's office, the Treasurer's office must review the data to identify and correct incomplete or missing transactions.

The recommendations made in the January 28, 2020 memo continues to be appropriate. This memo stated, "The Davis County Treasurer should create two \$500 change funds for each cash drawer utilized daily. Each cash drawer should be counted and balanced daily. As needed, these change funds should be decreased or increased per county financial policy 410 – Petty Cash & Change Funds." In addition to this, change drawers must be used by the Treasurer's staff in order to insure that cash is accounted for appropriately on a daily basis.

Finally, because the evidence shows that the funds were received, management in the Treasurer's office should determine who was responsible for handling of the funds and require repayment of them.

Conclusion

This recent issue involving the mishandling of a cash deposit is one of multiple issues that have occurred within the Treasurer's Office going back to 2018. Due to a lack of internal controls, the Treasurer's Office continues to have similar problems as identified in January of 2020 and March of 2021. As a result, the integrity of key financial processes have been breached and staff have been exposed to unnecessary risk. Until audit recommendations are taken seriously, the County will continue to be exposed to an elevated level of risk.

While the proposed solution by the Treasurer in the August 31st email is appreciated, it also illustrates that corrective actions could have taken place with existing staff and prior to this issue occurring.

Attachment A



DAVIS COUNTY CLERK/AUDITOR

Curtis Koch, MBA, CGFM, CERA

61 South Main Street, P.O. Box 618, Room 101
Farmington, UT 84025-0618

2021 Notice of Property Valuation and Tax Charges

Taxing District	Land Serial Number	Acres	Last Year Detailed Review
0003	[REDACTED]	.20	2011

Property Owner:
[REDACTED]

Property Location:
[REDACTED]

Partial Legal Description - For Tax ID Only
[REDACTED]

[REDACTED]

VALUE OF PROPERTY

Property Type	2020 Market Value	2020 Taxable Value	2021 Market Value	2021 Taxable Value
PRIMARY LAND/ BUILDING	\$279,000	\$153,450	\$315,000	\$173,250

Total Property Value	\$279,000	\$153,450	\$315,000	\$173,250
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Market Value Vs Taxable Value: Fulltime Primary residence is taxed at 55% of Market Value (creating a taxable value). All other property is taxed at 100% of Market Value. Market Value is determined by the Davis County Assessor. To review your value please call the Assessor's office at 801-451-3250.

TAXING ENTITIES	2020 TAXES	COMPARE		PROPOSED			CHANGE		BE HEARD	
		2021 IF NO BUDGET CHANGE	2021 IF PROPOSED BUDGET APPROVED	TAXABLE VALUE	TAXES	CNG TAX	CNG IN %			
DAVIS SCHOOL DIST	914.41	0.005064	877.34	0.005893	173,250	1,020.96	143.62	16.37%	8/3/21, 6:30 pm, 45 E State St, Farmington	
STATE CHARTER SCHOOL L	12.74	0.000088	15.25	0.000088	173,250	15.25	.00	%		
STATE BASIC SCHOOL LEV	249.82	0.001661	287.77	0.001661	173,250	287.77	.00	%		
DAVIS COUNTY	170.33	0.001004	173.94	0.001004	173,250	173.94	.00	%		
DAVIS COUNTY FLOOD	30.54	0.00018	31.19	0.000180	173,250	31.19	.00	%		
DAVIS COUNTY HEALTH & S	31.92	0.000188	32.57	0.000188	173,250	32.57	.00	%		
DAVIS 2005 JAIL BOND	10.89	0.000063	10.91	0.000063	173,250	10.91	.00	%		
DAVIS COUNTY PARAMEDIC	18.26	0.000108	18.71	0	173,250	.00	-18.71	-100.0%		Rate transferred to eligible entities.
BOUNTIFUL CITY	121.07	0.000708	122.66	0.000967	173,250	167.53	44.87	36.58%		8/11/21, 6 pm, 795 S Main St, Bountiful
COUNTY LIBRARY	48.95	0.000289	50.07	0.000289	173,250	50.07	.00	%		
WEBER BASIN WATER	22.40	0.000132	22.87	0.000132	173,250	22.87	.00	%	TNT hearing held 11/20/20	
MOSQUITO ABATEMENT	16.88	0.000099	17.15	0.000099	173,250	17.15	.00	%		
BOUNTIFUL IRRIGATION DIS	13.20	0.000078	13.51	0.000078	173,250	13.51	.00	%		
SOUTH DAVIS SEWER	34.68	0.000205	35.52	0.000296	173,250	51.28	15.76	44.37%		
SOUTH DAVIS RECREATION	33.45	0.00021	36.38	0.000210	173,250	36.38	.00	%	8/2/21, 6 pm, 255 S 100 W, Bountiful	
SOUTH DAVIS METRO FIRE	48.64	0.000289	50.07	0.000620	173,250	107.42	57.35	114.54%		
COUNTY ASSESS & COLLEC	27.16	0.000161	27.89	0.000161	173,250	27.89	.00	%		
MULTICNTY ASESS & COLLE	1.84	0.000012	2.08	0.000012	173,250	2.08	.00	%		
BTFL IRRIG. WATER CHARG	143.44		143.44			143.44				
TOTALS	1,950.62	0.010539	1,989.32	0.011941	173,250	2,212.21	242.89	111.86%	This is Not a Bill * Do Not Pay *	

If you Disagree with the Total Market Value of your property, you may file an **Appeal** with the Davis County Board of Equalization (BOE) at 61 S. Main St. or P.O. Box 618, Room 101, Farmington, UT 84025, Appeal applications are on the County web site www.daviscountyutah.gov (hover over "Departments", click "Tax Administration", click "Appeals", on left hand side see appeal application and appeal instructions).

The Deadline for filing appeals for your 2021 Total Market Value is:
September 16, 2021

If you have questions with appeals, please call 801-451-3329 or 801-451-3332



Blake Woodall <bwoodall@co.davis.ut.us>

7/29/21 \$80 discrepancy research results

7 messages

Jonathan Lee <jlee@co.davis.ut.us> Mon, Aug 16, 2021 at 9:20 AM
To: [redacted] Mark Altom <marka@co.davis.ut.us>
Cc: [redacted] Blake Woodall <bwoodall@co.davis.ut.us>

All,

Below is WFB's response back to my request for a \$80 credit on the 7/27 deposit adjustment.... As you can read, it was denied. My next question is whether the County should reverse the \$2,300 on [redacted] and give [redacted] credit for \$2,220 even though the receipt in her hands will still show the \$2,300 paid. Her taxes for 2021 is 2,212.xx so either way it would cover her complete taxes for 2021.



7/29/21 deposit adjustment - \$80 dr 60088561

Email interface showing navigation tabs (Inbox, Contacts, Compose, Sent Mail, Drafts), action buttons (Reply, Reply All, Forward, Delete, More Actions), recipient info (jlee@co.davis.ut.us), and message details (Received: Aug 16, 2021 8:46 AM, Expires: Sep 15, 2021 8:46 AM, From: jonathan.gomez@wellsfargo.com, To: jlee@co.davis.ut.us, Cc: kaywin.tarpley@wellsfargo.com, Subject: 7/29/21 deposit adjustment - \$80 dr 60088561). Attachment: CVSL SVC 60088561 Davis County Government 1147 \$80.00.pdf

This message was sent securely using Zix

Hello Jonathan,

We have reviewed the deposit and have completed our research. We found that the deposit was in fact short. Per the attached tape it is visible that the teller rans the cash twice and the amounts did not change. The teller processed the deposit correctly. We reviewed the teller balances and found no out of balances. Finally, we reviewed film and found no tampering or mishandling of the deposit at any time.

Please let me know if you have any questions. Thank you for your time.

Jonathan Gomez

AVP, Client Service Officer | Government and Institutional Banking
Customer Care for Businesses Service Office

Wells Fargo, NA | 3440 Flax Dr. 5th Floor | El Monte, CA 91731 | MAC E2001-052 | Tel: 626-572-1657 | Fax: 855-826-9918 | Available From 7:00 AM - 4:00 PM (PT)

Jonathan.Gomez@wellsfargo.com

To stay up to date with the latest information, please visit and bookmark this page: Coronavirus Updates for Commercial Banking customers.

Jonathan Lee, CPA, CGFM
Chief Deputy Treasurer
Davis County Treasurer's Office
P.O. Box 618
Farmington, UT 84025-0618
801-451-3246

Curtis Koch <ckoch@co.davis.ut.us>
To: Mark Altom <marka@co.davis.ut.us>
Cc: Blake Woodall <bwoodall@co.davis.ut.us>

Tue, Aug 31, 2021 at 8:39 AM

Attachment B Cont.

Good Morning Mark,

Just following up on this email to see if there is any resolution on the missing \$80? We need to finalize the audit report for the September 8th Audit Committee meeting.

Thanks,

Curtis Koch
Davis County Clerk/Auditor
o: (801) 451-3491
c: (801) 543-9778



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[Quoted text hidden]

Mark Altom <marka@co.davis.ut.us>
To: Curtis Koch <ckoch@co.davis.ut.us>
Cc: Blake Woodall <bwoodall@co.davis.ut.us>, Jonathan Lee <jlee@co.davis.ut.us>

Tue, Aug 31, 2021 at 9:08 AM

Curtis,

Jonathan and I have discussed this issue of the missing \$80. My recommendation is that Davis County does a Manual Journal Entry for the shortage of \$80.

We have discussed this with [REDACTED] our staff person that took the cash. She does not recall what happened with the cash. She does remember the taxpayer was initially short for being able to pay the proposed 2021 property taxes from the Valuation Notice. The taxpayer took more cash out of her purse.

This cash transaction was the only cash transaction processed by [REDACTED] that day. The deposit slip shows \$2,300.00 is cash.

We asked Wells Fargo to double check their records for the cash deposit they received from the Treasurer. They verified that two Wells Fargo employees verified the cash.

We also were able to telephone the taxpayer to discuss this transaction with her. She has her receipt which shows \$2,300.00.

I have reasonable assurance that [REDACTED] received \$2,220.00 is cash from the taxpayer, but gave her a receipt for \$2,300.00 in error. I do not suspect any wrongdoing by [REDACTED]

Immediately after this error was discovered, we have changed our cash receipting procedure. We now require that every cash transaction received at the counter is counted by two Treasurer employees. For each cash transaction there is a paper slip showing the parcel number, amount of cash, and both employees who verify the cash initial the slip. Also, for every deposit that has cash, two employees must verify the amount of total cash for that deposit and initial the deposit slip next to the cash section of the deposit slip. This change in procedure improves the cash receipting process for the future.

Mark Altom
Treasurer
Davis County, Utah
(801) 451-3243



[Quoted text hidden]

Mark Altom <marka@co.davis.ut.us>
To: Curtis Koch <ckoch@co.davis.ut.us>
Cc: Blake Woodall <bwoodall@co.davis.ut.us>, Jonathan Lee <jlee@co.davis.ut.us>

Tue, Aug 31, 2021 at 1:22 PM

Curtis,

One other change in procedure I did not mention is we have often put multiple deposits in a single security bag that is picked up by the armored car service, including cash deposits. We now have each deposit with cash sent separately with the two initials by Treasurer staff. The individual deposit with cash is sealed, witnessed by the two staff members who initial the cash deposit.

Attachment B Cont.

Curtis Koch <ckoch@co.davis.ut.us>
To: Mark Altom <marka@co.davis.ut.us>
Cc: Blake Woodall <bwoodall@co.davis.ut.us>, Jonathan Lee <jlee@co.davis.ut.us>

Thu, Sep 2, 2021 at 1:05 PM

Mark,

Thanks for your reply. We will note it in the audit report.

Based upon the information that my office has received, we can not recommend or execute the manual journal entry for the missing funds. I am happy to include any additional information regarding the reasonable assurance that you have received that indicates your staff received \$2,220 and not \$2,300 in the report.

Thanks.

Curtis Koch
Davis County Clerk/Auditor
o: (801) 451-3491
c: (801) 543-9778



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[Quoted text hidden]