

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



An Audit of  
Public Works Engineering and Flood Control

June 05, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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June 05, 2014

Ben McAdams, Mayor  
Salt Lake County  
2001 S State St #N2100  
Salt Lake City, UT 84114-4575

Re: An Audit of Public Works Engineering and Flood Control

Dear Mayor McAdams:

We recently completed an analysis of Public Works Engineering and Flood Control pursuant to 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. 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 Public Works Engineering and Flood Control and the cooperation from Scott Baird, Division Director, Amy McCormick, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Public Works Engineering and Flood Control 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: Scott Baird, Division Director  
Amy McCormick, Fiscal Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Public Works Engineering and Flood Control. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with selected internal controls.

## Conclusion

Public Works Engineering and Flood Control has put into place some internal controls for managing public funds and safeguarding confidential information. 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, we noted that additional controls over accounts receivable should be implemented to provide more protection for County assets. Areas where improvement can be made include having supervisory reviews of voided permit receipts, disabling the ability to reprint permit receipts, performing monthly reconciliations of the excavation permit fees accounts receivable, and approving adjustments to customer accounts. A report of the last audit of Engineering and Flood Control was released to the public in June 2013.

## Findings and Recommendations

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***Finding # 1 - The accounts receivable aging report was out of compliance with Countywide policy.***

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### **Risk Level: High**

Countywide Policy #1220 "Management of Accounts Receivable and Bad Debt Collection," Section 5.5 states:

"Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. An aged analysis of accounts receivable ledger balances (aging schedule) shall be prepared each month. The aging schedule shall be maintained in a manner that provides information as to which amounts are 30 days old or less at the beginning of a month, which are 31 to 60 days old, 61 to 90 days, 91 to 120 days old, and over 120 days old. The aging will be based on the date of the invoice."

The aging schedule used by Engineering and Flood Control for the aging of the accounts receivable for excavation permit fees had columns for "current due," amounts "30 days past due," and amounts "60 days past due." Any amounts that were older than 60 days were tracked in the "60 days past due" column. Because the aging schedule did not adequately show the range of time each account had been outstanding (i.e., unpaid), it was difficult to know the accurate aging of accounts that were over 60 days past due.

Without an accurate aging of account receivable amounts, management is unable to analyze the makeup of the accounts receivable balance and make effective decisions regarding delinquent accounts.

### ***Recommendation***

We recommend that the accounts receivable aging schedule be prepared in accordance with the requirements in Countywide Policy #1220.

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### ***Finding # 2 - Separation of duties over accounts receivable billing and posting of payments were not adequate.***

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#### **Risk Level: High**

Countywide Policy #1220 "Management of Accounts Receivable and Bad Debt Collection," Section 5.4 states:

"The employee who maintains the accounts receivable ledger shall be separate from the employee who prepares invoices and the employee who collects payments. In the event that staffing levels prevent such a segregation of duties, a supervisor, or second responsible employee, shall review and sign the monthly reconciliation, as a control on the process."

The Purpose Statement of Countywide Policy #1062, "Management of Public Funds" states:

"In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

The employee responsible for posting payments to customer accounts and maintaining the excavation permit accounts receivable ledgers also prepared monthly billing statements. In addition, as stated in Finding #8, there is not a monthly reconciliation of accounts receivable customer accounts for excavation permit fees.

In the absence of a full monthly reconciliation, errors and omissions are more likely to occur without detection. In addition, there is a risk that funds may be misappropriated.

***Recommendation***

We recommend that the responsibilities of maintaining the accounts receivable ledger and posting payments be separate from the responsibilities of preparing invoices and billing statements. If staffing levels prevent this separation of duties, we recommend that a supervisor perform monthly reconciliations of the accounts receivable for the excavation permit fees.

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***Finding # 3 - One employee maintained the accounts receivable ledger and delivered payments for deposit.***

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**Risk Level: High**

Countywide Policy #1220 "Management of Accounts Receivable and Bad Debt Collection," Section 5.4 states:

"The employee who maintains the accounts receivable ledger shall be separate from the employee who prepares invoices and the employee who collects payments. In the event that staffing levels prevent such a segregation of duties, a supervisor, or second responsible employee, shall review and sign the monthly reconciliation, as a control on the process."

The employee responsible for posting payments to accounts for miscellaneous items (i.e., Stormwater Coalition revenue contracts, contractual cost share agreements, grants, etc.) also had access to customer payments and delivered the payments to Mayor's Financial Administration for deposit.

Inadequate segregation of duties facilitates the opportunity for misappropriation of funds and increases the risk that errors and/or irregularities may occur without being detected.

***Recommendation***

We recommend that employees who have the ability to modify the accounts receivable balances not obtain custody of cash or checks; therefore, an employee not involved with maintaining accounts receivable customer accounts should deliver the payments to Mayor's Financial Administration for deposit.

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***Finding # 4 - The software system used to manage the accounts receivable for excavation permit fees needs to be updated.***

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**Risk Level: High**

Generally Accepted Accounting Principles (GAAP) state:

"To be useful, financial information must be relevant, reliable, and prepared in a consistent manner. . . . Reliable information is verifiable and objective."

The Engineering and Flood Control Division uses FC Permits software to manage the excavation permit fees and associated accounts receivable. The permit coordinator processes billing statements and end of month reports from the information in FC Permits. However, the system does not have the functionality to ensure efficiency of the accounts receivable process and the capability to generate necessary reports. Furthermore, the system aging report does not accurately identify outstanding debts by age.

Management lacks adequate information on the performance of the accounts receivable function to make informed decisions.

### ***Recommendation***

We recommend that the Engineering and Flood Control Division purchase or develop a software system that is adequate to properly account for and report their receivables.

We recommend that records and relevant data are complete and accurately reflect the activities of the accounts receivable function.

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### ***Finding # 5 - Adjustments to accounts receivable amounts were not reviewed and approved.***

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#### **Risk Level: High**

Countywide Policy #1062, "Management of Public Funds," states in the introduction that:

"Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and policies, and errors, irregularities, and omissions are effectively minimized or detected."

The employee responsible for initiating adjustments to customer accounts was able to both record as well as authorize the adjustments to the accounts. There was no independent review of the adjustments. In addition, the FC Permits software did not have the capability to generate a system report or audit trail of manual adjustments recorded in the customer accounts. Furthermore, the employee had control over all excavation permit customer accounts, posting of payments, adjustments, write-offs, and unrestricted computer system access and authority to perform any function.

When there is no independent review of adjustments, there is an increased risk that errors and irregularities could occur without detection. In addition, discrepancies in customer amounts are difficult to reconcile.

***Recommendation***

We recommend that a system report be generated of all manual adjustments recorded in the accounts receivable customer accounts.

We recommend that adjustments to customer accounts be reviewed and approved by a supervisory-level employee who does not have responsibility for recording these transactions in the accounts receivable system.

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***Finding # 6 - Receipts for prior transactions could be altered and reprinted.***

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**Risk Level: Moderate**

Standard business practice is that cashiers should not be able to reprint or alter the receipts from prior transactions.

During the course of our review, we noted that receipts for prior transactions could be altered and reprinted. The ability to reprint receipts is a built-in feature of the FC Permits software that is used by the Engineering and Flood Control Division. This was a finding in the previous audit report and management response was that the Division was in the process of replacing the FC Permits software with Adobe LiveCycle software. The implementation date for the new software system was anticipated to be January 1, 2014. However, due to issues with programming the new software to meet the needs for recording and maintaining permit information and limited resources for making the necessary changes, the Division is no longer planning to use the Adobe LiveCycle software.

When receipts can be altered and/or reprinted, the accuracy and completeness of transactions cannot be ensured, and there is an increased risk of misappropriation of County funds.

***Recommendation***

We recommend that the ability to reprint and/or alter receipts be disabled.

We recommend that the Engineering and Flood Control Division continue to seek software solutions that would improve the internal control environment.

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***Finding # 7 - Uncollectible accounts receivable amounts were not written-off.***

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**Risk Level: Moderate**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 6.1 states:

"While the goal is to reduce accounts receivable by collecting the revenues due, circumstances may dictate reducing accounts receivable by writing-off certain debts that are deemed uncollectible. After all collection efforts are completed at the agency level, uncollected accounts are considered problem accounts and are transferred to the District Attorney's Office. Departments and agencies may transfer problem accounts, but no sooner than 90 days after the account becomes past due unless legal circumstances require more immediate action. For accounting purposes, accounts receivable should be written-off at the point the accounts are transferred to the District Attorney's Office."

The Flood Control and Engineering Division transferred two customer accounts to the District Attorney's Office that are still reported on the Monthly Customer Balance Reports. The amounts reflected in the two customer accounts are deemed uncollectible; therefore, according to Countywide Policy #1220, the accounts should be written-off.

Accounts receivable constitute money the Division expects to receive from customers. When there is no hope of recovering the balance owed, but the amount is still part of the A/R balance, the balance is overstated. When uncollectible amounts are not written-off, the accounts receivable balance does not reflect an accurate amount due that the Division expects to collect.

### ***Recommendation***

We recommend that management write-off uncollectible accounts receivable amounts.

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### ***Finding # 8 - Reconciliations were either not performed or not documented.***

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### **Risk Level: Moderate**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.3.2, states:

"The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step."

The Engineering and Flood Control Division maintains two separate accounts receivable ledgers. One for excavation permit fees and a second one for miscellaneous items (i.e., Stormwater Coalition revenue contracts, contractual cost share agreements, grants, etc.). Accounts receivable amounts for excavation permit fees were not properly reconciled each month. In addition, reconciliations for the accounts receivable for miscellaneous items were not documented by the employee performing the reconciliations and were not dated to verify that they had been performed on a monthly basis.

When reconciliations are not performed, or are not documented in a way by which it can be determined that they have been performed in a timely manner, there is an increased risk that errors and irregularities may occur without detection.

***Recommendation***

We recommend that both accounts receivable ledgers be reconciled on a monthly basis by an employee that is not involved in billing or collection.

We recommend that the reports are signed by the employee who performed the reconciliations and that variances be reviewed and resolved in a timely manner.

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***Finding # 9 - A current software inventory was not on file.***

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**Risk Level: Moderate**

Countywide Policy #1400, "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 noted that the software inventory list on file was not complete, as required by Countywide Policy. This was a finding in the previous audit report and management's response was that the Engineering and Flood Control Division was in the process of updating the software inventory list and that the inventory would be completed by September 1, 2013. However, due to limited staff resources and conflicting demands, the Division was not able to complete the software inventory list by the date specified.

When the software inventory is not maintained, there is an increased risk of unlicensed software on the Engineering and Flood Control Division computers which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

***Recommendation***

We recommend that the Engineering and Flood Control Division complete and maintain a current software inventory.

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***Finding # 10 - Voided transactions were not handled in accordance with Countywide policy.***

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**Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

"All copies will be marked 'VOID,' including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution. A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

During our review of 24 deposits, we noted seven permit receipts that were voided. The Fiscal Manager documented the reason for the voids on two of the voided receipts and initialed those receipts. There were no signatures from the employee who receipted the payments. In addition, there were five voided permit receipts that were replaced with new receipts. The reasons for these voids were not documented and the voided receipts were not signed by a supervisor nor the employee initiating the voided transactions.

Furthermore, during our review of accounts receivable, we noted three adjustments to excavation permit fees, altering the balance that was due to zero, which voided the transactions. The reasons for the voided transactions were included in the comments section of the online permits. However, the permit receipts for the voided transactions were not reviewed and approved by a supervisor, and there were no signatures from the supervisor nor the employee initiating the voided transactions.

When voids are made without explanation and are not reviewed and approved by a supervisor, the opportunity is increased for misappropriation of funds.

***Recommendation***

We recommend that the reason for the voided transaction be documented on the face of the receipt, that voided permit receipts be retained with the deposit documentation, marked "void," and signed by the employee initiating the voided transaction.

We recommend that a supervisor review and sign all permit receipts for voided transactions.

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***Finding # 11 - Interest charges were not assessed to past-due accounts receivable amounts.***

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**Risk Level: Low**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 4.3 states:

"Interest will be charged on accounts receivable not paid within 30 days of the date of the invoice. Interest charges are imposed to offset the County's cost of financing accounts receivable and to provide an incentive for timely payment of accounts receivable. Additional service charges should be applied to cover the County's full cost of collecting past due amounts owed to the County.

Section 4.4 states:

"Payments received after the due date shall be allowed a two-day grace period, following which interest will be charged at 1 1/2 percent per month (18 percent per annum) on the unpaid balance of the account. The interest charged shall be assessed until the account is deemed uncollectible, or until it is referred to the District Attorney's Office."

Interest charges were not assessed for nonpayment of debt owed to the Engineering and Flood Control Division. Accounts receivable customers were notified on their monthly billing statements of excavation permit fees that were 30-days and 60-days past due; however, there was no interest charged.

Staff cited that the FC Permits software was not designed to assess interest charges.

Customers are not encouraged to pay promptly when interest charges are not assessed on past-due amounts. In addition, the costs to collect amounts due are not recovered from the company who created the receivable.

### ***Recommendation***

We recommend that the Engineering and Flood Control Division assess interest charges on past-due amounts.

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***Finding # 12 - Some "Controlled Assets Inventory Form-Employee" lists needed to be updated.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 2.2.2 and 2.2.4 state that Property Managers are responsible for the following:

"Accounting for all controlled assets within the organization's operational and/or physical custody."

"Safeguard all property subject to this policy for which the organization has custodial responsibility."

Section 2.3.2 states:

"When initiating purchases of property for their use, employees should coordinate with the Property Manager to ensure such assets are properly assigned and accounted for."

During our review of controlled assets, we noted three "Controlled Assets Inventory Form - Employee" lists that needed to be updated. Two of the lists needed to be updated with the current employees that were assigned the controlled assets. In addition, a new computer that was assigned to an employee was not recorded on the "Controlled Assets Inventory Form - Employee" for that employee.

Staff cited that during August 2013, a temporary employee was assigned the duties of performing the controlled assets inventory and maintaining the controlled assets inventory forms. When the temporary employee left, Division management designated a new employee as the Property Manager in November 2013.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

### ***Recommendation***

We recommend that procedures and controls are in place to ensure that controlled asset lists are updated as necessary.

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***Finding # 13 - Two controlled assets on the "Controlled Assets Inventory Form - Organization" could not be located.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.2 states that Property Managers are responsible for the following:

"Accounting for all controlled assets within the organization's operational and/or physical custody."

Section 2.2.6 states:

"Prepare PM-2 form for ... property no longer needed by the organization prior to removing it to the surplus warehouse."

During our review of controlled assets, we were unable to locate two controlled assets, a camera and a cell phone, that were listed on the "Controlled Assets Inventory Form - Organization." The temporary employee assigned to update the controlled assets lists, signed the "Controlled Assets Inventory Form - Organization" in August 2013. Staff cited that the cell phone had been returned to the vendor and that the camera had been sent to surplus property. We reviewed the PM-2 Forms and could not locate a form that listed the camera.

According to staff, during August 2013 a temporary employee was assigned the duties of performing the inventory and maintaining the "Controlled Assets Inventory Form - Organization." The temporary employee signed the form verifying that it was complete and accurate. The current Property Manager was assigned the responsibilities for maintaining controlled assets in November 2013, and therefore, had not performed another inventory of controlled assets.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

### ***Recommendation***

We recommend that a PM-2 form be completed for controlled assets that are sent to surplus property.

We recommend that documentation, i.e., a return receipt, be on file for controlled assets that are returned to the vendor.

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### ***Finding # 14 - Records were not maintained as to the physical location of some controlled assets.***

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#### **Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states under Property Manager's Duties that property managers are responsible to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

Section 4.3.6 states:

"Although it may be impractical to define exact locations on the forms in circumstances where property is used by more than one employee, or where it is frequently moved or reassigned, Property Managers should use exact locations whenever possible (and update them as needed) to establish better control."

We reviewed a sample of 26 controlled assets and noted that there was no physical location recorded on the inventory lists for five controlled assets.

Failure to maintain records as to the current physical location of controlled assets increases the risk of assets being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the Engineering and Flood Control Division ensure the correct location codes are recorded on inventory lists.

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***Finding # 15 - Two checks collected were not deposited in a timely manner.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds, Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily, whenever practicable, but not later than three days after receipt."

During our review of a sample of 24 deposits, we noted that two checks receipted on September 23, 2013, were not given to the Fiscal Manager to be deposited until October 18, 2013. This appeared to be a one-time error on the part of the employee that received the two checks and not a pattern of non-compliance.

A finding regarding deposits that were not always made within three days of receipt was discussed in the previous audit report. However, our current review of depositing showed that with the exception of the deposit described above, the Engineering and Flood Control Division has placed an emphasis on making deposits within three days as required by Utah Code.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

***Recommendation***

We recommend that the Engineering and Flood Control Division continue to emphasize the importance of depositing funds on the same day they are received, whenever practicable, but not later than three days after receipt.

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***Finding # 16 - Standard operating procedures for the accounts receivable function need to be updated.***

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**Risk Level: Low**

Countywide Policy #1000, "Department/Division and/or Section Policy Implementation Procedure," Section 1.1 states:

"Division/section policies are those that affect that organization within Salt Lake County Government. Offices, departments, divisions and sections within the County are responsible for policies that relate solely to their operations. These responsibilities include the implementation, modification, and distribution of policies, which must conform to existing departmental and Countywide policies and procedures, ordinances and State laws."

Section 1.2 states:

"Standard operating manuals encompass types of regulations that do not rise to the level of formal policies. Such manuals deal with and provide direction for day-to-day operations."

Section 3.4 states:

"Offices, departments, divisions and sections shall be responsible for ensuring that standard operating manuals are kept current and are made readily available to all employees affected thereby."

The Engineering and Flood Control Division had limited standard operating procedures for the accounts receivable function. However, the procedures were mainly instructions regarding entering data into the FC Permits software and generating reports. The procedures did not address day-to-day operations and unique situations that may occur. During our fieldwork, we identified weaknesses in the accounts receivable process that were not addressed in the standard operating procedures. For example, there are no procedures to address how to account for overpayments from customers or other credit balances that occur due to adjustments made to permit fees, no controls requiring approvals of adjustments, and no procedures regarding collecting bond amounts for delinquent accounts.

When no formal accounts receivable process is in place, there is an increased risk in the incorrect or fraudulent management of payments received from customers. Furthermore, without procedures to address day-to-day operations and issues, one employee has discretion over situations that arise regarding payments and adjustments to accounts.

### ***Recommendation***

We recommend that written procedures be developed to provide guidance for day-to-day operations of the accounts receivable function and to provide direction for unique situations that occur regarding excavation permit fees and payments.

## **Additional Information**

### **Background**

The Engineering and Flood Control Division is responsible for planning, engineering design, and construction of County roads, highways, bridges, curbs, gutters, sidewalks, drainage, and flood control facilities. The Division provides services on both a Countywide basis and for unincorporated Salt Lake County. Flood control and water quality projects are part of the Division's Countywide services. Additionally, the Division manages the area-wide Water Quality Management Plan.

### **Scope**

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Cash Receipting
- Cash Depositing
- Capital and Controlled Assets, and Software Inventory
- Accounts Receivable
- Accounts Payable
- Contracts

Our examination period covered up to twelve months ending December 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation 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.



May 28, 2014

BEN McADAMS  
Salt Lake County Mayor

Russ Wall  
Public Works and Regional  
Development Department Director

Patrick W. Leary  
Township Executive

**ENGINEERING AND  
FLOOD CONTROL  
DIVISION**

Scott R. Baird, P.E.  
Division Director

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

Dear Mr. Hawkins:

In regards to the recent audit dated April 22, 2014, of the Engineering and Flood Control Division, a management response is included below for each finding.

**Finding #1 – The accounts receivable aging report was out of compliance with Countywide Policy.**

*Implementation in process.* The current cash receipting system, FC Permits, is not designed to produce an aging schedule as required by Countywide Policy #1220. We are in the process of replacing FC Permits. We will ensure that the replacement software generates an aging schedule that is in compliance with Countywide Policy #1220.

**Finding #2 – Separation of duties over accounts receivable billing and posting of payments were not adequate.**

*Implementation in process.* The supervisor will perform monthly reconciliations of accounts receivable (A/R) for the excavation permit fees.

**Finding #3 – One employee maintained the accounts receivable ledger and delivered payments for deposit.**

*Implemented.* As of January 1, 2014, we are using the PeopleSoft A/R module to manage our miscellaneous receivables. The employee who processes A/R no longer has the ability to modify invoices. In addition, an individual in Mayor Finance posts invoice payments to customer accounts.

**Finding #4 - The software system used to manage the accounts receivable for excavation permit fees needs to be updated.**

*Implementation in process.* We are in the process of replacing FC Permits. We will ensure that the replacement software meets the requirements of Countywide Policy #1220.

**Finding #5 – Adjustments to accounts receivable amounts were not reviewed and approved.**

*Implementation in process.* FC permits does not generate a report that lists all manual adjustments. Until FC Permits is replaced, the supervisor will review and approve any adjustments that occur.

**Finding #6 – Receipts for prior transactions could be altered and reprinted.**

*Implementation in process.* We are in the process of replacing FC Permits. We will ensure that the replacement software includes features to maintain a strong internal control environment.

**Finding #7 – Uncollectible accounts receivable amounts were not written-off.**

*Implementation in process.* The accounts that have been sent to the District Attorney for collection will be written-off as uncollectible.

**Finding #8 – Reconciliations were either not performed or not documented.**

*Implementation in process.* The supervisor will perform and sign monthly reconciliations of accounts receivable.

**Finding #9 – A current software inventory was not on file.**

*Implementation in process.* Due to the focus on PeopleSoft during 2013, we were not able to complete the software inventory list. We plan to continue updating the software inventory list in 2014.

**Finding #10 – Voided transactions were not handled in accordance with Countywide policy**

*Implementation in process.* Voided transactions will be printed by the employee initiating the transaction. The employee will then document the reason for the void and sign the documentation. The supervisor will review and sign the voided documentation.

**Finding #11 – Interest charges were not assessed to past-due accounts receivable amounts.**

*Implementation in process.* We are in the process of replacing FC Permits. We will ensure that the replacement software meets the requirements of Countywide Policy #1220.

**Finding #12 – Some “Controlled Assets Inventory Form-Employee” lists needed to be updated.**

*Implemented.*

**Finding #13 – Two controlled assets on the “Controlled Assets Inventory Form – Organization” could not be located.**

*Implementation in process.* The Property Manager will write a memo for the file regarding the assets that could not be located.

**Finding #14 – Records were not maintained as to physical location of some controlled assets.**

*Implemented.* Asset records have been updated to show the physical location of each controlled asset.

**Finding #15 – Two checks collected were not deposited in a timely manner.**

*Implemented.* As explained in the Engineering and Flood Control audit report, there were two deposits that were not made within three days of receipt. The report also stated, “our current review of depositing showed that with the exception of the deposit described above, the Engineering and Flood Control Division has placed emphasis on making deposits within three days as required by Utah Code.” We will continue to place an emphasis on the importance of this policy.

**Finding # 16 – Standard operating procedures for the accounts receivable function need to be updated.**

*Implementation in process.* Written procedures will be developed to provide guidance for day-to-day operations of the accounts receivable function.

I appreciate the Auditor’s Office, specifically Cherylann Johnson, for evaluating our internal controls and making recommendations to improve our control environment. If you have any further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Scott R. Baird". The signature is stylized and cursive.

Scott R. Baird, P.E.  
Division Director

Cc: Patrick Leary  
Russ Wall  
Larry Moller  
Amy McCormick

SRB/am