

# FRAUD HOTLINE ANNUAL REPORT 2022



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# EXECUTIVE SUMMARY

The Auditor's Office manages the Fraud Hotline that allows anyone to report acts of wrongdoing within the Salt Lake County government. The Salt Lake County Auditor's Office Fraud Hotline Annual Report for 2022 is for hotline activity reported from January 1, 2022 through December 31, 2022.

## COUNTYWIDE POLICY 1300 - COUNTY AUDITOR HOTLINE

Countywide Policy 1300 authorizes and establishes an Auditor Hotline for the purpose of receiving reports of suspected fraud, waste, and abuse of Salt Lake County resources or improper behavior of county officers or employees. The Auditor Hotline provides an avenue for citizens, including County employees and contractors, to report their concerns about potentially improper governmental activities to the Salt Lake County Auditor. The purpose of the Auditor Hotline is to help Salt Lake County government achieve the following objectives: identify opportunities for improvement in operations and compliance; foster good governance at all levels of county government; and empower residents to be actively engaged in ensuring government transparency and accountability.

## INTRODUCTION

The annual report on the Auditor's Fraud Hotline ("Fraud Hotline") is for activity that was reported on from January 1, 2022, through December 31, 2022. The scope of the Fraud Hotline activity applies to acts of wrongdoing (fraud, waste, and abuse) within the Salt Lake County government. Often the tips received on acts of wrongdoing within the Salt Lake County Government are outside the scope of the Auditor's statutory duties and are referred to the appropriate entities. Occasionally, tips received on acts of wrongdoing within the Salt Lake County Government are outside the scope of the Auditor's statutory duties and these tips are either referred to the appropriate entities or irrelevant for a referral.

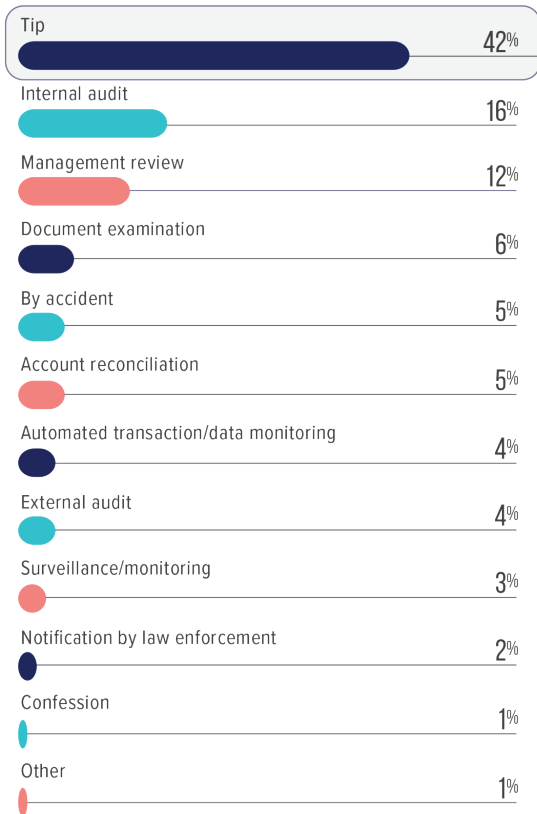
In 2022, the Fraud Hotline received 8 tips.

- Six tips were referred to other Salt Lake County or Utah State entities.
- One was irrelevant and closed.
- One was investigated by the Auditor's Office.

## BACKGROUND

Fraud is defined as "intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right" or as "an act of deceiving or misrepresenting." According to the Association of Certified Fraud Examiners (ACFE), the typical Fraud case costs the organization \$8,300 per month and lasts 14 months before being detected. 21% of Fraud cases cost the organization in excess of \$1 million.

Fraud Hotlines are a critical tool for fraud detection. In 2016, the ACFE reported that fraud tips were twice as likely to detect fraud than internal audits. This is shown in the table to the left taken from "Report to the Nations: 2022 Global Study on Occupational Fraud and Abuse," a report issued by the Association of Certified



## Fraud Examiners.

The Audit Services Division works to provide confidence in the integrity and financial reliability of County operations and to instill confidence that the County is operated with efficiency and effectiveness. In support of these goals, Audit Services established an online Fraud Hotline in 2017.

The Auditor’s Office Fraud Hotline allows Salt Lake County employees or contractors to report acts of wrongdoing within the Salt Lake County government. Additionally, non-County employees can submit a report to the Fraud hotline. The goal of the hotline is to identify misuse of taxpayer funds. All concerns submitted are taken seriously.

The hotline includes three key features:

- Available to County employees, contractors, and the public.
- Operates 24 hours a day, 7 days a week.
- Features the option for confidentiality.

The Fraud Hotline can also be used to identify other risks within Salt Lake County. Some tips may not rise to the level

of fraud, but they can indicate that there are issues with the internal control environment, efficiency or effectiveness of operations, or other unethical behavior. Every tip received from the Fraud Hotline is given due process.

## METHODOLOGY

Every tip received from the Fraud Hotline is processed using the methodology outlined below:

1. A case number is assigned to each tip so that it can be tracked within the Auditor’s Office project tracking software.
2. The tip is reviewed for validity and type (potential fraud, unethical conduct, waste, etc.). Additionally, we determine whether the nature of the tip falls within the duties of the Auditor’s Office.
3. Each tip is then investigated (Option A), Referred (Option B), or Discarded (Option C) and processed in accordance with the results of step 2.

Option A: Investigate the tip if it falls within the duties of the Auditor’s Office.

An investigation is similar to an audit. The auditor identifies and analyzes risks, gathers evidence, draws conclusions, develops corrective recommendations, and performs follow-up work as appropriate. Investigations differ from traditional audits in that they are more focused and are aimed at determining if an event occurred and the nature of that event. Audits by contrast, provide reasonable assurance that controls

are designed appropriately and are operating effectively. An auditor may also use different techniques to gather and analyze evidence compared to a standard audit.

### Option B: Refer the tip to an outside authority.

The Auditor's Office may receive a tip that is outside the scope of the Auditor's duties. In these cases, we will refer the tip to the most appropriate authority for follow-up.

As referenced in Countywide Policy 1300:

- 1.4.3 The Auditor shall not investigate reports that are merely based upon disagreements with the lawful management determinations or policy decisions of Salt Lake County government.
- 1.4.4 The Auditor shall refer reports relating to subjects covered by Salt Lake County Human Resources Policies to the County's Human Resources Department, or to another appropriate entity designated by law or policy.
- 1.4.5 The Auditor may refer reports that are not appropriately related to this policy or the Auditor's statutory duties to the relevant County office or department having appropriate subject matter jurisdiction or relevant expertise concerning the matter. If a report pertains to an entity outside of Salt Lake County, the Auditor may refer the report to the appropriate entity.

When a tip is referred, we document which authority the tip was referred to, the reason for the referral, any research performed, and any communication with the individual that submitted the tip.

### Option C: Close the tip if it is deemed irrelevant.

Some tips do not fall within the Auditor's Office's statutory duties and are irrelevant for a referral. Reasons for discarding tips vary. Some examples include:

- Irrelevant subject matter, such as federal income tax issues, tips not associated with County government, and complaints against the President.
- Tips with incomplete information.
- Meaningless tips or bogus tips submitted as a prank.

Discarded tips are still documented by the Auditor's Office.

## 2022 RESULTS

There were 8 tips submitted to the Fraud Hotline which are detailed in Appendix A. One of the tips was closed because no contact information was provided by the individual submitting the tip and it was outside the duties of the Auditor's office. Three of the tips were referred to various other County Agencies, two were referred to the office of the District Attorney, and one was referred to the Utah Office of Recovery Services.

One tip regarding the changing of Recorder dates and entries was investigated with an audit performed as part of the Annual Audit Plan for 2022. Refer to the Audit Report, Salt Lake County Recorder's Office, issued in December 2022.

## CONCLUSION

The Fraud Hotline provides a simple, effective, and anonymous way for employees and members of the public to raise concerns about Salt Lake County operations without fear of retaliation. In the most recent several years, the Fraud Hotline has also offered the Auditor's Office an opportunity for community outreach allowing us to instruct other avenues where a concern might be addressed. By offering earlier detection, Fraud Hotlines have the potential to save taxpayers funds that might otherwise be diverted to personal use or simply wasted.

The Auditor's Fraud Hotline is one tool the Audit Division uses to help management strengthen the County's internal control environment and improve operational effectiveness. It also helps instill confidence that the County is operated efficiently and effectively.

## APPENDIX A: 2022 FRAUD HOTLINE DETAILED RESULTS

Activity Reported in Tip	Case Status	Auditor Conclusion
Vehicle Title Transfer Fraud	Referred	Referred to the County District Attorney's Office
Rental Fraud	Referred	Referred to the County Assessor's Office
Recording Dates and Entry Numbers Changed	Investigated	Refer to the Audit Report, Salt Lake County Recorder's Office, issued in December 2022.
Complaint of Water Usage at Larry H. Miller Ballpark Complex	Referred	Referred to the County Parks and Recreation Department
False Police Report	Referred	Referred to the County District Attorney's Office
Complaint of County Swimming Pool Closures	Referred	Referred to the County Parks and Recreation Department
Complaint of Unfair ORS Trial	Referred	Referred to the Utah Office of Recovery Services
Housing Assistance Fraud	Closed	No contact information was provided to follow-up on concerns