

# AUDIT REPORT

## Salt Lake County *Recorder's Office*

DECEMBER 2022



Chris Harding, CPA, CFE, CIA  
County Auditor

Office of the Auditor  
Salt Lake County

## Audit Team

Brenda Nelson, CISA, Audit Manager  
Audra Bylund, Audit Manager

## Audit Management

Chris Harding, CPA, CFE, CIA, Auditor  
Richard Jaussi, MBA, Chief Deputy Auditor  
Shawna Ahlborn, Audit Division Director



Office of the Auditor  
Salt Lake County  
2001 S State Street, Ste N3-300  
Salt Lake City, UT 84190-1100  
Phone: (385) 468-7200

[www.slco.org/auditor](http://www.slco.org/auditor)

# Salt Lake County Auditor



Chris Harding, CPA, CFE, CIA  
County Auditor

2001 S State Street, Ste N3-300, Salt Lake City, UT 84190  
Phone: (385) 468-7200    [www.slco.org/auditor](http://www.slco.org/auditor)

## AUDITOR'S LETTER

October 3, 2022

We audited the Recorder's office to see if countywide policies were adhered to and best practices followed. I now present the results of this audit.

By implementing recommendations for compliance with countywide policies and procedures, the County can be assured that there are clear segregation of duties, safeguarding and accountability of funds, and mail logs completed.

We examined the Recorder's office for compliance with Countywide Policy 1062 "Management of Public Funds" and Countywide Policy 1220 "Management of Accounts Receivable and Bad Debt Collection."

Management responded with agreement to our recommendations except for one recommendation. In that case they will implement a different internal policy to comply with Countywide Policy.

This audit is authorized pursuant to Utah Code Ann. 17-19a-401 "County Auditor Investigative Powers – Report of Findings." We conducted this audit in accordance with generally accepted government auditing standards (GAGAS), except for the requirement in GAGAS 3.18, which states, "In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity". GAGAS states in 3.21 "Independence comprises the following:

a. Independence of mind: The state of mind that permits the conduct of an engagement without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

**b. Independence in appearance: The absence of circumstances that would cause a reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the engagement team had been compromised.**

Our state statute, 17-19a-206 Performance audit services, reads:

(1)

(a) A county auditor shall, under the direction and supervision of the county legislative body or county executive and subject to Subsections (1)(b) and (2), provide performance audit services for a county office, department, division, or other county entity.

- (b) A county auditor may not conduct a performance audit of the auditor's own office.
- (2) The county legislative body or county executive shall establish the goals and nature of a performance audit and related services.

Although this audit is not a performance audit, GAGAS 3.19 states: "auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work".

A Reasonable and informed third party is defined by GAGAS: "As evaluated by a hypothetical person, a person who possesses skills, knowledge, and experience to objectively evaluate the appropriateness of the auditor's judgments and conclusions. This evaluation entails weighing all the relevant facts and circumstances, including any safeguards applied, that the auditor knows, or could reasonably be expected to know, at the time that the evaluation is made."

Although we are working with the State Legislature, Utah Association of Counties, Utah Association of CPAs, to change this statute, we currently have no control or ability to change this statute. As such there is a risk that readers of our report would conclude that we are not capable of exercising objective and impartial judgment on the audit subject matter.

GAGAS standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Except for the independence issues above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives."

We appreciate the leaders and team members at the various agencies and departments who shared their time and knowledge with us during the audit. Please contact me at 385-468-7200 with any questions.

A handwritten signature in black ink, appearing to read "Chris Harding". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Chris Harding, CPA, CFE, CIA  
Auditor



## Salt Lake County Recorder's Office

OCTOBER 2022

### Objectives

- Evaluate the adequacy of internal controls over Cash handling, receipting, and depositing at the Salt Lake County Recorder's Office.
- Determine if cash receipts and data services receivables are collected, recorded, and accounted for correctly.
- Determine if financial records are accurate and complete.
- Determine if cash receipts and deposits are adequately safeguarded, and the Recorder's cash handling practices comply with County policies.

# REPORT HIGHLIGHTS

**No mail log, or similar documentation, was used to document which cashier(s) retrieved the mail each day, each check that was received, and each check's disposition. Mail was not always retrieved using dual controls.**

County Policy 1062 states Agency Management and Fiscal managers establish internal controls tailored to their operational requirements and controls be implemented to prevent payments by check sent via mail are not lost, stolen or diverted to personal use. We found that a mail log or similar documentation was not used to document employees retrieving mailed in payments daily. Returned payments were also not documented on a mail log or similar documentation.

**Review and approval of daily deposit documentation was not always performed, and segregation of duties were not always present.**

County Policy 1062 emphasizes that supervisory oversight enforces separation of duties, creates employee accountability, and strengthens the control environment. It states that the cash balances sheet should be signed by the Cashier. We found inconsistent recordkeeping of Cashier's Cash Balance Sheets between electronic and paper copies of the reports. Supervisor signatures were not present on the electronic copies. Additionally, if a supervisor's signed as a cashier, a subsequent review was not performed, minimizing segregation of duties. Supervisor reviews and approvals of ACH balance sheets were not found for sampled reports, as required per internal policy.

**Missing documentation and approvals for high-risk transactions such as voids, edits, and no-fee transactions.**

County policy 1062 emphasizes providing effective safeguards to give reasonable assurance that daily transactions are completed in accordance with statutes, ordinances, policies and errors, irregularities and omissions are minimized or detected. Management adjusted their controls to one monthly log documenting all voids, edits and cash short and over. We found the monthly log of voids, edits, cash short and over was missing entries and receipt documentation. We found receipts were not attached or receipts were attached but not entered on the log. Additionally, Supervisors had either not signed or a lack of segregation of duties were present where only one supervisor signature was present.

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## AGENCY RESPONSE

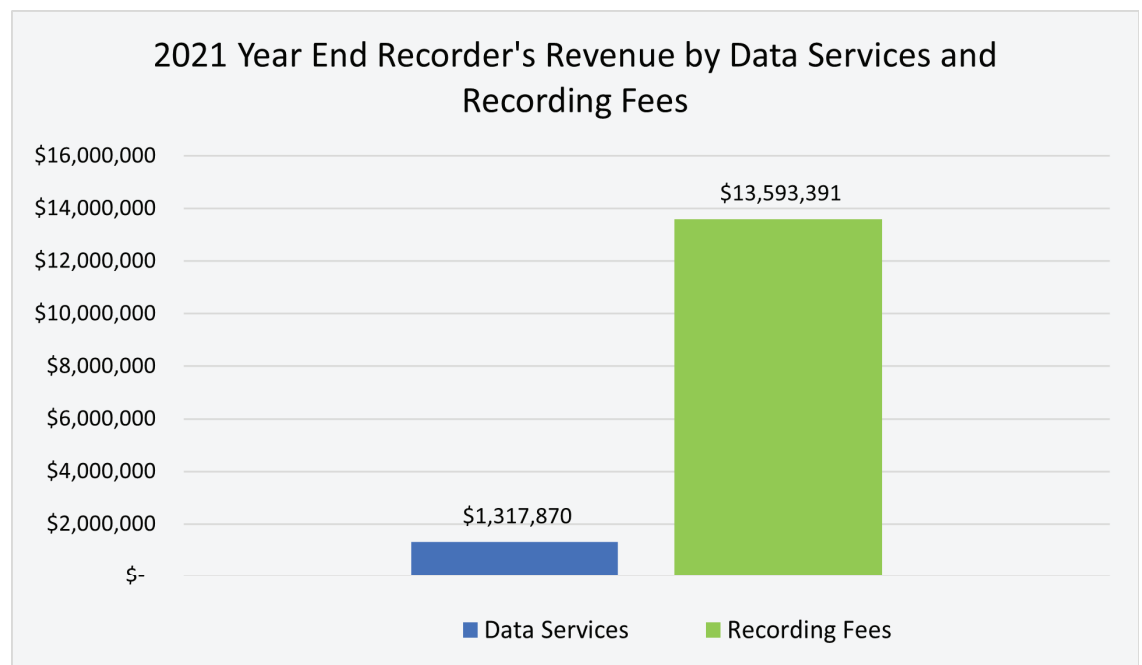
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# BACKGROUND

The Salt Lake County Auditor’s Audit Services Division completed an audit of the Salt Lake County Recorder’s Office cash receipts and Data Services accounts receivable for the January 1, 2021 – December 31, 2021.

Funds received by the agency are related to recording and protecting real property held by taxpayer’s. Accounts receivable relate to a subscription service (“Data Services”) that enable individuals and companies to perform property record searches to gather information such as owner of record, plat maps, recorded documents or parcel number history. Fees are established by State Statute; if the service is not outlined by State statute, a fee is established by the Salt Lake County Council.

Figure 1. **2021-year end analysis of the Recorder’s Office revenue for Data Services and Recording Fees.** Source: PageCenterX – Statement of Revenues and Expenditures by Organization, FY2021- Preliminary Report.



# CRITERIA

**Countywide Policy (“CWP”) 1062 Management of Public Funds** establishes procedures for receiving, recording, depositing, and distributing public funds, and to define functions and responsibilities to provide and strengthen internal controls over these procedures. The policy’s purpose is to provide effective safeguards while weighing both

risks to be mitigated and costs of maintaining controls. Controls over managing public funds emphasizes:

- Clear segregation of duties between person with custody of funds and/or those performing cashiering duties, and those having access to and maintaining accounting records related to public funds.
- Safeguarding and accountability for receipt, deposit, transmittal, and disbursement of funds, including physical security over these activities.
- Duties of opening mail and summarizing the daily receipt of checks should be separate from posting payments.

**Countywide Policy (“CWP”) 1220 Management of Accounts Receivable and Bad Debt Expenses** establishes procedures for management of accounts receivable and procedures for debt collection by County agencies/departments. It acknowledges that each agency has varying operational demands where management may decide to offer goods and services without immediate payment. It states that whenever possible; County departments and agencies should require payment before goods and services are provided, but there are cases where that is not possible or practical. Credit may be granted by County department and agencies so long as sufficient identifying information is available to enable an establishment of accounts receivable record and subsequent collection procedures. The purpose of the policy is to:

- Establish a policy and procedure for management of accounts receivable, including proper filing, record keeping, and follow up with individuals or companies that owe money to Salt Lake County
- Establish guidelines for the approval, control, and accounting for amounts due to Salt Lake County.
- Provide written instructions relating to the collection of amounts due, including procedures to be followed in the event of non-payment.
- Achieve timely collections of accounts receivable and maximize collection of all amounts due, bearing in mind that the older an account becomes, the less likely it is to be collected.

## SCOPE AND OBJECTIVES

The audit objectives were to examine business processes, established controls, and financial transactions at the Recorder’s Office Cash to provide reasonable assurance that:

- Cash receipts and receivables are recorded and reported accurately and completely, and free from significant error.
- Processes and procedures are in place to ensure that cash receipts and receivables are handled in accordance with all applicable County



policies and standards.

- Management provides adequate fiscal oversight to ensure that funds are properly safeguarded against loss, theft, waste, or abuse.

Additionally, in June 2022 allegations regarding the Recorder's Office were submitted to the Auditor's Fraud Tip Hotline. The individual submitting the tip claimed that recorded documents were post-dated in some cases and cited what they alleged was an example of that occurring. Post-dating documents increases the risk that they may not be recorded in the order they were received. They also expressed concerns that taxpayer funds were spent unnecessarily with the Recorder's purchase of a new recording and cashiering system.

As a result of the tip submitted, the scope of the audit was expanded to include additional audit procedures designed to gather sufficient evidence to form conclusions, where possible, regarding the allegations and provide reasonable assurance that:

- The time stamp for the document cited as an example in tip was not altered.
- Controls were in place to prevent all time stamps on recorded documents from being altered or edited by staff.
- Countywide procurement policies were followed to ensure a transparent and unbiased selection process for the new recording and cashiering system.
- Pricing for the new recording and cashiering system was fair and reasonable when compared with other vendor bids.

The scope of the audit period was January 1, 2021 through December 31, 2021.

## AUDIT CONCLUSIONS

The audit of the Recorder's Office Cash Receipts, Deposits and Accounts Receivable coincided with a change in the cashiering system and accounts receivable system the office used. The Recorder's Office also experienced employee turnover of key management positions, coupled with maintaining operations during the COVID-19 pandemic.

We acknowledge that with these conditions, there can be adjustments and dissolution of certain controls due to changes in processes and available reports. Management published a written internal policies and procedures manual and fiscal procedures for employees and management. However, due to the extenuating circumstances identified above, there were instances of dissolution of controls outlined in the policies and procedures. An update to their current

policies and procedures and additional training may assist in clarifying and strengthening controls.

We identified the following control areas needing improvement to minimize the risk of errors and omissions, as well as fraud, waste and abuse related cash receipting and depositing as well as accounts receivable.

### **Cash Receipts and Deposits**

Two individuals were not always present when retrieving mailed payments. In addition, chain of custody was not established because the individual or individuals that retrieved mailed in payments was not documented.

We also noted that the Cash Short/Over/Void/Edit log used by management to track high risk transactions was not always complete and receipts retained. Additionally, segregation of duties was not always in place and "No Fee" transactions were not sufficiently corroborated with supporting documentation.

Finally, the Fiscal Manager's review of the day's ending cash and accounts receivable balances was discontinued.

### **Data Services Accounts Receivable**

There were no written policies and procedures for the management of accounts receivable and delinquent accounts. In addition, there was inconsistent document retention to determine if accounts were suspended or closed and two months of customer billing reports, used to generate invoices, were not retained, and could not be recreated.

Data Services Agreements were missing for 3 percent of sampled accounts. Five percent of Agreements on file were missing the personal guarantee by the officer or shareholder. Finally, ACH agreements sent via email were not always encrypted, increasing the risk of a threat to data protection and privacy.

### **Fraud Tip Hotline Allegations:**

There was no evidence that the timestamp on the document referenced in the tip was edited or post-dated. The document was submitted and paid for at the end of business hours and then verified and accepted within thirty minutes of opening on the morning of the next business day.

This process was in accordance with Utah Code 17-21-12, Recording Procedures, which indicates that time stamps reflect when documents

are accepted, not submitted. This is because the document and fee must be verified as complete before the recording process can begin.

We also verified that system controls prevent any changes to the accepted timestamp.

The process followed the Countywide Procurement procedures when acquiring the new recording and cashiering system and complied with County policy. To help ensure an unbiased procurement, a selection committee was used and was in part composed of individuals outside the Recorder's Office. Each vendor proposal was reviewed and assigned scores based on established criteria.

The selection was priced competitively. The six proposals ranged from \$999,537 to \$2.4 million. The awarded bid was just over \$1 million, which was at the lower end of the range. Additional scoring included function and technical criteria resulted in the Selection Committee's selection.



## Finding Risk Classifications

Classification	Description
<b>1 – Low Risk Finding</b>	<p>Low risk findings may not have an effect on providing reasonable assurance that:</p> <ul style="list-style-type: none"> <li>(1) Cash receipts and receivables are recorded and reported accurately, completely and free from significant error</li> <li>(2) Processes and procedures for cash receipts and receivables are in accordance with County policies and standards or</li> <li>(3) Management provides adequate fiscal oversight to properly safeguard against loss, theft, waste or abuse.</li> </ul> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<b>2 – Moderate Risk Finding</b>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that:</p> <ul style="list-style-type: none"> <li>(1) Cash receipts and receivables are recorded and reported accurately, completely, and free from significant error</li> <li>(2) Processes and procedures for cash receipts and receivables are in accordance with County policies and standards or</li> <li>(3) Management provides adequate fiscal oversight to properly safeguard against loss, theft, waste or abuse.</li> </ul> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>

## Finding Risk Classifications

### 3 – Significant Risk Finding

Significant risks are the result of one or more findings that may have an effect on whether there is reasonable assurance that:

- (1) Cash receipts and receivables are recorded and reported accurately, completely, and free from significant error
- (2) Processes and procedures for cash receipts and receivables are in accordance with County policies and standards or
- (3) Management provides adequate fiscal oversight to properly safeguard against loss, theft, waste or abuse.

Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.

### 4 – Critical Risk Finding

Critical risks are the result of one or more findings that would have an effect on whether there is reasonable assurance that:

- (1) Cash receipts and receivables are recorded and reported accurately, completely, and free from significant error,
- (2) Processes and procedures for cash receipts and receivables are in accordance with County policies and standards, or
- (3) Management provides adequate fiscal oversight to properly safeguard against loss, theft, waste or abuse.

Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.

# FINDING 1 AND RECOMMENDATIONS

## ***Inadequate controls over mailed-in payments.***

Risk Rating: ***Significant Risk Finding***

Each day a cashier retrieved Recorder's Office mail from Facilities Management. If more than one box of mail was received, the cashier would return to get a second cashier to help carry the mail back. Management required two employees to summarize the total of checks received. They also required that a second scan a copy of the checks into an electronic file and ensure the two totals matched. No mail log was created to list each payment received and who retrieved them. If a payment was accompanied by a request that did not have sufficient documentation, an explanatory letter was sent back to the customer along with the request and payment. However, this was not documented on a log.

No mail log, or similar documentation, was used to document which cashier(s) retrieved the mail each day, each check that was received, and each check's disposition. Mail was not always retrieved using dual controls.

Countywide Policy 1062, Management of Public Funds, III. 5. states: "County Agency Management and Fiscal Managers shall establish Internal Control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Management stated during walkthroughs that they did not have a log or documentation identifying the cashier(s) that picked up the mail for the day.

When individuals retrieving funds are not documented, accountability is not fully established and there is an increased risk of theft or loss of funds. Additionally, when one individual retrieves the mail, the risk that payment may be removed without detection is increased.

When checks are not listed, the risk that checks may be lost, stolen, or sent back to the customer without being documented is also elevated. For example, in a sample of 25 days, we recalculated total checks received and compared the total to the amount posted in the General Ledger ("GL"). We found that for 1 of the 25 (4%) dates a \$100 check was not included on the GL and was not posted to the customer account. It may have been returned to the customer but no documentation regarding the disposition of the check was found.

We recommend that management require at least two cashiers retrieve the mail daily.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management implement a mail log to track the date each payment was received, the cashiers retrieving and recording the checks, whether the check was deposited or returned, and a supervisor's signature.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend management ensure that checks returned be documented in the closing folder. Documentation may include the original scanned check with notes indicating it was returned (including the address returned to and date) and initials of the employee preparing the return

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management revise existing policies and procedures or draft additional written policies and procedures that incorporate recommendations 1 to 3 or similar compensating controls.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION



## FINDING 2 AND RECOMMENDATIONS

### ***Supervisory approvals were not always present and the Fiscal Manager's review of the Consolidated Daily Cash Receipt Report was discontinued.***

Risk Rating: *Significant Risk Finding*

Maintaining sufficient internal controls with reviews and segregation of duties helps to decrease the risk of errors, irregularities, and omissions in daily transactions.

During 2021 the Recorder's Office used two point-of-sale systems, CashPro, used until December 13, 2021, and Eagle/ Tyler, used December 14, 2021, forward. For the new system, we reviewed five dates with 33 Cashier Till Reports. We noted the following:

1. 19 out of 33 (57%) of the electronic copies of the Cashier Till Balance Reports were not signed by a supervisor and 2 (6%) were not signed by the cashier. However, all paper copies of the Cashier Till Balance Reports saved with the deposit ticket had been signed by the supervisor.
2. For 2 out of 33 (6%) reports the supervisor signed the cashier line, but there was not a second independent reviewer's signature. In these incidences, another individual should review and sign the report to ensure adequate segregation of duties.
3. For 3 (75%) of 4 ACH reports in the 5 dates sampled did not have a supervisor's signature, which the written closing procedures for Eagle/Tyler required.
4. For 1 of the 5 (20%) dates, the Deposit Ticket Packet preparer initials were missing.

In addition, in the prior system, CashPro, a Consolidated Daily Cash Receipt report centrally documented the preparer, deposit preparer and reviewer of the ending balances. However, the report was not available in Tyler/ Eagle. The Fiscal Manager's final review using the report was discontinued. The review helped ensure that all closing balances agreed and provided the opportunity to document variances within the closing folder.

Review and approval of daily deposit documentation was not always performed, and segregation of duties were not always present.

Countywide Policy 1062, Management of Public Funds, states: "... Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment..." Additionally, Section H.1.a, states: "If prepared manually on MPF Form 3A, or similar form, the **cash balance sheet should be signed by the Cashier** for each cash register or location where cash is accepted. If a Cashier is not required to balance their individual cash

drawer, an MPF Form 7A, Fund Transfer Receipt, or similar form shall be completed to document the transfer of funds to the Employee performing the balancing procedure [emphasis added].”

Per discussions with one of the cashier supervisors, she would sign the Cashier Till Balance Reports during the review process and may have overlooked correcting the scanned electronic copies with the signature. The missing deposit ticket preparer signature was an oversight. Finally, with the changes to the new cashiering system in the last few weeks of December 2021, management adjusted their review procedures. Additionally, due to employee turnover and a new fiscal manager, some reviews and procedures were not sustained.

2.1

RECOMMENDATION

Signatures

We recommend that management assign a secondary employee to review and sign cashier till balance reports if a supervisor signs as a cashier.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

2.2

RECOMMENDATION

Signatures

We recommend that management continue having either the Fiscal Manager or other designated employee perform a final review of the total ending balances and deposit ticket. A review of ending balances can be documented on the Bank Deposit Report. The review should include:

- Documenting variances or exceptions and retaining explanations with the closing documentation and ending balances.
- Ensuring the deposit ticket was initialed by the preparer prior to deposit.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management assign a secondary employee to perform reviews of ending balances and deposit tickets when the Fiscal Manager or designated employee is absent.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management retain consistent records between the electronic copies in the network drive closing folder and the paper copies. Employees responsible for scanning documentation for electronic copies should also be responsible for ensuring that documents requiring a cashier and/or supervisor signature are complete prior to saving.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

# FINDING 3 AND RECOMMENDATIONS

## **Missing documentation and approvals for high-risk transactions such as voids, edits, and no-fee transactions.**

Risk Rating: **Significant Risk Finding**

The Recorder’s Office uses an “Over/Short/Edit/Void Monthly Log” (“Monthly Log”) to document overages, shortages, edited, and voided transactions. 33 of the 40 (83%) entries on the Monthly Log were for edits to transactions. Edits may be made for the number of documents recorded, change in tender type, split checks, or “No Fee” transactions and are not categorized as voids. The edited receipt, reasoning, balance, and cashier’s and supervisor’s signatures are required per the log. Table 1 lists findings related to the Monthly Log.

Table 1. **Cash Short/Over/Edit/Void Log Exceptions.** Receipt documentation and independent review and approval high risk transactions was not consistent, increasing the risk of misappropriation of funds and undetected errors.

Cash Short/Over/Edit/Void Log Exceptions			
	Finding	Quantity	Percent
3.1	The void/ edit receipt was on file. However, there was no entry on the monthly log documenting the reason, amount, date, cashier, and supervisory review.	3 of 40	7.5%
3.2	The void or edit was documented on the monthly log, however, neither the original nor void/edit receipt were attached. In addition, the reason for the void or edit was not documented.	14 of 40	35%
3.3	The supervisor did not sign the voided receipts, or the supervisor signed both as cashier and supervisor (lack of Segregation of Duties)	8 of 40	20%
3.4	The Manager’s Signature line, demonstrating review of all transactions for the month, was not completed.	9 of 10*	90%
3.5	7 of the 40 (17.5%) sampled dates had “No Fee” transactions. 1 of the 7 (14%) did not have a receipt on file corroborating that it was for a qualifying county, city, or state entity. The tender type “cash” further raised concern. Management provided an example of a “Waiver Fee Letter” provided by an entity that qualifies for this exemption from recording fees. However, the letters were not saved as corroborating documentation with the transactions.	1 of 7	14%

We noted that the Recorder's Office primarily used CashPro during the audit period, with the new software, Eagle/Tyler, in use after December 13, 2021. The newer system restricts voids and edits to only the supervisor and the supervisor username appears on the corrected receipt with a reason for the edit. While there was only one correct receipt in our sample for the new system, we found that the original receipt was attached as well. Thus, the new system helped strengthen controls around voids or edits.

The "Over/Short/Edit/Void Monthly Log" (Monthly Log) was missing entries and receipt documentation. Additionally, we found a lack of segregation of duties and inconsistencies in completing the log.

Countywide Policy 1062, "Management of Public Funds," states: "The objective of this policy is to provide effective safeguards, while weighing both the risks to be mitigated and the cost of maintaining controls. Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and policies, and that errors, irregularities, and omissions are effectively minimized or detected ...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 [emphasis added]."

Additionally, it states in Section VI. A, states: "The **original receipt** should be obtained from the patron, and the transaction voided. In case of emergencies, such as a swimming pool closure, where a patron receipt was discarded, a cash refund or "rain check" could be issued. **The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and a Cashier Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency** [emphasis added]."

The discrepancies between the log and receipts were oversights on the part of staff that were not detected during supervisory or management review. A supervisor noted that there were no policies or procedures requiring the Manager's signature on the log and that may have resulted in the lack of signature noted.

Supervisors may perform cashiering duties and may void or edit a transaction during closing if needed. However, staffing issues may prevent two employees being present to review and approve the supervisor's actions.

Management stated that cash was used as the tender type for "no

fee” transactions because there was no reason to use check or credit card. In addition, cashiers occasionally accidentally charged “no fee” customers because they were unaware that they should not be, or because a payment was made through the mail.

The Monthly Log was used to document, review and approve high risk transactions, such as voids and edits. When receipt documentation and independent review and approval of these transactions is not in place, they can be used to conceal misappropriation of funds. In addition, errors are more likely to occur undetected.

Not regularly reviewing and signing the Manager Signature line on the log increases the risk of inconsistent application or dissolution of present controls. Management review provides an opportunity for a final independent reviewer to note and inquire about suspicious patterns, missing documentation, or questionable transactions that may have occurred during that month.

When an employee enters or edits, reviews, and approves transactions, the risk of mismanagement of funds due to theft, waste, or abuse is increased. Supervisors have the responsibility of closing out the tills and reporting on the end of day balances. To minimize the risk of fund mismanagement, an independent employee should sign off as the supervisor when there is a void or edit performed by a supervisor, and the cashier responsible for the transaction is not present.

Finally regarding “No Fee” transactions, a lack of written policy and procedures addressing (1) the type of entities that qualify for no recording fees and (2) not retaining the fee waiver letters or receipts to corroborate the request, increases a risk of potential mismanagement of funds. It also increases the risk that cashiers may not be aware of these exemptions and have a higher frequency of incorrect charges, particularly during employee turnover.

Subsequently, there is a heightened risk of fund mismanagement if a County, City or State entity accidentally does pay cash and the cashier retains the cash payment but edits the transaction to “No Fee”. There is also an increased risk of overstatement of revenues if a \$40 fee is recorded, but no payment was received and the correction to \$0 is not made.

3.1

RECOMMENDATION

Void forms or slips

We recommend that management consider implementing the use of void forms or slips and an edit form. The forms should include the original receipt, the corrected receipt, the reason for the edit or void, the date, signatures from the cashier and supervisor.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

3.2

RECOMMENDATION

Documentation

We recommend that management retain this documentation as one packet to minimize the risk of missed documentation. Documentation could then be saved in one folder for that corresponding month.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

3.3

RECOMMENDATION

Segregation of Duties

We recommend that management designate a secondary employee as a reviewer when the supervisor signs as a primary.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management designate either the Fiscal Manager or other managerial level employee responsibility to review and sign the "Manager Signature" line item on the Cash Short/Over, Void and Edit log.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management require entities that qualify for "No Fees" to submit Fee waiver letters/forms and that a copy be retained with the transaction.

AGENCY RESPONSE: DISAGREE

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION



# FINDING 4 AND RECOMMENDATIONS

## ***Missing and incomplete Data Services Agreements***

Risk Rating: *Significant Risk Finding*

Three percent of Data Services accounts did not have a Data Service Agreements on file and five percent of the sampled agreements did not have a signed personal guarantee from an officer or agent of the contracting entity.

Entities created accounts with the Recorder's Office to obtain access to indexed data and document images. Each subscriber was required to complete the "Recorder's Office Digital Services Agreement" establishing a contract between the entity and Salt Lake County.

We found that 3 of 95 (3%) sampled agreements were not saved either electronically or on paper. One account was closed, but due to the practice of retaining agreements for all customers, should have been retained on file. Two accounts were still active, and one was intended to go to collections due to failure to pay the account balance since July 15, 2021.

In addition, the agreements included the statement, "I [agent or individual name] agree to personally Guarantee Payment of any unpaid balance on behalf of [entity] under this agreement." We found that 5 of 95 (5%) agreements did not have a customer signature agreeing that the customer personally guaranteed payment for uncollected balances.

Countywide Policy 1220, " Management of Accounts Receivable and Bad Debt Collection" Section 3.3, states:

"Before granting credit, the County department or agency must obtain basic information from a patron. Therefore, the County department or agency must develop a credit application, contract form, or other similar form which requests basic patron information. 3.3.1 The credit application, contract form, or other similar form should include the following: 3.3.1.1 Basic information about the debtor such as name, address, telephone number, date of birth, and driver license number. 3.3.1.2 The debtor's agreement to pay interest, at a stated percentage, on any account not paid within 30 days. 3.3.1.3 The debtor's agreement to pay the costs of collection, such as court costs and attorney's fees, if legal action is necessary to enforce collection of a delinquent account. 3.3.1.4 The terms of payment of the receivable (e.g., Net 30 days from the invoice date). 3.3.1.5 A personal guarantee

from an officer or shareholder of the association, not-for-profit organization, entity, or corporation. 3.3.2 The debtor's signature is required on the credit application."

Additionally, Section 5.2 states:

"Copies of accounts receivable support documents (e.g., credit applications, contract forms, other similar forms, or invoice copies) shall be kept on file at the County department or agency."

Management stated that when they updated their Data Service Agreement, it is possible that the agreement was not appropriately uploaded to SIRE. For the one closed account, the Assistant Division Administrator now responsible for Data Services accounts was unsure what may have happened to the agreement. The account was originally closed in 2009.

The Assistant Division Administrator explained that some agencies do not want to sign the personal guarantee and it can be difficult to get their signature on the agreement.

For active accounts with no Data Services agreement on file, it places an increased risk of the contractual obligation between the Customer and the Recorder's Office on the services provided and the payment guarantees on uncollected balances to be absolved due to the lack of present contract. By not signing the section personally guaranteeing payment, the risk that the County may be unable to collect on unpaid balances is increased.

#### 4.1

#### RECOMMENDATION

#### Data Services Policy

We recommend that management implement a Data Services policy explicitly addressing the Countywide requirements.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 3, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management update the agreement to include a clause that the account will not be set up unless the personal guarantee is completed and signed.

AGENCY RESPONSE: AGREE, WITH CAVEAT

IMPLEMENTATION DATE - JANUARY 3, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management ensure that the Recorder's Office obtains signed agreements for all current customers.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 3, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

## FINDING 5 AND RECOMMENDATIONS

### ***Dissolution of Data Services Receivables collection procedures and insufficient documentation regarding management of Data Services Accounts Receivable***

Risk Rating: *Significant Risk Finding*

Although written policies and procedures regarding management of Data Services Accounts Receivable were on file, they were not being followed. Accounts were suspended on an inconsistent basis and there was insufficient documentation regarding follow up of past due amounts.

Countywide Policy 1220, Management of Accounts Receivable and Bad Debt Expenses, Section 2.1, states:

“While initial collection procedures will vary from agency to agency, general guidelines must assure the following... 2.1.2 Revenue collection procedures do not cause individuals undue hardships, with special considerations given when appropriate”

Section 2.4 states: “Agencies may develop their own accounts receivable procedures as long as they follow the basic guidelines...and are consistent with the procedures listed below. The procedures in this policy must be followed unless an agency has developed its own written procedures.”

Section 4.1 states: “County departments and agencies are required to take all appropriate and cost-effective actions to aggressively collect accounts receivable, including assessing related collection costs, interest, penalties, or fees... 4.3 Interest will be charged on accounts receivable not paid within 30 days of the date of the invoice... 4.4 Payments received after the due date shall be allowed a two-day grace period, following which interest will be charged at 1½ 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.”

Section 4.5.2 states: “Accurate records of correspondence, telephone calls, and personal contacts with debtors shall be maintained...”

For most of 2021, collection efforts on delinquent accounts were not made due to COVID. The pause resulted in an increase in delinquent

balances. On October 1, 2021, there was a delinquent account balance of \$81,822. Delinquent accounts are defined as those greater than 91 days overdue. Mayors Financial Administration communicated the need for the Recorder's Office to catch up on overdue accounts and update or close accounts.

Management began pursuing collections of unpaid balances in October 2021 in accordance with Countywide Policy 1220. However, there were no clear, written procedures on write-offs, collection efforts, account suspensions, account closures, documentation requirements, or retention periods as it pertains to their agency's collection process. Individuals responsible for performing collection efforts were also not specified.

Tracing a sample of 30 accounts that were delinquent during the audit period to determine whether collection efforts were made, balances were written-off, sent to collections, suspended, or closed was limited. Data Services online system did not include an audit trail that could be used to determine when accounts were suspended or reactivated. Therefore, we could only determine the current account status. In addition, there were no notes or copies of dunning letters retained regarding collection efforts taken for our sample. There were no reports of amounts written off, accounts closed or suspended. In addition, there was not documentation saved in the financial system to document the reason for account credits. Individuals responsible for management of Accounts Receivable were no longer on staff, resulting in inconsistencies in document retention and completed procedures.

There were folders set up on the network to track accounts. We were able to trace 13 of 30 (43%) accounts sampled to a folder of suspended accounts. We could not verify if accounts had been suspended due to the system limitation mentioned above. Five of 30 (16%) were identified in a "to be inactivated" folder but again we were unable to confirm actions taken. Finally, 12 of 30 (40%) were not in any of the Data Services tracking folders.

We found two customer accounts had not remitted payment by the end of the year. One was suspended from using services and one was not. One customer's invoices were from August 9, 2021, to December 6, 2021, and were listed on the year-end aging report with a \$150 balance. We were unable to trace a record of due diligence, like a delinquency letter or email on file.

The other unpaid customer had a balance of \$88 as of January 2022 from December 2021's invoice. We found that the customer had their account suspended December 14, 2021, for an unpaid balance of \$234. The balance was paid December 20 and the account was reactivated. However, they are exhibiting a similar pattern of unpaid balances

in 2022. This shows a potential pattern of customer abuse of Data Services offered by the agency due to a lack of “aggressive” collections of accounts receivables, per Countywide Policy 1220, Section 4.1.

We also found that there was \$46,640 in credit balances from April 1 through December 31, 2021, which amounted to 3.5 percent of the total Data Services Revenue for 2021. The credits may have been the result of management crediting old account balances deemed uncollectable or of customers making duplicate payments.

Duplicate payments sometimes occurred because agencies that paid using ACH also sent in a check after receiving an invoice. Often, discussions with the customer resulted in applying the credit to the next month or refunding the payment. However, there was no saved documentation.

We noted that by the end of the audit period, delinquent accounts were less than 1 percent of the total Data Services Revenue. As of December 31, 2021, there was \$9,254 in delinquent balances out of \$1.3 million in total Data Services Revenues.

The Recorder’s Office had written procedures, which were to suspend accounts after they were 30 days late and to close accounts after they were 45 days late. Due to COVID-19, collection efforts were ceased until October 2021. In addition, the agency experienced turnover in key staff during the audit period.

Changes and dissolution of controls are more likely to occur with employee turnover when written procedures are not in place for extenuating circumstances or if the new employee is not aware of the policies and procedures. Due to employee turnover, those responsible for invoicing and processing payments developed their own methods to track delinquent accounts, which led to inconsistency in account tracking and documentation. As a result, there continues to be an increased risk of delinquent accounts and undetected billing or payment errors.

As stated in Countywide Policy 1220, granting credit is not a primary function of the County and should be made with the intention of payments being made in full upon receipt of the bill. In extenuating circumstances where collection efforts are paused because undue hardship may be placed on the debtor, the agency should continue to maintain accurate records of overdue balances, document the circumstances as to why collections ceased, as well as records of communication with the customer of overdue balances. Failure to track these items can result in an increased risk of uncollected revenue for the County as well as potential abuse by users for the services without

making timely payments.

Finally, when duplicate payments result from receiving funds via ACH and check there is an increased risk of mismanagement of funds due to fraud, waste, or abuse.

5.1

RECOMMENDATION

Policies and Procedures

1. We recommend that management update internal written policies and procedures to address extenuating circumstances that may impact their standard collection procedures and that outline:

- When accounts should be suspended, closed, and/or sent to collections
- Employee(s) responsible for monitoring and collecting past due receivables
- When letters, statements, and other collection communication should take place
- Documents to be retained including dates of contact, suspended, reactivated, or closed dates
- Outline circumstances that may exempt customers from collection efforts and documentation of any agreements
- Interest or penalties to be included and when. Interest charges should adhere to Countywide Policy 1220.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE: IMPLEMENTED

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

5.2

RECOMMENDATION

Policies and Procedures

We recommend that management update the customer invoice to include a reminder that accounts with ACH will be debited by the County and to address account suspension and closure in the event of non-payment.

AGENCY RESPONSE: AGREE WITH CAVEAT, IMPLEMENTATION DATE -IMPLEMENTED

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management ensure duplicate payments which are applied to a subsequent billing period are documented. Similarly, if credits are issued to clear out old accounts, that documentation or notes regarding why the credit was issued are retained.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - DECEMBER 31, 2022

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management implement a 1.5 percent interest charge per month on overdue accounts, as required by Countywide Policy 1220, Section 4.4

AGENCY RESPONSE: AGREE WITH CAVEAT, IMPLEMENTATION DATE - IMPLEMENTED

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION



We recommend that management improve tracking procedures of overdue account balances. The aging report provided by MFA could be used to develop a delinquency log tracking the:

- Dates that delinquency letters or emails were sent to the customer
- Account balance
- Customer Responses
- Account suspensions
- Account closures
- Date accounts were sent to the District Attorney for collections and/or the balance was written off, in accordance with Countywide Policy 1220.
- Date the account was paid in full and reactivated
- Initials of the employee(s) tracking the account.

AGENCY RESPONSE: IMPLEMENTATION DATE -

SEE PAGE XX FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management retain copies of the emails or delinquency letters.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - DECEMBER 31, 2022

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend an annual training to remind employees responsible for Data Services Receivables of the internal policies and procedures for managing the accounts.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - DECEMBER 31, 2022

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

## FINDING 6 AND RECOMMENDATIONS

### ***ACH Agreements received via unencrypted email.***

*Risk Rating: Moderate Risk Finding*

ACH agreements containing bank account information were emailed to the Recorder's office to set up payment processing for Data Services accounts without being encrypted.

Countywide Information Technology Standard on Data Classification and Protection, Purpose Section, states:

"...emphasize to County agency management and their employees the importance of protecting data generated, accessed, transmitted, and stored by the County and to identify procedures that should be in place to protect the confidentiality, integrity, and availability of County data, and to comply with local and federal regulations regarding privacy and confidentiality of information."

Entities completed ACH agreement forms containing bank account numbers to pay for use of Data Services. We inquired whether the emails were encrypted to ensure bank account information remained secure. The Division IT Administrator found that larger companies sending in ACH agreements were encrypting their emails. However, emails from smaller entities were not encrypted.

The Recorder's Office relied on entities to protect data they sent in. Management had not previously considered the risk of emailed bank information. When receiving unencrypted sensitive data from outside sources, there is an increased cybersecurity risk to the County and agency. It is good practice to protect sensitive data due to legal, proprietary, ethical or privacy considerations through encryption or other means to ensure data privacy.

We recommend that management coordinate with IT, the Office of Data Innovation, and their Division IT Administrator, to develop methods of receiving protected and restricted data that adheres to the County Information Technology Standards.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 3, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

## FINDING 7 AND RECOMMENDATIONS

### ***Missing June and September Data Services Monthly Billing Reports.***

*Risk Rating: Moderate Risk Finding*

The monthly Data Services billing reports for June and September 2021 were not retained on file.

Countywide Policy 1220, Management of Accounts Receivable and Bad Debt Collection, Purpose Section, states:

“Establish a policy and procedures for management of accounts receivable, including proper filing, record keeping, and follow up with individuals or companies that owe money to Salt Lake County.”

The monthly billing reports for June and September were not saved and could not be recreated. Since this report was the originating report for identifying customers and their monthly account balances, it was not possible to test a sample of the population for accurate invoicing for those two months.

Management published document retention periods in their internal policies and procedures manual, however, there was a dissolution of controls in maintaining these records.

If the monthly Data Services billing reports are not saved, the Recorder’s Office may be unable to corroborate the amount billed to customer’s accounts in the event of a dispute.

We recommend that the employee designated to receive the Monthly Billing Reports save the monthly report in the Closing folder to adhere to their Internal Policies and Procedures, Email Retention Schedule, as an annual, financial or statistical report under "Policy and Program Records".

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

# FINDING 8 AND RECOMMENDATIONS

## ***Closed accounts remained Active in MyFin.***

Risk Rating: *Moderate Risk Finding*

We found 12 percent of the sampled accounts that transitioned from QuickBooks to MyFin were originally closed and identified as inactive per QuickBooks and their intranet site but remained active in MyFin.

Countywide Policy 1060, Financial Goals and Policies, Section 8.3, states:

**“Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts [emphasis added]”**

We found that 11 of 95 accounts (12%) closed in prior years and categorized as inactive in QuickBooks and the Data Services intranet site, were labeled active in MyFin after the system transition.

Per discussions with management, the accounts were likely overlooked during the transition. Management was able to update the 11 accounts to inactive. Management maintains a complete record of all customer accounts, which is why the closed accounts were still rolled over to MyFin.

There is an increased risk of incorrectly applying invoices and payment requests to an account that is closed but remained active in the new system. It also results in inaccurate and inconsistent recordkeeping.

8.1

RECOMMENDATION

Close Accounts

We recommend that management designates an employee to review accounts in MyFin and correct closed accounts to inactive per QuickBooks and the Data Services Intranet site.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - IMPLEMENTED

SEE PAGE 43 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

## FINDING 9 AND RECOMMENDATIONS

### ***Inadequate segregation of duties and missing information on the Fund Transfer Ledger***

Risk Rating: *Moderate Risk Finding*

An instance of a lack of segregation of duties was noted on the Fund Transfer Ledger and two ledger entries were not completed in full.

Countywide policy 1062, Management of Public Funds, Introduction, 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.”

We found 2 of 30 (6%) sampled dates had insufficient segregation of duties when transferring the fund drawers. On January 27, 2021, the same supervisor signed as cashier for “Employee Transferring” and for “Receiving Funds”. On April 8, 2021, the same supervisor signed the transfer on behalf of the cashier and documented the cashier and supervisor name on the entry.

In comparison, on April 9, 2021, a supervisor signed on behalf of a cashier for “Employee Transferring” and the secondary supervisor signed as the “Receiving Funds” line item, showing sufficient segregation of duties are possible.

We found 2 of 30 sampled dates (6%) had incomplete entries on the Fund Transfer Ledger. February 19, 2021 was missing the closing time entry on the ledger. December 16, 2021 did not have the closing cash balance entered for one of the drawers. The remaining 28 (94%) sample dates were completed in entirety on the log.

Supervisors explained that if a cashier leaves early, they may sign on behalf of the cashier during closing. They may also perform cashiering duties, such as voids, edits, refunds, or receipt of funds. The missing entries were an oversight on the part of staff. In addition, a third-party review of the funds transfer ledger was not in place that would detect



the missing entries.

When inadequate segregation of duties is in place over cash handling, it can increase the risk of mismanagement of funds due to fraud, waste, or abuse. Since the supervisors perform the closing accounting functions and may prepare the deposit ticket, it is important to have clear segregation of duties if they may have performed cashiering duties the same day or closed a cashier's till at the end of day.

Missing entries on the Fund Transfer Ledger increases the risk of a dissolution of internal controls. The entries allow for an independent reviewer to validate

9.1

RECOMMENDATION

Close Accounts

We recommend management implement procedures that require either a secondary supervisor or employee designee sign the log if a supervisor signs both the "Employee Transferring" and "Employee Receiving" entry.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

9.2

RECOMMENDATION

Close Accounts

We recommend that the supervisor review and ensure the log is completed in entirety during closing procedures. A checkmark or initials may be useful to document that all entries are complete on the log.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

# FINDING 10 AND RECOMMENDATIONS

## ***Data Services payment 10-key receipt not complete or not on file.***

*Risk Rating: Low Risk Finding*

Documentation of all Data Services 10-key receipts did not include the date, the preparer's initials, or were not kept on file.

Countywide Policy 1062, Management of County Funds, III. A. 5, states:

"County Agency Management and Fiscal Managers shall establish Internal Control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Checks received in the mail for Data Services were added up each day and the print-out (10-key receipt) with the total was initialed and dated by the preparer. Three of 25 (12%) sampled dates were missing key information on the 10-key receipt prepared for Data Services payments. On February 19, 2021, there was no preparer signature. On October 18, and October 25, 2021, the date was not entered.

In addition, on 2 of 25 sampled dates (8%) the 10 key receipt was not on file. The receipt was part of closing procedures and provided the total Data Services balance to agree to the closing documentation.

The former fiscal manager was not present to discuss why the date and preparer's initials were not documented nor why the 10-key receipt was not maintained.

By not completing and saving the Data Services 10 key receipts, amounts cannot be verified, and individual accountability is not established. The risk of errors or omissions is increased.

We recommend that management continue to complete and save the 10 key receipts for Data Services documentation.

AGENCY RESPONSE: AGREE WITH CAVEAT,

IMPLEMENTATION DATE - JANUARY 3, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

# FINDING 11 AND RECOMMENDATIONS

## ***Missing records of signed Cash Handling policy forms for 3 cashiers.***

Risk Rating: *Low Risk Finding*

Missing records of signed Cash Handling policy forms for 3 prior cashiers.

Countywide Policy 1062, Management of Public Funds, C.4, states:

“Newly appointed Cashiers, within a reasonable timeframe, shall read through this policy and attend the Cashier Training, completion of which can be verified by Supervisors through the Employee University.”

Management implemented the control of having newly hired cashier’s sign a Cash Handling Policy Form which states that employees have read and understood the policy, and they agree to abide by it. This was due to Human Resources stopping in person cashier trainings during the Coronavirus pandemic. We found that 10 out of 32 (31%) employees were hired after in person training stopped in March 2020. 7 (70%) completed the form. The remaining 3 (30%) employee forms were not on file.

Management was not certain as to why the 3 employees did not have their signed acknowledgment forms retained.

Lack of retention of signed employee Cash Handling Policy forms increases the risk that employees do not adhere to County policy and are not aware of proper cash handling procedures.

11.1	RECOMMENDATION	Document Retention
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We recommend management retain the signed copies of the Cash Handling Policy forms for all current employees and for at least one year after employees leave. Forms can be saved electronically or on paper.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that when the County's Human Resources brings back the cashier training, that cashiers who were not able to complete it do so in a reasonable time frame.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - UNKNOWN

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

## FINDING 12 AND RECOMMENDATIONS

### ***No documentation on file regarding reconciliation of ACH payments.***

*Risk Rating: Low Risk Finding*

There was no documentation on file regarding reconciliation of ACH payments after the new POS system was in place.

Countywide Policy 1060, Financial Goals and Policies, Section 8.3, states: **"Adequate documents and records shall be designed and used to ensure the proper recording of events;** the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts [emphasis added]"

We inquired whether ACH payment balances were reconciled to account for timing issues between when the payment was received and when it was processed and posted as a distribution. One of the Assistant Division Administrators mentioned that she thought a former employee was reconciling those balances. However, she was unable to provide documentation.

The Fiscal Manager clarified that the electronic payments variances were a timing issue with the ACH/ Immediate Prepay accounts which would show up on the prior days or same day Bank Deposit Report. Reconciliations may not be occurring due to employee turnover. If reconciliations occurred previously, it is not known why documentation was not retained. Written policies and procedures are in place for document retention, however, there was a dissolution of the control.

Where reconciliations are not completed, errors and omissions are more likely to occur undetected. Where policies and procedures are not documented, control activities may be discontinued or performed incorrectly in the event of employee turnover.

We recommend that management implement policies and procedures that outline accounting processes and reconciliations as well as retention of supporting documentation.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - JANUARY 31, 2023

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management ensure that ACH variances be reconciled to ensure all payments are accounted for.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE - IMPLEMENTED

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management ensure reconciliation documentation is retained on file in the daily closing folder.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE -IMPLEMENTED

SEE PAGE 43 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

# APPENDIX A: Additional Information

## Appendix A: Additional Information

<b>Scope &amp; Methodology</b>	<p>The scope of our audit was January 1, 2021 – December 31, 2021. Our work included a review of the internal controls cash handling, receipting, and depositing at the Salt Lake County Recorder’s Office.</p> <p>To accomplish the audit objectives:</p> <ul style="list-style-type: none"><li>• We reviewed cash receipts and deposits and verified controls for safeguarding cash assets. We observed Recorder’s Office management collections procedures to ensure adequate segregation of duties and compliance with County policies.</li><li>• We reviewed controls in place over collecting, recording, depositing, and reporting of cash receipts and deposits.</li><li>• We reviewed Data Services procedures for billing and management of accounts receivable.</li></ul>
<b>Exclusions</b>	<p>We did not review Recorder’s Office payroll or accounts payable as a part of this audit.</p>
<b>Follow-Up Audit Process</b>	<p>An initial follow-up review to determine the implementation status of open recommendations will be conducted six months after the final audit report date. A final follow-up review will be conducted 12 months after the final audit report date. Results of the final follow-up audit will be reported to management and other stakeholders. Additional follow-up audits may be scheduled based on the severity of the risks, or the lack of corrective action to address significant issues noted during the initial audit.</p>



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# AGENCY RESPONSE

Rashelle Hobbs  
Recorder

Will Kocher  
Chief Deputy Recorder



*November 30, 2022*

Auditor Chris Harding, CPA  
Office of the Auditor  
Salt Lake County  
2001 S State Street  
Salt Lake City, UT 84190

Dear, Auditor Harding:

Thank you for returning the draft audit report and providing us this opportunity to respond to your findings and recommendations. We were particularly pleased that your audit revealed no merit to the tip submitted to the Auditor's Fraud Tip Hotline in June of this year.

As noted in your report, the audit of our office coincided with a major change in our cashiering system, as well as with some turnover of key management positions. And while your narrative mentions that the Recorder's Office—which is statutorily required to remain open during business hours—was dealing with maintaining operations during the COVID-19 pandemic, it is also worth noting that said pandemic arrived only 15 months after I took office, capping an incredibly tumultuous era for the Recorder. Since the time of your audit, we have hired and promoted to fill nearly all our vacancies, and I could not be more proud of the team we have assembled.

As you will read in our responses to your recommendations, we are in the process of modernizing our ability to serve the citizens of Salt Lake County with a keen eye on efficiency and customer service.

We appreciate your team's collaboration on this audit and look forward to working with your office in the future.

Sincerely,

*Rashelle Hobbs*

Rashelle Hobbs  
Salt Lake County Recorder

**Please find our response below to each of the recommendations made in your report:**

**AUDIT FINDING 1:** Inadequate controls over mailed-in payments.

<b>RECOMMENDATION 1.1</b>		
We recommend that management require at least two cashiers retrieve the mail daily.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

While County Policy 1062 does not recommend or require that mail be retrieved by two cashiers/employees, management in the Recorder’s Office can see the sense in implementing this recommendation from the Auditor’s Office and implemented verbally as of November 2, 2022 (the day after meeting with the Auditor’s team). Recorder’s Office Policies already required two cashiers be present when all mail is opened (although County Policy 1062 does not require that measure either); those policies will be updated by 31 January 2023 to add a requirement that two cashiers retrieve the mail as well.

<b>RECOMMENDATION 1.2</b>		
We recommend that management implement a mail log to track the date each payment was received, the cashiers retrieving and recording the checks, whether the check was deposited or returned, and a supervisor’s signature.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

Since County Policy 1062 makes no reference to a mail log, nor does it provide a template for such a log in the MPF Forms attached to 1062 as Appendices, the Recorder’s Office will use our discussion with the Auditor’s Office on November 2, 2022, as a guide in implementing our solution. Given the occasionally large volume of checks received via mail, we believe the strategy that will work best for us is to provide such a log by check count and amount, with disposition of different check types noted accordingly; this log has been implemented by November 7, although documentation of the new policy and practice will be formalized in revised policies and procedures to be completed by 31 January 2023.

**RECOMMENDATION 1.3**

We recommend management ensure that checks returned be documented in the closing folder. Documentation may include the original scanned check with notes indicating it was returned (including the address returned to and date) and initials of the employee preparing the return.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	31 January 2023	Susan Johnston Fiscal Manager

This fiscal team is already documenting checks returned to customers for *Data Services* subscriptions in a folder that is NOT the closing folder. In addition, discrepancies are noted on a file in the closing folder and included in the Total Cash Deposits log submitted to Mayor’s Finance monthly. Checks returned to customers for Recording Fees are now being documented as part of the new mail log and will, therefore, be included in the Closing Folder. They are also documented within Tyler Eagle. However, this existing procedure has not been formalized in the division policies and procedures and will be added to the revised version to be completed 31 January 2023.

**RECOMMENDATION 1.4**

We recommend that management revise existing policies and procedures or draft additional written policies and procedures that incorporate recommendations 1 to 3 or similar compensating controls.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

The Recorder’s Office has long had policies and procedures that address most of these recommendations. However, the policies were kept in two different locations, and only some of them required employees signing off to indicate understanding and agreement. Further, given the period of staff turnover previously mentioned, it is not certain that all cashiers were aware of all the policies and procedures in place. Therefore, management will revise all existing policies and procedures into one document by 31 January 2023 and will ensure that all cashiers are signed off on these policies and procedures annually.

**AUDIT FINDING 2:** Supervisory approvals were not always present and the Fiscal Manager’s review of the Consolidated Daily Cash Receipt Report was discontinued.

<b>RECOMMENDATION 2.1</b>		
We recommend that management assign a secondary employee to review and sign cashier till balance reports if a supervisor signs as a cashier.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

While we implemented this verbally as a practice on 3 November 2022, the practice will be added as a policy within the revised policies and procedures that will be complete by 31 January 2023.

<b>RECOMMENDATION 2.2</b>		
We recommend that management continue having either the Fiscal Manager or other designated employee perform a final review of the total ending balances and deposit ticket. A review of ending balances can be documented on the Bank Deposit Report. The review should include:		
<ul style="list-style-type: none"> <li>• Documenting variances or exceptions and retaining explanations with the closing documentation and ending balances.</li> <li>• Ensuring the deposit ticket was initialed by the preparer prior to deposit.</li> </ul>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

The division Accountant, who is the Fiscal Manager’s designee (and the first incumbent in a newly created position, starting right after your audit concluded), has—for several months—been reviewing total ending balances and deposit tickets, and documenting variances or exceptions and retaining explanations with the closing documentation and ending balances. Beginning mid-November, he began ensuring the deposit ticket was initialed by the preparer prior to deposit as well. These practices will be documented as policy in the revised policies and procedures to be completed by 31 January 2023.

**RECOMMENDATION 2.3**

We recommend that management assign a secondary employee to perform reviews of ending balances and deposit tickets when the Fiscal Manager or designated employee is absent.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

The Fiscal Coordinator will also be cross trained in reviews and reconciliations as extra redundancy. This policy will be documented in the revised policies and procedures to be completed by 31 January 2023.

**RECOMMENDATION 2.4**

We recommend that management retain consistent records between the electronic copies in the network drive closing folder and the paper copies. Employees responsible for scanning documentation for electronic copies should also be responsible for ensuring that documents requiring a cashier and/or supervisor signature are complete prior to saving.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

Fiscal Manager or her designee will ensure that there is a digital record for every business day in the closing folder; paper copies will be a redundancy, and inconsistent. This policy will be documented in the revised policies and procedures to be completed by 31 January 2023.

**AUDIT FINDING 3:** Missing documentation and approvals for high-risk transactions such as voids, edits, and no-fee transactions.

<b>RECOMMENDATION 3.1</b>		
We recommend that management consider implementing the use of void forms or slips and an edit form. The forms should include the original receipt, the corrected receipt, the reason for the edit or void, the date, signatures from the cashier and supervisor.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

Voids and edits will be documented as part of the daily closing and all relevant documentation will be stored with that daily closing documentation, duly signed by the cashier and supervisor (or management, if supervisor is acting as cashier). These changes will be documented in the revised policies and procedures to be completed by 31 January 2023.

<b>RECOMMENDATION 3.2</b>		
We recommend that management retain this documentation as one packet to minimize the risk of missed documentation. Documentation could then be saved in one folder for that corresponding month.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

As noted in the prior recommendation narrative, this documentation will be retained with the closing data and retained within the closing folder. These changes will be documented in the revised policies and procedures to be completed by 31 January 2023.

**RECOMMENDATION 3.3**

We recommend that management designate a secondary employee as a reviewer when the supervisor signs as a primary.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

As noted in the narrative for recommendation 3.1, management will also sign as reviewer when the supervisor is acting as cashier. These changes will be documented in the revised policies and procedures to be completed by 31 January 2023.

**RECOMMENDATION 3.4**

We recommend that management designate either the Fiscal Manager or other managerial level employee responsibility to review and sign the “Manager Signature” line item on the Cash Short/Over, Void and Edit log.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

In the revised policies and procedures that will be completed by 31 January 2023, Division Administrators and their designees will be authorized to review and sign the “Manager Signature” line item on the Cash Short/Over, Void and Edit log.



**RECOMMENDATION 3.5**

We recommend that management require entities that qualify for “No Fees” to submit Fee waiver letters/forms and that a copy be retained with the transaction.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Disagree	31 January 2023	Susan Johnston Fiscal Manager

Rather than requiring entities that qualify for “No Fees” to submit Fee Waiver letters/forms, management will create both a list of the specific entities (our partner agencies) that qualify for “No Fees” and clear criteria for establishing any additions to the list. This list will be complete by 31 January 2023.

**AUDIT FINDING 4: Missing and incomplete Data Services Agreements****RECOMMENDATION 4.1**

We recommend that management implement a Data Services policy explicitly addressing the Countywide requirements.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	3 January 2023	Susan Johnston Fiscal Manager

Firstly, we are in the process of significantly changing the *Data Services* subscriptions from credit accounts to a tiered subscription service with pay-in-advance annual subscriptions that will not require granting credit at all. There are approximately 22 companies who will continue to pay monthly rather than annually due to the size of their accounts. However, even these large accounts will have their annual usage estimated and paid monthly at the first of the month (in advance) rather than in arrears. Consequently, the new *Data Services* will no longer violate Countywide requirements with regard to granting credit.

<b>RECOMMENDATION 4.2</b>		
We recommend that management update the agreement to include a clause that the account will not be set up unless the personal guarantee is completed and signed.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	Resolved	Susan Johnston Fiscal Manager

If the existing *Data Services* subscriptions were remaining in their current form, we would add a clause as recommended. However, the new *Data Services* accounts will be paid in advance, thus there will be no need for any personal guarantee; no credit will be granted.

<b>RECOMMENDATION 4.3</b>		
We recommend that management ensure that the Recorder’s Office obtains signed agreements for all current customers.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	3 January 2023	Susan Johnston

The agreements for the new *Data Services* subscriptions will include a digital agreement from every customer as part of the signup process.

**AUDIT FINDING 5: Missing and incomplete Data Services Agreements**

<b>RECOMMENDATION 5.1</b>		
We recommend that management <b>update internal</b> written policies and procedures <b>to address extenuating circumstances that may impact their standard collection procedures and</b> that outline:		
<ul style="list-style-type: none"> <li>• When accounts should be suspended, closed, and/or sent to collections</li> <li>• Employee(s) responsible for monitoring and collecting past due receivables</li> <li>• When letters, statements, and other collection communication should take place</li> <li>• Documents to be retained including dates of contact, suspended, reactivated, or closed dates</li> </ul>		

<ul style="list-style-type: none"> <li>• Outline circumstances that may exempt customers from collection efforts and documentation of any agreements</li> <li>• Interest or penalties to be included and when. Interest charges should adhere to Countywide Policy 1220.</li> </ul>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	Resolved	Susan Johnston Fiscal Manager

If the existing *Data Services* subscriptions were remaining in their current form, we would update policies and procedures as recommended. However, the new *Data Services* accounts will be paid in advance, thus there will be no need for any of the points of this recommendation.

<b>RECOMMENDATION 5.2</b>		
We recommend that management update the customer invoice to include a reminder that accounts with ACH will be debited by the County and to address account suspension and closure in the event of non-payment.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	Resolved	Susan Johnston Fiscal Manager

If the existing *Data Services* subscriptions were remaining in their current form, we would update invoices as recommended. However, the new *Data Services* accounts will be paid in advance, thus there will be no invoices issued.

**RECOMMENDATION 5.3**

We recommend that management ensure duplicate payments which are applied to a subsequent billing period are documented. Similarly, if credits are issued to clear out old accounts, that documentation or notes regarding why the credit was issued are retained.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 December 2022	Susan Johnston Fiscal Manager

Beginning in late October, in anticipation of the substantial change being made to the *Data Services* model, we ceased the practice of depositing customer checks that would create or widen customer credit balances. Our intention is to clean up all existing customer accounts from the existing *Data Services* model by the end of 2022. Throughout this clean-up process, we have been and will continue to document all actions taken.

**RECOMMENDATION 5.4**

We recommend that management implement a 1.5 percent interest charge per month on overdue accounts, as required by Countywide Policy 1220, Section 4.4

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	Resolved	Susan Johnston Fiscal Manager

If the existing *Data Services* subscriptions were remaining in their current form, we would implement interest charges as recommended. After 2022, there will be no overdue accounts, as all customers will be required to make payment prior to accessing Recorder's Office data.

**RECOMMENDATION 5.5**

We recommend that management improve tracking procedures of overdue account balances. The aging report provided by MFA could be used to develop a delinquency log tracking the:

- Dates that delinquency letters or emails were sent to the customer
- Account balance
- Customer Responses
- Account suspensions
- Account closures
- Date accounts were sent to the District Attorney for collections and/or the balance was written off, in accordance with Countywide Policy 1220.
- Date the account was paid in full and reactivated
- Initials of the employee(s) tracking the account.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 December 2022	Susan Johnston Fiscal Manager

The Recorder’s Office fiscal team has been working closely with Mayor’s Finance since mid-September to clean up existing accounts receivable. Since that time the accounts past due over 90 days have diminished dramatically.

**RECOMMENDATION 5.6**

We recommend that management retain copies of the emails or delinquency letters.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 December 2022	Susan Johnston Fiscal Manager

Since beginning the cleanup of accounts receivable, all correspondence has been retained. Again, we intend to have all accounts resolved by 31 December 2022; document retention will occur per County standard retention schedules for accounts receivable.

**RECOMMENDATION 5.7**

We recommend an annual training to remind employees responsible for Data Services Receivables of the internal policies and procedures for managing the accounts.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	31 December 2022	Susan Johnston Fiscal Manager

If the existing *Data Services* subscriptions were remaining in their current form, we would implement training as recommended. After 2022, there will be no accounts receivable, as all customers will be required to make payment prior to accessing Recorder’s Office data.

**AUDIT FINDING 6: ACH Agreements received via unencrypted email.****RECOMMENDATION 6.1**

We recommend that management coordinate with IT, the Office of Data Innovation, and their Division IT Administrator, to develop methods of receiving protected and restricted data that adheres to the County Information Technology Standards.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	3 January 2023	Susan Johnston Fiscal Manager

The new *Data Services* payments will utilize the secure, encrypted ACH service provided by the new Merchant Services Provider rather than the method previously utilized for ACH payments.

**AUDIT FINDING 7:** Missing June and September Data Services Monthly Billing Reports.

<b>RECOMMENDATION 7.1</b>		
We recommend that <b>the employee designated to receive the Monthly Billing Reports save the monthly report in the Closing folder to adhere to their Internal Policies and Procedures, Email Retention Schedule, as an annual, financial, or statistical report under “Policy and Program Records.”</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

Firstly, the Monthly Billing Report was a CashPro report which is no longer in use. However, during the remainder of 2022 we are still doing monthly billing using data from Tyler Eagle, and the reports that generate those billings are retained (although not in the closing folder). Finally, all *Data Services* accounts will be billed in advance beginning in January, so there will be no monthly billing reports.

**AUDIT FINDING 8:** Closed accounts remained Active in MyFin.

<b>RECOMMENDATION 8.1</b>		
We recommend that management designates an employee to review accounts in MyFin and correct closed accounts to inactive per QuickBooks and the Data Services Intranet site.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	Complete	Susan Johnston Fiscal Manager

Closed accounts with no balance have all been inactivated in MyFin. Quickbooks is no longer in use at all.

**AUDIT FINDING 9:** Inadequate segregation of duties and missing information on the Fund Transfer Ledger

<b>RECOMMENDATION 9.1</b>		
We recommend management implement procedures that require either a secondary supervisor or employee designee sign the log if a supervisor signs both the "Employee Transferring" and "Employee Receiving" entry.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

When a supervisor signs a log as both the employee transferring and employee receiving entry (as occasionally happened due to tight staffing during the COVID-19 pandemic) said logs will be additionally signed by management or their designees These changes will be documented in the revised policies and procedures to be completed by 31 January 2023.

<b>RECOMMENDATION 9.2</b>		
We recommend that the supervisor review and ensure the log is completed in entirety during closing procedures. A checkmark or initials may be useful to document that all entries are complete on the log.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

Supervisors (or another manager when the supervisor is acting as cashier) will review and ensure Fund Transfer Ledgers are entirely completed during closing procedures and will initial ledger to document their review. These changes will be documented in the revised policies and procedures to be completed by 31 January 2023.



**AUDIT FINDING 10:** Data Services payment 10-key receipt not complete or not on file.

<b>RECOMMENDATION 10.1</b>		
We recommend that management continue to complete and save the 10 key receipts for Data Services documentation.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	3 January 2023	Susan Johnston Fiscal Manager

*Data Services* payments will be made in advance by credit/debit card, online, and no 10-key receipt will be used at all. Until the new program begins on 3 January 2023, *Data Services* deposit documentation will include either 10-key receipts or equivalent method of documenting count and amount.

**AUDIT FINDING 11:** Missing records of signed Cash Handling policy forms for 3 cashiers.

<b>RECOMMENDATION 11.1</b>		
We recommend management retain the signed copies of the Cash Handling Policy forms for all current employees and for at least one year after employees leave. Forms can be saved electronically or on paper.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

In addition to consolidating policies and procedures into one cash handling policy, we will be requiring all current cashiers to read the new policies/procedures and sign indicating they have done so. These will be saved digitally for at least one year after employees leave their position as cashier.

**RECOMMENDATION 11.2**

We recommend that when the County's Human Resources brings back the cashier training, that cashiers who were not able to complete it do so in a reasonable time frame.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	Unknown	Susan Johnston Fiscal Manager

On 14 November 2022 management met with Human Resources management (Director, Associate Director, and Business Partners) and directly requested that they re-implement cashier training through SABA. Further, we requested that the training cover not just the 'doing' of cash handling but also the reasons and ethics that inform the policies and procedures required in handling public funds. Target date is still unknowable, however, as there is no cashier training available from Human Resources.

**AUDIT FINDING 12:** No documentation on file regarding reconciliation of ACH payments.

**RECOMMENDATION 12.1**

We recommend that management implement policies and procedures that outline accounting processes and reconciliations as well as retention of supporting documentation.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	31 January 2023	Susan Johnston Fiscal Manager

As previously stated, management will be implementing new cash handling policies and procedures (consolidating prior policies and procedures, as well as updating) by the end of January 2023. These policies and procedures will outline accounting processes and reconciliations as well as retention of supporting documentation.

**RECOMMENDATION 12.2**

We recommend that management ensure that ACH variances be reconciled to ensure all payments are accounted for.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree	Complete	Susan Johnston Fiscal Manager

All ACH variances have been reconciled since April 2022 and all payments are accounted for. That said, and as previously stated, all ACH payments in current form will be discontinued after 2022.

**RECOMMENDATION 12.3**

We recommend that management ensure reconciliation documentation is retained on file in the daily closing folder.

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and Title of specific point of contact for implementation</b>
Agree, with caveat	Complete	Susan Johnston Fiscal Manager

Reconciliation documentation for recording fees is kept with daily reports in the daily closing folder. Reconciliation documentation for *Data Services* accounts is retained but in a folder other than the closing folder.