

Digest of A Performance Audit of Special Service Districts in Wasatch County

We have completed our analysis of allegations concerning special service districts (SSDs) in Wasatch County as requested by the Audit Subcommittee. We found that three Wasatch County SSDs were not well controlled in the past. However, we found that the county commission's actions regarding the fire district were legitimate. On the other hand, Wasatch County's overhead charges for employees leased to the SSDs appear inaccurate. Also, state water usage standards were not equitably applied among SSDs. Further, the Timber Lakes Water Special Service District (Timber Lakes) could improve its decision-making analysis.

In addition to these issues, we also addressed some allegations in a limited fashion. Our work on these issues was limited either because information was not available or because the issue did not appear worth pursuing further.

Special Service Districts Were Not Well Controlled. Management and board oversight was such that significant financial risk was allowed to exist within the SSDs. First, two consultants received approximately \$900,000 over a five-year time period with little evidence of adequate board expenditure review. Further, these consultants were allowed to authorize many of their own pay checks. Second, internal control weaknesses identified by the SSDs' independent auditors were not quickly corrected. For example, a problem with segregation of duties was reported in one district every year since 1994 but was not corrected until 1999. A poor segregation of duties opens the door to financial improprieties. The county commissioners have recognized these problems and have taken significant steps to correct them. Also, the creation of SSDs within Wasatch County was not well controlled. Wasatch County was unaware of how many SSDs it had created. The county commissioners have also taken steps to address this problem.

County Commission's Actions Regarding the Fire District Were Legitimate.

The action to dissolve the Wasatch County Fire Protection Special Service District (WCFPSSD) Administrative Control Board was legitimate. As the creating entity of the WCFPSSD board, the Wasatch County Commission had the authority to dissolve the administrative control board at any time. Also, the actions regarding the construction of the Jordanelle Emergency Services Building (fire station) were legitimate. Specifically, we found no evidence that the architectural and design services were improperly procured through a sole-source contract. However, design

costs were not reduced as a result of the sole-source as expected. In addition, we verified that the fire station contracts were not “cost-plus” nor were construction management services paid for twice.

County Overhead Charges Appear Inaccurate. First, overhead charges are inconsistently applied among four special service districts tested even though similar services are received. In fact, the hourly overhead rate the county charges varies by more than \$6/hour among the four SSDs. This raises the question of preferential treatment. Second, Wasatch County’s overhead charges do not appear closely related to estimated costs. Some lease rates appear comparatively high while others appear low. We estimate that in 1999, Wasatch County may have collected approximately \$20,190 above costs in some areas and \$8,350 below estimated costs in other areas. We believe the county should establish a reasonable overhead rate that more accurately reflects actual costs. The rate should be well-documented and consistently applied to all users.

Certain Water Rights Did Not Meet Requirements. Wasatch County regulations, mandating the minimum amount of domestic water that property owners and suppliers must have legal rights to in order to build, were not being met in the Jordanelle area. The Jordanelle Special Service District (JSSD) and area developers had entered into water reservation and subscription agreements that called for the purchase of rights to less water per equivalent residential unit (ERU) than county standards require. A water assessment below county standards suggested that the JSSD might, in the future, face a shortfall in legally usable water when the Jordanelle area is fully developed. Further, we believe that using requirements that are below standard created the appearance of bias. The county commission has taken action requiring the county standard be met in JSSD.

Timber Lakes Could Make Managerial Improvements. The Timber Lakes Water Special Service District (Timber Lakes) could make some managerial improvements. In particular, Timber Lakes may have incurred unnecessary cost by allowing two employees to become employees of Wasatch County. In our opinion, Timber Lakes should have made a cost/benefit analysis prior to the decision. On the other hand, we found no support for the allegation that the two Timber Lakes’ employees benefitted inappropriately from their transfer to Wasatch County employment. Finally, while we found no support for the allegation of financial impropriety, we do believe that Timber Lakes should implement some simple financial controls.

Some Allegations Addressed in a Limited Fashion. Our work on some allegations and concerns was limited, either by the information available or by the fact that the issue did not appear to be worth pursuing further. Specifically, we

received three allegations and one concern which were analyzed in a limited fashion. In particular:

- It was alleged that three SSDs paid \$12,000/month in rent (\$4,000 a month from each SSD) to the then current county attorney for a small office space.
- It was alleged that two individuals, the then current Wasatch County Attorney and a former county employee, had a conflict of interest from working simultaneously for all three SSDs as well as for the county.
- It was alleged that these two individuals inappropriately accounted for their time, either by double billing or billing for services not performed.
- A concern was raised over the possibility of double taxation within the SSDs.