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Independent State Entities

# RESULTS OF RECENT AUDITS

SEPTEMBER 14, 2016



Office of the State Auditor  
**State of Utah**

# Audits Performed

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- Governance
- Transparency
- Financial Activities
  - Internal Controls
  - Credit Card Policies and Procedures
  - Financial Statements



# Entities Audited

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- Utah Communications Agency
- Utah Dairy Commission
- State Fair Corporation
- Heber Valley Historic Railroad Authority
- Military Installation Development Authority
- School & Institutional Trust Fund Office
- School & Institutional Trust Lands Administration
- Utah Energy Infrastructure Authority
- Utah Housing Corporation
- State Railroad Museum Authority



# Internal Controls

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- Processes put in place by the governing board, management, or others
- Provide consistent and efficient operation
  - Reasonable assurance that public funds will be properly safeguarded



# Separation of Duties

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- Separating certain responsibilities so that no one person has the ability to improperly use money without detection



# Purchase Card (P-Cards)

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- P-cards can provide
  - Greater transaction-level detail
  - Transaction spending limits
  - Merchant category restrictions



# Utah Communications Agency

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# Utah Communications Agency

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## Governance

- Inadequate Oversight of Financial Management
- Insufficient Accounting Policies & Procedures
- Inadequate Internal Controls over Credit Cards Perpetuated Alleged Fraud

## Transparency

- Noncompliance with Open & Public Meetings Act (OPMA)
- Increased Financial Transparency Could Occur By Reporting to the Utah Public Finance Website (UPFW)



# Utah Communications Agency

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## Internal Controls

- Inadequate Separation of Duties Over Bank Reconciliations, Cash Receipts, and Payroll Disbursements
- Inconsistent Application of UCA Procurement & Disbursement Policies



# Utah Dairy Commission

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# Utah Dairy Commission

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## Transparency

- Noncompliant posting of meeting notices (6 meetings, 2 out of state)
  - Posted to UPNW: 0% compliance
  - Met 24-hr requirement: 0% compliance
  - Date, time, and location information: 0% compliance
- Significant Noncompliance with minutes & recordings
  - Posted minutes to UPNW: 0% compliance
  - Posted minutes with 3 days of approval: 0% compliance
  - Posted recordings to UPNW: 0% compliance
  - Posted recordings with 3 business days: 0% compliance
  - Recorded votes: 0% compliance
  - Recorded attendance: 100% compliance
  - Recorded time information: 0% compliance
  - Recorded date and location information: 100% compliance



# Utah Dairy Commission

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## Financial Activities

- Inadequate internal control over credit cards
  - Lacks written policies & procedures
  - 122 charges totaling \$9,213 lacked adequate receipts
  - CEO approves own purchases, lacks adequate supervisory approval
  - 25 restaurant charges for \$2,498 lacked list of attendees or business purpose
  - Commission directly paid personal phone bills, charges appeared excessive
  - \$588 spent for 4 board members to attend the USU annual Ag Day bbq and football game
  - \$400 in cash advances
  - \$180 for a manicure, unable to verify repayment
  - \$131 in late fees, cash advance fees, over-limit fees, and finance charges



# Utah Dairy Commission

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## Financial Activities

- Excessive issuance of credit cards & inadequate separation of duties
  - Issues cards to all full-time employees
  - Issued card to chairman
  - Cards should be limited to those individuals with a compelling business need
  - Widespread distribution of credit cards impair separation of duties
- Insufficient training on credit card use
  - 2 individual reported receiving no training
  - 7 individuals reported an informal discussion
- Inadequate review of credit card purchases
  - High-level, summary review by CEO
  - Fails to review source documentation
  - Unable to determine timeliness of reviews (before or after payment)



# Utah Dairy Commission

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## Financial Activities

- Improper recording of employee gifts
  - \$900 in gift cards not reported as employee compensation
- Increased risk by using credit cards versus p-cards



# Utah Dairy Commission

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## Financial Activities

- Commission misunderstands state oversight
  - Commission repeatedly states that it operates on private, not public funds
  - Dairy assessments are public funds
  - Refers to itself as the Dairy Council of Utah & Nevada
  - Employee W-2s are from the Dairy Commission
  - Utah Dairy Commission is a public entity
  - Attempted to block and stall State Auditor
  - State Auditor ultimately issued subpoena to compel timely response



# State Fair Corporation

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# State Fair Corporation

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## Transparency

- Inadequate compliance with posting of meeting notices (12 meetings)
  - Posted to UPNW: 100% compliance
  - Met 24-hr requirement: 33% compliance (4 of 12)
  - Date, time, and location information: 50% compliance (6 of 12)
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 100% compliance
  - Posted minutes with 3 days of approval: 0% compliance
  - Posted recordings to UPNW: 83% compliance (10 of 12)
  - Posted recordings with 3 business days: 0% compliance
  - Recorded votes: 0% compliance
  - Recorded attendance: 82% compliance (10 of 12)
  - Recorded time information: 0% compliance
  - Recorded date and location information: 100% compliance



# State Fair Corporation

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## Financial Activities

- Inadequate internal control over credit cards
  - New policies & procedures not fully documented
  - Finance manager had access and used credit cards, impairing separation of duties
  - Lacked documentation of 4 transaction totaling \$91
  - Inadequate or untimely credit card reviews
  - \$485 in restaurant purchases lacked list of attendees and business purpose
- Improper credit card purchases
  - \$292.30 spent on employee gift cards and greeting cards for employee birthdays
- Untimely cancellation of credit cards
  - Credit card for terminated employee still active 6 months later
  - Credit card able to be used by person performing reconciliation



# State Fair Corporation

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## Financial Activities

- Increased Risk by Using Credit Cards versus Purchase Cards
- Inadequate Cash Receipting Internal Controls
- Inadequate Internal Controls over Financial Statement Preparation



# Heber Valley Historic Railroad Authority

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# Heber Valley Historic Railroad Authority

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## Transparency

- Noncompliant posting of meeting notices (7 meetings)
  - Posted to UPNW: 0% compliance
  - Met 24-hr requirement: 0% compliance
  - Date, time, and location information: 0% compliance
- Significant noncompliance with minutes & recordings
  - Posted minutes to UPNW: 0% compliance
  - Posted minutes with 3 days of approval: 0% compliance
  - Posted recordings to UPNW: 0% compliance
  - Posted recordings with 3 business days: 0% compliance
  - Recorded votes: 0% compliance
  - Recorded attendance: 100% compliance
  - Recorded time and location information: 0% compliance
  - Recorded date information: 100% compliance



# Heber Valley Historic Railroad Authority

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## Financial Activities

- Inadequate internal control over credit cards
  - Lacks formal written policies & procedures
  - 58 purchases totaling \$10,405 lacked original receipts or descriptions
  - Lacks independent supervisor review
  - Inadequate documenting of accountant review
  - Failure to dispute fraudulent charge in timely manner
  - 9 restaurant purchases lacked list of attendees and business purpose
  - Inadequate separation of purchasing and receiving
- Lacks purchasing policies & procedures
- Increased risk by using credit cards versus p-cards



# Military Installation Development Authority

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# Military Installation Development Authority

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## Transparency

- Compliant posting of meeting notices (6 meetings)
  - Posted to UPNW: 100% compliance
  - Met 24-hr requirement: 100% compliance
  - Date, time, and location information: 100% compliance
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 100% compliance
  - Posted minutes with 3 days of approval: 0% compliance
  - Posted recordings to UPNW: 83% compliance (5 of 6)
  - Posted recordings with 3 business days: 0% compliance
  - Recorded votes: 100% compliance
  - Recorded attendance: 100% compliance
  - Recorded date, time, and location information: 100% compliance



# Military Installation Development Authority

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## Financial Activities

- Inadequate internal control over credit cards
  - Lacks formal written policies
  - Inadequate independent supervisor review
  - 2 employees sharing the same credit card
- Increased risk by using credit cards versus p-cards



# School & Institutional Trust Fund Office

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# School & Institutional Trust Fund Office

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## Transparency

- Compliant posting of meeting notices (13 meetings)
  - Posted to UPNW: 100% compliance
  - Met 24-hr requirement: 100% compliance
  - Date, time, and location information: 100% compliance
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 100% compliance
  - Posted minutes with 3 days of approval: 38% compliance (5 of 13)
  - Posted recordings to UPNW: 100% compliance
  - Posted recordings with 3 business days: 92% compliance (12 of 13)
  - Recorded votes: 0% compliance
  - Recorded attendance: 100% compliance
  - Recorded time information: 0% compliance
  - Recorded date and location information: 100% compliance



# School & Institutional Trust Lands Administration

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# School & Institutional Trust Lands Administration

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## Transparency

- Compliant posting of meeting notices (13 meetings)
  - Posted to UPNW: 100% compliance
  - Met 24-hr requirement: 100% compliance
  - Date, time, and location information: 100% compliance
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 100% compliance
  - Posted minutes with 3 days of approval: 85% compliance (11 of 13)
  - Posted recordings to UPNW: 100% compliance
  - Posted recordings with 3 business days: 77% compliance (10 of 13)
  - Recorded votes: 92% compliance (12 of 13)
  - Recorded attendance: 31% compliance (4 of 13)
  - Recorded time information: 0% compliance
  - Recorded date and location information: 100% compliance



# Utah Energy Infrastructure Authority

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# Utah Energy Infrastructure Authority

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## Transparency

- Compliant posting of meeting notices (1 meeting)
  - Posted to UPNW: 100% compliance
  - Met 24-hr requirement: 100% compliance
  - Date, time, and location information: 100% compliance
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 0% compliance
  - Posted minutes with 3 days of approval: N/A
  - Posted recordings to UPNW: 0% compliance
  - Posted recordings with 3 business days: 0% compliance
  - Recorded votes: N/A
  - Recorded attendance: 100% compliance
  - Recorded date, time, and location information: 100% compliance



# Utah Housing Corporation

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# Utah Housing Corporation

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## Transparency

- Mostly compliant posting of meeting notices (7 meetings)
  - Posted to UPNW: 100% compliance
  - Met 24-hr requirement: 86% compliance (6 of 7)
  - Date, time, and location information: 86% compliance (6 of 7)
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 100% compliance
  - Posted minutes with 3 days of approval: 29% compliance (2 of 7)
  - Posted recordings to UPNW: 100% compliance
  - Posted recordings with 3 business days: 43% compliance (3 of 7)
  - Recorded votes: 0% compliance
  - Recorded attendance: 100% compliance
  - Recorded date, time, and location information: 100% compliance



# State Railroad Museum Authority

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# State Railroad Museum Authority

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## Transparency

- Mostly compliant posting of meeting notices (6 meetings)
  - Posted to UPNW: 83% compliance (5 of 6)
  - Met 24-hr requirement: 83% compliance (5 of 6)
  - Date, time, and location information: 83% compliance (5 of 6)
- Inadequate compliance with minutes & recordings
  - Posted minutes to UPNW: 0% compliance
  - Posted minutes with 3 days of approval: 0% compliance
  - Posting recordings to UPNW: 0% compliance
  - Posted recordings with 3 business days: 0% compliance
  - Recorded votes: 0% compliance
  - Recorded attendance: 100% compliance
  - Recorded date, time, and location information: 100% compliance



# Key Takeaways

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## Independent Entities Typically Need More Not Less Oversight & Assistance

- Weaker board oversight, deferential to day-to-day management
- Typically lack of policies and procedures
- Often lack of clarity regarding individual responsibilities
- Small size creates challenges regarding separation of duties



