

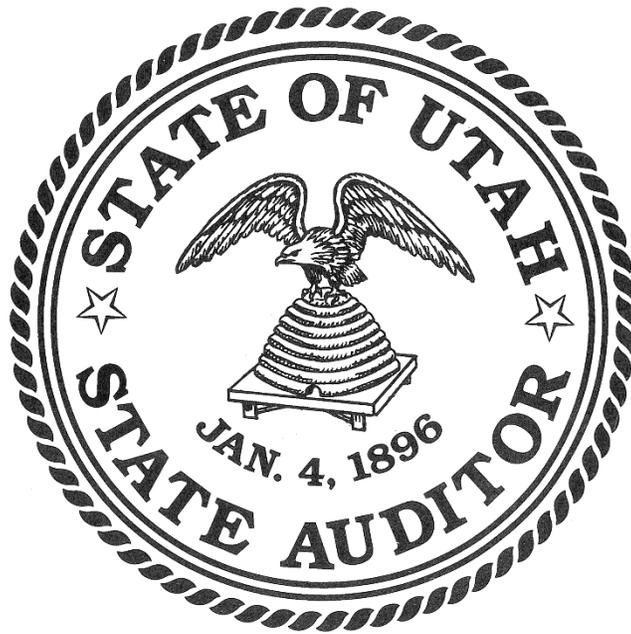
# DAVIS COUNTY

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Report on Internal Controls  
As of October 31, 2018

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Report No. DACO-18-ICR



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor

Jeremy Walker, CPA, Local Government Manager

**DAVIS COUNTY**  
As of October 31, 2018

**TABLE OF CONTENTS**

	<u>Page</u>
<b>MANAGEMENT LETTER</b>	1
<b>RECOMMENDATIONS:</b>	
1. INADEQUATE GENERAL INTERNAL CONTROLS	2
<b>BEST PRACTICES TO REDUCE RISK OF FRAUD, ABUSE AND NONCOMPLIANCE</b>	2
<b>ENTITY'S RESPONSE</b>	ATTACHMENT A



OFFICE OF THE  
**STATE AUDITOR**

February 6, 2019

Commissioner Randy Elliott, Chair  
Davis County Commission  
Farmington, UT 84

Dear Chairman Elliott:

As required by *Utah Code 17-36-45*, the Office of the State Auditor has conducted a review of Davis County as of October 31, 2018. The purpose of this review is to evaluate the design of the internal control structure of the County. An evaluation of the implementation of internal controls may be the subject of a future review. We made our evaluation through the following procedures:

- The County Auditor directed the completion of a questionnaire devised by the Office of the State Auditor. The answers to the questions helped us assess the design of internal control over financial transactions and ethical behavior.
- We reviewed policies and procedures, where available, related to finances and ethics.
- We conducted interviews with county officials to verify the responses provided in the questionnaire.

By its nature, this report focuses on exceptions and weaknesses. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the County during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact Jeremy Walker, Local Government Manager, at 801-538-1040 or [jeremywalker@utah.gov](mailto:jeremywalker@utah.gov).

Office of the State Auditor

cc: Commissioner Bob Stevenson  
Commissioner Lorene Kamalu  
Clerk/Auditor Curtis Koch  
Treasurer Mark Altom

## RECOMMENDATIONS

### 1. INADEQUATE GENERAL INTERNAL CONTROLS

- a. (Question 18) The County does not appear to prepare monthly reconciliations of all balance sheet accounts with significant balances.

**Recommendation:**

**We recommend the County prepare monthly reconciliations of all balance sheet accounts with significant balances.**

### **BEST PRACTICES TO REDUCE RISK OF FRAUD, ABUSE AND NONCOMPLIANCE**

The Office of the State Auditor has identified best practices to reduce the risk of undetected fraud, abuse, and noncompliance in our publication called the *Fraud Risk Assessment Implementation Guide*. This guide, along with other related documents is available on our Local Government Resource Center website ([auditor.utah.gov/resources](http://auditor.utah.gov/resources)).

The County has already implemented some of our recommended practices. To further reduce the risk of undetected fraud, abuse, and noncompliance we recommend the following:

- Systematically measure the effectiveness of internal controls by implementing a formal internal audit function.
- Maintain a hotline where citizens and employees can anonymously report fraud, abuse or noncompliance or provide a link to the hotline maintained by the Office of the State Auditor.
- Ensure internal controls and financial reporting are reliable by implementing a formal audit committee.
- Promote awareness of ethical dilemmas by requiring all employees, board members and elected officials to sign an annual statement of commitment to acceptable ethical behavior.
- Establish requirements and expectations by having written policies in the following areas:
  - Reporting fraud or abuse
  - Cash receipting and deposits



# Davis County Commission

Commissioner Randy B. Elliott    Commissioner Lorene M. Kamalu, MPA    Commissioner Bob R. Stevenson

January 25, 2019

Jeremy Walker, Local Government Manager  
Office of the State Auditor  
East Office Building, Suite E310  
Utah State Capitol Complex  
Salt Lake City, Utah 84114

Sent via email to [jeremywalker@utah.gov](mailto:jeremywalker@utah.gov)

Dear Mr. Walker,

Thank you for allowing the Davis County Commission to respond to the internal control review conducted by the State of Utah Auditor's office. We appreciate your efforts to strengthen the local governments throughout the State. Please find below Davis County's response to the items highlighted in the report.

## **SECTION 1. INADEQUATE GENERAL INTERNAL CONTROLS**

**a. (Question 18)** The County does not appear to prepare monthly reconciliations of all balance sheet accounts with significant balances.

**Recommendation:** We recommend the County prepare monthly reconciliations of all balance sheet accounts with significant balances.

### **County Response:**

Beginning in the summer of 2018 and in conjunction with the implementation of a new finance system, the County began updating processes and procedures to insure timely reconciliation of all accounts with significant balances. By fall of 2019 all processes, procedures and systems will be updated to insure monthly reconciliations are occurring.

## **SECTION 2: BEST PRACTICES TO REDUCE RISK OF FRAUD, ABUSE AND NONCOMPLIANCE**

**Recommendation:** Systematically measure the effectiveness of internal controls by implementing a formal internal audit function.



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**Connects.You.**

**County Response:**

The County Auditor has presented an audit plan for 2019 that includes departmental risk assessments and periodic spot checks of internal controls.

**Recommendation:** Maintain a hotline where citizens and employees can anonymously report fraud, abuse or noncompliance or provide a link to the hotline maintained by the Office of the State Auditor.

**County Response:**

Davis County implemented a hotline on November 15, 2018. A link is available to the public on the homepage of the County website. The County is continuing to develop and implement appropriate policy and procedure for reporting fraud, waste and abuse with full implementation in 2019.

**Recommendation:** Ensure internal controls and financial reporting are reliable by implementing a formal audit committee.

**County Response:**

In January 2019, the County Commission began the process to establish a formal audit committee with bi-monthly meetings.

**Recommendation:** Promote awareness of ethical dilemmas by requiring all employees, board members and elected officials to sign an annual statement of commitment to acceptable ethical behavior.

**County Response:**

The County will include a statement of commitment to acceptable ethical behavior with its annual 2019 conflict of interest statement.

Once again, thank you for your efforts to strengthen local government. We look forward to improving the internal controls of Davis County by working with your office in the future.

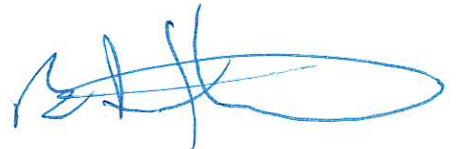
Respectfully,



Lorene M. Kamalu  
Commissioner



Randy B. Elliott  
Commission Chairperson



Bob J Stevenson  
Commissioner

cc: Curtis Koch, Davis County Clerk/Auditor  
Mark Altom, Davis County Treasurer