



Davis
COUNTY

Clerk / Auditor

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Curtis Koch, MBA, CGFM
Clerk/Auditor

To: Davis County Audit Committee
From: Curtis Koch - Auditor, Blake Woodall - Internal Auditor
CC: Davis County Commission
Date: January 4, 2022
Re: Concerning Issues within Treasurer's Office

Summary of Key Facts:

The purpose of this memorandum is to document some issues of great concern involving the Davis County Treasurer's Office that have occurred during the last quarter of 2022.

1. The first issue involves transactions for \$352.52 that were recorded by the Assessor's Office then banked for deposit by the Treasurer's Office. This issue was previously reported to the Audit Committee in a memo dated September 16, 2022; at this time the outstanding amount of \$352.52 is still an issue since the Assessor decided to bounce/delete this transaction from the books of the county. This action was inappropriate since the Assessor didn't have cause to perform this function. The cancel bounce function is only to be used by department users to delete a transaction that didn't clear the bank, such as a bounced check. That did not occur in this case, instead the County Assessor was able to subvert the financial control process to delete a transaction that should not have been altered or edited. Further, the \$352.52 showed as a reconciliation item on Collector Account bank reconciliation since the funds had not been received at the bank, the action to delete the transaction from the books eliminated this transaction from the November 2022 reconciliation as well.
2. On November 14, 2022 an Auditor staff member prepared a batch of checks ready for deposit. There was a total of 53 checks in this batch, this batch was reviewed then approved by the Finance Director. Upon approval the checks were delivered to the Davis County Treasurer's Office for deposit. The batch was accepted by a Treasurer Office staff member, then handled by another staff member, see additional details below:

- a. After being handled by at least two Treasurer Staff members the batch of checks were placed in the Treasurer vault (on the counter) at the close of business that day
 - b. Only 11 of the 53 checks were received by the bank
 - c. The Treasurer contacted the bank regarding the missing checks the following week
 - d. The bank replied that only 11 checks had been received for deposit not 53
 - e. To this date the 42 missing checks have not been recovered
 - f. The Treasurer's Office insist that all 53 checks were delivered to the bank, and feel that the bank lost the other 42 checks
 - g. Since the checks could not be recovered the Auditor's Office worked with the Treasurer and his staff to ask customers to remit payment a second time
 - h. The lost 42 checks totaled \$29,698 and are in the process of being received for a second time from customers who are willing to remit payment
 - i. At one point during the issue, the Treasurer Office staff members brought over deposit slips and bank bags then instructed Clerk/Auditor staff members to start depositing their own funds. However this would create a significant segregation of duties problem since the Clerk/Auditor is also responsible for all financial and accounting records of the county.
 - j. At the direction of the Auditor the Treasurer was notified that his staff would need to continue to deposit funds made payable to the County as directed in Utah State Statute.
3. The monthly Collectors Bank Account Reconciliation prepared by within the Auditor's Office continues to illuminate deficiencies that the Treasurer's Office fails to prevent and detect in a timely manner. The November 2022 Collectors Account Bank Reconciliation (see attachment A) has the following items/issues:
- a. Unrecorded deposit for \$1,052.44 (EDI Payment)
 - b. Unrecorded deposit for \$3,367.64 (WF Lockbox Payment)
 - c. Deposit Discrepancy for \$9.00 (Money not recorded correctly during deposit)
 - d. Unrecorded Bounce for \$6,763.60
 - e. Unrecorded Bounce for \$2,251.56
 - f. Unrecorded Bounce for \$8,629.49
 - g. Several Deposit's in transit as you would expect to see on a bank reconciliation, due to timing differences
 - h. Erroneous bounce for \$1,172.51 (Treasurer bounced incorrect transaction)
 - i. Unrecorded deposit-Assessor Office for \$29.85 from 5/9/2022
 - j. Unrecorded deposit-Treasurer Office for \$2,449.71 related to Grand Tangle document
 - k. Cash shortage-Treasurer Office for \$80 going back to first quarter of 2022
 - l. Canceled receipts-Assessor Office for the following amounts: \$162, \$162, \$201, \$201
 - m. Outstanding checks as you would expect to see on a normal bank reconciliation

Most of these issues presented above should have been prevented or detected by the Treasurer's Office if their daily reconciliation process was designed and operating effectively.

Issues/Risks:

Both the Assessor's and Treasurer's Office lacks key financial controls over the cash receipting processes that have failed to prevent or detect significant errors when they occur. This has created opportunity for errors to go unnoticed or fraud to occur. Basic cash handling procedures within the Treasurer's Office are not functioning to a point where 42 checks paid to Davis County went missing while in the custody of the Treasurer's Office. Further the bank was blamed for the missing checks, meanwhile no one can account for the missing checks.

Errors and issues continue to be a problem every month when the Auditor's Office prepares the collector account bank reconciliation. The staff member responsible for preparing this reconciliation is left with the task of identifying problems that should have been detected or prevented much earlier if appropriate controls, especially daily reconciliation, had been designed and implemented.

Recommendations:

It is critical that appropriate cash handling/depositing processes are implemented within the Treasurer's Office. Especially since the Treasurer's Office will take over the cash receipting/recording function on behalf of the Assessor in 2023.

Timely reconciliation of transactions recorded on the books and general ledger in comparison to funds received by bank is absolutely needed and necessary. Further, all funds and deposits received by the Treasurer's Office must be accounted for and verified by personnel within the Treasurer's Office.

Conclusion:

Over a period of almost 3 years, issues with cash receipts, deposits, and differences between the books and bank have presented themselves consistently every month. It has been reported to the Davis County Commission and Audit Committee, by the Treasurer's Office, that daily and timely reconciliation of transactions including cash receipts is occurring. That is not the case, otherwise the types of issues which surface every month on the Auditor's bank reconciliation would not be occurring if timely reconciliation was being performed.

Attachment A

bank	checking	ptif m/v	PTIF	total	book	Adjustments
BEGINNING	\$ 7,529,230.00	\$ 2,802,353.27	\$ 15,702,060.46	\$ 26,033,643.73	beginming	\$ 25,116,924.40
deposits	\$ 312,447,319.37		\$ 3,068.25	\$ 312,450,387.62	deposits	\$ 325,339,155.20
Return items	\$ (503,989.92)			\$ (503,989.92)		\$ (503,849.19)
m/v		\$ 1,416,633.46		\$ 1,416,633.46	m/v	\$ 1,710,364.96
due co m/v		\$ 66,635.00		\$ 66,635.00		\$ 66,635.00 due co
m/v October		\$ 179,568.56		\$ 179,568.56		
to health dept		\$ (70,649.25)		\$ (70,649.25)		\$ (70,649.25) to health dept
tax distribution			\$ (14,764,677.56)	\$ (14,764,677.56)	ptif	\$ (14,973,140.08) \$ 208,462.52
bank fees	\$ (668.72)			\$ (668.72)		\$ (668.72) bank fees
Interest		\$ 5,202.38	\$ 280,689.76	\$ 285,892.14		\$ 285,892.14 int
current ck clrd	\$ (61,321.38)			\$ (61,321.38)	cks written	\$ (407,229.69)
prior ckd clrd	\$ (31,514.91)			\$ (31,514.91)	void ck	\$ 1,926.10
transferred	\$ (282,500,000.00)	\$ (1,747,108.48)	\$ 284,247,108.48	\$ -		
total	\$ 36,879,054.44	\$ 2,652,634.94	\$ 285,468,249.39	\$ 324,999,938.77		\$ 336,284,151.70 \$ 489,671.69
		PTIF	11/29/2022	\$ (67,104.51)	booked 12/1/2022	
		PTIF	11/30/2022	\$ (112,464.05)	booked 12/2/2022	
		Unrecorded Deposit - T	11/21/2022	\$ (1,052.44)	booked 12/12/2022	
		Deposit discrepancy	11/18/2022	\$ 9.00	corrected 12/6/2022	
		Unrecorded Deposit - T	11/29/2022	\$ (3,367.64)	booked 12/13/2022	
		Unrecorded Bounce	11/16/2022	\$ 6,763.60	booked 12/8/2022	
		Unrecorded Bounce	11/17/2022	\$ 2,251.56	booked 12/14/2022	
		Unrecorded Bounce	11/17/2022	\$ 8,629.49	booked 12/8/2022	
		Timing Difference	11/30/2022	\$ 1,841.24	booked 12/1/2022	
		Deposit in Transit	11/30/2022	\$ (801,245.32)	booked 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 533.47	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 11,334.04	bank 12/1/2022	forte
		Deposit in Transit	11/30/2022	\$ 29,231.49	bank 12/1/2022	forte
		Deposit in Transit	11/30/2022	\$ 85,386.74	bank 12/1/2022	forte
		Deposit in Transit	11/29/2022	\$ 259,769.34	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 445,029.30	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 511,951.64	bank 12/1/2022	forte
		Deposit in Transit	11/30/2022	\$ 595,203.82	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 695,766.43	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 865,566.69	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 1,265,455.02	bank 12/1/2022	
		Deposit in Transit	11/29/2022	\$ 2,476,669.28	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 2,672,486.13	bank 12/1/2022	
		Deposit in Transit	11/30/2022	\$ 3,063,470.33	bank 12/1/2022	forte
		Deposit in Transit	11/30/2022	\$ 1,631.06	bank 12/2/2022	forte
		Deposit in Transit	11/30/2022	\$ 174,758.91	bank 12/2/2022	forte
		Erroneous bounce	11/10/2022	\$ (1,172.51)	Corrected 12/12/2022	
		Unrecorded Deposit - Assessor		\$ (29.85)	bank 5/9/2022	
		Unrecorded Deposit - Treasurer		\$ (2,449.71)	bank 7/14/2021	
		Cash shortage - Treasurer		\$ 80.00		
		Cancel Receipt - Assessor		\$ (162.60)	10/3/2022	
		Cancel Receipt - Assessor		\$ (162.60)	10/3/2022	
		Cancel Receipt - Assessor		\$ (201.49)	10/3/2022	
		Cancel Receipt - Assessor		\$ (201.49)	10/3/2022	
		Outstanding Checks		\$ (410,319.75)		\$ 489,671.69
				\$ 336,773,823.39		\$ 336,773,823.39
				\$	(0.00)	