



Davis
COUNTY

Clerk / Auditor

Davis County Administration Building - P.O. Box 618 - Farmington Utah 84025
Telephone: (801) 451-3213 – Fax: (801) 451-3421

Curtis Koch, MBA, CGFM
Clerk/Auditor

To: Troy Rawlings – Davis County Attorney
From: Curtis Koch, Clerk/Auditor; Blake Woodall, Internal Auditor
CC: [REDACTED] Davis County Attorney's Office
Date: October 11, 2022
Re: Key Issues Involving Director of CJC and Friends of CJC

Scope:

The Davis County Attorney contacted the Clerk Auditor for assistance to provide financial information related to the activities of the Director of the Davis County Children's Justice Center (CJC), [REDACTED] who is also the Director of a 501C 3, the Friends of the Children's Justice Center (Friends of CJC). Initially the Auditor's Office provided [REDACTED] with a copy of the County's donation policy and copies of the CJC's budget reports for years 2019 through 2022.

On September 9, 2022 Auditor Koch went to the CJC to retrieve financial records related to donations made to the CJC and the Friends of the CJC. While at the CJC Auditor Koch took custody of donation log records two envelopes with donations sitting on a desk. The envelopes contained a check for \$500 and cash donation of \$800. These funds were deposited into the County's CJC operating account.

A few days later Auditor Koch requested the Bank Statements for all accounts utilized by the Friends of CJC in order to compare all donations recorded via a donation log to funds deposited into their bank accounts. The Auditor's Office received bank statements for years 2020, 2021, and through August of 2022. A review of the donation log's and bank statements were conducted and the various issues were discovered.

In addition, the Auditor's Office was also asked to identify whether any payments for counseling services had been made by the CJC or the Friends of CJC.

Issues/Risks:

- Based upon the memorandum of understanding (MOU) with the State of Utah (**attachment A**) and reported training by the State to the Director of the CJC, it should have been known by the Director of the CJC that it was not permissible for them to act as the Director of the CJC and to oversee the operations of the Friends of CJC. Based upon the operations of the Friends of CJC and the groups' tax filings (**Attachment B**), it is clear that the Director of the CJC was comingling these two roles.
- Donation records indicate that there is an inconsistency in how donations received at the CJC were handled. Monetary donations were directed to the Friends of CJC for deposit in the Friends bank account, while in-kind donations were received by the CJC. Even when checks were made out to and delivered to Davis Children's Justice Center, those funds were directed to the Friends of CJC Treasurer for deposit (**attachment C**). It was known and reported by CJC staff that the Director was the only person that was to manage monetary donations received at the CJC. This allowed the Director to have access to and control of donations for both entities. This activity resulted in the comingling of funds, which is against county and state financial policy. Further this activity was in violation of the MOU signed between the County and State as described above.
- Review of the Zion's bank statement, cash & check donations were received and appear to be deposited in the Friends of CJC checking account. However, not all monetary donations were logged or recorded on the log prior to deposit. Due to this lack of internal control, it cannot be determined if all donations received at the CJC were accounted for.
- Review of the Friends of CJC Zion's bank statement showed multiple deposits received from an unknown Venmo account. The existence of a Venmo account allows for the ease of receipt of payments, but also the disbursement of payments to go undetected. The Auditor's office did not review the Venmo account nor procedures of the Friends of CJC regarding electronic accounts, but it must be noted such accounts create a high risk for fraud if appropriate internal controls are not in place.
- The table below lists the account totals for the four bank accounts operated by the Friends of the CJC:

Account #	Account Type	Balance
6921	Business Money Market	\$ 56,799.75
0650	Business Money Market	\$ 55,593.12
8072	Business Savings	\$ 30,328.11
2764	Non Profit Checking	\$ 63,825.13
Total		\$206,546.11

It appears the Friends of CJC were building up substantial resources and storing them in the bank while continually soliciting and receiving donations from various donors.

- Review of the bank statements show that payments for counseling services were being made on a regular basis to Grandview Counseling, Salais Counseling, and other entities for counseling services. In order for these payments to occur, it appears that the Director of the CJC was recommending individuals for counseling services and then authorizing payment by the Friends of CJC. This activity continued to blur the line between the two organizations and further illustrates the comingling of services and funding of the CJC. Based upon the review, it is not clear how much information was shared with the Friends of CJC regarding who was receiving counseling services, but it is clear that some information was provided as names of individuals receiving services were included on checks for payment of services (attachment D).
- The control environment of CJC and Friends of CJC has been compromised with the Director of the CJC as the Director of both entities. The Director of the CJC has put themselves in a position where they have complete oversight of the financial activities of the two entities. They are the sole person with access and working knowledge of the monetary donations received and sent to the Friends of CJC. In addition, an electronic account, Venmo, has been created as a means to collect funds for the Friends of the CJC. These actions have made the Director a super user with the access and opportunity to circumvent traditional accounting controls. As a result of a lack of internal controls, an environment has been created that could easily be utilized for theft or misuse of donated funds. At this time, it is not possible for the Auditor's Office to determine if all donated funds were accounted for.

Recommendations:

- Create a complete separation between Davis County CJC and the Friends of CJC. These two entities should not be operated and controlled by the same individual. All transactions between these two entities need to be arm's length and clearly documented and understood by all interested parties. The Director of the CJC cannot oversee any responsibilities related to the Friends of CJC.
- Based upon the comingling of the organizations and misuse of public funds (through donations received but not deposited in a county account), appropriate disciplinary action should be taken in regards to the Director of the CJC.
- A complete review of donation practices, cash handling, information sharing and coordination between the two organizations should be conducted to ensure compliance with county, state and federal policies/laws.
- Based upon the agreement between Davis County CJC and the State of Utah Children's Justice Center Program, fundraising activities would not be reimbursed by the State. The County should report this breach of contract to the State and work to provide appropriate remediation.
- Misuse of funds from Davis County CJC occurred due to the comingling of donated funds by the Director, the extent to which this occurred should be determined and appropriate remediation should be provided to the CJC.
- The Venmo account utilized by the friends of CJC to collect donations should be further investigated to determine who has control and access to the funds held within this account. A

history of all transactions coming in and out of this account should be reviewed to determine if fraud or theft has occurred.

- Further, some of the funds deposited into the “Non Profit Checking” belong to Davis County CJC and not the Friends of CJC as described above due to the issue of comingling.

Conclusion:

The work performed by the Auditor’s Office, as described in this memo was performed to support the investigative work conducted by the Davis County Attorney’s Office related to the activities of Director of CJC. Several significant issues were discovered, these issues must be addressed in order to protect both entities.

Attachment A

13. **Auxiliary Programs/Services.** The CJC shall:
 - a. Obtain prior written approval of the administration of the CJC Program for any service offered by or through a CJC, other than those specifically designated in this contract, in order to maintain the core functions of the state program, which is the facilitation and coordination of investigation and prosecution of child abuse and other cases where a child is a primary victim and that the CJC is a neutral, child friendly facility;
 - b. Obtain prior written approval for the expansion of a CJC's service area, as that will require a contract amendment to incorporate said area;
 - c. If the CJC fails to obtain said approval or implements a program or service that interferes or conflicts with the statutory purposes of the CJC Program, the Program may take appropriate action including warnings, reduction of funding, or termination of contract.
14. **Fundraising.**
 - a. The CJC acknowledges the following guidelines as to what is allowable and unallowable with regard to CJC staff fundraising or assisting private, nonprofits on state paid time.
 - b. Examples of allowable activities on state paid time:
 - i. giving public presentations about the CJC and answering questions about how/where they can help monetarily; attending a fund raising event to explain what a CJC does, etc.; responding to a public request regarding the needs of the CJC; referring potential donors to a member of the Friends Board; attending local Friends Board meetings as a liaison to address local CJC needs;
 - c. Receiving donations, monetary or otherwise; sending "Thank you" notes to contributors on behalf of the CJC (not Friends Board); writing grants for the CJC;
 - d. CJC shall determine how monetary donations made directly to the local CJC are received, deposited, and tracked; Monies shall be maintained separately from county general fund accounts or otherwise clearly identified for the CJC;
15. Examples of activities and/or expenses that must be paid for with non-State monies:
 - i. Contacting businesses or individuals, through any means, with the specific purpose of soliciting monetary or other donations; preparing and distributing fundraiser materials; gathering items from businesses or others for fundraising event;
 - ii. planning, organizing, preparing, helping, or otherwise facilitating fundraising event other than attending as the CJC liaison;
 - iii. doing any work of or for the local Friends Board including its finances, minutes, correspondence, billings, invoices, travel, etc.; promoting businesses who offer to contribute all or a portion of proceeds to local CJC;
 - iv. hosting fund raising events where the primary purpose is to solicit and/or raise funding, goods, or services for local CJC (rummage sales, bake sales, dinners, dances, galas, festivals, barbeques, contests, etc.);
 - v. costs of fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.
16. The CJC agrees that no state monies will be used to compensate CJC employees for unallowable activities as identified in the guidelines and will maintain documentation regarding what non-state funds were used for said activities.
17. The CJC agrees that it will implement a specific plan to address costs of employees who engage in fundraising or work for private non-profit entities and provide a copy of the plan to the CJC Program upon request.
18. **Acknowledgement**
 - a. CJC agrees to include the Attorney General's Office (AGO) logo and the following acknowledgement on printed and promotional materials, press releases, websites, and other digital media: "The (Name of CJC) is part of the CJC Program, administered by the Utah Attorney General's Office";

Attachment B

Part II Balance Sheets (see the instructions for Part II)

Check if the organization used Schedule O to respond to any question in this Part II

	(A) Beginning of year	(B) End of year
22 Cash, savings, and investments	210,898	22 204,455
23 Land and buildings	0	23 0
24 Other assets (describe in Schedule O)	0	24 0
25 Total assets	210,898	25 204,455
26 Total liabilities (describe in Schedule O)	0	26 210
27 Net assets or fund balances (line 27 of column (B) must agree with line 21)	210,898	27 204,245

Part III Statement of Program Service Accomplishments (see the instructions for Part III)

Check if the organization used Schedule O to respond to any question in this Part III

What is the organization's primary exempt purpose? **See Schedule O**

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. In a clear and concise manner, describe the services provided, the number of persons benefited, and other relevant information for each program title.

Expenses
(Required for section 501(c)(3) and 501(c)(4) organizations; optional for others.)

28 See Schedule O

29 (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/>	28a	6,533
30 (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/>	29a	
31 Other program services (describe in Schedule O) (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/>	30a	
32 Total program service expenses (add lines 28a through 31a)	32	6,533

Part IV List of Officers, Directors, Trustees, and Key Employees (list each one even if not compensated - see the instructions for Part IV)

Check if the organization used Schedule O to respond to any question in this Part IV

(a) Name and title	(b) Average hours per week devoted to position	(c) Reportable compensation (Forms W-2/1099-MISC/1099-NEC) (if not paid, enter -0-)	(d) Health benefits, contributions to employee benefit plans, and deferred compensation	(e) Estimated amount of other compensation
President	1.00	0	0	0
Treasurer	1.00	0	0	0
Secretary	1.00	0	0	0
Executive Director	40.00	0	0	0
Co-Treasurer	1.00	0	0	0

Attachment C

To: Davis County Children's Justice Ce 3/24/2022

97284

INVOICE NUMBER	DATE	DESCRIPTION	AMOUNT	DISCOUNT	NET AMOUNT
370916	3/24/2022	March 2022 FY 20-21 Local	\$23.08	\$0.00	\$23.08
		Totals:	\$23.08	\$0.00	\$23.08

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER



UNITED WAY OF SALT LAKE
 257 EAST 200 SOUTH, SUITE 300
 SALT LAKE CITY, UT 84111-2078

ZIONS BANK
 ZIONS FIRST NATIONAL BANK
 HEADQUARTERS OFFICE ONE MAIN STREET
 SALT LAKE CITY, UT 84111
 31-51240

97284

3/24/2022	CHECK DATE	97284	CHECK NO.
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\$** 23.08	CHECK AMOUNT
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Twenty three and 08/100 Dollars

PAY

Davis County Children's Justice Center
 State of Utah Attorney General
 PO Box 618
 Farmington, UT 84025-0618

THE ORDER OF

Bill [Signature]



MP

AUTHORIZED SIGNATURE

⑈097284⑈ ⑆24000054⑆ 002 22589 4⑈

Sent to



3-31-22



ZIONS BANK

ACCOUNT # 0077002764

This Statement:
February 28, 2022
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DEPOSIT TICKET
FOR USE WITH PASS-PAYOR OR ALL-PAYOR
ZIONS BANK

DATE	AMOUNT	CURRENCY	COIN	TOTAL
02-11-22				57.69

FRIENDS OF DAVIS COUNTY
CHILDRENS JUSTICE CENTER
98 S 100 E
FARMINGTON, UT 84025

31-5-1240 1286

DATE 2-11-2022

PAY TO THE ORDER OF Staples

One Hundred fifty dollars & 39/100

MEMO Staples

Processed 02/11/22 \$57.69

FRIENDS OF DAVIS COUNTY
CHILDRENS JUSTICE CENTER
98 S 100 E
FARMINGTON, UT 84025

31-5-1240 1286

DATE 2-1-2022

PAY TO THE ORDER OF Staples

One Hundred fifty dollars & 39/100

MEMO Staples

Processed 02/07/22 \$150.39 Ch# 1286

FRIENDS OF DAVIS COUNTY
CHILDRENS JUSTICE CENTER
98 S 100 E
FARMINGTON, UT 84025

31-5-1240 1287

DATE 2-3-2022

PAY TO THE ORDER OF Davis County

Ten thousand seven hundred seven & 49/100

MEMO Operating supplies

Processed 02/10/22 \$10077.49 Ch# 1287

FRIENDS OF DAVIS COUNTY
CHILDRENS JUSTICE CENTER
98 S 100 E
FARMINGTON, UT 84025

31-5-1240 1288

DATE 2-11-2022

PAY TO THE ORDER OF Strawberry Family Counseling

Eight thousand seven hundred seventy five & 00/100

MEMO Shylbe Hipfin

Processed 02/17/22 \$875.00 Ch# 1288