



OFFICE OF THE  
**STATE AUDITOR**

April 4, 2019

Mayor Steve Swann  
Cedar Highlands Town  
PO Box 202  
Cedar City, UT 84721

Dear Mayor Swann:

The Office of the State Auditor (Office) received several complaints regarding Cedar Highland Town's (Town's) compliance with certain statutory requirements and some of its financial activities. Therefore, we performed a high-level evaluation of the Town's activity in an effort to assist the Town with its compliance, internal control structure, and adherence to best practices. The purpose of this letter is to communicate to you our observations based on the procedures we performed so that the Town can make the necessary changes to its operations.

To perform our evaluation, we reviewed various documents and policies and procedures at the Town for the period January 1, 2018 through December 31, 2018. Our procedures were more limited than would be necessary to express an audit opinion on compliance or the effectiveness of the Town's internal control. Accordingly, we do not express such opinions. Had we performed additional procedures or had we made an audit of the effectiveness of the Town's internal control, other matters might have come to our attention that would have been reported to you.

### **Results of Evaluation**

We noted statutory noncompliance, weak internal control, and diversion from best practices. Correcting these issues will improve Town operations and transparency and help protect public funds.

### **Statutory Compliance**

- **Town Council is Required to Approve All Expenditures** – Prior to January 2019 there is no documentation confirming the Council's approval of Town expenditures. *Utah Code 10-5-123(1)(b)* requires the Town Clerk to certify that all claims have been directly approved by the Council. The Town Clerk should provide a complete list of expenditures to the Council for approval at Council meetings and retain the record of Council approval.

- **Town Council Is Required to Receive Quarterly Financial Reports** – The Town Clerk is required by *Utah Code 10-5-129* to prepare and present quarterly and annual financial reports to the Town Council. However, interviews with Town personnel show inconsistencies in what is being presented to the Town Council. The Town Clerk should prepare the required reports and ensure they contain both budgeted and actual expenditures and significant balance sheet balances (cash). Documentation that these reports were presented and reviewed should be maintained in the Town Council meeting minutes.
- **Meeting Minutes Lack Required Detail** – The Town website contains a record of meeting minutes, which have improved over the course of the year; however, the minutes still do not contain all required information. According to *Utah Code 52-4-203*, written minutes should include:
  - the date, time, and place of the meeting;
  - the names of council members present and absent;
  - the substance of all matters proposed, discussed, or decided by the council;
  - a record, by individual member, of each vote taken by the council;
  - the name of each non-council person who provided testimony or comments to the council;
  - the substance, in brief, of the testimony or comments provided by the public; and
  - all other information that any council member requests be entered in the minutes.

The Town should ensure that all required elements are documented in the minutes.

- **Town Must Document Justification for Closed Meetings** – On August 21, 2018, the Town Council held a closed meeting without citing the purpose of the meeting in the minutes, as required by *Utah Code 52-4-204(4)*. Town Council and staff should complete the suggested Open and Public Meeting Act (OPMA) training available at [auditor.utah.gov](http://auditor.utah.gov) and ensure compliance with all OPMA requirements.
- **Town Must Submit Required Reports and Information to the State** – The Town has not submitted required reports to various agencies within the State, including its Budget (*Utah Code 10-5-109*), Financial Report (*Utah Code 51-2a-201*), Financial Certification (*Utah Code 51-2a-201*), Self-Evaluation Report (*Utah Code 51-2a-201*), Impact Fee Schedule (*Utah Code 11-36a-601(4)(d)*), and Deposit and Investment Reports (*Utah Code 51-7-15(3)*). The Town has also neglected to upload its financial information to the Utah Transparency Website from July 1 through December 31, 2018 (*Utah Code 63A-3-405*). Reporting requirements and instructions are available through [auditor.utah.gov](http://auditor.utah.gov). Town personnel should obtain training on reporting requirements and ensure all required reports and information are submitted timely and accurately.
- **Town Must Officially Appoint Statutory Officers (Treasurer and Clerk)** – The appointments of the Town Treasurer and Town Clerk were not recorded in the meeting minutes. *Utah Code 10-3-916(1)* requires that the mayor, with the advice and consent of the council, appoint a qualified person to the office of recorder/clerk and another qualified person to the office of treasurer. The Town should appoint the Clerk and

Treasurer, and document the appointment in the meeting minutes. Also, the Town should ensure that both the Treasurer and Clerk are sworn in as officers of the Town as required by *Utah Code* 10-3-827.

- **Bank Accounts Should be in the Town's Name** – The Town's bank account is addressed to the Mayor DBA Cedar Highlands. It appears that this is inappropriate. Accounts should be owned by the Town and tied to its federal identification number with no Town official listed as a co-owner as required by *Utah Code* 10-5-128.

### **Key Internal Control**

- **Town Must Reconcile Bank Accounts** – The Town has not performed reconciliations of the bank account statements to the accounting records. Someone who does not have access to the accounting records (often the Treasurer) should perform the reconciliation monthly. Further, we advise that a member of the governing body review the reconciliation to ensure accuracy and completeness. Reconciliations are a key internal control for detection of errors and misappropriation and should be performed promptly on a monthly basis (i.e. within 30 days of the end of the month). Currently, the Town uses a spreadsheet for its accounting records, which increases the difficulty of reconciling cash accounts (see bullet below for additional discussion).

### **Best Practices**

- **Town Could Improve Accounting Records** – The Town is currently using an Excel spreadsheet to track its financial information, which is not set up to accommodate government accounting functions. The Town's accounting system should facilitate proper tracking of its budget, actual expenditures, revenues, assets, liabilities, and fund balance (including restrictions).
- **Town Could Improve Check Signature Authority** – Town checks currently require only one signature, which allows a check to be payable to and signed by the same person. Although not required by statute, we recommend the Town strengthen internal controls over disbursements by requiring two signatures on checks (the Treasurer and one or more designated Council members). This provides for better separation of duties and assurance to the Council and citizenry that unauthorized purchases are not occurring.
- **Town Could Improve Policies** – The Town's current policies and procedures are limited. Although not required, we recommend the Town review the Office's Local Government Resource Center at [auditor.utah.gov/resources/](http://auditor.utah.gov/resources/) for template policies, including a purchasing policy, that include statutory provisions and better guidance for Town employees and Council members. The Town should also note that, according to *Utah Code* 63G-6a-103(49), a municipality is subject to the Utah Procurement Code unless the municipality adopts its own procurement code by ordinance. Other sections of Utah Code are also applicable to Town officials and employees, such as *Utah Code* 67-16 *Utah Public Officers' and Employees' Ethics Act*, regardless of Town ordinance.

The problems listed above are likely due, at least in part, to the fact that the Town was incorporated fairly recently (January 1, 2018). We understand the inherent difficulties that exist with the creation of a new government entity. However, the Town must comply with state statute. Also, the Town should employ key internal controls and implement best practices. As the Town makes a good faith effort to make the necessary changes, the Office will continue to be available as a resource for assistance and training. We will also perform a re-evaluation of the Town's progress at a future time.

We appreciated the courtesy and assistance extended to us by the Town staff during our evaluation, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



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Local Government Supervisor  
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cc: Paul Starks  
Beth Gaines  
Susan Allman  
Linda Stetzenbach



MAYOR

STEVEN C. SWANN

COUNCIL MEMBERS

SUSAN ALLMAN

BETH GAINES

PAULS STARKS

LINDA STETZENBACH

APRIL 4, 2019

OFFICE OF THE STATE AUDITOR

SETH OVESON, CPA

LOCAL GOVERNMENT SUPERVISOR SOVESON@UTAH.GOV

DEAR SETH:

IN RESPONSE TO THE SEVERAL COMPLAINTS REGARDING CEDAR HIGHLAND TOWN'S COMPLIANCE WITH CERTAIN STATUTORY REQUIREMENTS AND SOME OF ITS FINANCIAL ACTIVITIES WE OFFER THE FOLLOWING RESPONSE.

AS A NEW TOWN WE HAVE BEEN STRUGGLING TO FIRST OBTAIN INFORMATION AND TRAINING ON THE MYRIAD OF PROCESSES AND PROCEDURES THAT NEED TO BE SET UP FOR A NEW TOWN AND THEN TO FIND THE STAFF AND FUNDING TO ACTUALLY ESTABLISH THEM.

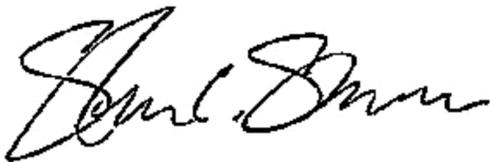
WE APPRECIATE YOUR HELP AND INPUT TO ADDRESS ALL OF THESE ISSUES. TO THAT END I WILL ENUMERATE THE STEPS WE ARE TAKING AND PROPOSE TO TAKE TO BRING OURSELVES INTO STATUTORY COMPLIANCE.

1. **TOWN COUNCIL IS REQUIRED TO APPROVE ALL EXPENDITURES –**
2. ACTION TAKEN: AN ORDINANCE WAS CREATED . THE TOWN CLERK NOW SUBMITS AN EXPENDITURE LIST AT EACH TOWN COUNCIL MEETING.
3. **TOWN COUNCIL IS REQUIRED TO RECEIVE QUARTERLY FINANCIAL REPORTS –**
4. ACTION TAKEN: WE WILL BE CONTRACTING WITH PELORUS SYSTEMS TO HAVE ALL FINANCIAL REPORTS CREATED FOR THE COUNCIL AT ALL APPROPRIATE TIMES AND LEVELS
5. **MEETING MINUTES LACK REQUIRED DETAIL -**
6. ACTION TAKEN: WE HAVE OBTAINED A SOUND DIGITAL TRANSCRIBER RECORDER AND THE CLERK WILL CORRECT THE PROCESS AS PER CODE AND RECORD THE MINUTES APPROPRIATELY.
7. **TOWN MUST DOCUMENT JUSTIFICATION FOR CLOSED MEETINGS**  
ACTION TAKEN: WE WILL ADHERE TO UTAH CODE 52-4-204(4) AND 205.
8. **TOWN COUNCIL AND STAFF SHOULD COMPLETE THE SUGGESTED OPEN AND PUBLIC MEETING ACT (OPMA) TRAINING AVAILABLE AT [AUDITOR.UTAH.GOV](http://AUDITOR.UTAH.GOV) AND ENSURE COMPLIANCE WITH ALL OPMA REQUIREMENTS.**

9. ACTION TAKEN: THE TOWN COUNCIL AND STAFF HAVE BEEN ASKED TO TAKE THE OPMA TRAINING
10. **TOWN MUST SUBMIT REQUIRED REPORTS AND INFORMATION TO THE STATE**
11. ACTION TAKEN: WE WILL BE CONTRACTING WITH PELORUS SYSTEMS TO HAVE ALL FINANCIAL ACCOUNTS AND REPORTS CORRECTLY MANAGED, CREATED AND SUBMITTED AT ALL APPROPRIATE TIMES AND TO ALL REQUIRED STATE AGENCIES
12. **TOWN MUST OFFICIALLY APPOINT STATUTORY OFFICERS (TREASURER AND CLERK)**
13. ACTION TO BE TAKEN: THIS ACTION WAS TAKEN IN THE NOVEMBER TOWN COUNCIL MEETING BUT WAS NOT WRITTEN IN THE RECORD BECAUSE OF AN OVERSIGHT AND OMISSION BY THE VOLUNTEER PERSON TAKING THE MINUTES. IT WILL BE CORRECTED IN THE NEXT MEETING MINUTES.
14. **BANK ACCOUNTS SHOULD BE IN THE TOWN'S NAME**
15. ACTION TAKEN: MACU CORRECTED THE TOWN NAME ON THE ACCOUNT
16. **TOWN MUST RECONCILE BANK ACCOUNTS**
17. ACTION TAKEN: WE WILL BE CONTRACTING WITH PELORUS SYSTEMS TO HAVE ALL FINANCIAL ACCOUNTS AND REPORTS CORRECTLY MANAGED, CREATED AND SUBMITTED AT ALL APPROPRIATE TIMES AND TO ALL REQUIRED STATE AGENCIES. THE TREASURER WILL COMPLETE THIS PROCESS IN THE FUTURE IN COORDINATION WITH THE CLERK AND ASSIGNED COUNCIL MEMBER.
18. **TOWN COULD IMPROVE ACCOUNTING RECORDS**
19. ACTION TAKEN: WE WILL BE CONTRACTING WITH PELORUS SYSTEMS TO HAVE ALL FINANCIAL ACCOUNTS AND REPORTS CORRECTLY MANAGED
20. **TOWN COULD IMPROVE CHECK SIGNATURE AUTHORITY**
21. ACTION TAKEN: THE CLERK HANDLES THE CHECK WRITING PROCESS, THE TREASURER AND ONE OR MORE DESIGNATED COUNCIL MEMBERS AS REQUIRED SIGN TOWN CHECKS
22. **TOWN COULD IMPROVE POLICIES**
23. ACTION TAKEN: WE WILL BE REVIEWING THE GOVERNMENT RESOURCE CENTER AT [AUDITOR.UTAH.GOV/RESOURCES/](http://AUDITOR.UTAH.GOV/RESOURCES/) FOR TEMPLATE POLICIES,

WE APPRECIATE THE COUNSEL AND ASSISTANCE EXTENDED TO US BY THE STATE DURING OUR EVALUATION, AND WE LOOK FORWARD TO A CONTINUING PROFESSIONAL RELATIONSHIP. PLEASE CONTINUE TO INFORM AND ADVISE US ON ANY ISSUES.

SINCERELY YOURS,



STEVEN C. SWANN

MAYOR, CEDAR HIGHLANDS

CC: PAUL STARKS, BETH GAINES, SUSAN ALLMAN, LINDA STETZENBACH, DANI KATWYK, ZELPHA TAYLOR