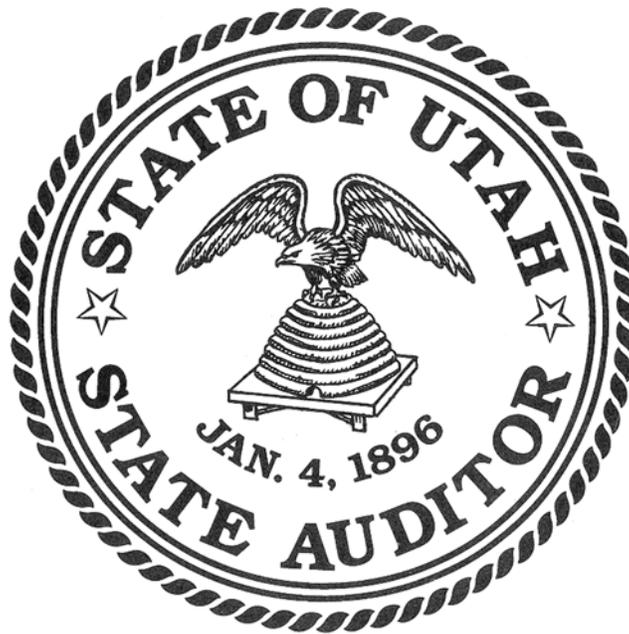


WASHINGTON COUNTY
Sheriff's Office
and
Search and Rescue Division

Special Project Report
For the Period August 2013 through August 2017

Report No. WGCO-17-SP



OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Julie Wrigley, CPA, Audit Manager
Tyson Plastow, Audit Senior

WASHINGTON COUNTY
Sheriff's Office
and
Search and Rescue Division

FOR THE PERIOD AUGUST 2013 THROUGH AUGUST 2017

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OFFICE OF THE
STATE AUDITOR

April 10, 2018

Sheriff Cory C. Pulsipher
Washington County Sheriff's Office
620 South 5300 West
Hurricane, UT 84737

and

Washington County Commission
197 East Tabernacle St.
St. George, UT 84770

Dear Sheriff Pulsipher and Commissioners:

The Office of the State Auditor has a hotline program through which we receive complaints with financial or compliance implications related to state and local governments. We received an anonymous complaint related to the Washington County Sheriff and the Search and Rescue Division.

We performed the following procedures at Washington County and the Sheriff's Office for the period August 2013 through August 2017 unless otherwise noted.

1. We evaluated the various allegations through inquiry and inspection of accounting records and other supporting documentation.
2. Due to the high risk nature of purchase cards, we reviewed all purchase card transactions for the Sheriff for the period August 2013 through August 2017 and scanned all purchase card transactions for the Sheriff's Office for the period August 2016 through August 2017.
3. We reviewed aspects of the acquisition and use of certain Sheriff's Office vehicles.
4. We reviewed the use of donations made to the Washington County Search and Rescue.

The results of our investigation are included in the attached findings and recommendations section of this report.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the County's internal control or any part thereof. Accordingly, we do not express such opinions. Had we performed

additional procedures or had we made an audit of the effectiveness of the County's internal control, other matters might have come to our attention that would have been reported to you.

By its nature, this report focuses on exceptions, weaknesses, and problems. 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 feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyson Plastow". The signature is fluid and cursive, with a large initial "T" and "P".

Tyson Plastow, Audit Senior
Office of the State Auditor
801-234-0544
tplastow@utah.gov

cc: Kim J. Hafen, County Clerk/Auditor
Brock Belnap, County Attorney

BACKGROUND

Washington County (County) uses a commission form of government. The Washington County Commission (Commission) is made up of three elected officials who serve as both the legislative body and the county executive. The Washington County Sheriff's Office is a department of the County, and the Washington County Sheriff is an elected official of the County. The Sheriff is accountable to both the public and to the Commission in its role as the county legislative body. One of the functions of the Sheriff's Office is to manage search and rescue services in the County. In the County there is no separate legal entity managed by the Sheriff's Office to provide such services; therefore, the Washington County Search and Rescue (SAR) is part of the County.

FINDINGS AND RECOMMENDATIONS

1. INADEQUATE OVERSIGHT OF DONATED FUNDS

From August 2013 through August 2017 the Sheriff's Office spent approximately \$279,000 for SAR operations. Approximately \$124,000 of this amount (44%) came from donated funds designated for SAR operations on which the County did not perform regular budgetary and oversight procedures as required by Utah Code 17-36. In addition, the County did not report the receipt and expenditure of the donated funds to the Utah Public Finance Website as required by Utah Code 63A-3 Part 4.

These errors occurred because the County improperly recorded the donated funds in a fiduciary fund rather than in the general fund. Because the SAR is not a separate legal entity and the operation of the SAR is a duty that falls under the Sheriff's direction, we determined that donated funds do not meet the criteria defined by government accounting standards¹ for a fiduciary fund and should be considered County funds subject to the same budgetary, oversight, and reporting requirements as any other public funds. We note that donors may include restrictions for use of the funds that the County would need to ensure are met.

Recommendation:

We recommend the County:

- **Ensure the use of all public funds are authorized through the budgetary process described in State law.**
- **Ensure all public revenues and expenditures are properly reported to the Utah Public Finance Website, including all past revenues and expenditures from the improper Search and Rescue fiduciary fund.**

¹ Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, paragraph 69.

- **Transfer all Search and Rescue donations from the improper Search and Rescue fiduciary fund to the County's general fund.**
- **Ensure proper restrictions are maintained for Search and Rescue donations by reviewing the donation documentation.**
- **Ensure fiduciary funds are used appropriately and in accordance with government accounting standards.**

2. QUESTIONABLE PERSONAL USE OF COUNTY PROPERTY

At least one County employee (on two occasions) used County equipment for incidental personal use. This use appears to violate section IX.E.1 of the Washington County Employment Policies and Procedures which states that employees shall not use County equipment for private gain.

It appears the County employee, who is in an authoritative position, failed to recognize that the personal use of County equipment was not allowed. When those in authority fail to follow established policies, it increases the risk that other employees within the organization will justify noncompliance.

Recommendation:

We recommend the County Commission provide ethics training to all officers and employees to ensure they understand County policy, State Law, and can identify the various ethical situations they may face in their official duties so practices are consistently within ethical standards.

We recommend the County employee cease personal use of County equipment for personal benefit.

3. INADEQUATE OVERSIGHT OF GIFT CARDS

Two Sheriff's Office employees purchased almost \$6,500 in gift cards between December 2016 and January 2017. According to senior staff, it is the practice of the Sheriff's Office to distribute gift cards to employees, and Search and Rescue volunteers and spouses at various times throughout the year. We noted the following problems related to this practice:

- **Gift Cards On Hand – At the time of our testwork, the Sheriff's Office had a balance of \$2,500 in gift cards on hand. Since gift cards are essentially equivalent to cash, keeping a large supply of gift cards on hand represents a substantial risk of loss because, as noted below, the gift cards are not safeguarded and accounted for properly. In addition, poor internal controls increase the risk of not being able to detect any losses. The Sheriff's Office should re-evaluate their gift card practices and determine whether it is necessary to maintain a supply of gift cards on hand.**

- **Inadequate Separation of Duties** – The Budget Officer in the Sheriff's Office has custody of the gift cards in his office and also keeps a spreadsheet to track the purchase and distribution of gift cards (tracking began in June 2017). Therefore, he has both custody and record-keeping duties, which increases the risk of theft or loss without detection. Proper separation of duties requires separating the duties of authorization, custody, and record-keeping. Ensuring separation of these duties would help minimize the risk and would facilitate an independent reconciliation of gift cards, as discussed below.
- **No Independent Reconciliation** – The Sheriff's Office has not performed an independent reconciliation of gift cards on hand to purchase and distribution records. Since gift cards are cash equivalents, they should be reconciled regularly against the purchase and distribution records to ensure that any loss is detected in a timely manner. This reconciliation should be done by someone who does not perform the record-keeping and who does not maintain custody of the gift cards.
- **Inadequate Record-keeping** – As noted above, the Sheriff's Office did not start tracking the purchase and distribution of gift cards until June 2017. In addition, the Sheriff's Office does not keep a log that can be used to verify that employees or volunteers received gift card distributions. A log that indicates the date, amount and type of gift card, purpose, signature of receiving individual, and signature of employee who authorized the distribution, creates a reliable record of the distribution. Without this record, it is difficult to ensure that gift cards were distributed appropriately.
- **Noncompliance with Compensation Reporting Requirements** – The Sheriff's Office/County did not report gift cards as compensation to the IRS and the Utah Public Finance Website. IRS guidance² indicates that gift certificates are taxable and must be included in income. Further, Utah Code 63A-3 Part 4 requires the County to post all employee compensation to the Utah Public Finance Website. As a result, employee compensation was underreported to the IRS and the public.

Recommendation:

We recommend the County and Sheriff's Office:

- **Establish policies and procedures over gift cards to ensure proper controls and safeguarding. These should include:**
 - **Limiting gift cards on hand.**
 - **Separating the record-keeping and custody duties.**
 - **Establishing a reliable record of gift card purchases and distribution that can be reconciled to gift cards on hand.**
 - **Performing an independent reconciliation of gift cards on hand to purchase and distribution records.**
- **Establish policies and procedures to ensure compensation is reported in compliance with IRS requirements and State law.**

² <https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits>

4. COUNTY LACKS ADEQUATE POLICIES OVER CERTAIN HIGH-RISK AREAS

We reviewed all purchase card activity of the Sheriff for the period August 2013 through August 2017. We also scanned the purchase card activity of all other purchase card holders within the Sheriff's Office for the period August 2016 through August 2017. The County lacks adequate policies over certain areas considered to be high risk for waste and abuse. The County could improve their control by developing, strengthening, and enforcing policies and procedures over the following areas:

- a) **Purchase Card Use** – The County has no policy which would expressly govern purchase card use, distribution, and limits. Purchase cards have a high risk of improper use because controls usually rely on post-approval rather than pre-approval. As such, the County should implement appropriate purchase card policies. A reasonable purchase card policy should prohibit purchase card sharing, establish a process to review and approve purchases, establish the requirements for documentation of a purchase card purchase, and require compliance with other policies and statutes (such as purchasing policies and compensation reporting).
- b) **Gift Cards** – As noted in Finding No. 3. above, the Sheriff's Office purchases and distributes gift cards to employees and others. However, the Sheriff's Office does not have adequate policies and procedures over gift cards to ensure proper safeguarding and controls. The Sheriff's Office should formalize the gift card policies and procedures to minimize the risk of loss.
- c) **Food/meals** – Of 53 purchase card transactions totaling \$6,339 for non-travel related food purchases, 29 purchases totaling \$3,665 were missing some element of documentation to clearly establish the business purpose or number of people served. Based on available documentation, it appears that at least some of the purchases were meals for Search and Rescue personnel, which would be considered reasonable; however, without sufficient documentation we cannot conclude on the reasonableness with certainty. The County does not have a policy establishing controls over food related purchases outside of a travel policy. A strong meal policy defines circumstances where meals/refreshments are allowed, establishes a per-person dollar limit for meals, and ensures that the business purpose for meals/refreshments is properly supported with a receipt, indication of those present, and explanation for the business purpose.

Adequate policies establish the governing body's intent and create a framework for the proper use of public funds.

Recommendation:

We recommend that the County take a proactive approach in developing and reviewing policies that will help establish limits and controls over the expenditures of public funds. We specifically recommend attention be paid to the high risk areas noted above.

5. **SHERIFF'S OFFICE VEHICLE TRANSACTIONS DID NOT APPEAR TO COMPLY WITH COUNTY ORDINANCE**

The Sheriff's Office purchased a vehicle and traded in 10 vehicles without first obtaining proper Commission authorization. County Ordinances 1-9-2 (J) and 1-12-5(C)(4) require prior approval by the Commission for these actions. We noted that at least one purchase was ratified by the Commission after the action was taken; however, this is allowed by ordinance only when the purchase is an emergency, which was not the case for this situation.

It appears the Sheriff's Office failed to consider County Ordinances or County policies when making vehicle transactions. As a result, the Sheriff's Office purchased and traded in vehicles without going through transparent, competitive processes designed to safeguard public assets.

Recommendation:

We recommend the Sheriff's Office implement procedures to obtain Commission approval for purchase and trade-in transactions as required by County Ordinances.



ZACHARY RENSTROM, COMMISSION CHAIR | VICTOR IVERSON, COMMISSIONER | DEAN COX, COMMISSIONER

April 3, 2018

Utah State Auditor John Dougall
East Office Building, Suite E310
Utah State Capitol Complex
Salt Lake City, Utah 84114
jdougall@utah.gov

RE: Washington County Response to Special Project Report

Dear Auditor Dougall:

This letter is Washington County's response to your office's draft special project report (the "Report") of the Sheriff's Office and its Search and Rescue Division ("SAR").

1. Oversight of Donated Funds

The County accepts the Report's recommendation. The County recognizes that the recommended practice of depositing donated funds into the County's general fund will allow the County to annually budget for SAR expenditures and revenues in a manner consistent with State law. The County's new practice will ensure that all SAR funding is authorized through the budgetary process and that revenues and expenditures are reported on the Utah Public Finance Website.

While the County accepts the Report's recommendations, the County also believes it is important to note that the County's previous practice of maintaining donated SAR funds in a separate trust account faithfully ensured that donated funds were accounted for, not commingled with general funds, and used only in accordance with the intent of the donor. The County will continue to ensure that donated funds are used in accordance with the donor's intent.

2. Personal Use of County Property

The County accepts and will implement the Report's recommendation.

3. Gift Card Purchases

The Sheriff's Office has discontinued the use of gift cards. In the event the County or the Sheriff's office decides to use gift cards in the future, the County will adopt policies implementing proper controls, safeguards, and compensation reporting as recommended by the Report and as required by State and federal law.

4. Policies Regarding High Risk Areas

The County accepts and will follow the Report's recommendation.

5. Vehicle Transactions

The County accepts the Report's recommendation. The County believes it is important to note that while the transactions should have received prior Commission approval, the transactions were otherwise conducted according to the County's procurement code and have since been ratified because the Commission believes that the transactions resulted in significant savings to the County.

Conclusion

The County is grateful for the Report's recommendations and assistance in helping the County safeguard taxpayer's resources in an open, transparent, and ethical manner.

Sincerely,



Zachary Renstrom
Washington County Commission Chair



County Commission Dean Cox



County Commissioner Victor Iverson



County Sheriff Cory Pulsipher

cc: Tyson Plastow
Julie Wrigley