



OFFICE OF THE
STATE AUDITOR

Report No. SJCO-21-SP

April 2, 2024

San Juan County Commission, and
San Juan County Administrator
117 South Main
Monticello, Utah 84535

Dear Commission and Administrator:

The Office of the State Auditor (Office) has completed a limited review of certain aspects of San Juan County's (County) internal control and compliance over cash receipting procedures as of October 31, 2023. The Office began working with the County in 2021 upon the County's discovery of a misappropriation of funds that had occurred over an extended period.¹ We commend the County for implementing certain internal control improvements in response to the misappropriation. Upon further assessment, we make additional recommendations to the County to continue improving internal controls over cash receipting processes countywide. We performed the following procedures and note the resulting recommendations below.

1. A review of the procedures and internal controls over cash receipting at the offices of the Recorder and Assessor.
2. Inquiry and observation of the Treasurer's processing and deposit of property tax payments.
3. Inquiry and observation of the County Clerk/Auditor's reconciliation of the Treasurer's Trust Account (Trust Account).
4. Inquiry and observation to determine whether the County implemented certain internal control recommendations previously issued by our office in Report No. SAN JUAN-18-ICR dated February 6, 2019.

¹ The employee involved was subsequently prosecuted and convicted for the misappropriation.

Finding 1. Significant Separation of Duties Weakness in the Assessor's Office

The Assessor and Deputy Assessor both have access to personal property tax payments, record those payments on the COINS² system, and have the ability to record and change assessed tax values on the COINS system. These conflicting duties create an internal control weakness where misappropriation of the payments could occur without detection. As personal property taxes are an important revenue source for the County, this weakness represents a significant financial risk.

Recommendation:

We recommend that the County remove both the access to cash receipts and the cash receipting function from the Assessor's Office.

Finding 2. Inadequate Procedures Over Reconciliation of the Treasurer's Trust Account

The County Clerk/Auditor reconciles the Trust Account³ bank statements. However, the procedures are inadequate as follows:

a. Deposit Not Reconciled to Reliable Record of Receipts

The County Clerk/Auditor reconciles the deposits on the bank statement only to a record of tax payments created by the Treasurer's Office. Since the Treasurer's Office receives, records, and deposits these payments, these records could be manipulated without detection. Ideally, deposits should be reconciled to an independent and verifiable record of receipt. As the County has not implemented a county-wide procedure to ensure all cash receipts received are recorded (see Finding 4), the most reliable record of receipt in this case is the entry of the tax payment on the COINS system. Therefore, the Clerk/Auditor should reconcile the bank statement to both the property tax payment entries on the COINS reports and to the deposit records on the County's accounting system to ensure all payments that were recorded in COINS were also recorded in the accounting system and subsequently deposited.

² The COINS system functions as the County's property tax roll. Therefore, the county records all property related transactions on COINS.

³ The term "Trust Account" refers to the County's tax savings and checking accounts.

b. Bank Statement Goes to Treasurer First

The Treasurer has access to the bank statement prior to giving it to the Clerk/Auditor. Therefore, it could be subject to manipulation. The Office previously issued Report No. SAN JUAN-18-ICR recommending that the bank statement should go directly to the County Clerk/Auditor to ensure it is unaltered. This recommendation was not implemented by the County.

Recommendation:

The County should improve its oversight of the Trust Account by ensuring:

- The County Clerk/Auditor reconciles the tax payment entries on the COINS reports and the accounting records to the deposits on the bank statement to ensure that all tax payments received were properly deposited.
- The Trust Account bank statement is delivered directly to the County Clerk/Auditor prior to being opened by the Treasurer. In the alternative, the Clerk/Auditor could observe the Treasurer printing the statement from the online account and use that document for the reconciliation or have view-only access to print the bank statement.

Finding 3. Lack of Procedure to Review Adjustments to the Property Records and Tax Roll System

Various personnel in the County, including in the three County departments we reviewed, have access to the COINS system and also have the ability to make certain adjustments to the property values, the assessed tax, and/or associated payments received and recorded on the system. The County does not have a procedure in place for a regular independent review of those adjustments to the tax rolls to determine their propriety and reasonableness. As a result, there is an increased risk that property tax payments could be misappropriated without detection.

Recommendation:

We recommend that the County work with the COINS administrator to create a method that enables the County to perform an independent review⁴ of adjustments on the system for reasonableness and propriety on a regular basis.

⁴ Someone who does not receive or record property tax payments on the COINS system would be deemed independent.

Finding 4. Reliable Record of Payments Received by Mail Not Established

The County has not implemented a method to establish a reliable and verifiable record of all payments received at the three departments we reviewed. Each department we reviewed sends one person to pick up the mail. This creates a risk that a payment could be misappropriated prior to any record being made of the payment. For the Recorder and the Treasurer's Office, the risk is mitigated by the fact that most of the payments are expected and the payor would complain if their bill was not paid. However, due to the separation of duties weakness explained in Finding 1 above, the Assessor's Office has a higher risk of misappropriation without detection.

The lack of a reliable record of payments received by mail makes any kind of reconciliation of the deposit with the original record of receipt impossible and increases the risk that misappropriation could occur without detection.

Recommendation:

The County should:

- Implement the recommendations in Findings 1 and 3 above to mitigate the risk in the Assessor's Office.
- Evaluate each department that receives payments to assess the risk that payments received by mail could be misappropriated without detection. The County should then determine how to mitigate those risks. Mitigation could include the use of two people to retrieve the mail and to create a log of all payments received or implementation of a centralized receipting system for the County.

Our procedures were limited, as noted above. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you. We appreciate the courtesy and assistance extended to us by San Juan County personnel during our review. We look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Julie M. Wrigley, CPA

Special Projects Audit Manager

(801) 538-1340



SAN JUAN COUNTY COMMISSION

Jamie Harvey	Commission Chair
Silvia Stubbs	Commission Vice-Chair
Bruce Adams	Commissioner
Mack McDonald	County Administrator

March 25, 2024

Julie M. Wrigley, CPA
Special Projects Audit Manager
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
Salt Lake City, Utah 84114

Re: Report No. SJCO-21-SP Response

Dear Ms. Julie M. Wrigley:

Thank you for providing the summary of findings and the proposed actions to address them based on the recent review conducted by the Office of the State Auditor regarding San Juan County's internal control and compliance over cash receipting procedures. I have reviewed your efforts and suggestions for improvement, and I appreciate your commitment to enhancing controls and compliance within the county.

Finding 1: Significant Separation of Duties Weakness in the Assessor's Office

We agree that there should be a separation of duties in the Assessor's Office, namely cash handling and having the ability to change the valuation in COINS at the same time. However, we feel that we do not want to take away any of the elected official's abilities to perform his elected duties.

In the Assessor's overall functions, this elected position also supervises the DMV/Deputy Assessor's positions in a separate office. Speaking with the owner of COINS, there is the ability to have those employees take payments in their office, receipt those payments in COINS but restrict their access to make value changes.

We will work with the County Assessor to see if he is amenable to placing those duties on them. If he is not amenable to having them perform those duties, then we will have all payments go to the County Treasurer after they receipt it in Pelorus. Pelorus provides a timestamp on the receipt of payments which can be used to monitor a timeline of transactions compared to transaction receipts in COINS.

Finding 2: Inadequate Procedures Over Reconciliation of the Treasurer's Trust Account

The County Clerk/Auditor reconciles the tax payment entries on the COINS reports and the accounting records to the deposits on the bank statement to ensure that all tax payments received were properly deposited.

The Trust Account bank statement is delivered directly to the County Clerk/Auditor prior to being opened by the Treasurer. In the alternative, the Clerk/Auditor could observe the Treasurer printing the statement from the online account and use that document for the reconciliation or have view-only access to print the bank statement.

The Chief Deputy Clerk Auditor, who has no writability access to COINS, will reconcile the tax payments to the COINS reports. Furthermore, the Trust statements will be changed so that they're sent to the Auditor's office first, where a copy will be made before sending it to the Treasurer's Office. The Auditor will then compare the statement against the reconciliation of the tax payments and COINS reports.

Finding 3: Lack of Procedure to Review Adjustments to the Property Records and Tax Roll System

Speaking with the COINS Company, access can be granted to our Clerk/Auditor staff, namely our Chief Deputy Clerk Auditor, so that they can only view items but will be able to run a transaction report to see what changes have been made to the system. Through this report, they can verify if the changes that have been made for the appropriate quarter are reasonable changes, that any waiver of fees have followed the proper process and procedure and act as an independent review of those adjustments on the COINS system. Annually, the County Administrator will review the access rights to the COINS system to ensure that those who have access and who has access to change the data in COINS to make sure that we maintain view-only access from the individual performing the independent transaction audit.

Finding 4: Reliable Record of Payments Received by Main Not Established

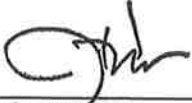
Most of our departments here in the County take payments and we have adopted by ordinance a Cash Receipting and Deposit Policy to guide our departments to help ensure that payments are being appropriately and timely deposited.

The county plans to explore adding a centralized address for all mail-in payments, which is a proactive step to streamline the payment collection process. By having two employees collect the mail, it ensures accountability and reduces the risk of misplaced or lost payments. As we transition this year to a .gov account, the County will explore adding a centralized during our address changes this year.

The difficulty with this is our department's accept payments by mail throughout the County where deliveries take place at different Post Offices within the County closer to the operations being 20 to 40 miles in distance from Monticello. Timeliness of the departments receiving those payments to receipt them and then return them back to the Treasurer's Office is a concern as they do not always come to Monticello for days on end and we do not want late fee's being applied to our citizens or vendors due to a slower system that we add in place, but we will give it an attempt to see if this will work.

As we change our letterhead and email address, by creating another mailing address for payments, then we will be able to create a Payment Registry in the Clerk/Auditor's Office. We will also encourage our departments to use a credit card payment system as much as possible.

Sincerely,



Jamie Harvey
Commission Chair