

STATE OF UTAH
OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON
UTAH STATE AUDITOR

Iron County

Limited Review

For the period of 2018 to 2025

Report No. IRON25SP

Office of the Utah State Auditor

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TINA M. CANNON
UTAH STATE AUDITOR

Report No. IRON25SP

September 23, 2025

Iron County Commission
68 South 100 East
Parowan, UT 84761

Dear Iron County Commission:

The Office of the Utah State Auditor (Office) offers a hotline program through which we receive complaints with financial or compliance implications related to state or local governments. This hotline is a vital tool that provides whistleblowers a safe space to report concerns about government actions. Hotline tips continue to be the most common and effective method of bringing misuse of funds to light. The Office recently received a hotline complaint alleging that an Iron County (County) Building Department employee was stealing building permit fees paid in cash.

We contacted the Iron County Auditor (Auditor) and learned that the Auditor also received a similar complaint one month prior. The Auditor had already reviewed the Building Department's processes and performed a review of cash on hand but was unable to identify any missing funds. We provided the Auditor with additional information received through our hotline and requested that they perform additional review procedures. With this information, the Auditor's team confirmed that cash payments for multiple 2024 building permits had not been properly deposited, indicating a potential misappropriation of building permit funds. Expanding the review to 2018 to present, the Auditor's team identified approximately \$188,000 in missing cash payments for building permits received by the Department from 2018 to 2025 that had not been deposited.

Due to the potential criminal nature of this matter, the Office and the County agreed to refer the criminal investigation portion of this case to the Utah Department of Public Safety's State Bureau of Investigation (SBI). Court records indicate that the former Building Department Office Manager (Manager) has been charged with felony misuse of public funds and theft. Court records also indicate that the Manager admitted to taking some of the missing funds. However, as of the date of this report, the case has not been adjudicated and no final determination has been made as to what, if any, criminal acts occurred or what, if any, involvement the Manager had in the alleged misuse of these funds. This report addresses the internal control weaknesses that may have allowed the alleged theft to occur.

As described further in the Background section and Finding 1 below, it was immediately evident that a control weakness in the County's reconciliation process had been exploited resulting in the loss of funds without detection for years.

Due to the weakness that allowed the alleged theft to occur, the Office performed a limited review of certain cash receipting processes and internal controls in the Building Department and eight other County departments¹. Our procedures were designed to evaluate whether accurate and complete cash receipting documentation exists and is provided to an independent party for review. We performed the following procedures:

- Interviewed County employees to gain an understanding of cash receipting processes and controls; and
- Performed walk-throughs² for a small number of cash receipt transactions from the boundary³ to recording deposit to determine whether the processes and controls are sufficient.

We did not review cash receipting processes at all County departments. We recommend that the Auditor review remaining departments to determine if weaknesses described in our findings below are present in those departments as well.

Our procedures were limited to matters related to the complaint we received and do not constitute a comprehensive audit of the County's internal control. 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 County personnel during our review. We look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Tina M. Cannon
Utah State Auditor

cc: Lucas Little, Iron County Auditor

¹ We performed a high level review of cash receipting at the following County offices: Building Department, Events Center, Treasurer, Clerk, Recorder, Justice Court, Jail, Sheriff, and Auditor.

² A cash receipt walkthrough evaluates the design and implementation of an organization's internal controls over its cash collection process from the time the payment is received, to recording, deposit, and reporting.

³ The boundary is the point at which County personnel take custody of the payment. A "boundary control" should be established to create a reliable record of payments received by the County and to ensure that all payments received can be accounted for and entered into the general ledger.

Background for Findings

In general, County departments that receive payments also prepare the deposits of those funds and transport them to the bank. The departments then submit the validated bank deposit receipt and other internal receipting documentation, including the “boundary record” to the Auditor’s Office. The Auditor should then reconcile the validated deposit slip to the internal receipting documentation to ensure that all receipts were properly deposited in the County bank account (validated deposit reconciliation). The Auditor then prepares an accounting entry to record the cash receipt revenue. The Treasurer’s office records the entry in the accounting system and performs the reconciliation of bank deposit records to the accounting records (bank reconciliation). Bank reconciliations are a key control meant to ensure amounts deposited in the bank agree to amounts recorded in the general ledger. However, for the bank reconciliation to be meaningful, a proper validated deposit reconciliation and other processes must be performed to ensure amounts recorded in the general ledger are complete and accurate.

Findings & Recommendations

Finding 1. Insufficient Reconciliation Process Allowed Alleged Theft to Occur Without Detection

The Auditor did not perform a proper validated deposit reconciliation. The Building Department accepts payments for building permits. Monthly, the Building Department Manager submits documentation to the Auditor for the validated deposit reconciliation and preparation of the general ledger entry, as discussed in the Background section. However, instead of a proper boundary record, the Manager only submitted a spreadsheet listing payments received. Because the Auditor performed the validated deposit reconciliation using the spreadsheet instead of the complete record of building permits recorded in the County’s MyCity⁴ system, the Auditor’s reconciliation was ineffective and did not ensure that all building permit payments were entered in the general ledger. This made the alleged theft of at least

⁴ The MyCity System contains a complete record of all building permits issued and assigns a sequential permit numbers.

\$164,671⁵ undetectable in bank reconciliations. Consequently, the superficial review performed by the Auditor's Office provided a false sense of security but was not an effective control.

Further, it does not appear that an attempt was made to account for missing permit numbers in the sequence of permits listed on the spreadsheet.

Recommendation

We recommend the County:

- Consult with legal counsel to pursue recovery of any lost funds through available means, possibly including insurance coverage, restitution payments, or civil actions.
- Review cash receipting procedures and ensure that all departmental deposits are reconciled to reliable and verifiable source documentation of payments received. In this case, the building permit deposits would be reconciled to the building permit payments recorded in the MyCity system, and subsequently to the revenue recorded in the general ledger.
- Review procedures should include accounting for any sequential, pre-numbered records, such as building permits, and the reviewer should investigate any missing records.
- Reviewers should be alert for, and follow up on transactions that are voided, deleted, or otherwise modified.

Finding 2. Inadequate Cash Receipting Controls Increase Risk of Misappropriation

For the nine County Departments selected, we reviewed cash receipting processes to determine whether there are reliable and verifiable boundary records of all payments received. Without a reliable boundary record, any process to reconcile the deposit will be ineffective. To varying degrees, seven of the nine departments demonstrated some problem with creating a record of payments received.

⁵ While the Auditor identified approximately \$188,000 in missing funds, court reports indicate the Manager was charged with theft of \$164,671.

a. Two Departments Are at Higher Risk

For departments that have a significant number of “unexpected” payments or payments not easily agreed to an independent record, the risk of misappropriation increases. We identified that the Building Department and the County Events Center (Events Center) are likely at higher risk for misappropriation due to the nature of the payments, lack of other corroborating records, and the lack of a reliable boundary record.

- **Building Department**

In addition to building permits mentioned in Finding 1, the Building Department also receives payments for land use permits and prairie dog permits. However, unlike building permits, there does not appear to be a reliable record of land use or prairie dog permit payments received, making them even more vulnerable to theft. These payments are manually recorded on a simple spreadsheet that is subject to manipulation. We are not aware of missing land use or prairie dog permit payments, but there does not appear to be a control that would prevent or detect misappropriation.

- **Events Center**

Likewise, there is no reliable record of payments received by the Events Center. The Director creates a manual summary of activity each month that she submits to the Auditor’s Office to be reviewed and recorded in the general ledger. This summary spreadsheet is vulnerable to manipulation and no reliable record of receipts exists against which it could be corroborated. Consequently, there is no control that would prevent Events Center employees at various levels from taking payments received without detection.

b. Inadequate Controls Over Payments Received by Mail

We noted that seven of the nine departments do not utilize a mail log to establish a boundary record of all payments received by mail. Mail should be retrieved and opened by two people who create a mail log record of all payments received. In addition to the Building Department and the Events Center, we noted that this does not occur in the Jail or offices of the Recorder, Clerk, Auditor, or Sheriff. This creates a risk that a payment could be misappropriated prior to any record being made of the payment. This risk is exacerbated by the fact that some of the payments received are not expected, and no one would likely complain if payment were not credited to their account. The lack of a

reliable record of payments received by mail makes it difficult if not impossible for a reviewer to ensure that all payments received were properly deposited.

c. Improved Receipt Practices Are Needed to Provide Reliable Tracking of All Payments

The Clerk's office does not issue receipts for duplicate licenses and passport photo fees. While these amounts are likely insignificant, it is good practice to create a record of all transactions. The Clerk's system has not been configured to accept these types of payments. This prevents the Clerk from establishing a boundary record for these in-person payments.

Recommendations:

- a. The County should improve its oversight of County funds by ensuring:
 - The Building Department and Events Center design and implement cash receipting processes and systems that create reliable boundary records of all types of payments received. As with the recommendation in Finding 1, once these records exist, someone independent should perform a validated deposit reconciliation to ensure all payments received are deposited and recorded in the general ledger.
 - Since it appears that the MyCity system is configurable, it is advisable to configure the system to be able to receive land use and prairie dog permits in the Building Department.
 - Though the Director of the Events Center indicated that they are working to implement new software and processes to track events and payments, much work remains to be done. In the meantime, the current process could allow employees to take funds from the Events Center without detection. Additional support from a specialist who is familiar with the new software and internal control principles is likely needed to ensure systems and processes are designed and implemented appropriately.
- b. The County should evaluate each department that receives payments, whether in person or by mail, to determine the risk of misappropriation without detection. The County should then design and implement appropriate controls to mitigate those risks. Mitigation could include the use of two people to retrieve the mail and create a log of all payments received, or in some cases have one person witness while the other enters the payments directly into the system.
- c. The County should ensure that a reliable record is created for all cash receipt transactions across all departments and functions.

Finding 3. Untimely Deposit of Cash Receipts

The Building Department and Sheriff's Office deposit funds they receive once per week. This practice violates *Utah Code* § 51-4-2(2), which requires funds to be deposited daily, if practicable, but no later than once every three banking days. Funds received early in the week would not be deposited within that period. Delaying the deposit of cash receipts increases the risk that funds could be lost or stolen.

Recommendation:

We recommend that the County ensure departments deposit all cash receipts within three banking days of receipt in accordance with *Utah Code* § 51-4-2(2).

County Responses

**COMMISSIONERS**

Michael P. Bleak
Paul Cozzens
Ken Robinson

ASSESSOR / Karsten Reed**ATTORNEY /** Chad E. Dotson**AUDITOR /** Lucas Little**CLERK /** Jonathan T. Whittaker**RECORDER /** Carri R. Jeffries**SHERIFF /** Kenneth K. Carpenter**TREASURER /** Nicole B. Rosenberg

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Response to Report No. IRON25SP

This letter is in response to the findings and recommendations on the internal control weaknesses in Iron County.

Finding #1: Insufficient reconciliation process allowed alleged theft to occur without detection.

Iron County Response: We agree with the finding and recommendation to reconcile deposits to the permits recorded in the MyCity software system. Previously the Auditor's Office did not have access to or knowledge of the MyCity system. Implementation of this reconciliation process has already been put in place. The Auditor's Office is now reviewing the sequential list of building permits from the MyCity system and matching them to the monthly to the deposits. By implementing this control, it assures that each building permit paid for is deposited and the risk or opportunity for fraud is eliminated.

Finding #2: Inadequate cash receipting controls increase risk for misappropriation.

Iron County Response: We appreciate The Office of the Utah State Auditor reviewing the cash receipting controls in various departments throughout Iron County. This has significantly helped identify areas of risk where effective controls can be placed. Regarding the land use permits and prairie dog permits in the building department, we are working to get these set up in the MyCity system, as the building permits are. Additionally, we have required a signature from the County Planner to confirm these deposits are correct each month. This creates a separation of duty and another level of security. The Events Center is working on implementing a new software that will track and record payments for rent, events, etc.




Payments received by mail will have a boundary control implemented. This has already been put in place in the Auditor's Office, where most of the miscellaneous payments are received. We are requesting that two people retrieve the mail and create a log of all payments received. Once those payments are deposited, they will be checked off on the log.

The Clerk's Office has a practice of issuing receipts, printing copies and recording them in a book, and usually has multiple people present in their office. The system they use is set up to record all payments.

The County Auditor's Office will be visiting each department in the county to review these findings, implement additional controls as needed, and verify that each employee that handles funds is aware of the controls put in place.

Finding #3: Untimely deposit of cash receipts.

Iron County Response: The Building Department and Sheriff's Office have already started to deposit funds twice a week. This will ensure that funds are deposited within 3 business days of being received, meeting Utah Code 54-4-2(2). All other departments already meet this requirement, but will be reminded of this rule.

Signed,   
Paul Cozzens Michael Bleak Ken Robinson

Iron County Board of Commissioners