



OFFICE OF THE
STATE AUDITOR

MANAGEMENT LETTER CACO-18-SP

December 1, 2017

Carbon County Commission
751 East 100 North
Price, UT 84501

Dear Commissioners:

We performed the procedures described below at Carbon County (County) on November 20, 2017. The purpose of these procedures was to assist the County in addressing concerns of potential fraud, waste, and abuse of public funds.

- We reviewed cash balances in the Municipal Service Fund for December 2016.
- We reviewed budgetary and accounting practices generally.
- We interviewed certain elected officials and employees.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the recommendations resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of internal control, other matters might have come to our attention that would have been reported to you. *Utah Code* 17-36-45 requires each county legislative body to implement an internal control structure. It also requires the State Auditor to conduct an evaluation of the implemented procedures. In order to fulfill our responsibilities, we will begin a review of the County's internal controls in the near future.

Our recommendations resulting from the above procedures are included in the recommendations section of this letter. By its nature, this letter 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 contact Jeremy Walker, Local Government Manager, at 801-538-1040 or jeremywalker@utah.gov.

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ECONOMIC ANALYSIS:

In recent years, Carbon County (County) has experienced a notable decline in multiple revenue sources. As a result, the Carbon County Commission is being forced to address the reality caused by these declining revenues and determine how best to match service levels with available resources.

RECOMMENDATIONS:

1. **Establish a regular review of financial reports**

Financial oversight of the County's finances is the primary responsibility of the County Commission. The County Commission should perform a thorough review of financial reports from the County Auditor and County Treasurer at least monthly. Such reviews should produce questions and discussion, and may occasionally result in budgetary and accounting adjustments. Though the primary focus of financial oversight is usually on revenue and expenses, a review of existing cash provides additional information necessary to fully understand the financial position of the organization at any point in time.

2. **Consider adding fund or cash reserve balances to the budget document**

Budgets typically only include revenues and expenses. However, it may be helpful to have fund or cash reserve balances provided as budget decisions are deliberated. Fund and cash reserve balances are valuable in budgeting since an appropriation of prior year fund balances is often necessary when proposed expenses are greater than anticipated revenues. However, when planning the budget before the current year is over, be aware that fund and cash reserve balances could change dramatically for up to 60 days after the year begins.

3. **Develop a method to identify and measure municipal services in the unincorporated areas**

Utah Code 17-34-5 requires that a county legislative body shall separately budget and strictly account for and apportion to unincorporated areas of the County the costs of providing municipal-type services and functions to those unincorporated areas. In order to strictly account for and apportion costs, the County must develop and apply a method to distinguish which services are municipal in nature and what portion of those services are provided in the unincorporated areas of the County.

4. **Reconcile all cash accounts monthly within 30 days**

Since financial reports should not be relied upon until reconciliations have been completed, a reconciliation of all cash accounts should be performed as soon as reasonably possible, but not less than 30 days after month end.

5. **Create a general ledger account for each bank account**

The County currently maintains multiple bank accounts which are accounted for in a single general ledger account. Though acceptable, this practice makes reconciliation and easy identification of all accounts more difficult, particularly the accounts holding restricted funds.

6. Consider restating 2016 financial statements

During 2016 the County did not follow the practice of transferring restricted funds from the savings account to the checking account soon after the funds were expended.

Although acceptable, not following this practice results in the 2016 ending restricted cash balance being inconsistent with prior year practices. Therefore, a restatement of financial statements to reduce the amount of restricted funds and increase the amount of unrestricted funds in the Municipal Service Fund may better represent the County's intention.