



Ricky D. Hatch, CPA
Clerk/Auditor

5 August 2020

Weber County Audit Committee
2380 Washington Blvd.
Ogden, UT 84401

Dear Committee Members:

I recently completed a comprehensive key internal control audit of Weber County Roads and the Weber County Weeds Departments' operations and administrative procedures. My purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls. My examination period covered 2019 transactions.

My audit scope included tests from the following Internal Control Questionnaires (ICQ), used as my audit program:

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|---|--------------------------------|
| • Cash Receipting and Deposits | One Low Risk Recommendation |
| • Accounts Payable Disbursements | One Low Risk Recommendation |
| • Accounts Receivable Procedures | No Recommendations |
| • General Journal Entries | No Recommendations |
| • Fixed Asset Accounting and Safeguards | One Medium Risk Recommendation |

Cash Receipting and Deposits:

Scope:

There were 65 receipt transactions in Roads totaling \$219,903.80, net of \$73,665.60 debit entries through CRP. Weeds had 45 transactions totaling \$3,321.50. I judgmentally sampled 36 of these transactions totaling \$211,396.02.

Observations:

Of the 65 Road Department receipt transactions, 37 were redistribution and reclassification adjustments, i.e., prior year revenue accrual posted as current year revenue, expenses charged to revenue accounts, revenues charged to expense accounts, double payments, and organization and object code corrections. These conditions create review pressure on the Clerk/Auditor's Office staff.

There were two duplicate payment deposits received from vendors. A \$30,580.00 duplicate payment was made less than two months after the original payment. The payment was for very specific auction equipment, a onetime purchase. The vendor submitted two different invoices for the same transaction. Weber County paid the original invoice before receipt of the second invoice. The supplier identified the double payment and refunded the overpayment. The approval process for the duplicate payment is suspect.

Recommendations:

Road Department management review transaction coding and payment authorizations before posting, so that questionable accounts and incorrect payment authorizations can be avoided.

Accounts Payable Disbursements:

Scope:

There were 1,041 accounts payable invoice (API) and accounts payable maintenance (APM) transactions in Roads totaling \$1,445,741.14, net of \$82,142.09 credit entries. Weeds had 24 transactions totaling \$24,548.41. I randomly sampled 43 of these transactions totaling \$102,981.94.

Observations:

I observed minor administrative and accounting errors with immaterial consequences. However, check #439049 paid to Honnen Equipment for \$17,839.43 on 5/3/19 indicated a lack of equipment preventive maintenance. Invoice 192410, dated 4/08/19, was for emergency John Deere repairs caused by built up dirt on vehicle floor, locking brake pedal active. This appears to be a preventable expense through a small act of cleaning dirt and debris away from the brake pedal after each operation.

Recommendation:

Road Department management should review the Honnen Equipment invoice 192410 details and determine if a preventive maintenance policy would avoid similar failures and repairs in the future.

Accounts Receivables Procedures:

Background:

Roads and Weeds use MUNIS for customer billings. Accounts receivables are managed manually with a three ring binder. Aging is reviewed manually, dunning letters are sent, and uncollectable accounts are sent to the Weber County Attorney’s Office for action.

Observations

There were no variances in the tested variables. Backup data supports MUNIS postings. Postings were made timely after effective date. There are no recommendations.

General Journal Entries:

Scope:

There were 716 journal entries in Roads totaling \$2,091,065.53 net credit, and 107 journal entries in Weeds totaling \$12,598.22 net debit. Of the 716 Roads journal entries, 640 were imported and 76 were general postings. All of the Weeds’ were imported. I randomly sampled 13 and judgmentally sampled five of Roads’ transactions totaling \$399,411.92.

Observations:

There were no variances in the tested transactions. There are no recommendations.

Fixed Asset Accounting and Safeguards

Scope:

There are 82 equipment items located at the Roads Department main site from six organizations:

<u>Organization</u>	<u>Items</u>	<u>Cost</u>
Homeland Security	1	0.00
Storm Water Management	2	250,174.00
Garage	5	44,593.85
Weed	2	29,713.51
Roads	46	2,359,732.50
Fleet	<u>26</u>	<u>2,254,161.89</u>
Totals	<u>82</u>	<u>\$ 4,938,375.75</u>

I sampled 13 of the 46 Roads' assets costing \$530,814.24 for my physical inventory. I reversed counted (items in yard traced back to the inventory list) six items. I reviewed the detail general ledger of both Roads and Weeds to verify that all capital purchases were inventoried.

Observations:

All sampled assets were located and in working condition. All reversed count items were traced back to one of the six organization's inventory lists.

Concerns include:

- Only five of the 46 assets on the Roads' inventory list have reported serial numbers
- Some explanations are vague and make it difficult to identify specific equipment
- I saw no evidence of Weber County inventory tags on any of the sampled items
- One Weeds asset purchased for \$6,890.97 was not capitalized on inventory. This purchase was cost through special supplies and not identified as a fixed asset.
- There were two principal payments on prior year contracts. One payment is for an asset that is a true lease: three year commitment for \$9,990 per year. It should not be inventoried. The other payment for \$17,601.78 is the annual funding of a purchased asset. The 2018 down payment of \$59,900.00 was charged through object code 715000, Principal. The asset cost basis was \$172,300.00 and was not inventoried as required.
- I located a third asset that was not on the fixed asset inventory list. In 2018, a mini excavator was purchased for \$68,000.00 and charged through object code 642000, Special Supplies. This asset was not inventoried at 2018 nor 2019 year-end.

Recommendations:

Roads and Weeds management should, by year end 2020, perform a physical inventory of all fixed assets purchased through their organizations. Missing assets should be added, and disposed assets should be removed on the Weber County Clerk/Auditor 2020 year-end inventory update list.

I discussed my observations with the Weber County Clerk/Auditor staff that manages fixed asset inventories. All serial numbers and clear descriptions of purchases going forward will be added to the physical inventory list.

I appreciate the time spent by Roads and Weed Departments' management and staff, and the Weber County Clerk/Auditor's staff, for their help and support during my audit. They were friendly, courteous, and cooperative, answering my questions, gathering necessary documents and records, and allowing me access to their information.

Sincerely,

Roger K Larsen
Weber County Internal Auditor