

NOTICE AND AGENDA

June 16, 2020

A smile is a powerful weapon;
you can even break ice with it.
- Author unknown

Notice is hereby given that the Roosevelt City Council will hold its regular Council Meeting on Tuesday, June 16, 2020, at the Roosevelt Municipal Building, 255 South State Street, Roosevelt, Utah, which meeting shall begin promptly at 5:30 p.m.

The agenda will be as follows:

	<u>Page</u>
1. Call to Order	
2. Roll Call	
3. Opening Ceremony (<i>Prayer and Pledge of Allegiance</i>)	
4. Minutes.....	1-5
5. Public Comment Period (<i>The comment period is limited to 15 minutes. Any person wishing to comment shall limit their comments to three (3) minutes. Any person wishing to comment during the comment period shall request recognition by the Mayor. Upon recognition, the citizen shall approach the front and state his/her name and address for the record. All comments shall be directed to the Mayor or entire Council. No person addressing the City Council during the comment period shall be allowed to comment more than once during that comment period. Speakers should not expect any debate with the Mayor, City Council or City Staff; however, the Mayor, City Council or City Staff may respond within the 15-minute period. During this time, citizens may address the Council on any subject.</i>)	
6. Public Hearings (as needed)	
A. Zone Change - Summer Hills Subdivision Lots 101 through 119 – Bart and Annette Miller	
B. Final Budget Hearing for Fiscal Year 2020-2021 Budget.....	6-9
C. Budget Reopen for Fiscal Year 2019-2020	
7. Appointments	
A. Ribbon Celebration Activity Request.....	10
B. Roosevelt City Fraud Risk Assessment Presentation.....	11-23
8. Purchase Orders and Quarterly Financial Review	
9. Reports from Standing Committees	
10. Report from City Manager	
11. Standing Agenda Items	
A. Pending Discussion Items (<i>discussed previously, but final action not yet taken</i>)	
1. Chapter by chapter detail review of city code	
12. Closed Session (as needed)	
13. Adjourn	

Further information can be obtained by contacting Carolyn Wilcken at (435) 722-5001 or (435) 725-7203. In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during these hearings should notify Carolyn Wilcken at 255 South State Street, Roosevelt, Utah, 84066, at least three days prior to the hearing to be attended.

MINUTES OF A REGULAR COUNCIL MEETING

May 19, 2020

The meeting was called to order at 5:30 p.m. by Mayor JR Bird.

A roll call was taken which showed council members Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland present. Mayor JR Bird stated that the meeting was a regularly called meeting and that notice of the time, place and agenda of the meeting had been provided to the local news media, to each member of the governing body, and was posted on the city web page and the state public meetings web page. The meeting was also available to the public through a Zoom meeting format.

Others present included Acting City Manager Ryan Clayburn, City Recorder Carolyn Wilcken, Acting Finance Director/Assistant City Manager Randy Robb, Dean Johnson, Grant Charles, Kirby Wolfinger, Kurt Mower, John Barrus, Bob Peterson, James Taylor, Dave Law, Matt Yergenson, Melissa Yergenson. Cory Quinn, Bryce Olsen, and Gayle Olsen.

Opening prayer was given by David Baird.

MINUTES

A motion was made by Councilman Don Busenbark to approve the minutes of the regular meeting of April 21, 2020, as presented. Motion was seconded by Councilman Dustin White. Those voting Aye were, Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

PUBLIC COMMENT PERIOD

Cory Quinn came before Council and asked that Council consider passing a resolution supporting Roosevelt City becoming a 2nd Amendment Sanctuary City. This would also specify that Roosevelt City would not pass any ordinance that isn't constitutional. She stated that Vernal City has passed such a resolution. Mayor Bird stated that this is something we can look into.

Bob Peterson, James Taylor, and Dave Law, representing Utah State University, came before Council to introduce themselves and talk about the degrees offered by USU. They presented Council with small cups of Utah State University Dairy Ice Cream.

MINOR SUBDIVISION – ROOSEVELT CITY LOT SPLIT FOR LIBRARY

Mayor JR Bird presented the plat map to split property off from the West end of city-owned Central Park for construction of the new Duchesne County Library. After review and discussion, a motion was made by Councilman David Baird to approve this minor subdivision lot split. Motion seconded by Councilman Cody Aland. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

LOT LINE ADJUSTMENT REQUEST

Kirby Wolfinger came before Council requesting a lot line adjustment for property between his property and his neighbor. After review and discussion, a motion was made by Councilman Don Busenbark to approve this lot line adjustment. Motion seconded by Councilman Dustin White. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

APPOINT TREASURER

Mayor JR Bird stated that he would like to appoint Randy Robb as the new City Treasurer. After review and discussion, a motion was made by Councilman David Baird to accept Mayor Bird's appointment of Randy Robb as City Treasurer. Motion seconded by Councilman Vince Reiley. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

BUDGET DISCUSSION

Recorder/Finance Director Kurt Mower came before Council to discuss the upcoming annual budget. It was determined that Council will meet for a work meeting on Tuesday, June 2nd.

SELL/LEASE DURIGAN SPRINGS PROPERTY - DISCUSSION

City Attorney Grant Charles explained the history of the Durigan Springs property regarding Bryce Olsen's lease/purchase agreement for this property. Mr. Olsen stated that he would like Council consideration of a 10-year lease with an option for an additional 10-year lease. A motion was made by Councilman Vince Reilly to enter into a 10-year lease with Bryce Olsen for the excess Durigan Springs property. Motion amended by Councilman David Baird to include in the lease agreement, a credit of \$30,000 (Mr. Olsen had previously paid) towards the 10-year lease, with the agreement subject to legal review. Motion amended by Councilman Don Busenbark to include an option to purchase the property if the City decides to sell the property. Motion seconded by Councilman Cody Aland. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

RESOLUTION 2020-301 UTAH STATE RETIREMENT SYSTEMS PUBLIC SAFETY RETIREMENT BENEFITS

The Utah Legislature enacted changes to the Utah Retirement Systems Tier 2 Public Safety Defined Benefit Plan in 2019 to go into effect July 1, 2020. The legislation increased the multiplier for all Tier 2 Public Safety participants from 1.5% to 2% for each year of service credit. This will increase the cost of the Tier 2 Public Safety Defined Benefit Plan by 4.27%. The employer is required to pick up 2% of that amount, with the additional 2.27% being paid either by the employer or the cost passed on to the employee. The decision as to whether to pick up the additional 2.27% by Roosevelt City is what is brought before the Council tonight. After review and discussion, a motion was made by Councilman Don Busenbark to pass Resolution 2020-301,

a resolution of the Roosevelt City Council authorizing an increase in employer funding for Tier 2 public safety employee retirement benefits. Motion seconded by Councilman David Baird. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

ORDINANCE 2020-435 TITLE 2 CHAPTER 4: ADMINISTRATION AND PERSONNEL, CITY MANAGER

Council held a public hearing during the previous City Council meeting and are now considering passage of this ordinance. After review and discussion, a motion was made by Councilman Vince Reilly to approve Ordinance 2020-435 Title 2 Chapter 4: Administration and Personnel, City Manager. Motion seconded by Councilman Cody Aland. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

PURCHASE ORDERS

A motion was made by Councilman Don Busenbark to approve the following purchase orders. Motion seconded by Councilman Dustin White. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion carried unanimously.

2060	Duchesne County Water Conservancy	\$ 28,642.00
3506	Big B Equipment	17,300.00
	Farnsworth Excavation, LLC	39,284.95
3473	Staker & Parson Co.	146,394.96
3290	J-U-B Engineering	23,296.65
3474	J-U-B Engineering	46,042.95
	K & K Sanitation	75,528.74
	Moon Lake Electric	16,528.27
	PEHP	49,620.00
	Buulseye Builders, LLC	<u>31,050.00</u>
	TOTAL	<u>\$473,688.52</u>

STANDING COMMITTEE REPORTS

Cody Aland reported on the progress of the Trails Committee. They discussed the new ballfields and the need to fundraise in order to finish them.

Vince Reilly reported on the new fuel system and he expressed concern with some issues he would like to see improved at the airport.

Mayor Bird stated that July 4th events will be moving forward as long as social distancing guidelines are followed. This applies to any other activities that move forward.

David Baird stated he is pleased the swimming pool will be open next week.

Dustin White reported on the CARES Act funding distribution.

Don Busenbark reported on the Arts, Parks, and Rec meeting. He also reported on attending the Parks & Rec meeting.

CITY MANAGER REPORT

Acting City Manager Ryan Clayburn reported on the result of the CIB application meeting. The 500 East sidewalk project is going slower than expected. Pavement will begin June 8th on the airport runway. The web site update launch is tomorrow. Roosevelt City front doors are now open to the public as of today.

CLOSED SESSION

A motion was made by Councilman Don Busenbark to go into a closed session to discuss litigation and personnel issues and then convene back into a regular city council meeting. Motion seconded by Councilman David Baird. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion was carried unanimously.

A motion was made by Councilman Vince Reilly to adjourn the meeting. Motion seconded by Councilman Don Busenbark. Those voting Aye were Dustin White, David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion carried unanimously.

Meeting adjourned at 8:55p.m.

Roddy I. Bird Jr., Mayor

ATTEST:

Kurt Mower, Recorder

MINUTES OF A REGULAR COUNCIL MEETING

June 2, 2020

The meeting was called to order at 5:30 p.m. by Mayor JR Bird.

A roll call was taken which showed council members David Baird, Don Busenbark, Vince Reiley, and Cody Aland present. Dustin White was excused. Mayor JR Bird stated that the meeting was a regularly called meeting and that notice of the time, place and agenda of the meeting had been provided to the local news media, to each member of the governing body, and was posted on the city web page and the state public meetings web page.

Others present included Acting City Manager Ryan Clayburn, Carolyn Wilcken, Finance Director/Recorder Kurt Mower, Treasurer Randy Robb, Police Chief Rick Harrison, and Hal Huff.

Opening prayer was given by JR Bird.

PUBLIC COMMENT PERIOD

There were no comments.

2021 BUDGET INTRODUCTION AND DISCUSSION

Finance Director/Recorder Kurt Mower presented the proposed 2021 annual budget. There was a decrease in sales tax revenue, but it isn't due to the Covid-19 pandemic because when we receive the money from the State of Utah, it is for collections two months prior to being received by Roosevelt. Several other revenue sources are less than the 2020 budget expectations. Most capital projects have been delayed for now. However, the road improvement plans will remain on schedule.

STANDING COMMITTEE REPORTS

Mayor JR Bird reported that they have narrowed down the City Manager candidates to ten. This will be narrowed down again to five.

A motion was made by Councilman Don Busenbark to adjourn the meeting. Motion seconded by Councilman Cody Aland. Those voting Aye were David Baird, Don Busenbark, Vince Reiley, and Cody Aland. Motion carried unanimously.

Meeting adjourned at 7:10 p.m.

Roddy I. Bird Jr., Mayor

ATTEST:

Kurt Mower, Recorder

Roosevelt City FY 2021 Budget

<u>Fund</u>	<u>Type</u>	<u>Description</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Estimate</u>	<u>FY 2021 Proposed</u>	
General Fund	Revenue	Sales Tax	\$1,978,628	\$1,995,000	\$1,777,500	
		Property Tax	\$1,152,758	\$1,175,000	\$1,150,000	
		Highway Tax	\$847,940	\$775,000	\$697,500	
		Utility Tax	\$462,039	\$420,000	\$378,000	
		ZAP Tax	\$227,493	\$219,500	\$197,550	
		Streets	\$373,932	\$371,200	\$334,000	
		Aquatic Center	\$236,936	\$175,000	\$157,500	
		Golf Course	\$820,746	\$859,500	\$773,550	
		Airport	\$133,859	\$85,000	\$76,500	
		Animal Control	\$67,420	\$28,000	\$25,200	
		Cemetery	\$56,150	\$47,500	\$42,750	
		Court	\$56,036	\$57,200	\$51,500	
		Police	\$177,015	\$210,000	\$189,000	
		Fire	\$165,285	\$165,000	\$148,500	
		Grants	\$57,705	\$44,200	\$39,800	
		Recreation	\$74,341	\$45,000	\$40,500	
		Misc Tax	\$17,695	\$11,000	\$9,950	
		Building & Zoning	\$88,611	\$83,250	\$75,000	
		Misc	\$322,104	\$274,850	\$301,500	
		Accumulated Earnings	\$0	\$0	\$200,000	
	Revenue Total			\$7,316,693	\$7,041,200	\$6,665,800
	Expense	Admin	(\$460,776)	(\$510,600)	(\$523,150)	
		Streets	(\$348,141)	(\$485,000)	(\$493,200)	
		Aquatic Center	(\$502,183)	(\$507,520)	(\$469,200)	
		Golf Course	(\$1,029,422)	(\$1,250,340)	(\$1,130,400)	
		Airport	(\$218,378)	(\$325,000)	(\$222,250)	
		Animal Control	(\$155,778)	(\$205,000)	(\$122,100)	
		Cemetery	(\$176,655)	(\$201,230)	(\$189,200)	
		Council	(\$77,919)	(\$143,400)	(\$116,250)	
		Court	(\$91,868)	(\$99,100)	(\$99,100)	
		Debt Service	(\$20,000)	(\$30,000)	(\$30,000)	
		Police	(\$1,632,593)	(\$1,841,400)	(\$1,798,000)	
		Fire	(\$194,198)	(\$184,600)	(\$173,550)	
Parks		(\$142,270)	(\$220,000)	(\$285,800)		
Recreation		(\$296,974)	(\$258,000)	(\$205,930)		
Building & Zoning		(\$59,308)	(\$71,100)	(\$65,700)		
Debt Service Transfer		(\$174,688)	(\$175,680)	(\$160,750)		
Capital Projects Transfer		(\$2,161,936)	(\$573,380)	(\$581,220)		
Misc		\$0	\$0	\$0		
Expense Total			(\$7,743,087)	(\$7,081,350)	(\$6,665,800)	
General Fund Total			(\$426,394)	(\$40,150)	\$0	

Roosevelt City FY 2021 Budget

<u>Fund</u>	<u>Type</u>	<u>Description</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Estimate</u>	<u>FY 2021 Proposed</u>
Debt Service	<i>Revenue</i>	Building & Grounds	\$42,800	\$42,800	\$42,000
		Debt Service Transfer	\$174,688	\$175,680	\$160,750
		Capital Projects Transfer	\$0	\$0	\$0
		Misc	<u>\$1,653</u>	<u>\$471,550</u>	<u>\$0</u>
	<i>Revenue Total</i>		\$219,141	\$690,030	\$202,750
	<i>Expense</i>	Debt Service	(\$92,915)	(\$91,850)	(\$94,000)
		Debt Service Streets	(\$124,132)	(\$598,180)	(\$108,750)
		Misc	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	<i>Expense Total</i>		(\$217,047)	(\$690,030)	(\$202,750)
	Debt Service Total		\$2,094	\$0	\$0

Roosevelt City FY 2021 Budget

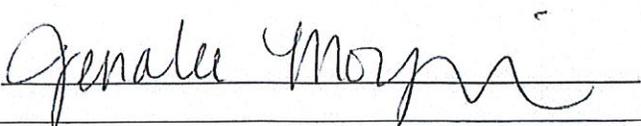
<i>Fund</i>	<i>Type</i>	<i>Description</i>	<i>FY 2019 Actual</i>	<i>FY 2020 Estimate</i>	<i>FY 2021 Proposed</i>
<i>Capital Projects</i>	<i>Revenue</i>	Streets	\$0	\$0	\$0
		Bonds	\$160,000	\$0	\$0
		Police	\$0	\$0	\$0
		Intergovernmental	\$0	\$0	\$0
		Grants	\$1,405,308	\$8,500,000	\$2,000,000
		General Fund Transfer	\$2,161,936	\$573,380	\$581,220
		Misc	\$101,317	\$1,833,356	\$0
	<i>Revenue Total</i>		<i>\$3,828,561</i>	<i>\$10,906,736</i>	<i>\$2,581,220</i>
	<i>Expense</i>	Admin	(\$59,439)	(\$30,000)	(\$50,000)
		Streets	(\$1,209,409)	(\$1,563,436)	(\$435,000)
		Aquatic Center	(\$13,500)	\$0	\$0
		Building & Grounds	\$0	(\$25,000)	(\$36,220)
		Golf Course	(\$40,000)	\$0	(\$30,000)
		Airport	(\$462,094)	(\$8,350,000)	(\$2,000,000)
		Animal Control	\$0	(\$20,000)	\$0
		Cemetery	(\$18,624)	(\$61,010)	\$0
		Police	(\$55,447)	(\$55,000)	(\$30,000)
		Fire	(\$56,744)	(\$65,000)	\$0
		Parks	(\$10,750)	(\$171,056)	\$0
		Building & Zoning	(\$157,496)	(\$94,884)	\$0
		Debt Service Transfer	\$0	(\$471,350)	\$0
		Misc	\$0	\$0	\$0
		<i>Expense Total</i>		<i>(\$2,083,503)</i>	<i>(\$10,906,736)</i>
	<i>Capital Projects Total</i>		<i>\$1,745,058</i>	<i>\$0</i>	<i>\$0</i>

Roosevelt City FY 2021 Budget

<u>Fund</u>	<u>Type</u>	<u>Description</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Estimate</u>	<u>FY 2021 Proposed</u>
Water	<i>Revenue</i>	Culinary Water	\$2,209,899	\$2,250,000	\$2,250,000
		Secondary Water	\$496,550	\$635,000	\$635,000
		Storm Water	\$106,077	\$117,500	\$117,500
		Connections	\$21,597	\$80,100	\$80,100
		Grants	\$356,455	\$5,750	\$0
		Misc	\$0	\$5,800	\$5,800
	<i>Revenue Total</i>		\$3,190,578	\$3,094,150	\$3,088,400
	<i>Expense</i>	Culinary Water	(\$1,502,168)	(\$1,219,235)	(\$1,360,003)
		Secondary Water	(\$380,874)	(\$581,420)	(\$534,099)
		Storm Water	(\$89,604)	(\$85,500)	(\$89,862)
		Culinary Water Depreciation	(\$725,815)	(\$785,440)	(\$730,000)
		Secondary Water Depreciation	(\$125,429)	(\$126,500)	(\$126,500)
		Storm Water Depreciation	(\$44,796)	(\$46,000)	(\$46,000)
	Debt Service Fees	(\$7,000)	(\$10,200)	(\$10,200)	
<i>Expense Total</i>		(\$2,875,686)	(\$2,854,295)	(\$2,896,664)	
Water Total		\$314,892	\$239,855	\$191,736	
Sewer	<i>Revenue</i>	Sewer	\$810,783	\$816,200	\$816,200
		Sewer Connections	\$44,000	\$48,000	\$52,500
		Sewer Ballard	\$40,466	\$46,000	\$42,000
		Sewer Farm Lease	\$19,595	\$20,000	\$25,600
		Grants	\$3,183	\$111	\$0
		Misc	\$92,949	\$110,000	\$110,000
	<i>Revenue Total</i>		\$1,010,976	\$1,040,311	\$1,046,300
	<i>Expense</i>	Sewer Operations	(\$453,882)	(\$479,275)	(\$429,275)
		Sewer Farm Operations	(\$20,966)	(\$38,600)	(\$38,600)
		Sewer Depreciation	(\$387,730)	(\$420,000)	(\$420,000)
Debt Service Fees		(\$8,293)	(\$8,400)	(\$8,400)	
<i>Expense Total</i>		(\$870,871)	(\$946,275)	(\$896,275)	
Sewer Total		\$140,105	\$94,036	\$150,025	
Sanitation	<i>Revenue</i>	Sanitation Contract	\$872,933	\$890,000	\$890,000
		Sanitation Admin Charge	\$88,012	\$100,000	\$100,000
	<i>Revenue Total</i>		\$960,945	\$990,000	\$990,000
	<i>Expense</i>	Sanitation Contract	(\$872,932)	(\$890,000)	(\$890,000)
		Sanitation Admin Charge	(\$88,012)	(\$100,000)	(\$100,000)
<i>Expense Total</i>		(\$960,944)	(\$990,000)	(\$990,000)	
Sanitation Total		\$1	\$0	\$0	

COUNCIL APPOINTMENT/DISCUSSION FORM

Placement on Council agenda requires completed form

NAME: Jenalee Moynier / Stephanie Carter (UBTech) DATE: 6/4/20	
PHONE #: 435-650-5983	EMAIL: jenalee@ubtech.edu
NAME OF INDIVIDUAL(S) OR GROUP TO APPEAR BEFORE COUNCIL: UBTech - Jenalee Moynier / Stephanie Carter	
NATURE OF REQUEST: <i>(Include applicable details such as location, current use, desired use, timetable, including sufficient detail for council to make informed decision.)</i> We would like to present present a ribbon activity to help celebrate, promote and say thanks to small businesses in our community. We would like to get permission from the city to do this activity.	
<input type="checkbox"/> Will this involve city funding? Please estimate amount \$ _____	
<input type="checkbox"/> Public hearing required	
<input type="checkbox"/> Approved by Planning and Zoning (if required)	
List any city personal who reviewed your request and explain outcome or attach a separate sheet: <i>(i.e. City Manager, Finance Director, City Recorder, Public Works Director, Aquatics Center Manager, Park Manager, Recreation Manager, Cemetery Sexton, Golf Course Manager)</i>	
CITY PERSONNEL COMMENTS (if any):	
Signature: 	



OFFICE OF THE
STATE AUDITOR

Implementation Guide

As of April 2019

Fraud Risk Assessment

Background

In 2016, the Office of the State Auditor (Office) received over 20 formal complaints of fraud or abuse by local government officials. The Office was also aware of many other internal investigations performed by local governments of their own officials and employees. Some of these situations received significant media coverage, while others were resolved with less publicity. In either case, the concern by the public and local and state officials has increased. Many have asked the Office for more direction on how to prevent such occurrences in the future. The program outlined in this guide is designed to help measure and reduce the risk of undetected fraud, abuse, and noncompliance in local governments of all types and sizes.

Internal Controls as a Discipline

Professional literature, as well as our own experience, indicates that the solution to the reduction of fraud risk lies in effective internal controls. Internal controls are the policies, practices, and processes that ensure the operations of an organization are performed effectively and efficiently. Internal Controls are also intended to deter or prevent the misuse of public funds. Since internal controls require time and resources, entities should seek to reduce risk to an acceptable level, not eliminate risk altogether. In other words, a lock should never cost more than the item it is intended to protect.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a group of organizations dedicated to providing frameworks and guidance on risk management, internal control, and fraud deterrence. COSO publishes a document "Internal Control – Integrated Framework" (the COSO Framework). The COSO Framework is noted as the gold standard for designing and implementing an entity-wide internal control program for all organizations including governments. The Government Accountability Office (GAO) publishes its own guidance for proper internal controls in government entities known as the Green Book. The Green Book follows the COSO Framework, but adds some specific context that is unique to the government environment. We used both of these publications as resources for this project.

The COSO Framework includes five principles:

- Tone at the Top
- Risk Assessment
- Control Activities
- Communication
- Monitoring

Incorporating these five principles into an organization is a recommended but complex endeavor. Most accountants and auditors have been trained on these principles, but full implementation requires additional training and a commitment throughout the organization to be effective. We recommend every organization with the resources use COSO, GAO, GFOA, or any other reputable source as an aid to implementing a comprehensive internal control program.

Due to the expense, most local governments in Utah lack the resources necessary to completely implement the COSO Framework. Our goal is to take the concepts of the COSO Framework and boil them down to specific measures that every local government can incorporate at minimal cost. If properly implemented, we believe these measures will reduce the risk of undetected fraud, abuse, and noncompliance. We have also developed a risk assessment model that provides a basic evaluation of an entity's fraud risk, based upon required separation of duties and our recommended measures.

Recommended Measures

1. Separate Duties over Cash Accounts (Crucial!!!)

Widely recognized as a crucial internal control, separation of duties includes separating the powers of the treasurer and clerk (the person who performs the accounting function, regardless of title), as required by state law. If the roles and responsibilities of treasurer and clerk are *not* 1) separate, 2) independent, and 3) monitored by the governing board, the risk of financial fraud and abuse increases.

In general, the treasurer is responsible for the collection and custody of funds while the clerk validates payment requests, ensures compliance with policy and budgetary restrictions, prepares checks, and records all financial transactions. In situations where proper separation of duties are not maintained, mitigating controls must be implemented. Because of the extreme importance of this control, we have developed a separate questionnaire (see attached) to help determine if basic separation of duties or mitigating controls are in place.

2. Require a Commitment of Ethical Behavior

Purpose

A critical, fundamental, and far-reaching problem facing government today is the lack of public trust and confidence. Government officials are expected to perform their government duties without using their position for personal benefit. A written statement on ethical behavior will provide clarity and serve as a physical reminder of the aspirations of the organization.

Overview

Maintaining an ethical environment requires setting an example and communicating proper expectations at every level of the organization. Training and re-enforcement of

ethical standards must be continuous and applicable. Expectations must point to the highest standards and not excuse bad behavior by anyone for any reason.

Implementation

We recommend the entity set clear expectations and exercise consistent enforcement. We recommend instilling a culture rewarding high ethical standards, rather than rewarding cutting corners or engaging in questionable or self-serving behavior. We recommend that every entity have a written policy and strong practices that address a standard of ethical behavior, including prohibited activities, required disclosures, and clear directions on how and to whom disclosures should be submitted and reviewed. We also recommend that the entity require elected or appointed officials and employees to annually commit in writing to abide by the entity's standards of ethical behavior. This practice will provide an opportunity to review the policy and identify any potential or actual conflicts of interest. Requiring periodic confirmation will deter individuals from acting unethically and identify issues before they become problematic.

3. Adopt and Put Into Practice Written Policies

Overview

The governing body should evaluate policies to make sure they establish proper oversight and direct the organization toward the desired outcomes. The following are key policies along with certain elements that we have identified that are either required by law or best practices to improve the internal control system. As a matter of practical implementation, template policies that contain these elements are available on the Office's website at auditor.utah.gov/resources/.

a. Conflict of Interest

1. Specifies who is required to declare conflicts.
2. States that if a new conflict arises during course of business it must be reported.
3. Requires each public official/employee to complete a disclosure form on an at least an annual basis.
4. Identifies the individual/position responsible to gather disclosure forms.
5. Disclosure forms provide the user a way to disclose conflicts or indicate that they have no conflicts.
6. Disclosure forms must list the name and position of the public official/employee.
7. Disclosure forms must list the name of the business entity and ownership interest or position for a business regulated by the entity for which there is a conflict.
8. Disclosure forms must list the name of the business entity and ownership interest or position for businesses doing business with the entity.
9. Disclosure forms must list any investments that may create a conflict with the entity.
10. The disclosure shall be made in a sworn statement filed with the entity's governing body.

b. Procurement

Seek the best value for the entity and promote a competitive purchasing process.

1. Specifies a small item threshold allowing employee or department discretion.
2. Specifies documentation required for each level of purchasing (e.g. small purchases, medium purchases and purchases requiring competitive bid).
3. Specifies purchasing procedures (e.g. advertising methods and time frames, rejection of bids, appeals) for items requiring competitive bid.
4. Lists exemptions and documentation needed for not following regular bidding requirements (e.g. sole source provider, emergency purchases etc.).
5. Addresses improper or illegal conduct:
 - a) Prohibits dividing a procurement to avoid following policy (Utah Code 63G-6a-2404.3)
 - b) Prohibits kickbacks (Utah Code 63G-6a-2404)
 - c) Requires disclosure of conflicts of interest (Utah Code 63G-6a-2406)
 - d) Prohibits cost-plus-a-percentage-of-cost contracts (Utah Code 63G-6a-1205)
 - e) Lists other specific activities that are not allowed (Utah Code 67-16 applies to the state and all political subdivisions)
6. Designates a purchasing agent, specify who may sign contracts including requirement for contracts that must go before the governing body.
7. Has an ethics provision and/or reference Utah Code 67-16.
8. Documents consequences of violating the policy (e.g. formal reprimand, suspension, termination or criminal prosecution).

c. Ethical Behavior

1. Prohibits participation in decisions or actions in which the employee or official has real or reasonably perceived conflict (see conflict of interest policy).
2. Prohibits use of authority for personal gain or that of close friends, family, or business associates.
3. Prohibits receiving gifts, loans or bribes.
4. Requires confidentiality regarding any information not subject to GRAMA.
5. Prohibits violation of nepotism laws (Utah Code 52-3).
6. Prohibits misuse of public resources or property (Utah Code 76-8-4).
7. References the Utah Public Officer and Employee Ethics Act (Utah Code 67-16).
8. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination).

d. Reporting Fraud and Abuse

1. Requires the reporting of inappropriate actions or behavior.
2. Provides reporting structure, including alternatives if the employee's normal supervisor is involved.
3. Provides guidance on the type of actions and behaviors which must be reported.
4. Provides guidance on the information to be provided (e.g. names, dates, times, descriptions, effects) when reporting fraud or abuse.
5. Provides whistleblower protection or referrals to Utah Code 67-21-3.
6. Provides for the evaluation, investigation and possible consequences of the alleged action or behavior.

7. Provides for feedback to the employee reporting the action and the governing body.
- e. Travel
1. Establishes a process to authorize travel expenditures (i.e. preauthorization).
 2. Defines what constitutes allowable and unallowable travel and clearly establishes reasonable limits.
 3. Establishes a reporting structure with senior management reporting to the governing body.
 4. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination, recovery of funds, inability to travel).
 5. Requires adequate record keeping (documentation of time, place, business purpose, and authorization).
 6. Communicates the public nature of purchase records.
 7. Ensures enough information is gathered and communicated to maintain accountability and measure performance.
 8. Has a provision to comply with external reporting requirements (e.g. IRS, Utah Public Finance Website reporting).
- f. Credit/Purchasing Cards
1. Credit/purchase card issuance should be approved by governing body.
 2. Establishes procedures for independent review and reconciliation of each card.
 3. Establishes card holder accountability including consequences for noncompliance (e.g. suspension, termination, recovery of funds, or loss of card privileges).
 4. Establishes required practices to ensure the security of the card (e.g. signing, storing, and who can use the card).
 5. Establishes procedures for card use (e.g. documentation required, timelines, reconciliations, restrictions).
- g. Personal Use of Entity Assets
1. Establishes allowable uses, or disallows use, of entity assets and rates if applicable (e.g. making photocopies, use of heavy equipment).
 2. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination, recovery of funds or loss of privileges).
- h. IT & Computer Security
1. Establishes allowable uses of information systems, computer equipment, and the internet.
 2. Discloses to the user that the entity has the right to monitor and limit the activities on entity IT systems.
 3. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination, recovery of funds, or loss of privileges).
- i. Cash Receipting and Deposit
1. Establishes a timeline for entering receipts into the accounting system.
 2. Establishes a timeline for depositing funds in the bank that complies with the Utah Money Management Act (3 days).

3. Establishes security measures for holding funds before deposit (e.g. safe, vault).
4. Establishes a receipting process for giving the customer documentation of the transaction and also provide sufficient information to understand the purpose of the transaction for management review or audit.
5. Establishes a procedure for entering credit card and ACH transactions into the accounting system.
6. Establishes a separation of duties between the person receiving payments and the person making deposits (smaller entities may require dual sign-off on deposits).
7. Establishes required documentation for voiding or altering a cash receipt, including that it be reviewed by someone that didn't make the correction.
8. Requires system-generated or sequentially-numbered receipts to allow for a review of completeness.
9. Requires cash deposits and receipts to be reconciled and/or reviewed by someone not receiving cash.

4. Hire and Train Qualified Staff

Purpose

In order to ensure the effective and efficient delivery of government services, each entity should identify the knowledge, skills, and abilities (KSA) needed by its management and employees. In technical areas, KSA often align with formal credentials, such as a degree or license. Accounting is an area where degrees and professional designations usually indicate a level of proficiency.

Overview

A licensed Certified Public Accountant (CPA) is the most common designation of a person who possesses the KSA needed to oversee the day-to-day financial operations of an entity. There are several other designations that may indicate similar KSA, such as Certified Government Financial Manager (CGFM), Certified Management Accountant (CMA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Auditing Professional (CGAP), and Certified Public Finance Officer (CPFO). At a minimum, we recommend that every entity have someone with a bachelor's degree in accounting as part of its staff.

Implementation

While not every local government entity needs a full-time CPA, every entity should utilize a qualified accountant to ensure that its finances are protected and accurately reported. Most accounting firms and professional bookkeeping services provide a variety of services on an as-needed basis. We recommend every local government evaluate the level of KSA possessed by its accounting staff and consider contracting with an accounting professional. The accounting professional could perform some or all of the accounting and ensure that the entity has effectively implemented internal controls and meets reporting requirements.

To aid local government entities in identifying and procuring the services of qualified accounting professionals, the Office maintains a qualified vendor list included on the Office's website at auditor.utah.gov/resources/. The firms on this list have met the requirements set forth by the Office to provide bookkeeping, compliance reporting, or financial statement preparation for local governments.

5. Provide Effective Training

Overview

Training is vital to any organization, especially governments, where services are essential to economic prosperity and basic human needs. Public officials and key employees need to possess at least a basic understanding of the legal requirements of their entity. We encourage entities to consider the KSA needed to support the services provided by their entity, then determine the appropriate level of training that is needed to maintain those KSA. The entity should provide resources to attend sufficient and appropriate training on an ongoing basis.

Implementation

The Office provides comprehensive but basic training on financial topics for local government board members and finance officers. However, this training serves only as an introduction for those who are new or previously untrained in local government financial matters. We recommend board members and finance officers identify and participate in organizations that provide more advanced training. These organizations may be specific to the government type (e.g. counties, charter schools), a specific type of operation (e.g. sewer, water), or a specific job within the organization (e.g. treasurer, finance officer).

At a minimum, board members should view our online basic but comprehensive training every four years (see training.auditor.utah.gov). Also, at least one member of the finance team, preferably the chief finance officer, should have 40 hours of financial training each year. Financial training includes: auditing, accounting, budgeting, reporting, internal controls, fraud prevention and detection, software, and any other topic that is related to the management of finances.

6. Implement a Hotline

Definition

A hotline is a means by which the public and employees can anonymously report concerns about improper behavior of an entity's officers or employees or concerning practices of the entity.

Overview

Fraud losses are 50% smaller at organizations with hotlines than those without hotlines. According to the Association of Certified Fraud Examiners, 40% of reported instances of fraud are discovered through a tip. More than half of these tips were provided by an employee of the organization and 46% of fraud cases detected by tip were reported through a hotline.

Implementation

An effective hotline can be implemented at virtually no cost and can be as simple as providing an email address or phone number. Hotline submissions should be sent directly to a person who has the resources and objectivity to evaluate the concern and investigate if warranted. All complaints and the results of investigations should be presented to the audit committee of the entity in a timely fashion.

Hotlines should be promoted and easy to access (most entities put a link to their hotline on the main page of their website). Every entity should have a written policy that includes the following:

1. Methods for receiving complaints (e.g. email, phone number).
2. A provision for anonymous complaints.
3. Sufficient direction to ensure complaints are given adequate treatment as follows:
 - a. An initial screening of complaints to be performed by an office not involved in the complaint (this could be accomplished by having it performed by more than one office if an independent internal audit function does not exist or it could be sent directly to the audit committee).
 - b. Audit committee:
 - i. Reviews available evidence.
 - ii. Determines if further investigation is merited. If so;
 - Sets the scope of audit
 - Sets a budget
 - Sets a timeline
 - Provides resources
 - c. Audit results are reported to the audit committee.
 - d. Audit committee approves findings and recommendations.
 - e. Audit committee ensures that findings and recommendations are addressed by the appropriate officers or employees.
 - f. Feedback provided to the complainant, if requested.

7. Implement an Internal Audit Function

Definition

An internal audit function is an organizational initiative to monitor and analyze the entity's own operations in order to determine how well it conforms to a set of specific criteria, such as laws, policies, or best practices. Internal auditors are independent of the work they audit, but are very familiar with it so as to allow them to determine compliance with the requirements for that work.

Overview

An internal audit may focus on financial operations, systems, processes, or compliance. As part of the internal audit plan, auditors try to find discrepancies between operational design and operational reality. Internal audits also help uncover evidence of fraud, waste, or abuse. If internal auditors find discrepancies or inappropriate activities, they document and report them to entity leadership who can prioritize and direct corrective action.

The frequency of internal audits will depend on the department or process being examined. Some types of operations may require daily audits for quality control, others may require only an annual audit of records.

Internal audit plans act as a pre-emptive step in maintaining operational efficiency and financial reliability, as well as safeguarding assets.

Implementation

An internal audit function should be formalized by the adoption of an Internal Audit Charter which identifies who is responsible to oversee the internal audit function and who will perform the internal audits.

Those responsible for internal audits should adopt an audit plan which identifies what will be audited and when it will be audited. The audit plan should be reviewed regularly, usually once per year.

Adaptation for small entities

Only the largest of our local governments can justify a full-time internal auditor. Most local governments can execute an effective internal audit program by contracting with an audit professional to work a few days a year. To eliminate added costs entirely, some entities may coordinate with peer entities and utilize each other's financial staff to act as internal auditors. Keep in mind, internal auditors need a solid understanding of audit principles and should use work programs that are designed to effectively identify violations of the laws or policies they are auditing.

8. Use an Audit Committee

Purpose

An audit committee assists the governing body in its financial oversight responsibilities.

Membership

We recommend that members of the audit committee are a subset of the governing body. An audit committee should have a financial expert who is not a member of management. This can be achieved by having a governing body member who is a financial expert, or acquiring the assistance of a volunteer or paid professional financial expert. Finance officers from other local governments should be considered when looking for a financial expert, as they are independent and have a working knowledge of government accounting issues.

Functions

An audit committee must ensure the following:

1. Management develops and enforces systems that ensure the entity accomplishes its mission effectively and efficiently while complying with laws and regulations.
2. The internal audit function objectively assesses the effectiveness of management's internal control program.
3. Financial statement audits are performed by a qualified, independent accounting firm and issues identified during those audits are reviewed and resolved as appropriate.
4. Hotline complaints are investigated and findings are addressed by the governing body.

Risk Score

We have developed a five-level assessment score that is intended to communicate the entity's risk of undetected fraud, abuse, or noncompliance. The levels are based upon points assigned to each of the recommended measures. Since some measures are more effective than others, the most effective measures are assigned the most points. As more measures are adopted the score improves. The higher the score, the lower the risk.

The scale and corresponding levels are as follows:

- Very Low
- Low
- Moderate
- High
- Very High

See the *Fraud Risk Assessment Questionnaire* (attached) for specific points assigned to each measure and how point totals correspond to the risk scale.



OFFICE OF THE
STATE AUDITOR

Questionnaire

As of April 2019

Basic Separation of Duties

Continued

Instructions: Answer questions 1-12 on the Basic Separation of Duties Questionnaire using the definitions provided below.

☑ If all of the questions were answered “Yes” or “No” with mitigating controls (“MC”) in place, or “N/A,” the entity has achieved adequate basic separation of duties.

☒ If any of the questions were answered “No,” and mitigating controls are not in place, the entity has not achieved adequate basic separation of duties.

Definitions:

Board Chair is the elected or appointed chairperson of an entity’s governing body, e.g. Mayor, Commissioner, Councilmember or Trustee. The official title will vary depending on the entity type and form of governments.

Clerk is the bookkeeper for the entity, e.g. Controller, Accountant, Auditor or Finance Director. Though the title for this position may vary, they validate payment requests, ensure compliance with policy and budgetary restrictions, prepare checks, and record all financial transactions.

Chief Administrative Officer (CAO) is the person who directs the day-to-day operations of the entity. The CAO of most cities and towns is the mayor, except where the city has a city manager. The CAO of most local and special districts is the board chair, except where the district has an appointed director. In school districts, the CAO is the superintendent. In counties, the CAO is the commission or council chair, except where there is an elected or appointed manager or executive.

General Ledger is a general term for accounting books. A general ledger contains all financial transactions of an organization and may include sub-ledgers that are more detailed. A general ledger may be electronic or paper based. Financial records such as invoices, purchase orders, or depreciation schedules are not part of the general ledger, but rather support the transaction in the general ledger.

Mitigating Controls are systems or procedures that effectively mitigate a risk in lieu of separation of duties.

Original Bank Statement means a document that has been received directly from the bank. Direct receipt of the document could mean having the statement 1) mailed to an address or PO Box separate from the entity’s place of business, 2) remain in an unopened envelope at the entity offices, or 3) electronically downloaded from the bank website by the intended recipient. The key risk is that a treasurer or clerk who is intending to conceal an unauthorized transaction may be able to physically or electronically alter the statement before the independent reviewer sees it.

Treasurer is the custodian of all cash accounts and is responsible for overseeing the receipt of all payments made to the entity. A treasurer is always an authorized signer of all entity checks and is responsible for ensuring cash balances are adequate to cover all payments issued by the entity.