

BOX ELDER COUNTY
MANAGEMENT REPORT
DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commissioners
Box Elder County
Brigham City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Box Elder County, as of and for the year ended December 31, 2008, which collectively comprise Box Elder County's basic financial statements and have issued our report thereon dated September 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Box Elder County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Box Elder County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Box Elder County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Box Elder County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Box Elder County's financial statements that is more than inconsequential will not be prevented or detected by Box Elder County's internal control. We consider the deficiency described in the accompanying Schedule of Findings, Recommendations and Responses 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Box Elder County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Box Elder County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Box Elder County, in the accompanying Schedule of Findings, Recommendations, and Responses.

Box Elder County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations, and Responses. We did not audit Box Elder County's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management, County Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co., PC

Brigham City, Utah
September 11, 2009



INDEPENDENT AUDITORS' REPORT ON
STATE OF UTAH LEGAL COMPLIANCE

To the County Commissioners
Box Elder County
Brigham City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Box Elder County for the year ended December 31, 2008, and have issued our report thereon dated September 11, 2009. As part of our audit, we have audited the County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2008. The County received the following major assistance programs from the State of Utah:

- Mineral Lease (Department of Transportation)
- B & C Road Funds (Department of Transportation)
- Bookmobile Library Transition Grant (Utah State Library Division)

The County also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the County's financial statements.)

- Emergency Management Grants (Department of Administrative Services)
- Local Law Enforcement Grant (Commission on Criminal & Juvenile Justice)
- Cadastral Mapping Grant (Department of Technical Services)
- Election Grant (Office of the Lieutenant Governor)

Our audit also included testwork on the County's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- | | |
|--|---|
| Public Debt | Other General Issues |
| Cash Management | Uniform Building Code Standards |
| Purchasing Requirements | Statement of Taxes Charged, Collected and Disbursed - Current and Prior Years |
| Budgetary Compliance | Transient Room Tax |
| Truth in Taxation and Property Tax Limitations | B & C Road Funds |
| Liquor Law Enforcement | Assessing and Collecting of Property Taxes |
| Justice Court | |
| Utah Retirement System Compliance | |

The management of Box Elder County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings, Recommendations and Responses. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Box Elder County, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2008.

Wiggins + Co., PC

Brigham City, Utah
September 11, 2009

BOX ELDER COUNTY
SCHEDULE OF FINDINGS, RECOMMENDATION AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2008

The following finding is considered a significant deficiency in the internal control over financial reporting.

08-01 PROPERTY, PLANT AND EQUIPMENT ADDITIONS & DISPOSITIONS

FINDING

While reviewing the property, plant and equipment activity, we noted that the capital assets listings generated from the Asset Management System were not reconciled to the assets reported in the financial statements. The County employees are not familiar enough with the system to perform the reconciliations. We noted that assets had been disposed, but there were still no formal procedures for approval for disposition. This is a continuing finding.

RECOMMENDATION

We recommend that the capital asset records be reconciled at least on an annual basis. This may require training County employees on the Asset Management System software program. This will provide more accurate information to the management of the County including the County Commission for safeguarding and maintenance of County property. We recommend that formal procedures be implemented for any sale of a County capital asset. This will assist with the safeguarding of County resources and assist with the record keeping of the County assets.

RESPONSE

The County Auditor will have staff review current procedures for asset management and make a presentation to the Audit Committee. The Audit Committee will then be charged with making recommendations to the County Commission on how to address the problem. Possible recommendations by the Audit Committee could be assigning the asset management to a specific person, providing additional training and updating the financial policy. The County will move to a new accounting system in 2010, and it is anticipated that the asset management system will be improved.

The following findings are other suggestions to strengthen the internal control over financial reporting.

08-02 JOURNAL ENTRY APPROVAL

FINDING

While reviewing the journal entries posted during the year, we noted that not all entries were signed off by the preparer and reviewer. This is a continuing finding from the prior year. The usual monthly entries were reviewed; however the closing and end of year entries were not all reviewed.

BOX ELDER COUNTY
SCHEDULE OF FINDINGS, RECOMMENDATION AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2008

08-02 JOURNAL ENTRY APPROVAL (Continued)

RECOMMENDATION

We recommend that all journal entries be reviewed by someone independent of the preparer and that the preparer and the reviewer sign off approval of the entries. This will assist with the necessary internal controls over the general ledger system.

RESPONSE

A new journal entry form and procedure have been implemented in 2009. Each journal entry is approved by someone other than the preparer before it is entered into the system. Only the Auditor and County Accountant are authorized to make journal entries.

08-03 AMOUNTS DUE THE COUNTY

FINDING

During our audit, we noted that the Auditor's office is not notified of funds due from activity of other departments. We noted that the details of property sales in the Agri-business park are not forwarded to the Auditor's office to track payments that should be forthcoming. The settlement statements are not forwarded to the Clerk's office for permanent record. Upon further inquiry, there was no follow up on the sales transactions to ensure payments were made as promised. This is a continuing finding.

RECOMMENDATION

We recommend that any contract or grant agreement entered into by any department be forwarded to the County Clerk with a copy sent to the County Auditor for financial reporting. The department should meet with the Auditor's office to ensure that all parties understand what funds are expected, how they may be expended and any other constraints that may be on the funds.

RESPONSE

The Auditor's office will review this finding with the Audit Committee. The Audit Committee will then be charged with making recommendations to the County Commission on how to address the problem.

BOX ELDER COUNTY
SCHEDULE OF FINDINGS, RECOMMENDATION AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2008

The following findings are immaterial instances of noncompliance with Utah State Legal requirements.

08-04 BUDGETARY COMPLIANCE

FINDING

The State of Utah legal statutes require that expenditures for any department or fund of a governmental entity not exceed the authorized appropriation in the budget. The following funds/departments of the County overspent the authorized appropriation in the budget.

	<u>Excess</u>
General fund:	
Motor Pool	\$ 1,362
Fairgrounds	\$ 4,125
Municipal Service:	
Noxious Weeds	\$ 3,430
Library	\$ 15,391

RECOMMENDATION

We recommend that the County monitor the budgets that have been approved and review the monthly reports carefully so that, as actual results approach appropriated amounts, department heads will be warned and, if necessary, adjustments can be approved by the County Commission prior to year end.

RESPONSE

The County Auditor will make recommendations to the Audit Committee for possible consequences for over expending departments and improvement in communications between the Auditor's office and departments. Budgets are reviewed monthly and extensive effort is made at the end of each year to make any adjustments as necessary and to have departments communicate any year-end expenditures. 2008 efforts proved more effective having only four departments over budget totaling \$24,000. In 2007, there were eight departments, totaling over \$93,000, over budget.

BOX ELDER COUNTY
SCHEDULE OF FINDINGS, RECOMMENDATION AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2008

Utah State Legal Compliance items continued.

08-05 CASH MANAGEMENT

FINDING

The State of Utah legal statutes require that the County deposit funds at least every three days. While most of the departments of the County adhere to this statute, we noted that the fairgrounds do not bring funds in for deposit at least every three days as required.

RECOMMENDATION

We recommend that the Auditor's office work with the Fairgrounds to resolve this issue and that all public funds are deposited at least every three days as required by State statute.

RESPONSE

The County Auditor will review this with the Audit Committee for recommendations. Possible solutions are having a fairgrounds representative drop off money twice a week, or have Auditor's office staff bring in money from the fairgrounds when commuting to work.

BOX ELDER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED DECEMBER 31, 2008

The following were considered significant deficiencies in the internal control over financial reporting.

07-01 BANK RECONCILIATIONS

FINDING

We noted during our audit that the bank reconciliations were not prepared in a timely manner every month. These reconciliations should be performed timely to correct any mistakes on a timely basis and to provide accurate financial information to the department heads and the Commission on an interim basis. Each bank account should be reconciled and agreed to the general ledger monthly.

RECOMMENDATION

We recommend that the bank reconciliations be performed as quickly as possible after month end. These reconciliations and any related journal entries should be reviewed and approved by someone other than the preparer.

STATUS

Implemented.

07-02 FINANCIAL STATEMENT PREPARATION

FINDING

The County, like many other small governments, does not have adequate internal controls in place to ensure that the financial statements are prepared in accordance with U.S. generally accepted accounting principles. As a result, the County contracted with the external auditors to prepare the financial statement drafts. County employees are sufficiently knowledgeable to accept responsibility for the financial statements and required disclosures. This is an ongoing problem for many small governments with limited staff and funds that lack the time or training necessary to perform this internal control function.

RECOMMENDATION

We recommend that the County consider assigning the preparation of the financial statements to a qualified member of management. The County should consider the time and effort required to obtain the training necessary to complete this process. The overall benefit to the County would be to increase the understanding of the management and the Commission and should provide more reliable and detailed financial reporting for internal use.

BOX ELDER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED DECEMBER 31, 2008

Significant deficiencies in internal control over financial reporting continued.

07-02 FINANCIAL STATEMENT PREPARATION (Continued)

STATUS

Implemented.

07-03 JOURNAL ENTRY APPROVAL

FINDING

While reviewing the journal entries posted during the year, we noted that not all entries were signed off by the preparer and reviewer. This is a continuing finding from the prior year.

RECOMMENDATION

We recommend that all journal entries be reviewed by someone independent of the preparer and that the preparer and the reviewer sign off approval of the entries. This will assist with the necessary internal controls over the general ledger system.

STATUS

Partially implemented. Regular monthly journal entries were approved as suggested. However, we noted several year-end adjustments which were not reviewed.

07-04 PROPERTY, PLANT AND EQUIPMENT ADDITIONS & DISPOSITIONS

FINDING

While reviewing the property, plant and equipment activity, we noted several capital assets that were purchased, but not picked up in the Asset Management System. Some asset purchases are coded to various supply accounts instead of the proper equipment and capital accounts. These accounts are not included in the review for capital asset additions. By recording these purchases to the incorrect accounts, it also affects the budgeting process. We noted that a major asset had been disposed but was not recorded as sold in the Asset Management System. Upon further review, we found that there are not standard procedures required to dispose of a capital asset.

BOX ELDER COUNTY
 SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Significant deficiencies in internal control over financial reporting continued.

07-04 PROPERTY, PLANT AND EQUIPMENT ADDITIONS & DISPOSITIONS (Continued)

RECOMMENDATION

We recommend that capital asset purchases be coded to the proper equipment or capital accounts. This will assist with the proper accounting in the Asset Management System. It will also provide more accurate information to the Commission for budgetary compliance purposes. We recommend that formal procedures be implemented for any sale of a County capital asset. This will assist with the safeguarding of County resources and assist with the record keeping of the County assets.

STATUS

Partially implemented. The acquisitions were recorded correctly. However, there were no formal procedures implemented with regard to asset dispositions and no paperwork submitted on dispositions during the year.

The following findings are immaterial instances of noncompliance with Utah State Legal requirements.

07-05 BUDGETARY COMPLIANCE

FINDING

The State of Utah legal statutes require that expenditures for any department or fund of a governmental entity not exceed the authorized appropriation in the budget. The following funds/departments of the County overspent the authorized appropriation in the budget.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General fund:			
Surveyor	\$ 233,186	\$ 234,488	\$ 1,302
General buildings and grounds	\$ 275,383	\$ 280,850	\$ 5,467
Elections	\$ 31,897	\$ 32,572	\$ 675
Inspections	\$ 203,075	\$ 205,020	\$ 1,945
Noxious Weeds	\$ 266,058	\$ 320,954	\$54,986
Agricultural Extension	\$ 140,207	\$ 141,197	\$ 990
Public Health	\$ 588,791	\$ 607,375	\$18,584
Mineral Lease fund	\$ 51,752	\$ 61,584	\$ 9,832

BOX ELDER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED DECEMBER 31, 2008

Immaterial instances of noncompliance with Utah State Legal requirements continued.

07-05 BUDGETARY COMPLIANCE (Continued)

RECOMMENDATION

We recommend that the County monitor the budgets that have been approved and review the monthly reports carefully so that, as actual results approach appropriated amounts, department heads will be warned and, if necessary, adjustments can be approved by the County Commission prior to year end.

STATUS

Not implemented. See current year findings.

07-06 CASH MANAGEMENT

FINDING

The State of Utah legal statutes require that the County deposit funds at least every three days. While most of the departments of the County adhere to this statute, we noted that the fairgrounds do not bring funds in for deposit at least every three days as required.

RECOMMENDATION

We recommend that the Auditor's office work with the Fairgrounds to resolve this issue and that all public funds are deposited at least every three days as required by State statute.

STATUS

Not implemented. See current year findings.

BOX ELDER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED DECEMBER 31, 2008

Immaterial instances of noncompliance with Utah State Legal requirements continued.

07-07 TRUTH IN TAXATION

FINDING

The State of Utah legal statutes require that the County Treasurer distribute tax monies to the taxing entities of the County by the 10th of the month following collection. We noted that in January 2007, the funds were not distributed until January 16th. All other months were in compliance with the statute.

RECOMMENDATION

We recommend that proper care be taken to make sure that all property tax payments are distributed by the 10th of the following month.

STATUS

Implemented.

FINDING

The State of Utah legal statutes require that property tax valuation notices be sent out ten days prior to public hearings for property tax increases. The County did not retain a proof of mailing to verify compliance with this statute.

RECOMMENDATION

We recommend that the County retain proof of mailing for all important mailings. This will give the officials the evidence they may require as well as assist them with compliance of Utah statute.

STATUS

Implemented.

BOX ELDER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED DECEMBER 31, 2008

The following findings are other suggestions to strengthen the internal control over financial reporting.

07-08 AMOUNTS DUE THE COUNTY

FINDING

During our audit, we noted that the Auditor's office is not notified of funds due from activity of other departments. We noted that the details of property sales in the Agri-business park are not forwarded to the Auditor's office to track payments that should be forthcoming. Upon further inquiry, there was no follow up on the sales transactions to ensure payments are made as promised.

RECOMMENDATION

We recommend that any contract or grant agreement entered into by any department be forwarded to the County Clerk with a copy sent to the County Auditor for financial reporting. The department should meet with the Auditor's office to ensure that all parties understand what funds are expected, how they may be expended and any other constraints that may be on the funds.

RESPONSE

Not implemented. See current year findings.