



# A PERFORMANCE AUDIT OF UCA FINANCIAL MANAGEMENT AND TRANSPARENCY

*MAY 18, 2016*



OFFICE OF THE  
**UTAH STATE AUDITOR**

# Background

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1. UCA is an “independent state entity”
2. Oversight board = 27 members
3. Four divisions
  - a. Administrative Services
  - b. Radio Network (formerly “UCAN”)
  - c. 911 Committee
  - d. Interoperability



# Finding 1: Inadequate Internal Controls Allowed Alleged Fraud To Continue Undetected

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## Control Weaknesses:

1. Only one individual could access CC account
2. Improper segregation of duties
3. Former UCA management did not authorize CC purchases
4. Former UCA management did not require receipts
5. Accounting did not match statement transactions with receipts
6. Former UCA management did not approve CC purchases
7. UCA did not implement required spending limits



# Finding 1: Inadequate Internal Controls Allowed Alleged Fraud To Continue Undetected

Transaction	Receipt Date	Statement Date	Merchant	Amount
A	04/13	04/31	The Home Depot	\$144.67
B	04/13	04/13	America's Best Vaule	\$111.58
C	06/25	06825	Crystal Inn Cedar	\$83.48

Source: UCA credit card statements reviewed by the UCA accounting



# Finding 1 Recommendations

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We recommend that the UCA Board:

1. Oversee the implementation of internal controls that includes proper separation of duties, monthly reconciliation of credit card statements to receipts, and regular Board review of UCA finances.

We recommend that UCA management:

1. Implement the individual transaction and monthly amount limits on credit card purchases, as required by assumed UCA policy.
2. Cancel unassigned credit cards.
3. Refrain from issuing unassigned credit cards or purchasing cards.
4. Authorize and approve expenditures, as required by assumed UCA policy, or modify its existing policy.



# Finding 2: Compliance With State Procurement Policies Will Improve UCA Financial Management

Merchant Type	Total Amount
Grocery Stores	\$37,000
Gas Stations	\$21,000
Restaurants	\$21,000
Liquor Stores	\$8,000
Travel	\$8,000

Source: UCA credit card statements (July 2009 – January 2016)



# Finding 2 Recommendations

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We recommend that UCA management:

1. Replace credit cards with purchasing cards.
2. Take immediate steps to comply with applicable purchasing policies, including:
  - a. Implementing single purchase credit limits.
  - b. Implementing monthly credit limits.
  - c. Restricting merchant category codes that are inconsistent with the entity mission.
  - d. Retaining itemized monthly logs of purchases for each card.
  - e. Reconciling monthly purchase logs with receipts.
  - f. Paying for only expenditures with original receipts.
  - g. Conducting random, independent audits on card usage.
3. Block all merchant category codes that do not serve a business function.

We recommend that the audit committee of the UCA Board:

4. Review transactions made by UCA employees with merchants typically blocked by the Division of Finance to determine if those transactions served legitimate business functions.



# Finding 3: UCA Board Actions Do Not Comply With The OPMA

OPMA Requirement	Percent Compliant
Notice posted on the Utah Public Notice Website	74%
Individual member votes in minutes	0%
Minutes uploaded within 3 days of approval	5%
Meeting recordings uploaded within 3 days	0%
Retained complete, unedited meeting recordings	75%

Source: UCA credit card statements (July 2009 – January 2016)





# Finding 3 Recommendations

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We recommend that UCA Board:

1. Improve meeting notifications , as required by the *Open and Public Meetings Act*.
2. Include the meeting date, time, and location in written meeting minutes, as required by the *Open and Public Meetings Act*.
3. Upload written meeting minutes to the UPNW within three business days after approval, as required by the *Open and Public Meetings Act*.
4. Make a complete, unedited recording of each public meeting, as required by the *Open and Public Meetings Act*.
5. Ensure that meeting recordings contain the meeting date, time, and location, as required by the *Open and Public Meetings Act*.
6. UCA Board post meeting recordings to the UPNW within three business days of the meeting, as required by the *Open and Public Meetings Act*.
7. Receive annual transparency training, as required by the *Open and Public Meetings Act*.



# Finding 4: UCA Board Did Not Comply With Most OPMA Requirements For Closed Meetings

Date	Reason Given for Closing Meeting	Recording Required by OPMA	Recording Provided to OSA
10/28/2014	Budget	Yes	No
10/13/2015	Contract	Yes	Yes
10/27/2015	Contract	Yes	Yes
12/1/2015	Contract	Yes	Yes
2/23/2016	Procurement	Yes	No
2/23/2016	Personnel or Litigation	Yes	No
3/29/2016	Personnel Issues	No	No
3/29/2016	Pending Litigation	Yes	No
4/7/2016	Personnel Issues	No	No
4/26/2016	Personnel or Litigation	Yes	No

Source: Board meeting minutes and recordings (July 2014 – April 2016)



# Finding 4 Recommendations

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We recommend that UCA Board:

1. Only close meetings for the limited purposes allowed by the Open and Public Meetings Act.
2. Record closed meetings when required by the Open and Public Meetings Act.
3. Sign the required sworn statement noting why the Board does not record a closed meeting, as required by the Open and Public Meetings Act.
4. Publicly announce and document all information required by the *Open and Public Meetings Act* for closing a meeting.
5. Include the date, location, members present, and member absent in closed meeting recordings and minutes, as required by the *Open and Public Meetings Act*.



# Finding 5: Financial Reporting To The UPFW Would Increase UCA Financial Transparency

Independent Entity	Report to the UPFW?
Military Installation Development Authority	Yes
Utah Energy Infrastructure Authority	No
Heber Valley Historic Railroad Authority	Yes
Utah State Fair Corporation	Yes
Utah Communications Authority	No*
Utah Housing Corporation	Yes
Utah Dairy Commission	No

\*UCA began reporting after being notified by OSA in April 2016

Source: OSA analysis



# Finding 6: UCA Board Did Not Adequately Oversee Financial Management

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Requirements of the UCA Board's audit committee:

1. Quarterly review UCA finances
2. Oversee accounting records
3. Review UCA financial condition
4. Review the UCA budget
5. Recommend changes to service rates
6. Review UCA budget mid-year and recommend changes



# Finding 7: UCA Board Has Not Formally Adopted Authority Policies And Procedures

Policy Type	Effective Date	Last Updated	Approved by Board?
Purchasing Policy and Procedures	12/19/00	11/15/11	No
Administrative Procedures	4/17/02	--	No
Budgetary Procedures	4/17/02	--	No
Personnel Policies and Procedures	1/1/99	5/20/14*	No
Rates Procedures	5/15/02	10/21/08	No
Reserve Policy	6/19/02	--	No
Surplus Property Policy	6/22/04	10/18/05	No
Exercise Policy	7/20/04	--	No
Motor Vehicle Disposal Policy	10/18/05	--	No

*\*The Board discussed updating the personnel policies and procedures during the April 2016 Board meeting*

*Source: UCA policies and procedures*



# Finding 8: UCA Has Significantly More Board Members Than Other Independent State Entities

Entity	Board Size
Military Installation Development Authority	7
Utah Energy Infrastructure Authority	9
Heber Valley Historic Railroad Authority	7
Utah State Fair Corporation	13
<b>Utah Communications Authority</b>	<b>27*</b>
Utah Housing Corporation	6
<i>*H.B. 380 added two additional members to the UCA Board</i>	
<i>Source: Independent state entities listed in Utah Code 63H</i>	



# Recommendations to the Legislature

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We recommend that the legislature:

1. Review UCA's status as an independent state entity.
2. Clarify the transparency reporting requirements for independent state entities.
3. Evaluate the UCA Board composition to ensure the desired level of authority, oversight, and accountability.







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