

KANE COUNTY

Report on Investigation of Theft

Findings and Recommendations
For the Period January 1, 2013 through March 2, 2016

Report No. 6-KANE-3b



**OFFICE OF THE
UTAH STATE AUDITOR**

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AUDIT LEADERSHIP:

Van Christensen, CPA, CFE, Audit Director
Patricia Nelson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

REPORT NO. 6-KANE-3b

March 14, 2016

Kane County Commission
76 North Main St.
Kanab UT, 84741

Dear Commissioners:

We have completed our preliminary investigation of allegations against the Kane County Treasurer regarding illegally transferring public funds to her personal bank accounts. As part of our testwork, we evaluated bank activity at Kane County related to concerns identified and reviewed additional areas where the Treasurer had the opportunity to misappropriate funds. Our testwork included reviewing all transfers out of county bank accounts at three separate banks, reviewing certain processed checks, and comparing cash receipt records to actual bank deposits for the period January 1, 2013 through January 31, 2016. Potential financial irregularities may have occurred prior to the period we reviewed and may have occurred in other areas. However, we evaluated certain risks and focused audit resources in those areas. Therefore, this preliminary report should not be interpreted to mean that all potential misuse of funds has been identified.

Our preliminary findings resulting from the above procedures are included below.

1. BANK TRANSFERS FROM COUNTY ACCOUNTS TO THE TREASURER'S PERSONAL ACCOUNTS

We reviewed all transfers out of County bank accounts and found 46 transfers totaling \$34,600 to personal accounts held by the Treasurer (see Appendix A). The signature cards on the County accounts indicate that the Treasurer is the only person authorized to make these transfers. We consider these improper and illegal transfers.

2. COUNTY FUNDS USED TO PAY FOR PERSONAL CELL PHONE

We found one online payment for \$1,612.67 from a County bank account for a personal cell phone bill of the Treasurer (see Appendix B). The signature card on the County account indicates that the Treasurer is the only person authorized to make payments from this account. We also noted that the Treasurer receives a stipend of \$110 per month for cell phone services. We consider this an improper and illegal payment.

3. MISSING CASH FROM DEPOSITS

We compared the cash/check composition of the transactions noted as deposits on the property tax account subledger to the actual bank deposits and noted a difference of \$53,558 (from 63 transactions) that was not deposited into the bank (see Appendix C). We also compared the cash/check composition of the transactions noted as deposits on the County's main operating account ledger to the actual bank deposits and noted a difference of \$2,624 (from 4 transactions) that was not deposited into the bank (see Appendix C). The money, which was nearly all cash, remains unaccounted for.

The Treasurer had custody of the cash and was responsible for making the deposits; therefore, at the very least, we consider this improper oversight of County funds by the County Treasurer. However, we believe there is a high likelihood the Treasurer misappropriated these funds. Not only did she have access to the cash, but she had the ability to conceal the misappropriations, as noted in the following section of this report. In addition, we found that the Treasurer had completed a detailed bank reconciliation which included checkmarks on bank statements and deposit detail that would have identified the discrepancies we noted. If the Treasurer had not misappropriated the funds, she would have followed up with others to resolve these discrepancies; instead it appears that her primary objective in conducting a detailed reconciliation was to conceal misappropriated funds.

POTENTIAL CONCEALMENT OF MISAPPROPRIATED FUNDS

The activity noted above was most likely concealed through bank transfers, adjustments to property tax accounts, and adjustments to bank reconciliations that appear to be initiated by the Treasurer as detailed below.

- a. *Bank Transfers* – We noted transfers from the County Property Tax Account to other County accounts (two transfers totaling \$1,700, dated 2/12/2014 and 12/3/2014, to the County Justice Court account, and another transfer of \$500, dated 11/26/14, to the County Health Plan account). There was no supporting documentation justifying the transfers between the County accounts. We are concerned about these transfers because shuffling money between accounts is often used to conceal misappropriations, and because several transfers to the Treasurer's personal bank account (noted in Finding No. 1) were from the County Justice Court account and County Health Plan account (see Appendix A).
- b. *Unsupported Bank Reconciliation Adjustments* – During our review of the bank reconciliations, we noted that the Treasurer made several journal entries in the applicable accounting systems in order to make the accounts reconcile to the applicable general ledger. We were unable to find any supporting documentation or other justification for these adjustments. The bank reconciliations for the County's main checking account and property tax account are both prepared by the Treasurer.
- c. *Property Tax Account Adjustments* – From January 1, 2013 through March 2, 2016, the Treasurer's Office made 3,817 adjustments to reduce property tax amounts through abatements, write-offs, etc. These adjustments, totaling \$648,301, were made by the

Treasurer's Office and were not subject to a secondary review. As such, the Treasurer could take a portion of the payment received and adjust or write off a corresponding amount on the account in the property tax system to conceal the missing receipts.

- d. *Post Voided Transactions to Tax Accounts* – While we were unable to determine the total amount of post voided transactions during our review of deposits, we noted more than \$1 million of post voided receipts. These are transactions that were voided subsequent to the recording of the receipt and deposit of the tax payment and then recorded again to “correct” or modify the original receipting information, such as taxpayer account number, amount of payment, amount due, etc. These post voided transactions are not subject to any secondary review or reconciliation. Again, the Treasurer could record cash or checks received, take a portion of the amount received, and void a previously recorded receipt to adjust the amount in the property tax system to conceal the missing receipts.
- e. *Replacing Deposit Cash with Checks* – We noted several deposits on the bank statement for amounts greater than the amounts recorded in the general ledger. To discern the cause of the differences, we reviewed the bank's cash/check make-up of the deposits which showed that the amount of the cash deposited was less and the amount of the checks deposited was more than the amounts recorded in the general ledger. This is an indication that the Treasurer may have taken cash from a deposit and replaced it with a check related to an account that had been written off or adjusted, as noted in c. and d. above, to conceal the removal of the cash.

This report is intended to provide the Kane County Commission with information that may assist in taking appropriate administration action. This report is also intended to provide law enforcement with information that may be necessary to conduct a criminal investigation. A subsequent report will be provided to the Kane County Commissioners to address weaknesses in the County's financial practices that created an opportunity for County funds to be misappropriated.

We appreciate the courtesy and assistance extended to us by the personnel of Kane County during the course of the investigation, and we look forward to a continuing professional relationship. If you have any questions, please contact Patricia Nelson, Audit Supervisor, at 801-538-1334 or patricianelson@utah.gov.

Sincerely,



Van Christensen, CPA, CFE
Audit Director
801-538-1394
vchristensen@utah.gov

**TRANSFERS OF COUNTY FUNDS
TO PERSONAL ACCOUNTS OF THE COUNTY TREASURER**

State Bank of Southern Utah, Acct #xxx8122
Property Tax Account

Bank Transaction Date	Description	Name on Bank Acct Transferred To	Amount Transferred
3/10/2014	Transfer to xxx6307	Georgia Baca	\$ 700
4/2/2014	Transfer to xxx6307	Georgia Baca	500
4/2/2014	Transfer IN from xxx6307	N/A	(600)
6/2/2014	Transfer to xxx5705	Georgia Baca	500
7/7/2014	Transfer to xxx5705	Georgia Baca	500
7/8/2014	Transfer to xxx5705	Georgia Baca	300
7/14/2014	Transfer to xxx5705	Georgia Baca	400
8/11/2014	Transfer to xxx5705	Georgia Baca	500
9/8/2014	Transfer to xxx2132	Georgia Baca	200
9/8/2014	Transfer to xxx5705	Georgia Baca	300
9/8/2014	Transfer to xxx5705	Georgia Baca	300
9/9/2014	Transfer to xxx5705	Georgia Baca	500
10/6/2014	Transfer to xxx5705	Georgia Baca	500
10/31/2014	Transfer to xxx5705	Georgia Baca	400
11/12/2014	Transfer to xxx2378	Georgia Baca	1,000
2/6/2015	Transfer to xxx5705	Georgia Baca	500
2/9/2015	Transfer to xxx5705	Georgia Baca	800
2/11/2015	Transfer to xxx2132	Georgia Baca	350
2/20/2015	Transfer to xxx5705	Georgia Baca	500
3/3/2015	Transfer to xxx5705	Georgia Baca	1,000
3/9/2015	Transfer to xxx5705	Georgia Baca	1,000
3/13/2015	Transfer to xxx2378	Georgia Baca	1,500
3/27/2015	Transfer to xxx5705	Georgia Baca	3,200
6/2/2015	Transfer to xxx5705	Georgia Baca	1,000
6/9/2015	Transfer to xxx2378	Georgia Baca	1,000
7/8/2015	Transfer to xxx2378	Georgia Baca	1,000
7/22/2015	Transfer to xxx2378	Georgia Baca	500
7/27/2015	Transfer to xxx5705	Georgia Baca	1,500
8/3/2015	Transfer to xxx2378	Georgia Baca	1,500
8/10/2015	Transfer to xxx2378	Georgia Baca	1,000
8/18/2015	Transfer to xxx2132	Georgia Baca	500
8/27/2015	Transfer to xxx2132	Georgia Baca	400
9/8/2015	Transfer to xxx5705	Georgia Baca	900
9/9/2015	Transfer to xxx2132	Georgia Baca	1,000
9/9/2015	Transfer to xxx5705	Georgia Baca	1,000
9/24/2015	Transfer to xxx2378	Georgia Baca	1,500
10/7/2015	Transfer to xxx5705	Georgia Baca	1,500
11/25/2015	Transfer to xxx5705	Georgia Baca	1,000
1/11/2016	Transfer to xxx5705	Georgia Baca	1,500
Transfers to Personal Accounts from Property Tax Account			\$ 31,650

**Appendix A
(continued)**

**State Bank of Southern Utah, Acct #xxx4046
Justice Court Account**

Bank Transaction Date	Description	Name on Bank Acct Transferred To	Amount Transferred
2/25/2013	Transfer IN from xxx6221	N/A	\$ (170)
2/25/2013	Transfer to xxx9955	Georgia Baca	170
6/17/2013	Transfer to xxx9955	Georgia Baca	400
12/5/2013	Transfer to xxx9955	Georgia Baca	700
12/3/2014	Transfer to xxx2132	Georgia Baca	350
12/22/2014	Transfer to xxx2132	Georgia Baca	1,000
Transfers to Personal Accounts from Justice Court Account			\$ 2,450

**State Bank of Southern Utah, Acct #xxx4046
County Health Plan Account**

Bank Transaction Date	Description	Name on Bank Acct Transferred To	Amount Transferred
11/6/2014	Transfer to xxx5705	Georgia Baca	\$ 500
Transfers to Personal Accounts from County Health Plan Account			\$ 500

GRAND TOTAL Transferred to Personal Accounts \$ 34,600

PAYMENT OF PERSONAL BILLS WITH COUNTY FUNDS

State Bank of Southern Utah, Acct #xxx8122

Property Tax Account

Bank Transaction Date	Description	Name on Account for which Payment was Made	Amount of Payment
1/21/2016	VZ WIRELESS VW/VZW WEBPAY	Georgia Baca	\$ 1,612.67

DEPOSITS MISSING CASH

State Bank Account #xxx8122

Property Tax Account

General Ledger Date	General Ledger Amount	General Ledger Description	Bank Deposit Date	Bank Deposit Amount	Missing Cash	
2/22/13	\$ 61,384	Bank deposit 1433	2/22/2013	\$ 57,272	\$ 200	*
2/28/13	5,764	Bank deposit 1435	No corresponding deposit		5,266	***
3/12/13	193,212	Bank deposit 1442	3/12/2013	170,852	450	**
			1/30/2013	22,061		
3/15/13	151,602	Bank deposit 1444	3/15/2013	151,402	200	
4/3/13	25,277	Bank deposit 1455	4/3/2013	17,574	703	**
4/8/13	3,877	Bank deposit 1458	4/8/2013	3,607	270	
4/8/13	25,300	Bank deposit 1459	4/8/2013	24,900	400	
4/29/13	59,420	Bank deposit 1470	4/29/2013	59,170	322	**
5/28/13	132,454	Bank deposit 1483	5/28/2013	131,954	500	
6/20/13	31,922	Bank deposit 1495	6/21/2013	31,572	350	
6/20/13	29,800	Bank deposit 1494	5/28/2013	29,000	800	
7/2/13	95,403	Bank deposit 1497	7/2/2013	93,601	180	*
7/11/13	30,246	Bank deposit 1499	7/11/2013	29,346	900	
8/20/13	28,336	Bank deposit 1506	8/21/2013	27,836	2,000	**
9/5/13	11,052	Bank deposit 1514	9/5/2013	9,662	1,390	
9/20/13	14,811	Bank deposit 1520	9/20/2013	15,001	110	**
10/29/13	42,883	Bank deposit 1526	10/29/2013	40,883	2,000	
11/7/13	25,977	Bank deposit 1548	11/7/2013	24,927	1,050	
11/18/13	243,586	Bank deposit 1590	11/18/2013	243,279	308	
11/26/13	50,709	Bank deposit 1641	11/26/2013	50,109	600	
12/3/13	48,730	Bank deposit 1677	12/13/2013	46,730	2,000	
1/27/14	25,613	Bank deposit 1789	1/27/2014	25,315	311	*
1/31/14	60,298	Bank deposit 1793	1/31/2014	59,971	327	
2/26/14	26,504	Bank deposit 1797	2/26/2014	26,169	335	
3/5/14	10,488	Bank deposit 1817	3/5/2014	9,514	976	*
3/31/14	135,557	Bank deposit 1844	4/1/2014	135,557	150	**
4/14/14	36,271	Bank deposit 1848	4/15/2014	36,231	40	
4/14/14	53,755	Bank deposit 1847	4/15/2014	53,555	200	
4/25/14	6,542	Bank deposit 1856	4/25/2014	6,166	376	
6/10/14	113,815	Bank deposit 1882	5/23/2014	68,797	700	
			6/11/2014	44,318		
6/18/14	36,612	Bank deposit 1886	6/18/2014	35,912	700	
6/30/14	70,125	Bank deposit 1892	6/30/2014	69,497	628	

State Bank Account #xxx8122
Property Tax Account
(continued)

General Ledger Date	General Ledger Amount	General Ledger Description	Bank Deposit Date	Bank Deposit Amount	Missing Cash
7/11/14	31,566	Bank deposit 1894	7/11/2014	31,066	500
7/25/14	28,621	Bank deposit 1901	7/25/2014	27,921	700
8/8/14	52,960	Bank deposit 1913	8/8/2014	52,260	700
8/22/14	12,066	Bank deposit 1915	8/22/2014	10,366	1,700
9/17/14	38,351	Bank deposit 1924	9/17/2014	37,451	900
9/25/14	79,537	Bank deposit 1931	10/7/2014	79,137	400
10/7/14	33,938	Bank deposit 1932	10/16/2014	30,938	3,000
10/16/14	34,290	Bank deposit 1938	10/16/2014	31,290	3,000
10/28/14	86,199	Bank deposit 1943	10/27/2014	85,999	200
11/6/14	63,467	Bank deposit 1949	11/6/2014	60,467	3,000
11/10/14	52,571	Bank deposit 1965	11/17/2014	51,571	1,000
12/1/14	50,930	Bank deposit 2071	12/3/2014	49,930	1,000
12/8/14	50,251	Bank deposit 2116	12/9/2014	49,790	462
12/9/14	22,226	Bank deposit 2128	12/9/2014	20,416	400 *
12/22/14	39,605	Bank deposit 2146	12/22/2014	39,505	100
12/24/14	48,070	Bank deposit 2152	12/30/2014	47,570	500
2/17/15	20,868	Bank deposit 2201	2/17/2015	20,588	280
2/17/15	730	Bank deposit 2202	2/17/2015	330	400
3/4/15	41,254	Bank deposit 2218	3/10/2015	40,254	1,000
3/10/15	37,931	Bank deposit 2223	3/10/2015	36,212	100 *
3/18/15	12,942	Bank deposit 2233	3/19/2015	11,060	149 *
5/29/15	159,049	Bank deposit 2301	5/29/2015	158,749	300
6/12/15	13,457	Bank deposit 2303	6/12/2015	12,037	1,420
9/10/15	50,936	Bank deposit 2345	9/10/2015	49,210	1,727
9/28/15	3,583	Bank deposit 2357	9/28/2015	2,108	770 *
11/10/15	4,957	Bank deposit 2403	11/10/2015	4,132	900 **
11/19/15	81,367	Bank deposit 2447	11/19/2015	80,467	900
11/19/15	47,780	Bank deposit 2454	11/19/2015	47,418	363
12/1/15	95,980	Bank deposit 2508	12/2/2015	93,640	2,340
1/8/16	4,113	Bank deposit 2599	1/8/2016	3,962	151
1/8/16	26,628	Bank deposit 2598	1/8/2016	26,173	455
Total Missing Cash from Property Tax Account					\$ 53,558

Zions Bank Acct #xxx8009
County Operating Account

General Ledger Date	General Ledger Amount	General Ledger Description	Bank Deposit Date	Bank Deposit Amount	Missing Cash
9/24/13	25,102		9/25/2013	24,223	\$ 689 *
10/3/14	27,847		10/6/2014	26,153	800 *
2/13/15	13,473		2/13/2015	12,058	1,085 *
7/7/15	175,582		7/10/2015	36,319	50 *
Total Missing Cash from County Operating Account					\$ 2,624

GRAND TOTAL Missing Cash **\$ 56,182**

* Remaining difference investigated and determined to be reasonable.

** Remaining difference not investigated.

*** This deposit consisted of \$1,282 in cash and one check for \$3,984 (the remaining funds were transfers).