



OFFICE OF THE
STATE AUDITOR

April 28, 2017

Utah Dairy Commission
c/o Western AgCredit
10980 S. Jordan Gateway
South Jordan, Utah 84095
ATTN: Jeff Hardy, Chairman

Dear Commissioners:

We have performed the procedures described below for the Utah Dairy Commission's (Commission) credit card activity between October 2016 and January 2017 to determine whether the Commission implemented recommendations issued in our "Limited Review of Certain Financial Activities – Report No. MAO-16-OA5" dated September 14, 2016. We commend the Commission for its improvement in establishing credit card policies and in oversight of credit card purchases.

1. We reviewed the credit card policies established by the Commission effective October 2016.
2. We reviewed credit card statements for October 2016 through January 2017 and agreed purchases reported on the statements to original receipts.

Based on our procedures, the current status of previously-reported recommendations are:

Finding #1, Inadequate Internal Controls over Credit Cards

- *Develop Written Policies Governing Credit Cards and General Purchases:* Partially Implemented. The Commission has established policies regarding credit cards. Policies should be developed to address general purchasing requirements. During our review, we identified expenditures for employee gifts, holidays/celebrations, funerals, etc.
- *Establish and Document Internal Controls over Credit Card Purchases:* Partially implemented. Controls have been established. We noted one transaction that was missing the direct supervisor's approval.
- *Have a Cardholder's Direct Supervisor Reconcile Original Receipts to Original Statements:* Fully Implemented.
- *Document Attendees, Purpose, and Restrictions on Allowable Amounts for Business Meals:* Partially implemented. We noted ten transactions lacking sufficient documentation for meals, travel, etc.

- *Pay for Expenses on a Reimbursement Basis and in accordance with a Standard Maximum Allowance:* Partially implemented. Policies do not include a “standard maximum amount” for reimbursements.
- *Ensure Expenditures are Necessary, Made Primarily for Benefit of Taxpayers, and Support the Commission’s Purpose:* Partially implemented. We noted 3 expenditures for birthday gifts and a staff lunch with no apparent business purpose.
- *Disallow Use of Credit Cards for Cash Advances:* Fully implemented.
- *Establish Criteria for Appropriateness of Airline Upgrades:* Fully implemented.
- *Establish Consequences for Violation of Credit Card Policies:* Fully implemented.
- *Pay Credit Cards Timely:* Fully implemented.

Finding #2, Excessive Issuance of Credit Cards and Inadequate Separation of Duties

- *Issue Credit Cards When Pertinent to Employee’s Duties:* Fully implemented.
- *Avoid Issuing Credit Cards to Individuals Whose Purchases Should be on Reimbursement-Basis:* Fully implemented.
- *Separate Duties Related to Credit Card Reconciliation, Review, & Approval:* Fully implemented.
- *Ensure Individual Performing These Duties Does Not Have a Credit Card:* Fully implemented.

Finding #3, Insufficient Training on Credit Card Use

- *Formally Train Credit Cardholders and Provide Copies of Policies to Staff:* Fully implemented.

Finding #4, Inadequate Review of Credit Card Purchases:

- *Perform Detailed Monthly Review of Original Receipts and Credit Card Statements:* Fully implemented.

Finding #5, Improper Recording of Employee Gifts:

- *Properly Include Gifts in Taxable Income:* Partially Implemented. We noted 2 gifts that were not included in taxable income.

Finding #6, Increased Risk by Using Credit Cards Instead of Purchase Cards

- *Consider Replacing Credit Cards with Purchase Cards:* Partially implemented. Although the Commission considered the benefits of purchase cards (p-cards), it decided to continue using credit cards for flexibility and similar security options as p-cards. We recommend the Commission reconsider the use of p-cards because few controls exist over the creation of credit card accounts. Since p-cards are linked to the organization's account, only authorized employees may create p-card accounts. Due to the difficult nature of p-card account creation, the Commission could minimize potential inappropriate purchases by using p-cards rather than credit cards.

Finding #7, Commission Employees Misunderstand State Oversight

- *Commission Improve Understanding of Relationship with State:* Partially implemented. Commission employees have reached to the Attorney General's Office to determine legal relationship. No additional determination provided at this time.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of the Commission's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of the Commission's internal control, other matters might have come to our attention that would have been reported to you. We feel the findings outlined above are key internal control weaknesses at the Commission. We recommend corrective action be taken to improve or fully implement our recommendations.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the Commission's personnel during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Hollie Andrus, CPA, Audit Director
Office of the State Auditor