

Tooele COUNTY
COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE
December 31, 2022



To the County Council
Tooele County
Tooele, Utah

We have audited the financial statements of Tooele County as of and for the year ended December 31, 2022, and have issued our report thereon dated June 19, 2023. Professional Standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 10, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Tooele County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our finding regarding significant control deficiencies and material weaknesses, if applicable, and material noncompliance, and other matters noted during our audit at the end of this communication letter in the schedule of findings section.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- *Improper revenue recognition – the risk that the entity improperly records revenue in the incorrect period, records revenue inaccurately, or misrepresents revenue recognized whether due to fraud or error.*
- *Cash disbursements – the risk that cash disbursements do not follow entity purchasing policies, proper approval, inaccurate disbursements that do not match invoice amounts, payees, or issued to related parties.*
- *Potential management bias, financial statement estimates, and management's ability to override controls.*

Based on our audit procedures performed, we did not identify any uncorrected material misstatements related to these risks noted.

Qualitative Aspects of the Entity's Significant Accounting Practices

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Tooele County are included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management related to the performance of our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. All proposed entries were approved by management and were posted to the entity's financial records.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the entity's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We noted them at the end of this communication letter in the schedule of findings section.

Management Representations

We have requested certain representations from management, which are included in the management representation letter dated June 19, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matter. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the entity, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition or our retention as the entity's auditors.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and required supplementary information (RSI) as listed in the table of contents, which are RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on internal control over financial reporting and on compliance and other matters, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board and management of Tooele County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
June 19, 2023

Schedule of Audit Findings

Financial Statement and Internal Control Findings – Current Year

IC-2022-001 – Allocation of the Payroll Fund

Condition:

The County Payroll Fund (Fund 76) is an internal reporting fund and is allocated across financial reporting opinion units for financial reporting purposes. During our review of transactions, detailed walkthroughs and inquiries on the payroll fund, it was noted that adequate and complete documentation is not retained. Information is also not readily available to other members of management including the Auditor's office, whose responsibility is the proper allocation of balances to other funds for financial reporting. There also appears to be discrepancies in transactions that are not understandable or explainable due to the lack of information available or provided to the County Auditor's office.

Criteria:

In accordance with the Federal Green Book, which incorporates the COSO model, and which has been adopted by the Utah State Auditors Office as the best practice guidance on internal controls, proper internal controls dictate that management is responsible in ensuring that adequate controls are in place and are functioning properly. These controls cover financial reporting, IT, compliance, and general controls over communication and reporting.

Cause of condition:

Lack of internal controls over reporting and communication.

Recommendation:

The management should establish and maintain an adequate internal control structure and policies and procedures for financial reporting of Fund 76. Management should implement proper and adequate internal controls to ensure that proper allocation of the payroll fund for each respective fund is being performed. We also recommend that all levels of management should be involved in assessing and strengthening the systems of internal control structures to minimize fraud, errors, abuse, and waste of government funds.

Client Response: Client Response:

To address audit findings regarding deficient internal controls in the Human Resources (HR) Department, Tooele County has developed an action plan that focuses on strengthening internal controls and department policies and procedures. Key action items include, but are not limited to:

1. REVIEW AND UPDATE POLICIES AND PROCEDURES:

1. Conduct a comprehensive review of existing policies and procedures related to payroll deductions and benefit payments.
2. Identify gaps and inconsistencies and revise these policies to align with best practices and legal requirements.
3. Ensure easy accessibility to policies and procedures for HR staff and employees.

2. EMPLOYEE TRAINING AND AWARENESS:

1. Review the HR Department's organizational structure and job roles to identify overlaps or weaknesses. Make necessary adjustments to ensure critical functions, such as payroll processing, benefit administration, and reconciliations, are adequately allocated.
2. Provide comprehensive training to HR staff and employees on payroll procedures, benefit entitlements, and related policies. Emphasize accurate record-keeping, data integrity, and adherence to established controls.
3. Establish regular communication channels to keep employees informed about updates or changes in payroll and benefits processes.

4. Develop a cross-training program within the HR Department to enhance knowledge sharing and ensure backup capabilities.
 5. Identify critical roles and functions and create opportunities for employees to gain proficiency in multiple areas.
3. **ENHANCED DOCUMENTATION AND APPROVAL PROCESSES:**
1. Strengthen documentation and approval processes for payroll deductions, benefit payments, and general ledger transactions.
 2. Implement standardized forms and checklists for capturing employee requests and authorizations.
 3. Ensure all deductions and benefit changes are properly reviewed and approved by authorized personnel.
4. **CONTINUOUS MONITORING AND INTERNAL AUDITS:**
1. Establish a system for continuous monitoring and internal audits of payroll deductions and benefit payments.
 2. Conduct periodic reviews of key control points, such as authorization processes, payroll reconciliations, and compliance with regulatory requirements.
 3. Address identified issues or deviations promptly.

Tooele County is committed to implementing these measures promptly and effectively and collaborating closely with the HR Department and relevant stakeholders. Our objective is to strengthen internal controls, minimize risks, and provide accurate and timely compensation and benefits to our employees.

State Compliance Findings – Current Year

There were no state compliance findings noted in the current period.

Internal Control Findings – Prior Year

No internal control findings noted in the prior year.

State Compliance Findings – Prior Year

SC-2021-001 – Cash Management

Condition:

Per testing of the deposit and investment report, two accounts were not reported in the deposit and investment report that was submitted to the state.

Criteria:

Per Utah State Code 51-7-15(3) "A public treasurer shall file a written report with the council on or before January 31, and July 31 of each year. The report shall contain information about the deposits and investment of that public treasurer during the preceding six months ending December 31, and June 30.

Status of finding:

This finding was resolved in the current year.