

# AUDIT REPORT

## Fraud Hotline Annual Report 2023



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# Salt Lake County Auditor



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## AUDITOR'S LETTER

April 2024

I am pleased to present the Salt Lake County Auditor's Office Fraud Hotline Annual Report for 2023. This report summarizes the activity of the hotline for the period of January 1, 2023, to December 31, 2023.

### Key Points:

- The Fraud Hotline received 12 tips in 2023.
- Seven tips were closed due to irrelevant information.
- One tip was referred to Salt Lake County Human Resources.
- Four tips were investigated within ongoing audits, focusing on potential control weaknesses and areas for improvement within the relevant agencies.

The Fraud Hotline serves as a valuable tool for the Auditor's Office to identify and address potential issues within Salt Lake County government. It allows employees, contractors, and the public to report concerns anonymously and facilitates efficient resource allocation for further investigation.

This year, the Fraud Hotline played a significant role in expanding the scope of four ongoing audits, potentially preventing potential losses and improving internal control environments in the respective agencies. The specific details and conclusions of these investigations will be reported within the forthcoming individual audit reports.

### Looking Forward:

The Auditor's Office remains committed to maintaining and promoting the use of the Fraud Hotline as a critical resource for promoting transparency and accountability within Salt Lake County government. We encourage the continued use of the hotline by employees, contractors, and the public to report any suspected wrongdoing.

We appreciate your continued support in maintaining a strong internal control environment and ensuring efficient and effective operations within Salt Lake County.

Sincerely,

A handwritten signature in black ink that reads "Chris Harding".

Chris Harding, CPA, CFE, CIA  
Salt Lake County Auditor

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## Fraud Hotline Annual Report

2023

### Objectives

The Salt Lake County Auditor's Fraud Hotline, established under Countywide Policy 1300, aims to provide a dedicated avenue for reporting suspected fraud, waste, and abuse of county resources, as well as instances of improper behavior by county officers or employees.

# EXECUTIVE SUMMARY

## EXECUTIVE SUMMARY

The Salt Lake County Auditor's Office Fraud Hotline received 12 tips in 2023, providing a valuable tool for identifying and addressing potential issues within the county government. While seven tips were closed due to irrelevant information, one was referred to Human Resources, and four led to investigations within ongoing audits.

These investigations focused on potential control weaknesses and areas for improvement within the relevant agencies, potentially preventing future losses and enhancing internal control environments. Details and conclusions from these investigations will be included in the forthcoming individual audit reports.

The Fraud Hotline helps promote transparency and accountability by offering employees, contractors, and the public an anonymous way to report concerns. The Auditor's Office remains committed to maintaining and promoting the use of this crucial resource for a stronger and more efficient Salt Lake County government.

# COUNTYWIDE POLICY 1300 - COUNTY AUDITOR HOTLINE

Countywide Policy 1300 authorizes and establishes an Auditor Hotline for the purpose of receiving reports of suspected fraud, waste, and abuse of Salt Lake County resources or improper behavior of county officers or employees. The Auditor Hotline provides an avenue for citizens, including County employees and contractors, to report their concerns about potentially improper governmental activities to the Salt Lake County Auditor. The purpose of the Auditor Hotline is to help Salt Lake County government achieve the following objectives: identify opportunities for improvement in operations and compliance; foster good governance at all levels of county government; and empower residents to be actively engaged in ensuring government transparency and accountability.

## INTRODUCTION

The annual report on the Auditor's Fraud Hotline ("Fraud Hotline") is for activity that was reported from January 1, 2023, through December 31, 2023. The scope of the Fraud Hotline activity applies to acts of wrongdoing (fraud, waste, and abuse) within the Salt Lake County government. Occasionally, tips received on acts of wrongdoing within the Salt Lake County Government are outside the scope of the Auditor's statutory duties and these tips are either referred to the appropriate entities or irrelevant for a referral.

In 2023, the Fraud Hotline received 12 tips.

- One was referred to another Salt Lake County entity.
- Seven tips were closed due to irrelevant claims.
- Four tips were investigated by the Auditor's Office and included as part of expanded scopes for the following audits:
  - o Countywide Payroll Audit - Assessor
  - o Countywide Payroll Audit - Parks & Recreation
  - o Countywide Travel Expenses Audit
  - o County Council Financial Audit

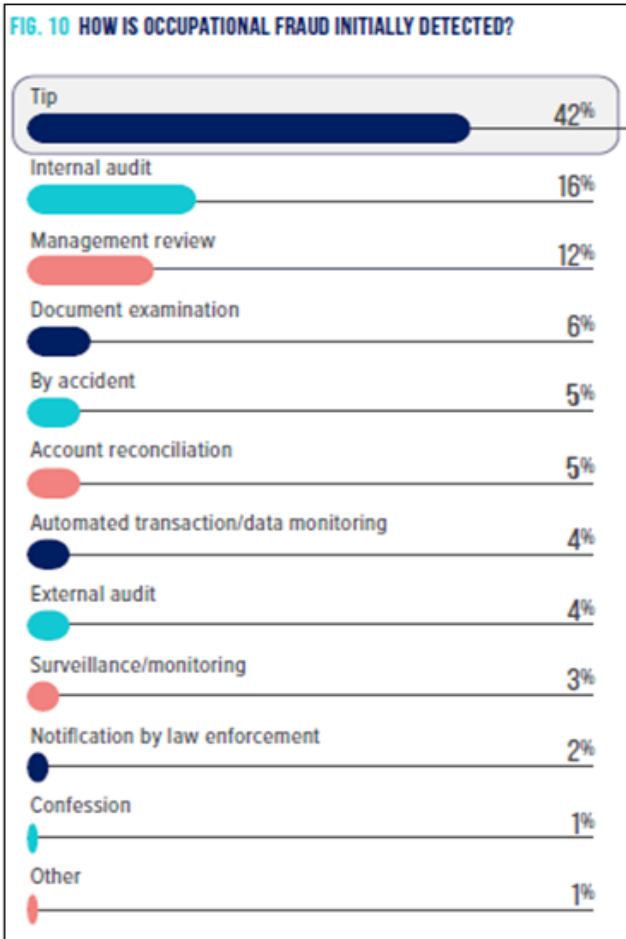
## BACKGROUND

Fraud is defined as "intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right" or as "an act of deceiving or misrepresenting." According to the biannual report Occupation Fraud 2022: A Report to the Nations performed by the Association of Certified Fraud Examiners (ACFE), the typical Fraud case costs the organization \$8,300 per month and lasts 12 months before being detected. 21% of Fraud cases cost the organization more

than \$1 million.

Fraud Hotlines are a critical tool for fraud detection. In 2022, the ACFE reported that fraud tips were twice as likely to detect fraud than internal audits. This is shown in Figure 1.

**Figure 1: Initial Detection of Occupational Fraud**



The Audit Services Division works to provide confidence in the integrity and financial reliability of County operations and to instill confidence that the County is operated with efficiency and effectiveness. In support of these goals, Audit Services established an online Fraud Hotline in 2017.

The Auditor’s Office Fraud Hotline allows Salt Lake County employees or contractors to report acts of wrongdoing within the Salt Lake County government. Additionally, non-County employees can submit a report to the Fraud hotline. The goal of the hotline is to identify misuse of taxpayer funds. All concerns submitted are taken seriously.

The hotline includes three key features:

- Available to County employees, contractors, and the public
- Operates 24 hours a day, 7 days a week
- Features the option for confidentiality

The Fraud Hotline can also be used to identify other risks within Salt Lake County. Some tips may not rise to the level of fraud, but they can indicate that there are issues with the internal control environment, efficiency or effectiveness of operations, or other unethical behavior. Every tip received from the Fraud Hotline is given due process.

Figure 1 taken from “Report to the Nations: 2022 Global Study on Occupational Fraud and Abuse,” issued by the Association of Certified Fraud Examiners.

# OBJECTIVES AND SCOPE

The primary objective of the Salt Lake County Auditor's Fraud Hotline, as established under Countywide Policy 1300, *County Auditor Hotline*, is to provide a dedicated avenue for receiving reports of suspected fraud, waste, and abuse of county resources, as well as instances of improper behavior by county officers or employees. The overarching goals of the Auditor Hotline are as follows:

- To provide Salt Lake County employees, contractors, and the public with a confidential and accessible mechanism to report suspected fraud, waste, and abuse within the Salt Lake County government, as well as potential misconduct of county officers and employees.
- To enhance transparency and accountability within Salt Lake County government by encouraging citizen engagement in identifying and reporting potential issues.
- To assist the Salt Lake County Auditor's Office in achieving its goals of:
  - o Identifying opportunities for improvement in county operations and compliance.
  - o Fostering good governance at all levels of county government.

Scope: The annual report covers activity reported from January 1, 2023, through December 31, 2023.



# METHODOLOGY

Every tip submitted either through the Auditor's Office website or emailed to fraud@slco.org is processed using the methodology outlined below:

1. A case number is assigned to each tip so that it can be tracked within the Auditor's Office project tracking software.
2. The tip is reviewed for validity and type (potential fraud, unethical conduct, waste, etc.). Additionally, we determine whether the nature of the tip falls within the duties of the Auditor's Office.
3. Each tip is then Investigated (Option A), Referred (Option B), or Discarded (Option C) and processed in accordance with the results of Step 2.

## **Option A: Investigate the tip if it falls within the duties of the Auditor's Office.**

An investigation is similar to an audit. The auditor identifies and analyzes risks, gathers evidence, draws conclusions, develops corrective recommendations, and performs follow-up work as appropriate. Investigations differ from traditional audits in that they are more focused and are aimed at determining if an event occurred and the nature of that event. Audits, by contrast, provide reasonable assurance that controls are designed appropriately and are operating effectively. An auditor may also use different techniques to gather and analyze evidence compared to a standard audit.

## **Option B: Refer the tip to an outside authority**

The Auditor's Office may receive a tip that is outside the scope the Auditor's duties. In these cases, we will refer the tip to the most appropriate authority for follow-up.

As referenced in Salt Lake County Countywide Policy 1300: County Auditor Hotline, Part 1.0 Auditor Hotline Established, states,

- 1.4.3 The Auditor shall not investigate reports that are merely based upon disagreements with the lawful management determinations or policy decisions of Salt Lake County government.

1.4.4 The Auditor shall refer reports relating to subjects covered by Salt Lake County Human Resources Policies to the County's Human Resources Department, or to another appropriate entity designated by law or policy.

1.4.5 The Auditor may refer reports that are not appropriately related to this policy or the Auditor's statutory duties to the relevant County office or department having appropriate subject matter jurisdiction or relevant expertise concerning the matter. If a report pertains to an entity outside of Salt Lake County, the Auditor may refer the report to the appropriate entity.

**Option C: Close the tip if it is deemed irrelevant.**

Some tips do not fall within the Auditor's Office's statutory duties and are irrelevant for a referral. Reasons for discarding tips vary. Some examples include:

- Irrelevant subject matter, such as federal income tax issues, tips not associated with County government, and complaints against citizens or establishments.
- Tips with incomplete information.
- Meaningless tips or bogus tips submitted as a prank.

Closed tips are still documented by the Auditor's Office.

## 2023 RESULTS

The 12 tips submitted to the Fraud Hotline are detailed in Appendix A. Seven of the tips were closed due to insufficient or irrelevant information provided by the allegation. One tip was referred to Salt Lake County Human Resources. The remaining four tips led to the expansion and inclusion of relevant details in the scope of four ongoing audits.

The fraud tips were beneficial in directing auditors to discover control weaknesses and areas of improvement for the applicable agencies. Further details regarding the audit investigations and related conclusions will be publicized as part of the forthcoming completed audit reports.

# Conclusion

The Fraud Hotline provides a simple, effective, and anonymous way for employees and members of the public to raise concerns about Salt Lake County operations without fear of retaliation. In the most recent years, the Fraud Hotline has also offered the Auditor's Office an opportunity for community outreach allowing us to instruct other avenues where a concern might be addressed. By offering earlier detection, Fraud Hotlines have the potential to save taxpayers funds that might otherwise be diverted to personal use or simply wasted.

The Auditor's Fraud Hotline is one tool the Audit Division uses to help management strengthen the County's internal control environment and improve operational effectiveness. It also helps instill confidence that the County is operated efficiently and effectively.

# Appendix A: 2023 Fraud Hotline Detailed Results

Activity Reported in Tip	Case Status	Auditor Conclusion
Errant Entry	Closed	Insufficient information to either investigate or refer.
Errant Entry	Closed	Insufficient information to either investigate or refer.
Favoritism Allegations	Referred	Referred to Human Resources.
Allegations of Employee Time-card Fraud	Investigated	Investigation included as part of Parks & Recreation Payroll Audit scope. Audit Report to be published in 2024
Allegations of Employee Time-card Fraud	Investigated	Investigation included as part of Assessor Payroll Audit Scope. Audit Report to be published in 2024.
Complaint of Salt Lake Sports Complex Management	Closed	Insufficient information to either investigate or refer.
Allegations of County Council Improper Use of Public Funds for Travel Expenses	Investigated	Investigation included in scopes of the following audits: Travel Expenses Countywide, to be published in 2024, and the Financial Audit of the County Council, to be published in 2024.
Allegations of Employee Time-card Fraud	Investigated	Investigation included as part of Assessor Payroll Audit Scope. Audit Report to be published in 2024.
Real Estate Complaint	Closed	Insufficient information to either investigate or refer.
Complaint Regarding County Budget	Closed	Insufficient information to either investigate or refer.
Notary Public Fraudulent Allegations	Closed	Insufficient information to either investigate or refer.
Forgery Allegations	Closed	Insufficient information to either investigate or refer.