

March 29, 1993
ILR 93-F

Speaker Ron W Bishop, Chairman
Members of the Audit Subcommittee
State Capitol Bldg
Salt Lake City UT 84114

Subject: **Special Districts Follow-up**

Dear Legislators:

As you requested, my staff has conducted an in-depth follow-up of special district audits completed between 1989 and 1992. The committee asked that we review the implementation of audit recommendations by the Salt Lake County Water Conservancy District, the Central Utah Water Conservancy District, the Utah Transit Authority, the Salt Lake County Service Area #1, and the Central Valley Water Reclamation Facility.

To complete our work, we interviewed management, staff, and board members at each facility. We also reviewed policies, procedures, and financial information implemented or prepared since our audits. Since this was a follow up review, we did not conduct extensive tests nor surveys to identify new areas of concern.

Overall, we found that the districts have been responsive to our recommendations. Listed below is each district and the action they have taken to respond to our suggestions.

SALT LAKE COUNTY WATER CONSERVANCY DISTRICT August 1989 Report No. 89-09

Our audit of the Salt Lake County Water Conservancy District addressed concerns in five general areas. Specifically, we made recommendations to strengthen board governance, to improve financial accountability, to ensure objective selection of consultants, to strengthen human resource management, and to effectively plan construction projects. Since the audit, the district has been very responsive in implementing the majority of our recommendations. Discussed below are the actions the district has taken and explanations given for not following specific recommendations.

Board become more assertive in challenging management and staff. This recommendation has been implemented. All the board members interviewed and the management and staff interviewed agreed that the board has become much more assertive in the last three years since our audit. The board regularly requests information and staff have provided it. One board member visits the district several times a week and requests information and he has never been denied. The chairman of the finance committee also, on a regular basis, asks staff to prepare additional documents. For example, at the last budget meeting, the finance chairman asked staff to prepare a detailed explanation of the major increases in the budget and justify why they were being increased.

Improve Budget and Financial Accountability

The following recommendations involve improvements in how the budget is presented. For example, the original audit recommended that staff not budget for every contingency and that asset funds should be budgeted separately and that these fund balances should be integrated into the budget cycle every year.

Staff not budget for every contingency. This recommendation has been implemented. The budget officer stated that they have followed this recommendation and it can be seen by the reduction in the amounts of the line items and contingency funds in the budget the year following our audit. The board members claim that the previous management would enlarge unnecessarily the line items by 10% to 15% and there was always a lot of money left over at year end. Now, the budget is so tight that in some years actual expenditures are just under budget. The budget was reduced by nearly \$2,000,000 the year after our audit was released. The general manager stated that they made every attempt to reduce the budget.

General Administrative Contingency account should be eliminated. This recommendation has not been implemented. The account was not eliminated. It was, however, reduced from \$250,000 down to \$20,000. It was felt that some contingency funds were needed. The district claims that their budget has been so tight some years, that they needed the extra money in the fund to keep expenditures within budget. This year, they are increasing the amount up to \$100,000 because they don't think it will be a good water year and they want to ensure that they have enough in the fund to cover any unforeseen need.

Staff prepare a simpler budget so finance committee can review. This recommendation has been implemented. The board members interviewed felt that they easily understand the budget that is currently being prepared by staff. The chairman of the finance committee feels comfortable with the budget and thinks that most board members can understand it. The only recommendation he has is that the budget be presented according to the separate divisions within the district instead of all expenses budgeted together in the operation and maintenance fund.

District separately budget each asset fund. This recommendation has been implemented. The district has several asset funds such as a capital projects fund and a self-insurance fund for which they budget. Our original audit discovered that interest earnings from all funds were being lumped together in the district's financial plan. Now, the district presents the funds separately and shows the amount of interest each fund accumulates. This allows the board to know exactly how much is contained in each fund.

Establish rationale for why items are included or not included in the O & M budget.

This recommendation has been implemented. During the original 1989 audit, we discovered some maintenance expenses were excluded from the O & M budget with the intent to pay for them out of a reserve account. The district now places anything that is expensed in the operating and maintenance budget. Items are no longer paid for out of reserve accounts.

Additionally, the district financed a self-insurance reserve fund by transferring money from the O & M budget through a separate line item expense to the fund. Typically, only actual expenses are included in the O & M budget. The district's practice now is to fund needed reserves separately and not include them as a line item in the operating and maintenance budget.

Restructure district's asset fund structure by identifying the purpose of each asset fund and target balance based on analysis of actual needs. This recommendation has been implemented. Each asset fund now has a description of its purpose and the balance that should exist. In some cases the target balance is given in terms of maximum dollars and in other cases, in terms of percentage of the budget. For example, the Debt Service Reserve Fund is established in case revenues are not sufficient to meet debt service payments for the designated bond issue. The target level for the fund is \$2,283,423.

Integrate target fund balance levels into budget cycle by using them to determine revenue needs. This recommendation has not been implemented. We recommended that at the end of each year, if there is money in excess of the targeted fund balances, those monies should be considered when the budget for the next year is drafted. Establishing target levels for each asset fund has helped to integrate the fund levels into the budget process, to a certain extent. Now, the board is aware of the maximum amount that needs to be paid into a fund and can more accurately estimate the operating budget needs of the district. However, the asset funds are not formally incorporated as part of the budget cycle although the district is attempting to head in the right direction.

Future expenditures on district headquarters should be based on an analysis of cost alternatives. There have been no capital expenditures on the district headquarters since the audit. Therefore, there is no basis to judge whether they have followed this recommendation or not.

Prepare Written Policies and Procedures

The following recommendations involve changes in the policies and procedures of the district. The district was required to create a formal, written policy manual which included certain policies based on the Utah Procurement and Ethics Act of the State of Utah. Also, our audit recommended that the board approve all trips and services paid by consultants and that the board establish a consultant selection policy.

Develop a formal policy manual. This recommendation has been implemented. The district has developed a formal policy manual that covers a wide range of topics such as travel, nepotism, compensation, sexual harassment, etc. These policies were developed shortly after our audit.

However, under the travel policy, there are no provisions for maximum limits placed on per diem, hotel lodging, or obtaining airline tickets in advance to save money. Meals and lodging are simply reimbursed at cost. The district is following IRS guidelines which allow for reimbursement instead of per diem. However, further policy statements on these issues could prevent any criticism of the district.

Develop policies based on Utah Procurement Code and Ethics Act for proper relations with outside consultants. This recommendation has been implemented. The district has incorporated the Ethics Act directly into their policies and procedures by photocopying it and including it in a separate section.

Their policy regarding purchases of goods and services is a new policy created shortly after our audit. The policy is based on the Utah Procurement Code with the specific, applicable references from the code.

Board require board approval for all trips and services paid by consultants. This recommendation has been implemented. The general manager stated that there are occasions when a consultant will pay the cost of an employee's travel but it is always for a business purpose. All of these situations are reported to the board on a quarterly basis.

Board adopt a consultant selection policy, and establish procedures to implement that policy. This recommendation has been implemented. In our previous audit, we noted that the district had no written selection policies. Now the district's policies and procedures manual includes a section on the procurement of professional services. This section lists the various types of consultants and who is in charge of selecting them. It outlines the selection committee and how they rank prospective bidders. The bidding process is described in detail showing who is involved and how bids are advertised and accepted. The policy also prescribes conditions in which sole sourcing or standard contracting may be used.

Implement Human Resources System

Our original audit recommended that the district improve its recruitment procedures to give fair advantage to people outside the organization. In addition, the board was to adopt a new compensation system and establish oversight procedures for the new system.

Establish recruitment and hiring procedures that don't give advantage to acquaintances of employees. Notices should be widely published. This recommendation has been implemented. All recruitment, for professional and non-professional positions, is now done through Job Service and advertised in a local newspaper. This provides for better and more fair recruitment because jobs are now widely published and it allows people outside the organization a chance to apply for positions.

Implement a new compensation system. This recommendation has been implemented. Shortly after our 1989 audit was completed, the district hired a consultant who produced a new compensation system. The consultant they hired introduced a system where there are three steps in each grade. The first step is for all new hires, the second step is for those employees with experience at the district, and the third step is for employees who have attained a level of high competence in their field. There is approximately a 15% spread between the first and third steps. The consultant included policies and instructions relative to the compensation system in the district's policies and procedures manual.

An employee can also receive additional compensation through temporary merit awards which are governed by the board and are granted to employees depending upon work performance. In addition, a biennial market survey is conducted by the district which allows the board to adjust the salaries of the employees depending upon market conditions.

Board establish oversight procedures for the district's compensation system. This recommendation has been implemented. The board members interviewed felt comfortable with the oversight they have over the compensation system. It is reviewed annually as part of the budget process. Two of the board members claim to routinely request information regarding employee salaries and benefits and have experienced no interference from management.

As mentioned above, the annual temporary merits, which are bonuses, that the general manager gives to qualified employees every year are all reported to the board as a separate item. In addition, every year the board sets and approves the total maximum amount that the manager can use in giving these merits.

In addition, the board is able to, and formally does, review the increases given to all employees as a result of the biennial market survey conducted by the personnel department.

Besides the temporary merit that the general manager awards to employees based on their performance, the only way that an employee can receive an increase is through the market survey.

CENTRAL UTAH WATER CONSERVANCY DISTRICT December 1989 Report No. 89-12

The audit of the Central Utah Water Conservancy District dealt with four main areas of concern. These areas included improving board oversight of the budget, providing more information in the budget, strengthening existing policies and procedures, and improving their human resource practices. Since the audit, the district has been responsive in implementing the majority of our recommendations. Following is a list of the recommendations and what steps the district has taken to implement them. Also included are reasons why certain recommendations have not been followed.

Improve Board Oversight of Budget Process

In the area of board oversight, we recommended that the board spend as much time as needed to verify the appropriateness of management requests. We also recommended that district staff provide the board with any information requested by them.

Board spend as much time as needed to verify need for requests. This recommendation has been implemented. The controller for the district stated that the board is given as much time as they need in order to review the budget. The board is divided into several committees and the budget is prepared according to the same committees. In other words, the engineering committee will review the engineering budget. According to policy, each committee has 30 days in which to review the draft budget before meeting again. After each committee has had a chance to review their portion of the budget and make any suggestions, they tentatively approve it and pass it on to the finance committee which reviews the entire budget. All board members are invited to attend the finance committee meeting so they might know what is taking place with the budget. Then once the finance committee has approved the budget, it is passed on to the board who then finally approves the budget.

The board members we interviewed all felt that they were given more than enough time to review the budget and question staff about any additional information they felt was needed. None of the board members felt that information was being kept from them or that staff was not being responsive to their needs.

Staff provide board with any requested information. This recommendation has been implemented. The controller claims that he will provide any information that a board member requests on the budget or any activity of the district. Each year he tries to present more and better information to the board so they can have a better understanding of the budget.

The board members we interviewed stated that they have no difficulty in obtaining information from staff. The staff is cooperative in responding to requests from the board.

Provide More Information for Budget and Financial Process

In the original audit of the Central Utah Water Conservancy District, recommendations were made regarding the budget and financial process. Staff was asked to prepare additional budget line items and to provide more supporting information to explain requested expenditures. The board was asked to establish the purpose and dollar limits to the various funds held by the district. Also, the audit recommended that the board improve its capital planning and establish a separate capital projects fund.

District prepare additional budget line items for travel and any other areas of concern. This recommendation has been implemented. The original audit discovered that there were no line items for travel but the expenses were dispersed throughout the budget. The district now has three accounts to which it posts travel expenses. Those are: Director Expense which covers travel for the board; Staff Expense, and Staff Training/Reference which both cover travel for staff. The board is presented with a budget summary that lists the three accounts and the total amounts in each. Then each account is broken down for the board to show them the specific activities taking place.

In some cases the activities are broad with little explanation as to what is taking place. For instance, under Staff Expense, \$33,000 is budgeted for staff travel "expenses incurred by administrative staff and other employees on assignment." There is no other explanation given as to what the assignments are. These explanations should be improved.

Prepare a single budget line item for lobbying expenses with detailed amounts. This recommendation has been implemented. The district now has a single account entitled "Consultants-Federal" which is used for any federal lobbying activities. There is also an account called "Consultants-State/Local" used for lobbying on the state level.

Budget requests be accompanied by enough supporting information to explain expenditures and how they arrived at the budget amount. This recommendation has been implemented. Each year, the board is presented with a budget summary that lists each budgeted account according to the respective departments. The cover sheet lists all the accounts in that department with the total amount for the previous and the next budget year. Then in the successive pages of the budget request, each account is listed and broken down into separate activities or items and the amount for each. Each activity or item has a brief explanation as to the purpose for which the money will be spent. However, in some cases, the explanations could be more detailed to provide better information.

The board members we talked to indicated that the budget has enough information to justify expenditures and to help the board understand how staff has prepared the budget requests.

Staff prepare specific descriptions for each budget category and post expenses to the

correct accounts. This recommendation has been implemented. When the original audit was conducted, we discovered that budget categories did not contain enough information to explain what the request was for and also that some expenses had been posted to the incorrect accounts.

Now, the board is presented with a summary of all the accounts and the total amount in each one. Then as supporting information, the accounts are broken down further into specific activities or items and each one has a quantity, unit cost and total cost which gives the board a good idea of the type and amount of work being done. In spite of the improvements, there are a few explanations that are still vague and don't give much detail about what activities will take place. For example, \$4,000 is budgeted for "Public relations type activities authorized by the General Manager." It doesn't tell the board what the activities are. Nevertheless, most of the categories carry some explanation.

Regarding the posting to incorrect accounts, the controller said that he prepares the budgets correctly and the information in the work schedules supports to the penny the amounts in the budget. He claims that they have corrected the problem of posting expenses to the incorrect accounts. Our review of their accounts showed no problems in this area.

Budget proposal should compare new budget requests to the original budgeted amount for the prior fiscal year. This recommendation has been implemented. The budget is now prepared in such a way as to give the board a three-year historical view of each budget item. It also compares the original budget, the revised budget, and the percent change in the next year's budget request.

Board designate purpose of Debt Service Sinking Fund, Future Construction Reserve Fund, Contingency Reserve Fund, and any others where needed. This recommendation has been implemented. At the time of the original audit, the above mentioned funds had little explanation regarding their purpose or how the money was to be spent. Now most of the funds have a written policy.

The Debt Service Sinking Fund no longer exists but some of the money was transferred to the U.S. Obligation Reserve Fund which is to be used to pay for the CUP, Bonneville Unit repayment.

The Construction Reserve Fund now identifies projects that are to be funded through this fund.

The district has several other funds including emergency reserve, replacement reserve, facility reserve, and liability reserve, all of which have a defined purpose.

The district has a contingency account in its general budget which does not have a written purpose. The controller was able to state that the purpose of the account is to cover any minor problems that arise at the district such as a well going out. However, we could not find a formal, written policy establishing its purpose.

In spite of these improvements, the district should consider creating a single document summarizing all their funds, the established purposes, and maximum dollar limits imposed on the funds. Our review of these funds found that it was difficult to gather this information because the information was found in various, unrelated documents at the district. In addition, not all of these documents agreed on how the funds are to be established. A single document summarizing all the funds would make this information more easily accessible by board members or other

parties.

Board establish a maximum amount for each fund. This recommendation has been implemented. When our original audit was conducted, there was concern that the asset funds held by the district could possibly have unlimited amounts of money placed in them with no restrictions. Our recommendation was intended to place a cap on the amount of money and provide a check on the budgeting process.

Now, all the funds including the U.S. Obligation Reserve, Replacement Reserve, Emergency Reserve, Contingency Reserve, and the Capital Projects Reserve Fund, have maximum dollar limits placed on them. Once a fund reaches that amount, money will no longer be budgeted for it.

Board define cash needs of the district through improved capital planning - plan needed for 5 to 10 years into the future. This recommendation has been implemented. Now, through the Cash Projection Report given annually to the board, capital project outlays and the amount of funding are listed by year.

Board establish a separate capital projects fund. This recommendation has been implemented. The district has a separate capital projects fund through which capital projects are funded. Two of the main capital projects being funded through this fund are the Hatchtown Dam Project and the Jordan Terminal Reservoir Project.

Board review investment strategies in light of their determined need for cash. This recommendation has not been implemented. When our original audit was conducted, we found that monies were being invested only in short-term notes instead of long-term investments which would have given the district a greater return on their money.

Our current review found that the board has chosen to continue investing in short-term instead of long-term notes. The reason given is that they feel more comfortable with the short-term investments and the security they have. In addition, the board feels that with the uncertain future of how federal funding will affect future cash flows, they see a need to have their funds more accessible.

Board set a tax rate to meet needs of the district, and reduce their current rate. This recommendation has not been implemented. The district continues to charge the maximum tax rate allowed by law. However, conditions have changed since the original audit was conducted. As part of the Central Utah Project, the federal government will require more funding from the state for this project. The controller and the general manager point out that in the next 10-15 years, they will incur a significant cost associated with the completion of the Central Utah Project. In fact, the district will need to generate an additional estimated \$183 million beyond their current operating budget for the CUP. Lowering their tax rate now would only force them to raise it again very soon to help pay the cost of the project. As it stands, the current rate will not cover this cost by itself and the district will need matching federal funds.

Strengthen Existing Policies and Procedures

The following recommendations involve the improvement of the policies and procedures for the district. The original audit recommended that the district place tighter controls on traveling expenses such as per diem, repayment of spouse expenses, limits on lodging expenses, and limits

on large group travel. The audit also recommended that the district improve its public procurement process and require contracts for all services.

Board outline in policy the proportionate amount of the total cost the district will charge users for each project. This recommendation has not been implemented. The district has a policy of constructing projects and then charging users of that project for its use. However, the district has no written policy stating how each set of users is to be charged for the project. It is currently conducted on a case by case basis. However, future federal funding will be changing which will change the way in which the district charges end users for projects.

Tighter controls on meal per diem to assure adherence to state limits. This recommendation has been implemented. The board has adopted a formal policy outlining the maximum limits for meal per diem. The current policy closely resembles the state's policy.

The district also allows reimbursement instead of per diem. The reimbursement form reminds the employee of the maximum amount allowed for each meal and an employee is not allowed reimbursement above the normal per diem amount except in special cases as approved by the general manager where good explanation is provided.

Install controls to guarantee repayment for spouse expenses. This recommendation has been implemented. There are two controls over spouse repayment. The first is a policy which prohibits the district from paying for spouse expenses. The second is a billing system they use for the larger items such as airline tickets. If the district pays for tickets for an employee's spouse, the controller sends a bill to the employee before the trip is taken and the employee then pays the bill. This same system applies to board members as well.

Identify limits on lodging expenses. This recommendation has been implemented. District policies now place a limit on lodging expenses. Lodging must not exceed the single occupancy room rate of \$60 per night. Two exceptions are Washington D.C. with a limit of \$120 per night and Nevada with a limit of \$80 per night.

Place limits on large group travel - at least control total expense levels. This recommendation has been partially implemented. There is no formal policy which limits the number of people who can attend any particular trip and there are no limits on the total amount of funds spent on any one trip. The only step the board has taken to limit travel is to limit each board member to only one out-of-state trip per year. The chairman and vice-chairman can take two out-of-state trips per year. The director feels that this limits the amount of funds spent on travel throughout the year.

Define public fund use for entertainment and alcohol expenses. This recommendation has not been implemented. The board has not created a policy clarifying whether and how public funds can be used for entertainment and alcohol expenses for clients of the district. The board does, however, have a policy on the use of public funds for gifts and refreshments for employees of the district. A policy of this nature could be extended to define the use of public monies as they relate to clients and customers of the district. The general manager stated that the board allows him to use his discretion in using funds for this purpose although it is not done very often. Nevertheless, the board should create a written policy regarding the use of funds for this purpose.

Formally incorporate engineering services procurement process already used by the district engineer. This recommendation has been implemented. Previously the district had no formal written policy. The district now has a formal procurement process for engineering services. As part of the procurement policy, the district has a separate section devoted just to procurement of engineering services. The policy also discusses procurement processes such as bids and proposals, and a selection committee who reviews the proposals and submits their choice to the general manager and the board for their approval.

Specify need for public procurement process, and describe process for sole sourcing of professional services. This recommendation has been implemented. The district's procurement policies now formally require the need for the procurement process to be public. The policy also requires a bid and RFP process and discusses under what circumstances each will be used.

Define necessity for written contracts for all services. This recommendation has been implemented. When the original audit was conducted, there was some concern that contracts with consultants were not in place. The auditors felt that having written contracts in place would help to define the work to be performed by the consultant and protect the district from being overcharged.

The procurement policy now states that a contract will be awarded to the qualified firm. As part of this policy, the district writes "Memorandums of Agreement" with the firm providing services for them. The memorandum discusses the firm's duties and obligations under the contract and the fees to be paid the firm.

Improve Human Resource Practices

The following recommendations involve improvements in the Human Resource system at the district. The recommendations involve areas such as limits to giving bonuses to employees, requiring the district to conduct periodic salary surveys and to clarify job descriptions. In addition, our audit also recommended that the entire Human Resource field be centralized to provide better control.

Establish limits of management discretion such as giving bonuses. This recommendation has been implemented. Every year as part of the budget process the board approves a maximum amount of money that the general manager can use to award merit increases and bonuses. Out of that budget, the general manager will award merit increases and bonuses based on performance evaluations, position and range in compensation system, and consultation with the human resource manager.

Conduct periodic salary surveys. This recommendation has been implemented. The human resource manager stated that he has been given the responsibility by management to conduct a salary survey periodically. He interprets that to mean every other year. He obtains salary surveys through the Avant Group which conducts surveys for smaller special service districts and then sell the information to the districts. The latest one to have been conducted was October 1992.

Review and clarify job descriptions. This recommendation has been implemented. New job descriptions have been written for all positions at the district which adequately describe the duties and responsibilities of the employees. The latest revision is August 1992.

Provide centralized control of personnel functions. This recommendation has been implemented. This has been accomplished through hiring a human resource manager who oversees all human resource functions.

Have written procedures be adopted for each administrative policy. This recommendation has been implemented. Some examples of procedures include hiring and recruiting procedures, which guide managers in the selection of candidates. The hiring is based on the district's policy of equal opportunity employment. Other procedures include sexual

harassment, drugs and alcohol testing, and complaint resolution.

Board develop a position description for the general manager. This recommendation has been implemented. A position description for the general manager has been written which adequately describes the duties and responsibilities of this position.

Board establish a formal procedure for implementing external audit recommendations as well as following up to ensure that management has made the required changes. This recommendation has been implemented. In the past, the board has hired independent auditors to review the district's financial status and policies. Our original audit found that there was no mechanism to ensure that the recommendations of the auditors were implemented.

The district has a policy dated July 1990, which states that the audit findings will be presented to the board for their review. A district staff member then prepares a response to the audit findings including procedures for strengthening control weaknesses in response to specific audit findings. These are then presented to the board. Then, six months after the audit, the accounting staff are required to meet with the board of directors to report on the effectiveness of implemented procedures adopted by the board. A copy of the audit findings is also sent to the State Auditor's Office.

UTAH TRANSIT AUTHORITY February 1990 Report No. 90-06

The audit of the Utah Transit Authority found that the board had good oversight over the facility's operations and that management controls were in place. There were, however, three areas where we noted some improvement could be made. These were stating the purpose of the cash reserves held by the district, updating several policies, and making minor improvements in the human resource department. Since this audit, the facility has been responsive in implementing or attempting to implement our audit recommendations. Below are listed the audit recommendations and what the district has done to implement them.

During our previous audit of the Utah Transit Authority, we recommended that the board establish target levels for their cash reserves and clearly define the purpose of those reserves. The board has not yet created a policy defining the target level and purpose of these reserves. However, the director of finance stated that he would recommend UTA's cash reserve balance should equal one year's operating expenses and he will increase it until it does equal that. He stated that the reserve balance allows them to pay off their bills early and still maintain good cash flow. In the annual budget, the board is presented with a cash needs analysis of the district which shows the financial needs for the coming year and indicates the cash flows for the next five years. From this the board is aware of how much is found in the district's cash balance. The board could improve upon this system, however, by creating written policies that clearly indicate the board's direction for the cash balance. In addition, we also recommended that any money found in the cash reserve account at year's end be placed into the general fund as money left over to be rebudgeted as part of the general fund the next year. This recommendation has been implemented. The district's policy is to take any money left over from the general budget and put that into the cash reserve account until it accumulates to the point where it equals one year's operating expenses or use it for capital outlays, if necessary. As stated, this information is then presented to the board as part of the annual budget. However, the board could provide more direction through written policy on how accumulated funds are to be used and how much should be accumulated.

Our 1990 audit suggested some improvements in UTA's policies and procedures. For instance, on one occasion, a director had authorized his own travel voucher. Our review of the travel vouchers showed that this problem no longer existed. However, there were six vouchers that had no authorized signatures. The director of finance and the controller both agreed that the vouchers should have been signed. UTA should ensure that their policy of requiring two signatures for all vouchers be strictly followed. The 1990 audit also showed one case of an employee being paid the incorrect amount for mileage reimbursement under IRS guidelines. Due to a change in the IRS guidelines, this recommendation is no longer applicable.

Other policy improvements involved the use of the Flextrans System which is the bus system available for persons with disabilities. Since the original audit, UTA has complied with these recommendations by creating formal policies regarding the eligibility of which passengers can use the system and also for passengers who do not show up to use the Flextrans System after they have made an appointment. Both these policies appear to adequately comply with our recommendations. The only policy that UTA has yet to create is one regarding passengers with disabilities cancelling a reservation they made with the Flextrans system. UTA is currently in the process of recertifying all its Flextrans passengers according to ADA policies and once that is completed will create the cancellation policy.

Our 1990 audit of UTA made several minor recommendations in the Human Resource area. One of those recommendations was to keep their recruiting files current. From a brief review of their recruitment files, we noted they are now being kept up-to-date. They contain current information such as the list of people who applied for the positions, who was selected for interviews and why, any test information that is applicable, and the final candidate chosen.

A second recommendation within the Human Resource area recommended that employees be paid within their salary ranges. At the time, there were several employees being paid outside their pay ranges. Our current review indicates that this problem still exists for some employees. Most of these employees are outside their pay range because of a conflicting policy that requires a certain percentage pay difference between supervisors and employees. In order to alleviate this problem, UTA might consider the appropriateness of its current pay ranges.

The last recommendation stated that bonuses should be included in the salary surveys conducted by the Human Resource Department. Although bonuses are not included strictly as part of the salary survey, the salary surveys conducted request information regarding amounts of bonuses being paid for that particular year. Then UTA uses that information as a basis for paying its bonuses that year. This recommendation has been followed.

SALT LAKE COUNTY SERVICE AREA #1 December 1991 ILR 91-H

Service Area #1 is a small recreational facility with three full time employees which serves the Kearns area. Among the issues dealt with in our audit were operational procedures, financial records, and personnel practices. These were all found to be properly administered.

There were two additional areas that were of concern. These were the level of the director's salary and the amount of time the director spent away from the facility monitoring the legislature and performing other governmental duties. Below are listed the recommendations and the actions taken by the board.

Board develop a salary survey based on comparisons with recreational facilities of similar size. This recommendation has not been implemented. At the time of the original audit, Service Area #1 conducted a salary survey based on comparisons with service districts that were much larger and offered different services such as water districts. As a result, the manager and assistant manager were being paid higher salaries compared to other recreational facilities of a similar size and nature. Service Area #1 has still not conducted a salary survey comparing themselves with similar recreational facilities. However, they do intend to use a salary survey that will be conducted by Service Area #2 in the future. In addition, the board froze the salaries of the manager and assistant manager for now pending a market study.

The reason the district gave for not performing a salary survey is that there were other items on their agenda that were more important and needed to be completed before the salary survey was considered. In addition, the size and nature of the facility is changing in the next several years.

Board review its policy on paying management a travel allowance. This recommendation has been implemented. The board has reviewed the travel allowance paid to the director and they have reduced the amount paid from \$5,700 per year to \$4,200 per year. However, as reported in

our audit, other recreational facilities of similar size do not pay a travel allowance. Service Area #1 is the only recreational facility of its size that pays a travel allowance.

Board review amount of time spent by manager in legislative monitoring activities and performing governmental duties. This recommendation has been implemented. During our audit, we discovered that the manager of Service Area #1 was absent from the facility much of the time. The manager reported that a great deal of his time was spent monitoring the activities of the Legislature and performing other governmental duties. Compared with other facilities of similar size and nature, the amount of time spent by the manager of Service Area #1 appeared to be high. However, since the audit, the board has reviewed the amount of time spent by the manager in these activities and determined that the amount of time spent is appropriate.

CENTRAL VALLEY WATER RECLAMATION FACILITY February 1992 ILR 92-B

The original audit of the Central Valley Water Reclamation Facility was very limited in scope. We did not conduct a comprehensive review of operations and systems controls. However, a brief review was conducted of policies and procedures, and no problems were found. The focus of the audit centered on helping the district with their most pressing problem which was operational paralysis caused by a board divided amongst itself and turmoil between the board and the general manager of the facility.

From our review, we suggested several options that the board might use to overcome the problems they faced. It should be noted, however, that several board members have stepped down and have been replaced. In addition, the general manager has been replaced. This has created a much different board and an improved relationship between it and the general manager.

The first suggestion that we posed was to create by-laws and policies outlining the duties and responsibilities of both the board and the general manager. This was intended to help the board and manager understand their own areas of responsibility and prevent them from disputing over minor details. The board is currently working with a consultant to help them create these documents.

Another suggestion that we proposed was to create performance standards for the general manager's position. In this way, the board could determine how well the manager was performing. As of yet, they have not implemented this suggestion but still consider it important enough to pursue.

During the course of our original audit, we discovered that the board felt they had no input into choosing the major consultants hired by the facility. We suggested that the board take a more proactive role in choosing the consultants and guiding their efforts. The board has chosen to do this and now feel they have input into the hiring of consultants and the work they perform.

There were several other minor suggestions that we proposed to them that they feel would not work for their facility. We have not pursued these because they were not specific recommendations but rather suggestions for consideration.

At this point, the board and general manager are all pleased with the way they conduct business and the professional manner in which they treat each other. Our review suggests that

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the board and general manager have overcome some of their earlier problems and are making progress toward establishing controls to prevent the same problems from occurring in the future.

We hope this letter has provided the information you requested regarding audit follow ups of the special service districts. If you have any questions or need additional information, please contact us.

Sincerely,

Wayne L. Welsh
Auditor General

DEW:SDP/lm