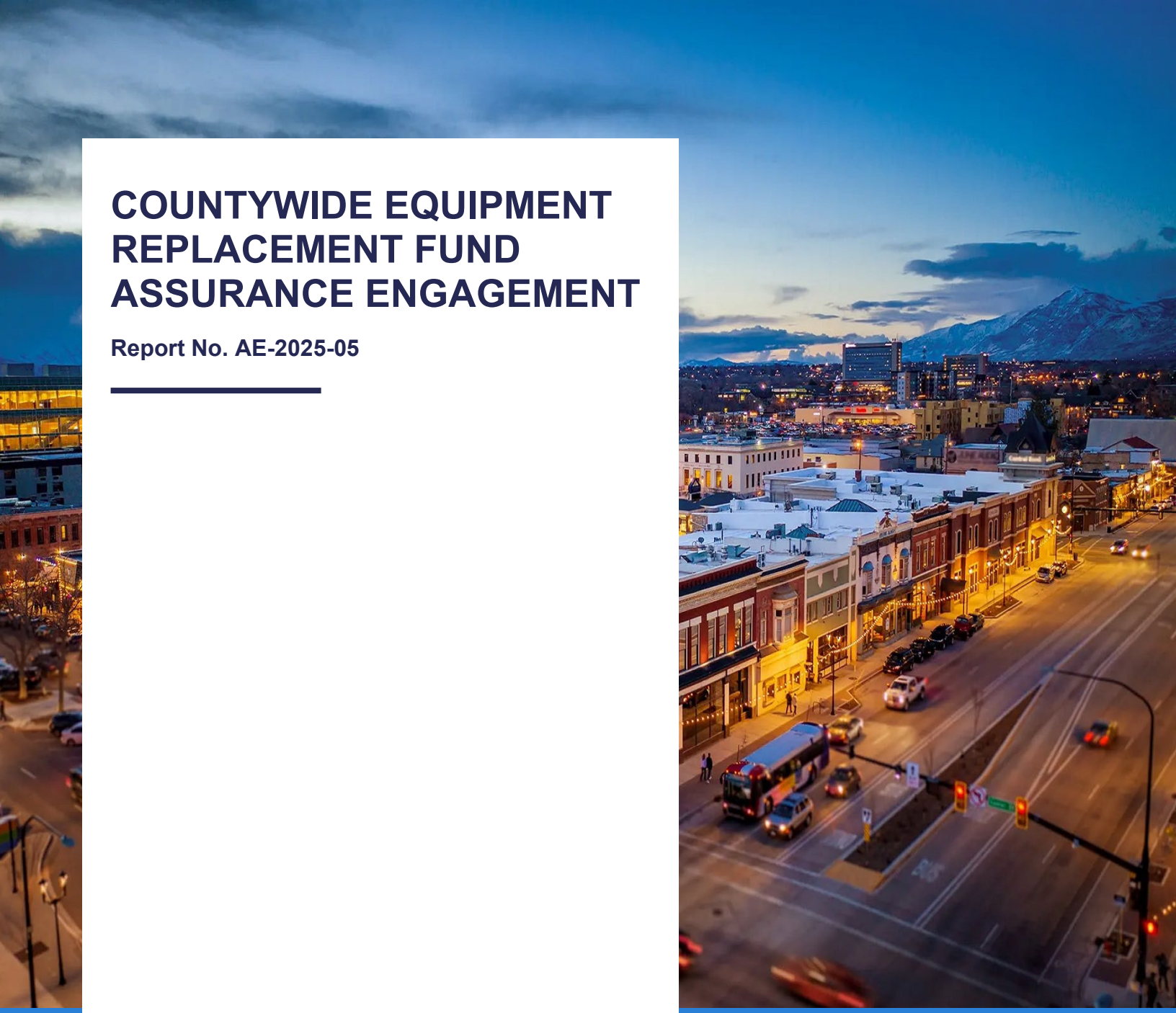

# COUNTYWIDE EQUIPMENT REPLACEMENT FUND ASSURANCE ENGAGEMENT

**Report No. AE-2025-05**

JULY 14, 2025

**Utah County Auditor Internal Audit Division**
**Internal Audit Manager: Calvin Bergmann, CIA, CFE, MPA**
**Senior Internal Auditor: Mont Wade, CIA**

Utah County
HEART of UTAH

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# AUDITOR'S LETTER

## Office of the County Auditor

Internal Audit Division

July 14, 2025

Rodney Mann, Utah County Auditor; Utah County Audit Committee Chair
Utah County Auditor's Office
100 East Center Street, Suite 3600
Provo, Utah 84606

Dear Mr. Mann:

The Internal Audit Division ("Division") performed an assurance engagement of County Financial Information Systems ("COFIS") Equipment Replacement Fund ("ERF") balance accuracy and policy compliance. During this limited review, we performed the following procedures:

1. Recalculated depreciation amounts and compared them to amounts in ERF unit list and COFIS for:
    a. new units added in 2023; and
    b. a sample of new units added in 2022.
2. Verified unit population (2024) cost, useful life, and eligible department requirements; and inclusion request submission components, per *Equipment Replacement Program and Fund Policy*, Section 2 (as of 4/22/2025).
3. Verified unit population (2024) has budgeted depreciation recorded per *Equipment Replacement Program and Fund Policy*, Section 3.2 (as of 4/22/2025) requirements.
4. Verified unit sample (2024) has required data, per *Equipment Replacement Program and Fund Policy*, Section 3.3 (as of 4/22/2025).
5. Reperformed 2024 fund balance true-up, per *Equipment Replacement Program and Fund Policy*, Section 3.4 (as of 4/22/2025).
6. Verified new unit population (2024) acquisition process compliance, per *Equipment Replacement Program and Fund Policy*, Section 4.1 (as of 4/22/2025).
7. Verified replacement unit population (2024) replacement unit compliance, per *Equipment Replacement Program and Fund Policy*, Section 4.2 (as of 4/22/2025).

8. Verified refunded unit population refund process compliance, per *Equipment Replacement Program and Fund Policy*, Section 3.4 (as of 4/22/2025).

The Division documented six findings and four other matters during the engagement. For finding(s) and other matter(s), we provide recommendations to improve the Countywide budgetary control environment. Finding and other matter numbering is correlated with the procedure numbering above.

Note that our report, by nature, disproportionately focuses on weaknesses. This does not mean there were not strengths within the areas reviewed and other areas not reviewed. For example, we note that management reviewed a revised draft of the *Equipment Replacement Program and Fund Policy* while we were completing the engagement.

The Division appreciates the courtesy and assistance extended to us by County personnel during the engagement process. We look forward to a continuing professional relationship.

Sincerely,

Utah County Internal Audit Division

CC: Jeremy Walker, Director of Financial Services, Utah County Auditor's Office
Gina Tanner, Budget Manager, Utah County Auditor's Office
Kim Jackson, Utah County Treasurer; Utah County Audit Committee Member
Amelia Powers Gardner, Commissioner, Utah County Board of Commissioners; Utah County Audit Committee Member

# FINDING(S) & OTHER MATTER(S)

## Finding 2.1: Assets Noncompliant with Inclusion Cost Criteria

**Condition**

Five assets (tag numbers: 17152-1, 29246-1, 31193-1, 800022-1, 800023-1) were included in the ERF that had an original cost of less than $5,000 and were:

i. not equipment that is a part of a functional unit,
ii. nor were a copier component that increases a copier's functionality.

**Criteria**

Per *Equipment Replacement Program and Fund Policy*, Section 2 (as of 4/22/2025):

> Equipment is eligible for inclusion in the program if each requirement below is satisfied. The assigned department for the equipment is not an internal service fund. Either as a single item or a functional unit, the equipment costs at least $5,000 or the equipment is a copier machine or a component of a copier that increases the copier's functionality.

**Cause**

These assets' inclusion in the *2025 ERF Asset List* (i.e., ERF unit list) file appears to have taken place due to a Budget Division oversight and lack of enforcement of the previous *Equipment Replacement Program Policy* (adopted August 10, 2022) and the current draft of the *Equipment Replacement Program and Fund Policy (*as of 4/22/2025).

**Effect**

Including ineligible assets in the ERF distorts departmental recapitalization expense allocations and the ERF balance, which may (a) mislead decision makers regarding available funding for future qualified replacements and (b) misallocate department budgets, as depreciation charges are applied to ineligible or unnecessary assets.

## Finding 2.2: Assets Noncompliant with Inclusion Useful Life Criteria

**Condition**

Three assets (tag numbers: 36141-1, 18273-1, and 18274-1; acquisition dates: 11/6/2023, 11/4/2013, and 7/12/2013) included in the ERF unit list each had a useful life of 15 years.

One asset (serial number: CCX-2000-0130; acquisition date: 1/1/2022) with allocated ERF depreciation expense in COFIS had a useful life of 20 years.

**Criteria**

Per *Equipment Replacement Program and Fund Policy*, Section 2 (as of 4/22/2025): "Equipment is eligible for inclusion in the program if each requirement below is satisfied…The equipment has a useful life of at least four years and less than 15 years."

Per *Equipment Replacement Program Policy*, Section 2 (Adopted August 10, 2022): "The Program provides for the planned replacement of all Utah County equipment generally with…a useful life exceeding four years."

**Cause**

Assets with tag numbers 36141-1, 18273-1, and 18274-1 may have been included in the ERF during a period when *Equipment Replacement Program Policy*, Section 2 (Adopted August 10, 2022), which does not establish a useful life maximum criterion, regulated the ERF.

Asset with serial number CCX-2000-0130 has an acquired date of 1/1/2022 and appears to have been created in the COFIS Fixed Assets Module by the Assistant Finance Director on 6/11/2023, during which the *Recap* checkbox was selected. Assets with this *Recap* criterion were used by the Budget Division to revise the ERF unit list during 2024, during which the Senior Budget Analyst removed the asset because the asset did not conform to useful life criteria. The Assistant Controller allocated depreciation expense to these assets in the ERF via journal entry 2024-1927 because the Assistant Controller: (a) confirmed they were purchased and (b) reviewed the previous year's ERF journal entry and determined these assets with nonzero book values appeared as support for the previous year's journal entry but did not appear on the *2025 ERF Asset List* file provided.

**Effect**

Including ineligible assets in the ERF distorts departmental recapitalization expense allocations and the ERF balance, which may (a) mislead decision makers regarding available funding for future qualified replacements and (b) misallocate department budgets, as depreciation charges are applied to ineligible or unnecessary assets.

## Finding 2.3: Assets Noncompliant with Inclusion Email Criteria

**Condition**
242 assets were included in the ERF that did not have associated ERF inclusion email requests from a department head or department head's designee.

**Criteria**
Per *Equipment Replacement Program and Fund Policy*, Section 2 (as of 4/22/2025):

> Eligible equipment is not automatically included in the program. A department head or the head's designee must request inclusion via email…to the ERP/ERF Manager (hereafter "Manager"), Senior Budget Analyst[1], and providing the cost and purchase date of the equipment, its estimated useful life, a short description of the equipment, and the fund and department to which the equipment is assigned.

**Cause**
Some assets were included in the ERF during the ERF's creation (e.g., the majority of ERF assets were acquired before 2023), during which time, policy did not include an email inclusion requirement.

**Effect**
Including ineligible assets in the ERF distorts departmental recapitalization expense allocations and the ERF balance, which may (a) mislead decision makers regarding available funding for future qualified replacements and (b) misallocate department budgets, as depreciation charges are applied to ineligible or unnecessary assets.

## Finding 3.1: Assets Removed from ERF Noncompliant with Removal Criteria

**Condition**
Five assets were included in supporting documentation for journal entry 2024-1927, which recorded ERF asset depreciation expense, which were not included in the *2025 ERF Asset List* file.

We verified three assets (tag numbers: 26338-1, 26339-1, and 26340-1) (a) were purchased on purchase order ("P.O.") 2020-5864-1 and (b) are currently in custody of, and being used by, the Sheriff's Office. All three assets have a COFIS Fixed Assets Module *Dept. Assigned* field of "100-41700 ELECTIONS", *ERP Location Department* field of "Clerk", *ERP Location Division* of "Elections", and *ERP Location Building* of "Administration Building."

One of these assets, one of 28 identical DS200 Tabulator voting machine assets, purchased on P.O. 2019-3989-1, was not included in the *2025 ERF Asset List* file.

One of these assets (tag number: 24601-1), disposed of in May 2024, was not included in the *2025 ERF Asset List* file.

The Assistant Controller and Senior Budget Analyst communicated they were unaware of any refunded units in the ERF for the year 2024.

**Criteria**

Per *Equipment Replacement Program and Fund Policy*, Section 3.4 (as of 4/22/2025):

> A unit will be removed from the ERF if it is not active, and the assigned department indicates that it does not intend to replace the unit with a unit that serves the same or a similar functional purpose within the next three years. The accumulated depreciation and set asides for such a unit will be refunded from the ERF to the fund of origin.

**Cause**

Three of these assets (tag numbers: 26338-1, 26339-1, and 26340-1), which were previously included in the ERF were removed from the ERF by the Budget Division because the County Clerk Elections Assistant Director communicated they were rented, not purchased. The Assistant Controller allocated depreciation expense to these assets in the ERF via journal entry 2024-1927 because the Assistant Controller: (a) confirmed they were purchased and (b) reviewed the previous year's ERF journal entry and determined these assets with nonzero book values appeared as support for the previous year's journal entry but did not appear on the *2025 ERF Asset List* file provided.

One of these assets, one of 28 identical DS200 Tabulator voting machine assets, purchased on P.O. 2019-3989-1, was not included in the *2025 ERF Asset List* file. This asset's removal from the *2025 ERF Asset List* file appears to have taken place due to a Budget Division oversight. The Assistant Controller allocated depreciation expense to this asset in the ERF via journal entry 2024-1927 because the Assistant Controller reviewed the previous year's ERF journal entry and determined this asset with a nonzero book value appeared in the ERF unit list file as support for the previous year's ERF depreciation expense journal entry but did not appear on the *2025 ERF Asset List* file provided.

One of these assets (tag number: 24601-1) was disposed of in May 2024. This asset's removal from the *2025 ERF Asset List* file (which includes the 2024 units tested) appears to have taken place due to a purposeful action by the Budget Division. The Senior Budget Analyst communicated that all assets disposed of were removed from the current ERF unit list.

The ERF unit list file prepared by the Budget Division should support the journal entries made for the current year's ERF depreciation expense. However, it appears the Accounting Division is reviewing the previous year's journal entry to ensure appropriate depreciation expense is applied to assets that were previously included in the ERF and should continue to be included in the ERF. Further, it appears the Budget Division obtains an updated ERF unit list via COFIS, following the fund's annual depreciation journal entry, which is used as a basis of an updated ERF unit list.

**Effect**

Removing assets in the ERF without authorization and/or based on incorrect information distorts departmental recapitalization expense allocations and the ERF balance, which may (a) mislead decision makers regarding available funding for future qualified replacements and (b) misallocate department budgets, as depreciation charges are applied to ineligible or unnecessary assets.

## Finding 4.1: Fully Depreciated Assets Allocated Depreciation

**Condition**

While testing ERF unit sample (2024) required data, per *Equipment Replacement Program and Fund Policy*, Section 3.3 (as of 4/22/2025), we noted in the *2025 ERF Asset List* file:

a. 2025 budgeted depreciation values for 103 assets, totaling $480,000, were associated with 103 assets fully depreciated before 2025; and
b. 2025 budgeted depreciation values for 9 assets reaching their useful life end during 2025 totaled $10,794.61 more than auditor calculated sum of 2025 depreciation values.

**Criteria**

Per *Equipment Replacement Program and Fund Policy*, Section 3.2 (as of 4/22/2025): "Depreciation charges begin in the month a unit is purchased, and end once accumulated charges equal the purchase price."

Per *Governmental Accounting Standards Board* ("GASB") *Statement No. 34*, paragraph 21: "Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible or are infrastructure assets..."

**Cause**

The *2025 ERF Asset List* file provided did not include formulas in both 2024 and 2025 budgeted depreciation columns. Supporting documentation illustrating the arithmetic used to calculate 2025 budgeted depreciation values in the *2025 ERF Asset List* was not provided. The arithmetic used to calculate 2025 budgeted depreciation values may have been calculated manually inconsistently, then manually entered into the *2025 ERF Asset List* by Senior Budget Analyst.

Due to inadequate management monitoring and inattention to detail, the Senior Budget Analyst appears to have calculated depreciation for an asset for an entire calendar year, regardless of which month during the year an asset reached its end of useful life and an asset's book value was reduced to zero.

**Effect**

Allocating depreciation expense to fully depreciated assets results in overstatement of budgeted depreciation expense and understatement of the fund balance, artificially inflating County department budgets and inflating overall County expenditures, reducing available resources for other priorities, distorting capital planning and future replacement funding needs, and misinforming decision makers regarding available funding.

## Finding 4.2: Set Asides Not Included on ERF Unit List

**Condition**

Asset set aside amounts (e.g., for inflationary adjustment) and a set aside column placeholder are not included in the *2025 ERF Asset List* file (i.e., ERF unit list). Note that we did not test which assets (if applicable) had authorized set aside amounts.

**Criteria**

Per *Equipment Replacement Program and Fund Policy*, Section 3.3 (as of 4/22/2025) (emphasis added):

> The Manager maintains a list of all ERF units which at a minimum includes the following for each unit:
>
> - Fund and department for budgeted depreciation and **additional set aside**;
> - Assigned fund and department;
> - Tag and sequence number;
> - Acquisition date;
> - Useful life which is assigned upon acquisition based on the County's Capital Assets Policy;
> - Description;
> - Purchase cost excluding any trade-in value credited at the time of purchase;
> - Depreciation accumulated in the ERF through the end of the prior year;
> - Depreciation budgeted in the current year;
> - **Any additional set aside** accumulated in the ERF through the end of the prior year;
> - **Any additional set aside** budgeted in the current year; and

- Asset status.

**Cause**
The Senior Budget Analyst communicated he purposefully did not add set aside amounts to the ERF unit list because he was informed that COFIS was not accurate in allocating set aside amounts.

**Effect**
Omitting applicable asset set asides in the ERF may distort departmental expense allocations and the ERF balance, misinforming decision makers regarding available funding for future qualified replacements.

## Other Matter 2.1: Asset Not Marked as Depreciable in COFIS

**Condition**
An asset (tag number 36141-1; acquisition date: 11/6/2023) included in the ERF was not marked as depreciable in COFIS.

## Other Matter 3.1: ERF Applicable Assets Purchased in 2024 Not Included in ERF Unit List

**Condition**
Three ERF applicable assets (tag numbers: 33878-1 and 33876-1; internal ID: 24177) purchased in November and December 2024 were not included in the ERF unit list.

## Other Matter 3.2: COFIS Fixed Assets Module Information Incorrect

**Condition**
Three assets (tag numbers: 26338-1, 26339-1, and 26340-1) (a) were purchased on purchase order ("P.O.") 2020-5864-1 and (b) per the Enforcement Division Lieutenant, are currently in the custody of the Sheriff's Office and are regularly deployed. All three assets have a COFIS Fixed Assets Module *Dept. Assigned* field of "100-41700 ELECTIONS", *ERP Location Department* field of "Clerk", *ERP Location Division* of "Elections", and *ERP Location Building* of "Administration Building."

The Purchasing Agent communicated that three assets (tag numbers: 26338-1, 26339-1, and 26340-1) assigned to the Clerk's Office were not transferred to the Sheriff's Office via a *Request for Disposition of Equipment Form* (note that this requirement was established March 22, 2022) nor appear to have been transferred informally via email.

## Other Matter 3.3: Depreciation Expense Not Updated Following Asset Custody Change

**Condition**

Three assets (tag numbers: 26338-1, 26339-1, and 26340-1) (a) were purchased on purchase order ("P.O.") 2020-5864-1 and (b) per the Enforcement Division Lieutenant, are currently in the custody of the Sheriff's Office and are regularly deployed. All three assets have a COFIS Fixed Assets Module *Dept. Assigned* field of "100-41700 ELECTIONS", *ERP Location Department* field of "Clerk", *ERP Location Division* of "Elections", and *ERP Location Building* of "Administration Building." Depreciation charges for these assets were applied to COFIS account 100-41700-5680.

The Clerk's Office communicated their understanding that these assets were rented, not purchased, and appear to be unaware that these assets are in County custody and are assigned to the Clerk's Elections Division.

Per *Equipment Replacement Program and Fund Policy*, Section 3.2 (as of 4/22/2025): "Departments will be charged for depreciation for units that departments acquire during the year. Depreciation charges begin in the month a unit is purchased, and end once accumulated charges equal the purchase price."

P.O. 2020-5864-1 was initiated on 5/29/2020 by a former County Clerk/Auditor (with Utah County Agreement 2020-424 listing the Sheriff's Office as the buyer) to purchase temporary structures to facilitate outdoor administration of drive through ballot sites at the Sheriff's Office located in Spanish Fork, Utah.

# MANAGEMENT RESPONSE(S)

## Finding 2.1: Assets Noncompliant with Inclusion Cost Criteria

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Each budget analyst will review with their assigned department their current ERF list and identify any assets that should be removed as part of the 2025 year end reconciliation. | Brian Wikle, Cindy Roe, Chris Martin (Budget Analysts) | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Finding 2.2: Assets Noncompliant with Inclusion Useful Life Criteria

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Each budget analyst will review with their assigned department their current ERF list and identify any assets that should be removed as part of the 2025 year end reconciliation. | Brian Wikle, Cindy Roe, Chris Martin (Budget Analysts) | 12/31/2025 |
| Update ERF policy with the new wording. | Gina Tanner, Budget Manager | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Finding 2.3: Assets Noncompliant with Inclusion Email Criteria

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Each budget analyst will review with their assigned department their current ERF list and identify any assets that should be removed as part of the 2025 year end reconciliation. | Brian Wikle, Cindy Roe, Chris Martin (Budget Analysts) | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Finding 3.1: Assets Removed from ERF Noncompliant with Removal Criteria

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Each budget analyst will review with their assigned department their current ERF list and identify any assets that should be removed as part of the 2025 year end reconciliation and obtain sign off by the department head on the approved list. | Brian Wikle, Cindy Roe, Chris Martin (Budget Analysts) | 12/31/2025 |
| Ensure the ERF policy clearly explains how to obtain and dispose of an ERF asset. | Gina Tanner, Budget Manager | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Finding 4.1: Fully Depreciated Assets Allocated Depreciation

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Each budget analyst will review with their assigned department their current ERF list and identify any assets that should be removed as part of the 2025 year end reconciliation and obtain sign off by the department head on the approved list. | Brian Wikle, Cindy Roe, Chris Martin (Budget Analysts) | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Finding 4.2: Set Asides Not Included on ERF Unit List

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Updated ERF policy to clearly state no recapitalization or set aside amounts are included in the fund.<br><br>This is the right choice as well since Oracle has not clearly shown that they can add a recapitalization or set aside amount in the new ERP software. | Gina Tanner, Budget Manager | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Other Matter 2.1: Asset Not Marked as Depreciable in COFIS

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Meet with the accounting team to ensure who will be entering these items into fixed assets since the Budget Team does not have this access. | Brian Wikle, Senior Budget Analyst | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Other Matter 3.1: ERF Applicable Assets Purchased in 2024 Not Included in ERF Unit List

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Encourage departments to purchase ERF replacement or new units between tentative and final budget so the ERF charges can be updated to reflect the appropriate amounts. If not an option, ensure the department receives in writing a notice from the budget team that they will be receiving a charge in the next year's budget for the depreciation. | Brian Wikle, Cindy Roe, Chris Martin (Budget Analysts) | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Other Matter 3.2: COFIS Fixed Assets Module Information Incorrect

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Meet with the accounting team to ensure the person authorized to enter these items into fixed assets makes the corrections since the Budget Team does not have this access. | Brian Wikle, Senior Budget Analyst | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.

## Other Matter 3.3: Depreciation Expense Not Updated Following Asset Custody Change

### Management Response

| Corrective Action Plan | Name and Title of Employee Responsible for Implementation | Target Date* |
|---|---|---|
| Add a section in the ERF policy that states what needs to be done if transferring an asset between departments and address the depreciation previously charged. If in the same fund (ie General Fund, A&C), no adjustments would be needed just the form completed and signed by both department heads. If in two different funds, a refund of the depreciation to the fund of origin would be needed and a charge to the new fund for the depreciation. This could be done by JE or by an internal invoice. | Brian Wikle, Senior Budget Analyst | 12/31/2025 |

*Entered in MM/DD/YYYY format. Generally, the date should be within 90 days (but no longer than 180 days) of report issuance. If the recommendation has already been implemented, enter the date it was implemented.