



OFFICE OF THE  
STATE AUDITOR

June 28, 2019

Steve Prokopis, Chair  
Unified Police Department Board of Directors  
3365 South 900 West  
Salt Lake City, Utah 84119

Dear Chair Prokopis:

The Office of the State Auditor (Office) offers a hotline through which it receives complaints about actions with financial implications of state and local governments and suggestions for improvements in the efficiency of those governments. During the Unified Police Department's (Department) budgeting process over the past few months, several parties, including Department management, communicated concerns regarding the Department's past budgeting procedures and the procedures' noncompliance with certain state statutes. Also, other complainants alleged that "money was missing from the budget."

We performed the following procedures for the fiscal years ending June 30, 2016 through June 30, 2019:

1. We discussed past and present budgeting procedures with Department management.
2. We reviewed the Department budgets as approved by the Department's Board of Directors (Board) for compliance with various state statutes.
3. We compared certain line items in the Department budgets with other documentation to determine whether the budget items were reasonable.

We concluded that the allegation regarding "money missing from the budget" likely stemmed from discussion during the Board's May 7, 2019 Finance, Budget, and Compensation Benefits Committee meeting. During this meeting, Department management discussed problems they had found with prior budgets, including:

- Budgets presented to the Board in prior years did not have information required by statute;
- Budgets filed with the Office did not always reflect what the Board had approved;
- Certain revenue line items were budgeted at significantly higher amounts than were reasonable; and
- Budgets specified the use of more fund balance than allowed by statute.

After discussing the concerns with Department management and reviewing the budgets and related documentation, we concluded the risk of an actual loss or misuse of funds related to this allegation is low. Since the concerns appear related to budget procedures rather than the actual receipt or use of Department funds, and since we previously performed a review of certain high-

risk expenditures (see Report No. UNPD-18-SP), we did not expand our evaluation to include an in-depth review of funds actually received and expended during the time period.

However, in general, we substantiated the concerns raised by Department management about past budgetary practices. We commend management for taking steps to identify and correct these issues. Utah statutes and rules over budgeting are designed to ensure that governing bodies have necessary information upon which to base budgeting decisions and that this information is presented in a transparent manner to the public. When these statutes and rules are not followed, it can erode public trust and increase the risk that funds will be used inefficiently or inappropriately. We describe our conclusions on some of the concerns as reported to us below:

**Concern #1: Budgets presented to the Board in prior years did not have information required by statute.**

*Utah Code* Section 11-13-508 requires the budget officer to prepare and present to the Board a tentative budget that includes: 1) actual revenues and expenditures for the last completed fiscal year; 2) estimated total revenues and expenditures for the current fiscal year; and 3) estimates of revenues and expenditures for the budget year. The budgets presented to the Board for approval did not contain the prior year *actual* amounts nor the current year *projected* amounts. The budgets only contained *budgeted* numbers for the current year, the upcoming year, and the preceding two years. This budget format does not comply with state statute and did not provide the Board with sufficient or relevant information.

**Concern #2: Budgets filed with the Office did not always reflect what the Board had approved.**

- a. The Department submitted budgets to the Office in the proper format as required by the statute referenced above, which included current year projected numbers and prior year actual numbers. We also concluded that for the three revenue items in question and for the budgets in total, the amounts noted on the budget submitted to the Office for the upcoming budget year were identical to the amounts approved by the Board. However, since the budget the Board approved did not contain the current year projected numbers or the prior year actual numbers, it can be argued that the budgets submitted to the Office were not precisely reflective of the budgets approved by the Board.
- b. In the budgets submitted to our Office for fiscal years 2016, 2017, and 2018, the budgeted amount for the Miscellaneous Intergovernmental Revenue line item was \$290,700 for each of the fiscal years. However, in the Board-approved 2019 budget, the prior year budget amounts presented to the Board for 2016, 2017, and 2018 were \$328,000, \$553,716, and \$793,502, respectively. While it is possible for a board to amend a budget during the year, these large differences from the original budget amounts do not appear to be reasonable or accurate given that the actual revenue amounts for 2016 and 2017 were reported to our Office as \$141,509 and \$131,909, respectively. In addition, the projected actual revenue for fiscal year 2018 was reported to our Office as \$700,000, but the Department's records indicate collections of less than \$200,000 at the time the projected revenue was reported. Therefore, neither the amounts actually collected by the Department for this revenue line item nor historic trends indicate that the

changes to the budgeted figures were reasonable. It is unknown why these prior year budget numbers were changed retroactively in the budgets presented to the Board, especially since there is no requirement to include the prior year budget in a proposed budget. However, it is clear that the information presented to the Board for prior year budgets was not reasonable and did not agree to the final approved budget numbers originally submitted to our Office.

**Concern #3: Certain revenue line items were budgeted at higher amounts than were reasonable.**

For at least two revenue line items, the budget presented to the Board appeared to be unreasonably high given facts that were known or should have been known at the time.

- For fiscal years 2018 and 2019, the 911 Surcharge Tax was budgeted at \$550,000 despite the fact that fiscal year 2017 was the last year the tax would be remitted to the Department due to a new statute which changed the way the revenue was distributed. The Department knew about the change in statute as they had participated in the process during the preceding years.
- For 2019, Miscellaneous Intergovernmental Revenue was budgeted at \$620,295 despite previous years' collections of under \$200,000. Furthermore, actual fiscal year 2019 revenue is currently projected to be only \$8,070.

Governmental entities should prepare budgets that are reasonable and prudent in order to prevent over expending their funds.

**Concern #4: Budgets specified the use of more fund balance than allowed by statute.**

*Utah Code* Section 11-13-512(4) allows inter-local entities to utilize general fund balance in excess of five percent of the total revenues of the general fund for budget purposes. The statute is open to interpretation since it does not specify whether to use budgeted or actual revenues nor does it mention the generally accepted practice of excluding non-spendable and restricted fund balance from the calculation since these portions of fund balance are generally subject to requirements that prevent the Board from using it for discretionary purposes. The Office encourages entities to use actual rather than budgeted revenues and to exclude portions of fund balance that are not subject to the Board's discretion when calculating the five percent allowance. We re-calculated the five percent allowance using the actual revenue amounts and excluding non-discretionary portions of fund balance and concluded that the Department has approved budgets in the past that have utilized more fund balance for budgeting purposes than allowed by statute. Since we believe that entities should be prudent and compliant with statute in the budgeting process, we encourage the Department to use a strict interpretation of this statute.

We appreciate the Department's willingness to communicate its concerns about its budget to us and commend their efforts to make the process more transparent. Since the Department has already taken steps to correct the problems noted, we do not intend to perform additional procedures based on the recent complaints nor have we issued any formal recommendations that

require a response at this time. We thank the Department's management for their cooperation during this process.

Sincerely,



Julie M. Wrigley, CPA, CFE  
Special Project Audit Manager

cc: Sheriff Rosie Rivera, Unified Police Department CEO