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The Honorable Mayor and Members of the City Council
Salt Lake City Corporation

We have audited the basic financial statements of Salt Lake City Corporation (the City), for the year ended June 30, 2009, and have issued our report thereon dated December 22, 2009. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah.

- Class C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)

The City also received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City's financial statements.)

- Emergency Medical Services (Bureau of Emergency Services)
- Fire Emergency Medical Services (Bureau of Emergency Services)
- EMS Medical Equipment (Bureau of Emergency Services)
- Asset Forfeiture CCJJ (Commission on Criminal and Juvenile Justice)
- Crises Intervention Team (Department of Health)
- Salt Lake City Video Surveillance Project (Commission on Criminal and Juvenile Justice)
- Historic Preservation (Department of Community and Economic Development)
- State Crosswalk Enforcement (Department of Health and Human Services)
- Tooele Valley Airport Apron Expansion (Department of Transportation)
- Utah Arts Council Imagination (Utah Arts Council)

Our audit also included test work of the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts Compliance
- B & C Road Funds
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees
- Asset Forfeitures
- Utah Retirement Systems

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the City's compliance with these requirements.

The results of our audit procedures disclosed an immaterial instance of noncompliance with requirements referred to above, which are described in the accompanying Schedule of Findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

The City's written response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management and State funding agencies, as well as the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

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Salt Lake City, Utah
December 22, 2009

**Salt Lake County, Utah
Schedule of Findings — State Compliance
For the Year Ended June 30, 2009**

Current Year Findings:

1. Accounting
Remittance of building fee surcharges

Criteria: Utah Code, Section 58-56-9(4) mandates that each compliance agency shall charge a 1% surcharge on all building permits issued and shall remit 80% of the surcharge collected to the Division of Occupational and Professional Licensing (DOPL) to be deposited into the General Fund as a dedicated credit to be utilized by the division to provide inspectors with the necessary training, education, and testing in order to meet the minimum qualifications to become licensed as building inspectors.

Condition: We are unable to determine whether the City is compliant with the above criteria for the year ended June 30, 2009.

Cause: During our testing of the above criteria we noted that the City was unable to reconcile payments remitted to DOPL during the year with its accounting records. This lack of reconciling indicates a change from effective internal control over the quarterly payment calculation. Further, we noted that the City's cash register system and newly installed software (Accela) does not consistently segregate the five types of building permit fees and the associated surcharges from other permit fees collected by the City. We conclude from our testing that this issue is limited to the time period extending from July 2008 through the present as a result of implementing Accela software in July 2008 and that it does not extend to earlier accounting periods.

Effect: The City is currently unable to determine the actual amount of building permit surcharges collected during the year ended June 30, 2009. However, we conclude from our testing that total fee revenue has been properly accounted for in the City's financial statements and that any amount due to or from DOPL is immaterial to the City's financial statements.

Recommendations: We recommend that the City determine the actual amount of building permit surcharges collected for the year ended June 30, 2009 and through the present, calculate any under or overpayment, and resolve this issue with DOPL. Going forward, we recommend that the City correct its accounting controls such that building permit fees and surcharges are properly segregated in its accounting system. Further, we recommend that the City update its internal controls over the preparation of quarterly reports and the calculation of amounts to be remitted to DOPL.

Management Response: The problem of inconsistent posting of data from this new software to the general ledger was discovered to be data transfer protocols from the cash register system and Accela when handling negative adjustments. After discussions between Community and Economic Development, Information Management and Finance and then subsequent inquiries of representatives from the software company, a solution was developed and tested. The "fix" was implemented in the live production environment on December 14, 2009. Two employees, one from Finance and one from Community and Economic Development are reviewing the daily postings to the general ledger. Finance has completed its analysis of data from software implementation date to present and determined that the City overpaid the State \$279.63 for fiscal 2009. Finally, a supervisory person will be calculating the quarterly payment and either Community and Economic Development or Finance will contact DOPL to resolve this issue.

Status of Prior Year Findings:

There were no findings in the prior year.