
A Report to the
Citizens of Salt Lake County
The County Mayor and the
County Council

Salt Lake County
Auditor's Office
Fraud Hotline
Annual Report
For 2020



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

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COUNTY AUDITOR

January 2021

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OFFICE OF THE SALT LAKE COUNTY AUDITOR
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OUR MISSION

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.

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Introduction

The annual report for the Salt Lake County Fraud Hotline is for activity that was reported on from January 1, 2020 through December 31, 2020. The scope of Salt Lake County's Fraud Hotline activity applies to acts of wrongdoing within the Salt Lake County government. Often the tips received on acts of wrongdoing within the Salt Lake County government are outside the scope of the Auditor's Office statutory duties and are referred to the appropriate entities. Occasionally, the tips received on acts of wrongdoing do not fall within the Auditor's Office statutory duties and are irrelevant for referral.

During 2020, the Fraud Hotline received 12 tips. Seven of 12 tips were referred to other Salt Lake County entities. Four of the 12, were irrelevant and closed. One of the 12 was investigated by the Auditor's Office.

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.*"¹ According to the Association of Certified Fraud Examiners (ACFE), the typical Fraud case costs the organization \$116,200, \$8,300 per month, and lasts 14 months before being detected. 21 percent of Fraud cases cost the organization in excess of \$1 million.²

Fraud hotlines are a critical tool for fraud detection. In 2016, the ACFE reported that fraud tips were twice as likely to detect fraud than internal audits. 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.

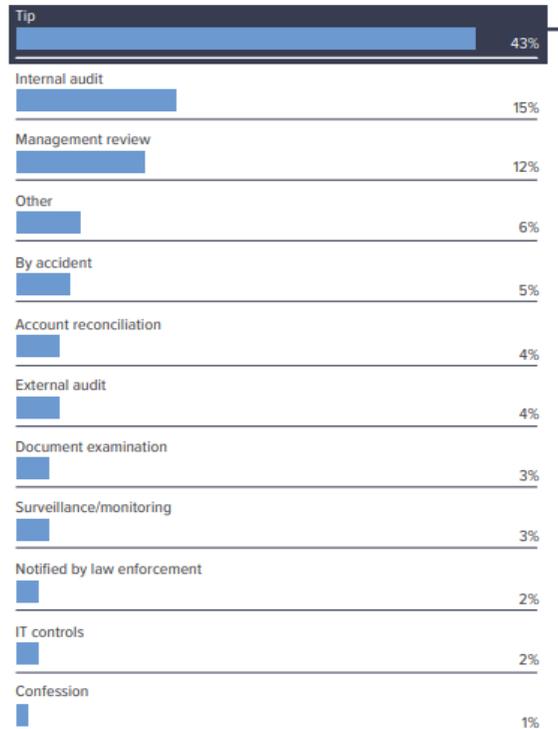
Since 2016, the difference in fraud detection from tips versus Internal Audits has grown, with 43% detected through tips versus 15% through Internal Audits in 2020. See figure 1, below.

¹ <https://www.merriam-webster.com/dictionary/fraud>

² "Report to the Nations: 2020 Global Study on Occupational Fraud and Abuse," Association of Certified Fraud Examiners

Figure 1. Fraud Initial Detection Methods. *Fraud is over twice as likely to be detected from a tip than from an Internal Audit. Table taken from Report to the Nations: 2020 Global Study on Occupational Fraud and Abuse,” Association of Certified Fraud Examiners*

Fraud Initial Detection Methods



The Auditor’s Office Fraud Hotline allows anyone to report acts of wrongdoing within the Salt Lake County government, by Salt Lake County employees or contractors. The goal of the hotline is to identify misuse of taxpayer funds. All concerns that are submitted are taken very seriously. The hotline includes three key features:

- Available to anyone online
- 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 taken seriously and given due process.

Methodology

Every tip received from the Fraud Hotline is processed using the methodology outlined below.

1. A case number is assigned to each tip so that it can be tracked on the Auditor’s Office Website as well as 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 than and are aimed determining if an event occurred and the nature of that event. Audits by contrast, providing 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 Auditors' Office may receive a tip that is outside the scope of the Auditor's duties. In these cases, we will refer the tip to the most appropriate authority for follow-up. Table 1 on page 3 contains the types of tips referred out and the appropriate office.

Table 1. Types of Tips Referred. *Tips are often referred to a different County Division or Elected Official.*

Types of Tips Referred	
Type of Issue	Action Taken
<i>Legal Issues:</i>	<i>Refer to the District Attorney's Office.</i>
<i>Sexual Harassment:</i>	<i>Refer to the Human Resources Office.</i>
<i>Discrimination:</i>	<i>Refer to the Human Resources Office.</i>

When a tip is referred, we document which authority the tip was referred to, the reason for the referral, any research performed, and any communication with the individual that submitted the tip.

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

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

- Irrelevant Subject Matter, such as (Federal income tax issues, tips not associated with County government, complaints against the President).
- Tips with incomplete information
- Meaningless tips or bogus tips submitted as a prank

Discarded tips are still documented within the Fraud Hotline Project including the reason for not performing an investigation or referral.

2020 Results

During 2020 more Fraud Hotline tips were received than in any of the previous three years. On average the Auditor's Office receives three potential fraud tips per year. As seen in Figure 1 on page 4 there were 12 tips received during 2020. See Appendix A for a more detailed list of tips of received.

Figure 2. 2020 Tips Received by Action Taken



Four of the 12 tips were closed with three of them being outside the duties of the Auditor's Office and one was clearly a prank. Six of the 12 tips were referred to another County Agency. One tip regarding poor internal controls, but not fraud, resulted in the agency being scheduled for an internal audit in 2021. The decision to perform a limited scope audit was made after possible control weaknesses were verified through review of internal accounting records.

Finally, one tip was investigated during the year. Concerns were expressed that tickets were being sold inappropriately. Other concerns submitted with the tip related to personnel issues and were deemed to be outside the duties of the Auditor's Office. These allegations were forwarded to management within the agency as well as to Human Resources. Through that investigation the Auditor's Office concluded that there are sufficient controls provided to appropriately safeguard against possible misuse of ticket vouchers.

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. 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: 2020 Fraud Hotline Detailed Results

2020 Fraud Hotline Detailed Results		
Activity Reported in Tip	Case Status	Auditor Conclusion
Fraudulent ticket sales	Investigated	<i>No material internal control deficiencies discovered</i>
Prank tip	Closed	<i>Not relevant</i>
Personnel issues	Referred	<i>Referred to Human Resources for further investigation</i>
Slow payment of invoices	Referred	<i>Referred to a 2021 limited scope financial audit</i>
Texting Scam	Closed	<i>Instruction on how to submit this information to the FTC was provided</i>
Stolen Wallet	Closed	<i>Instruction on how to contact the local police department was provided</i>
FMLA Leave Abuse	Referred	<i>Referred to Human Resources for further investigation</i>
Telephone Scam	Closed	<i>Instruction on how to submit this information to the FTC was provided</i>
Election Ballot Concern	Referred	<i>Referred to County Clerk's Election Division</i>
Election Ballot Concern	Referred	<i>Referred to County Clerk's Election Division</i>
Property Tax Avoidance Concern	Referred	<i>Referred to County Assessor's Office</i>
Workers' Compensation Concern	Referred	<i>Referred to District Attorney's Risk Management Division</i>