



Internal Audit

2016 Sales Tax Collections and Reporting Internal Audit Report

Approved: 
Isaac S. Clarke

May 25, 2016
Report Reference: R-16-4

Restricted Distribution

Executive Summary

Background and Procedures Performed

Sales tax revenue accounted for approximately 66 percent of the Utah Transit Authority's (UTA) total revenues in 2015. Transit sales tax is collected from six counties and some of their municipalities by the Utah State Tax Commission. The Utah State Tax Commission distributes transit sales tax to UTA on a monthly basis. UTA's Comptroller reports sales tax receipts to Corporate Staff on a monthly basis. Sales tax receipts are also reported in financial reports to UTA's Board of Trustees and in its Comprehensive Annual Financial Report.

An internal audit was performed to assess the design and operational effectiveness of controls around the receipt, recording and reporting of sales tax revenue. The period of the audit was from January 1, 2015, to December 31, 2015. Audit procedures were designed to ensure that:

- All recorded transactions actually occurred
- All of the transactions that took place are recorded
- Transactions have been recorded accurately
- Transactions have been recorded in the correct accounting period
- Transactions have been recorded in the proper accounts
- Periodic totals are accurately reported

Procedures performed on each process in this review included inquiries of functional management and personnel to understand the business processes and control framework, inspection of transactional documentation, and re-performance of control activities to determine whether the identified controls have been implemented and are functioning as intended.

Key Management Issues

There were no reviews of manual controls performed within the processes of recording and reporting monthly sales tax receipts. This issue was self-identified by the Comptroller and corrective actions were taken, prior to this internal audit, in February of 2016.

Overall Process Conclusion

Except for the issue noted above, controls around the receipt, recording and reporting of sales tax revenue are designed and operating effectively.

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Findings and Recommendations

1. Receipt reconciliations, journal entries and account balance reconciliations should be reviewed by someone other than the preparer to ensure that the controls are properly performed. Reviewing the performance of manual controls increases the preparers' accountability for timely and proper execution of their duties. Monitoring activities should be performed consistently and promptly enough that any errors are identified and corrected prior to the reporting of sales tax revenue.

Failure to adequately review the performance of manual controls may result in not detecting accidental or intentional errors that may impact the accuracy of financial reporting and damage UTA's reputation.

Audit procedures found that UTA's Comptroller performed all of the control activities related to the receipt, recording and reporting of sales tax revenue in 2015. No other individual reviewed the Comptroller's work during 2015. Internal Audit re-performed the reconciliations for the entire audit period and noted that there were no errors impacting the accuracy of the sales tax revenue reported in 2015.

Audit procedures also revealed that the Comptroller had self-identified the need for a review in the beginning of 2016. The Comptroller transferred the responsibility for performing the control activities to an accountant in her department and reviews her work before reporting the monthly sales tax revenue to Corporate Staff. This process has been in place for all sales tax revenue reports for the 2016 fiscal year.

Recommendation R-16-4.1: *As corrective action has already been taken, no additional recommendations were made at this time.*

Management Action Plans

The following are the planned actions that UTA Management has drafted in response to the findings and recommendations proposed by Internal Audit in the preceding section.

Recommendation ID	Mgt. Agreement	Owner (Name and Title)	Target Completion Date
R-16-4.1	Not Applicable	Danyce Steck, Comptroller	February 15, 2016
Recommendation:	<i>As corrective action has already been taken, no additional recommendations were made at this time.</i>		
Action Plan:	Not Applicable		

Report Distribution

This report is to be distributed directly to the following individuals.

- Jerry Benson Interim General Manager/President/CEO
- Robert Biles Vice President of Finance
- Danyce Steck Comptroller

Appreciation is expressed to Danyce Steck for her cooperation in supporting this internal audit.

Audit Team Members

Auditors assigned to this project were Brian Ledbetter and Riana De Villiers.