



**SOUTH SALT LAKE**  
**CITY ON THE**  
**MOVE**

**CITY COUNCIL**

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**South Salt Lake City Council**  
**Work Meeting**

Public notice is hereby given that the **South Salt Lake City Council** will hold a Work Meeting on **Wednesday, May 23, 2018** in the City Council Chambers, 220 East Morris Avenue, Suite 200, commencing at **5:30 p.m.**, or as soon thereafter as possible.

Conducting: Ben Pender, Council Chair

**MATTERS FOR DISCUSSION:**

1. Audit Presentation
2. Budget Discussion

Adjourn

Posted May 18, 2018

Those needing auxiliary communicative aids or other services for this meeting should contact Craig Burton at 801-483-6027, giving at least 24 hours' notice.

CITY OF SOUTH SALT LAKE  
CITY COUNCIL WORK MEETING

COUNCIL MEETING

Wednesday May 23, 2018  
5:30 p.m.

CITY OFFICES

220 East Morris Avenue #200  
South Salt Lake, Utah 84115

PRESIDING  
CONDUCTING

Council Chair Ben Pender  
Council Chair Ben Pender

COUNCIL MEMBERS PRESENT:

Sharla Beverly, Ray deWolfe, Mark Kindred, Portia Mila (via telephone), Ben Pender  
Shane Siwik and Corey Thomas

STAFF PRESENT:

Mayor Cherie Wood  
Kyle Kershaw, Finance Director  
Dennis Pay, City Engineer  
Craig Burton, City Recorder  
Ariel Andrus, Deputy City Recorder

**Matters for Discussion**

- 1. Audit Presentation.** Derk Rasmussen, of Sage Forensic Accounting, reviewed an audit presentation with the Council. A copy is attached to these minutes and incorporated by this reference.

There was discussion regarding the detail provided by Social Marketing on their invoices. Sage suggested they should contain more detail in regards to tasks performed during the hours worked.

Finance Director, Kyle Kershaw, said the City will consider the recommendation for more detail but he feels looking at the work product is a more reliable measure of hours performed. For example, does the City know that a person worked as many hours on a project as they reported on the invoice or is the work product more of verification?

Mr. Rasmussen said he agrees with the City that the deliverables were provided. He thinks Social Marketing absolutely did the things they were asked to do. The deliverables are there. The question is did it take them the number of hours that they billed? They don't know based on the documentation available. He suggested another method would be to agree up front to pay a certain amount for a particular service and then you don't care about the hours.

Mr. Kershaw said that in the case of Social Marketing, the detail breakdown was not required in the contract and it wasn't provided. He has seen other service providers break

it down to every 10 minutes. The City will look and see if there are ways to increase the reporting requirement on services.

There was more discussion regarding the amount of detail that should be provided on invoices of service providers as well as discussion about the State Code regulations for contracting professional services.

Council Member Beverly said this process started because there was a serious allegation that there might have been funds used for elections. She asked Mr. Rasmussen if they found any evidence of that.

Mr. Rasmussen answered no, they did not.

Council Member Kindred countered that this audit was not the Council's suggestion. It was made by the Administration.

The Council recessed at 6:38 p.m.

The Council reconvened at 8:21 p.m.

- 2. Budget Discussion.** The Council reviewed all the tentative 2018-2019 City budgets directing their questions to Mayor Wood and Mr. Kershaw. Questions where answers were not readily available were written down to be researched and answers will be given to the Council as soon as possible.

The meeting adjourned at 10:35 p.m.

  
\_\_\_\_\_  
Ben Pender, Council Chair

  
\_\_\_\_\_  
Craig D. Burton, City Recorder





FORENSIC ACCOUNTING



**City of South Salt Lake**  
**Forensic Audit**

May 23, 2018

Sage Forensic Accounting

[www.sagefa.com](http://www.sagefa.com)  
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# Background

- Members of the South Salt Lake City Council raised questions concerning the propriety of some disbursements made to Social Marketing Consultants (“SMC”).
- From January 2012 through approx. June 15, 2017 (“Audit Period”) approx. \$1,378,000 was disbursed from City of South Salt Lake (“City” or “CSSL”) to SMC.
- City Council wanted to determine whether funds disbursed to SMC were appropriate and supported.



# Scope of Audit

## Phase #1

- Review bidding and contracting documents between SMC and the City to assess compliance with city policy and state law.
- Test disbursements to SMC which contain “PR or public relations”, “travel”, and “special projects” in the description.
- Randomly select additional disbursements made to SMC to reach a desired total number of tested disbursements, which was approx. 25% of total disbursements.

## Phase #2

- SMC timesheet request and review.
- SMC and CSSL Procedures and Policies.
- Promise Program – Costs vs. Return



# SMC's Duties & Contracts with the City

During the Audit Period, multiple professional service agreements between SMC & the City were signed.

Generally the contracts were two year agreements, all over \$5,000. For instance, on June 18, 2013 SMC signed a two year agreement to perform services from 6/18/2013 through 6/18/2015. (Source: Schedule 1 from report)

SMC's duties fell under four main categories:

- Grant Writing
- Grant Management
- Promise Program Management
- Newsletter/Outreach





# SMC's Duties & Contracts with the City, Cont.

- Under the Utah Code of Ordinances and the City's Purchasing & Contracting Manual, professional services are not subject to a bid procedure and only require the approval of the mayor to enter into a professional services contract.
- Pursuant to internal City policy, the City filed a public disclosure statement in regards to the hiring of SMC under a professional service agreement.



# SMC's Duties & Contracts with the City, Cont.

## Sage Opinions/Comments

- Based upon our review of the UT Code of Ordinances and the City Purchasing & Contracting Manual, Section F – Procuring Professional Services, it is our opinion that SMC's duties fall within the Professional Services category and therefore an RFP was not needed in procuring SMC's services.
- It is our opinion that the agreements between SMC and CSSL are broad and ill-defined from a budgeting standpoint. This is especially true since there was no requirement for SMC to provide detailed invoices by time spent on specific tasks.



FORENSIC ACCOUNTING

# Disbursements to SMC by Category

<b>Program</b>	<b>FY - 2012</b>	<b>FY - 2013</b>	<b>FY - 2014</b>	<b>FY - 2015</b>	<b>FY - 2016</b>	<b>FY - 2017</b>	<b>Total</b>	<b>Percentage</b>
Promise Program Management	43,500.00	103,167.00	76,888.00	150,620.92	166,335.00	97,875.00	638,385.92	46.23%
Grant Writing	40,804.42	63,258.00	77,860.00	68,555.60	94,275.00	120,300.00	465,053.02	33.68%
Newsletter/ Outreach	0	53,730.00	54,510.00	66,900.00	62,490.00	0	237,630.00	17.21%
Grant Management	2,460.00	2,940.00	8,595.00	11,540.00	6,805.00	7,350.00	39,690.00	2.87%
<b>Total</b>	<b>86,764.42</b>	<b>223,095.00</b>	<b>217,853.00</b>	<b>297,616.52</b>	<b>329,905.00</b>	<b>225,525.00</b>	<b>1,380,758.94</b>	<b>100.00%</b>

# Disbursements to SMC by Category

Program	Total	Percentage	Fund
Promise Program Management	638,385.92	46.23%	Grant Funded
Grant Writing	465,053.02	33.68%	City Funded
Newsletter/Outreach	237,630.00	17.21%	City Funded
Grant Management	39,690.00	2.87%	City Funded
Total	1,380,758.94	100.00%	

- Of the amount funded by the City (\$742,373.02), 67.99% went to SMC for Grant Writing and Grant Management.
- Of the total amount paid to SMC, \$1,143,128.94 was for Grant Writing, Grant Management, and management of the grant funded Promise Program.



FORENSIC ACCOUNTING

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# Generating the Audit Sample

Sage was asked to sample 25% of all disbursements made to SMC from CSSL, which included all disbursements containing the words “PR” or “Public Relations”, “Travel”, and “Special Projects”.

We selected an additional 27 transactions made to SMC by CSSL to complete the sample size to be tested. (Random Selection)

The sample size included 115 transactions equaling \$376,741 disbursed to SMC. (Source: Schedule 7 from report)



# Audit Sample Category: PR/Public Relations

Description	FY - 2012	FY - 2013	FY - 2014	FY - 2015	FY - 2016	FY - 2017	Grand Total
<b>PR</b>							
10-41 Administrative			4,260.00				4,260.00
10-43 City Council		11,460.00		2,190.00			13,650.00
10-68 SSL Promise				360.00			360.00
10-69 City Newsletter/Outreach	42,270.00	49,830.00	64,710.00	62,490.00	62,490.00		219,300.00
<b>PR Total</b>		<b>53,730.00</b>	<b>54,090.00</b>	<b>67,260.00</b>	<b>62,490.00</b>		<b>237,570.00</b>

## Sage Opinions/Comments

- SMC provided work product related to this category. It is our opinion based on this work product, SMC performed the tasks billed to the City in this category. However, it is impossible from the documentation to identify the individuals who attended each event or which SMC personnel worked at each event. The invoice description, SMC's responses, and work product appear to be consistent with SMC's contract with the City. However, the final product and the supporting information Sage received for the invoices, fail to provide enough detail to break out hours worked on each task.
- The billing information provided for this category is also inconsistent. Several of the PR/Outreach invoices show that funds from the Administrative (10-41), City Council (10-43), or SSL Promise Program (10-68) were used to pay for SMC's PR/Outreach services rather than the City Newsletter/Outreach account (10-69) which was most often used. It is unknown why the allocation of disbursements for these services were not all allocated to the City Newsletter/Outreach account (10-69).



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# Audit Sample Category: Travel

Description	FY - 2012	FY - 2015	FY - 2016	Grand Total
<input type="checkbox"/> TRAVEL				
<input type="checkbox"/> 10-41				
Administrative	1,477.92	1,415.60		2,893.52
<input type="checkbox"/> 10-68				
SSL Promise		2,064.45	1,990.00	4,054.45
<b>TRAVEL Total</b>	<b>1,477.92</b>	<b>3,480.05</b>	<b>1,990.00</b>	<b>6,947.97</b>

## Sage Opinions/Comments

- All the travel transactions have an approved invoice and description correlating to the reason for the travel. However, for a claimed flight reimbursement of \$581.20, the support was a bank statement showing a check number and matching dollar amount. However, the canceled check was not provided to verify the recipient of that check. It is our opinion that \$6,366.77 of travel transactions are justified and supported.



# Audit Sample Category: Special Projects

Description	FY - 2014	FY - 2015	FY - 2016	Grand Total
<input type="checkbox"/> <b>SPECIAL PROJECT</b>				
<input type="checkbox"/> 10-68				
SSL Promise	5,300.00	4,491.00	43,032.00	52,823.00
<b>SPECIAL PROJECT Total</b>	<b>5,300.00</b>	<b>4,491.00</b>	<b>43,032.00</b>	<b>52,823.00</b>
<b>Grand Total</b>	<b>5,300.00</b>	<b>4,491.00</b>	<b>43,032.00</b>	<b>52,823.00</b>

All of the Special Project transactions relate to the Reading Buddies Programs. \$48,751.68 for the administration and execution of the program. \$4,071.30 for supplies for the program.

## Sage Opinions/Comments

- SMC provided work product related to this category. It is our opinion based on this work product, SMC performed the tasks billed to the City in this category. However, it is impossible from the documentation to identify the individuals that participated in the Reading Buddies Program and the hours worked.
- The invoice description, SMC's responses, and work product appear to be consistent with SMC's contract with the City. However, the final product and the supporting information Sage received for the invoices, fail to provide enough detail to break out hours worked on each task. Based on the information provided by SMC, it is our opinion that SMC purchased \$4,071.30 of supplies for this program and received reimbursement from the City for this exact amount.





# Audit Sample Category: Random Selection

Description	FY - 2012	FY - 2013	FY - 2014	FY - 2015	FY - 2016	FY - 2017	Grand Total
<b>RANDOM SELECTION</b>							
10-41							
Administrative	9,420.00	628.00	9,300.00	3,240.00	3,990.00	19,830.00	46,408.00
10-51							
Police Department				1,080.00			1,080.00
10-68							
SSL Promise	5,880.00	6,342.00	2,520.00	5,595.00	7,230.00		27,567.00
55-76							
Other			2,575.00		1,770.00		4,345.00
<b>RANDOM SELECTION Total</b>	<b>15,300.00</b>	<b>6,970.00</b>	<b>14,395.00</b>	<b>9,915.00</b>	<b>12,990.00</b>	<b>19,830.00</b>	<b>79,400.00</b>

## Sage Opinions/Comments

SMC provided work product related to this category. It is our opinion based on this work product, SMC performed the tasks billed to the City in this category. The invoice description, SMC's responses, and work product appear to be consistent with SMC's contract with the City. However, the final product and the supporting information Sage received for the invoices, fail to provide enough detail to break out hours worked on each task.

## Category Descriptions:

- Administrative/Police Department – SMC grant writing
- SSL Promise – SMC Promise Program management
- Other – SMC Agriculture grant management



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# Forensic Audit Phase #2

As discussed previously, SMC's final product and the supporting information we received for the invoices fail to provide enough detail to break out hours worked on each task. Because of this issue, the forensic audit expanded to include the following tasks:

- Review and analysis of SMC's timesheet information
- Review of SMC and CSSL's procedure and policies
- Review and analysis of the Promise Program – Costs vs. Return



# Phase #2: SMC Hours per Category per Hour Logs

Employee	Community Development	Grant	Police Department	PR / Outreach	Promise SSL	Recreation	Urban Living Department	Writing	Pioneer Craft House	Granite Preservation Foundation	Grand Total
Ashley Babbitt	10.50	1,294.50	20.00	549.00	983.50		87.50	45.00			2,990.00
Bombshell Media		2,298.70	27.50	744.65	233.65		41.25				3,345.75
Brynley Graham					30.50						30.50
Casey Boxall				36.75							36.75
Christie Marcy				53.75	54.33						108.08
Cory Dumont				589.52	92.87		12.31				694.70
Emily Lewis		26.25									26.25
Emily Mead					556.00						556.00
Jack Wilbur		381.50									381.50
Justina McCandless		9.08		475.45							484.53
K2 Consulting		147.36									147.36
<b>Kari Cutler</b>		<b>5,680.50</b>	<b>989.25</b>	<b>949.50</b>	<b>7,887.50</b>	<b>597.50</b>	<b>497.50</b>	<b>436.25</b>	<b>26.50</b>	<b>5.50</b>	<b>17,070.00</b>
Lindsey Nielson				29.42							29.42
Sara Bezjian				43.37							43.37
TaKelle Newton		4.00		8.00	21.50						33.50
Trina Valdez		69.00									69.00
<b>Grand Total</b>	<b>10.50</b>	<b>9,910.90</b>	<b>1,036.75</b>	<b>3,479.40</b>	<b>9,859.85</b>	<b>597.50</b>	<b>638.56</b>	<b>481.25</b>	<b>26.50</b>	<b>5.50</b>	<b>26,046.70</b>
<b>Kari's Percentage</b>	<b>0.00%</b>	<b>57.32%</b>	<b>95.42%</b>	<b>27.29%</b>	<b>80.00%</b>	<b>100.00%</b>	<b>77.91%</b>	<b>90.65%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>65.54%</b>

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# SMC's Summary of Hours

Description	FY - 2012	FY - 2013	FY - 2014	FY - 2015	FY - 2016	FY - 2017	Grand Total
Total SMC Hours Billed to CSSL	1,404.67	3,647.42	3,474.13	4,730.05	5,362.62	3,758.75	22,377.63
Employee Hours Provided by SMC*	3,188.41	5,108.70	3,064.94	4,226.79	5,471.58	4,960.28	26,020.70
Difference (in hours)	1,783.74	1,461.28	(409.19)	(503.26)	108.97	1,201.53	3,643.07
Hourly rate	\$60.00						
Billed Amount (in dollars)	84,280.00	218,845.00	208,448.00	283,802.93	321,757.00	225,525.00	1,342,657.93
Using Employee Hours*	191,304.36	306,522.00	183,896.40	253,607.63	328,295.09	297,616.77	1,561,242.25
Difference (in dollars)	107,024.36	87,677.00	(24,551.60)	(30,195.30)	6,538.09	72,091.77	218,584.32

- As shown above, SMC worked more hours than they billed in 3 of the 5 years. However, in FY 2014 and FY 2015, SMC hours worked were less than the hours billed to the City. These results lead us to believe that the information contained on the hour logs supplied by SMC appear to be inaccurate and estimated.



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# Sage Opinions/Comments

- The information Sage received from SMC regarding personnel hours worked does not support the disbursements made to SMC. Sage is still unable to break down tasks and services per hour by individual.
- As previously mentioned, there are many discrepancies between SMC's hour logs and the hours reported on the invoices SMC provided to the City. It is our opinion that SMC's hour logs are inconsistent and unreliable and may not accurately represent SMC's involvement with the City.
- Based on our review of the invoices, our interviews with the City, and our review of the City's accounting system, it appears that the SMC's invoices in total closely match the available funds budgeted. This is not unexpected since SMC is aware of the budgets and available funds prior to submitting invoices to the City. Based on SMC's invoices and lack of detailed support, it is not possible to determine whether SMC actually worked the total hours shown on their invoices to the City. In the end, it appears that SMC was compensated for their work based on what was originally budgeted in the grant applications and the City's general fund.



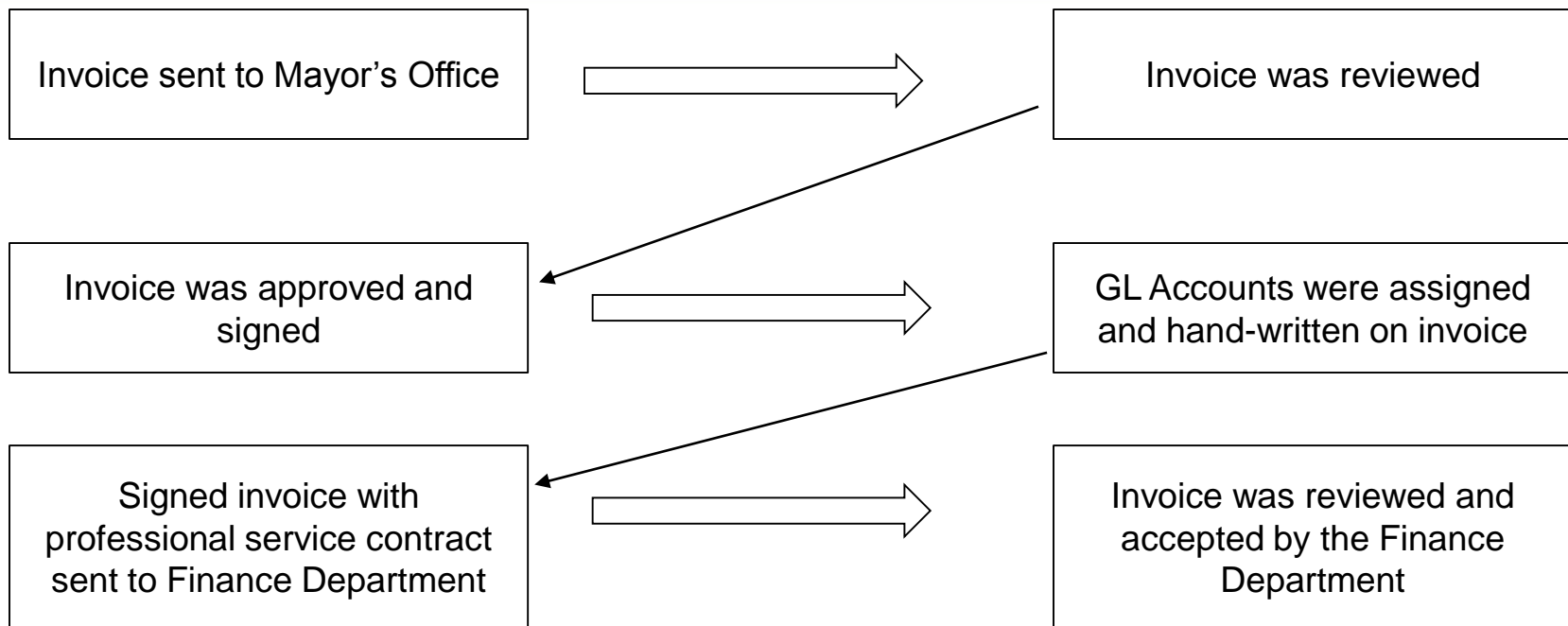
# Phase #2: SMC and the City's Procedures and Policies

Sage researched the following 3 questions related to CSSL's procedures and policies:

1. What was the City's approval process for accepting and paying SMC's invoices?
2. What was the City's process in allocating expenses to certain GL accounts?
3. What supporting documentation/information does the City maintain for grant disbursements?



# Question #1: The City's Approval Process for Accepting and Paying SMC's Invoices



- After the approval process occurs, the City performs a periodic grant reconciliation of the GL accounts. During the reconciliation, all identified errors were referred to the Finance Director for Adjustment.





# Question #1: Sage Opinions/Comments

- During our May 3, 2018 interview with City personnel, we verified that SMC invoices received additional scrutiny and reconciliation. Mr. Kershaw explained that City personnel would provide, “Reviews, reconciliations, and Clean-up” of the GL accounts if necessary. Additionally, based on our May 8, 2018 interview, the City discussed having various invoice approval thresholds depending on the individual’s position with the City. For instance, Peck, as the City’s Chief of Staff, has the ability to approve any invoice over \$5,000. It is our opinion that the City has adequate policies and procedures related to separation of duties and spending thresholds for the approval of invoices.



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# Question #2: What was the City's Process in Allocating Expenses to Certain GL Accounts?

Based on our review of the information we determined that the City allocated SMC's expenses to 90 different GL accounts, with 73 of those accounts relating directly to the Promise Program.

## Sage Opinions/Comments

- It is our opinion that from an accounting perspective, the use of multiple GL accounts is appropriate and essential to properly budget and report activities related to each fund. Additionally, because the City is required to follow monthly/quarterly grant reporting, the City is highly involved in review, maintenance and reconciliation of each grant budget. The City's grant reporting process provides additional protection for the City from expenditure misallocation and misuse.



# Question #3: What Supporting Documentation/information does the City Maintain for Grant Disbursements?

## Sage Opinions/Comments

- On May 8, 2018, Sage visited the City's Promise Program Department to review Promise Program grant documentation and information maintained by the City. The City provided access to all documentation maintained by the City. The City is required to maintain this documentation for seven years. The City maintains a binder for each grant by year, by location. Sage reviewed various binders. Within each of those binders, the City had copies of the grant award letter, City expenditure accounting reports (detailing date, vendor name, amount, GL account, and description), invoices, City disbursement checks to vendors, contracts for professional service contractors and reward requirements.
- Based on our review, it is our opinion that the City has properly maintained the required information to support their disbursements for the Promise Program grants.



# Phase #2: Promise Program – Costs vs. Return

Income Statement of the Promise Program from FY13 to FY17.

- The total amount of revenue received for grants for the City's Promise Program during the five years shown on the IS was \$7,851,570.36.
- The total amount disbursed to SMC from the Promise Program during the same period was \$597,874.52.
- Disbursements to SMC as a percentage of total Promise Program expenses was 7.61%.



Row Labels	2013	2014	2015	2016	2017	Net Income
<b>Revenue</b>						
21ST CENTURY GRANT	234,104.01	383,272.29	566,820.27	557,261.12	719,534.00	2,460,991.69
AFTERSCHOOL GRANT	82,271.11	41,700.43	35,284.75		-	159,256.29
AMERICORPS GRANT	-		14,712.00		10,989.00	25,701.00
DWS	174,896.37	326,525.84	527,460.14	1,067,028.85	1,137,200.62	3,233,111.82
FEDERAL GRANT	32,857.86	32,478.81	21,552.07	8,411.47	-	95,300.21
PAL MENTORING	14,067.27					14,067.27
SL COUNTY	39,000.00	38,863.79	60,364.86	78,579.81	92,471.39	309,279.85
UNITED WAY GRANT	239,000.00	270,253.45	299,464.00	281,634.00	261,529.85	1,351,881.30
US DEPT OF ED - VLA	29,781.29	8,033.26				37,814.55
UTAH FED FOR YOUTH					113,755.64	113,755.64
<b>Revenue Total</b>	<b>845,977.91</b>	<b>1,101,127.87</b>	<b>1,525,658.09</b>	<b>1,992,915.25</b>	<b>2,335,480.50</b>	<b>7,801,159.62</b>
<b>Expense</b>						
21ST CENTURY GRANT	(234,123.16)	(385,362.50)	(566,850.27)	(592,229.91)	(711,375.33)	(2,489,941.17)
AFTERSCHOOL GRANT	(81,180.71)	(40,391.06)	(35,886.23)		-	(157,458.00)
AMERICORPS GRANT	-				(10,989.00)	(10,989.00)
DWS	(184,832.41)	(326,003.57)	(527,985.56)	(1,103,304.26)	(1,137,323.86)	(3,279,449.66)
FEDERAL GRANT	(32,857.86)	(32,478.82)	(21,552.07)	(8,411.47)	-	(95,300.22)
PAL MENTORING	(14,844.71)					(14,844.71)
SL COUNTY	(39,000.00)	(38,863.79)	(60,364.86)	(74,404.48)	(91,032.84)	(303,665.97)
UNITED WAY GRANT	(234,290.08)	(270,253.45)	(299,464.65)	(246,800.09)	(250,130.53)	(1,300,938.80)
US DEPT OF ED - VLA	(29,781.29)	(8,033.26)				(37,814.55)
UTAH FED FOR YOUTH					(114,986.90)	(114,986.90)
PROFESSIONAL SERVICES			(40,499.12)		(4,697.89)	(45,197.01)
UNKNOWN		(984.37)				(984.37)
<b>Expense Total</b>	<b>(850,910.22)</b>	<b>(1,102,370.82)</b>	<b>(1,552,602.76)</b>	<b>(2,025,150.21)</b>	<b>(2,320,536.35)</b>	<b>(7,851,570.36)</b>
<b>Net Income</b>	<b>(4,932.31)</b>	<b>(1,242.95)</b>	<b>(26,944.67)</b>	<b>(32,234.96)</b>	<b>14,944.15</b>	<b>(50,410.74)</b>
SMC Disbursements	(101,385.00)	(76,888.00)	(150,621.52)	(166,335.00)	(102,645.00)	(597,874.52)
SMC Disbursement as a percentage of total promise program expenses	11.91%	6.97%	9.70%	8.21%	4.42%	7.61%

# SMC Disbursements Compared to Total Grants Received

Category	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
Promise Program Management	\$101,385.00	\$76,888.00	\$150,621.52	\$166,335.00	\$102,645.00	\$597,874.52
Grant Writing	\$63,258.00	\$73,960.00	\$68,555.00	\$94,275.00	\$127,125.00	\$427,173.00
Newsletter/Outreach	\$53,730.00	\$58,410.00	\$66,900.00	\$62,490.00	\$0.00	\$241,530.00
Grant Management	\$2,540.00	\$8,995.00	\$11,000.00	\$7,345.00	\$7,350.00	\$37,230.00
Total	\$220,913.00	\$218,253.00	\$297,076.52	\$330,445.00	\$237,120.00	\$1,303,807.52

- \$7,801,156.62 - Promise Program grants received
- \$257,382.47 - Police Department grants received
- \$8,058,539.09 - Total grants received
- \$427,173.00 - disbursed to SMC for Grant Writing



# Sage Recommendations

It is our understanding that SMC's current involvement with the City is limited to providing grant writing services. Based upon this understanding and our forensic audit we recommend the following:

1. If the City concludes that it will continue to compensate SMC on an hourly basis for grant writing, then we recommend the following:
  - The City adjusts their Professional Service Agreements to include spending thresholds based on specified tasks; and
  - The City adjusts their Professional Service Agreements to include a requirement that invoices from contractors must include the following details: task description, day each task was performed, individual performing the task, and time spent on each task.
2. As an alternative to a continuation of hourly charges for Grant writing, we recommend the City generate new yearly contracts that match the budgeted dollar amount allocated for grant writing expenses. This will eliminate SMC billing on an hourly basis and will restrict their bills to the specific amount budgeted for specific grant writing tasks.





CONTACT	CONTACT PHONE NUMBER	DATES COVERED BY THIS INVOICE	POS CONTACT	TERMS
Kari	(801) 468-0692	May 13 to June 13, 2012	Myrna Clark	Upon Receipt

PROJECT ID	DESCRIPTION	UNIT PRICE	TOTAL
21 <sup>st</sup> Century	May CPB presentation prep and meeting (Babbitt), Managers meeting & Coordinators PPICs surveys, process activity and attendance reports May 21 <sup>st</sup> Century Billing/grant reimbursement research pull backup receipts, meetings, accounting support Knight, Woodland, Babbitt), UCA current grants renewal (in progress), program sustainability	10-68-802-09 60.00 x 23 hrs	\$1,380.00
		10 68 804-10 60.00 x 46 hrs	\$2,760.00
		10 68 805-10 60.00 x 37 hrs	\$2,220.00
FIE Earmark (Villa Franche)	Work with D. Stidham/D. Voniarisoa-program processing/adjustments, SSL refugee youth services stats, promotional materials, program review, VISTA coordination, Walk a mile community humanities project	10 68 861 05 60.00 x 66 hrs	\$3,960.00
PAL Mentoring	Process attendance reports, PAL billing and follow up, work with K2 Church- mentor recruitment	60.00 x 17 hrs 10 68 896 05	\$1,020.00
UW	Process HNM report, communication with Principals, DeAnn Dimond (GSD)	60.00 x 8 hrs 10 68 876 05	\$480.00
General Recreation	21 <sup>st</sup> Century Grant Writing	60.00 x 8 hrs	\$480.00
		<b>TOTAL DUE:</b>	<b>\$12,300.00</b>

10 68 550 02 \$450-



FORENSIC ACCOUNTING

# Questions?





May 22, 2018

FORMAL RESPONSE TO OPINIONS AND COMMENTS CONTAINED IN SAGE FORENSIC ACCOUNTANTS, INC.'S MAY 21, 2018 AUDIT REPORT

**KYLE KERSHAW**  
Finance Director

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The City of South Salt Lake appreciates the opportunity to provide this response to Sage Forensic Accounting, Inc.'s audit report issued on May 21, 2018. The audit was initiated by the City's administration in response to questions and concerns raised by certain members of the City Council regarding the contractual relationship between the City and Social Marketing Consultants. The City Council Chair selected Sage Forensic Accounting to conduct the audit and maintained contact with the auditors throughout the engagement.

This response is intended to be a comprehensive response to the auditor's report. However, it is not intended to address each and every representation or conclusion with which the City agrees or disagrees. The lack of discussion in this response about any specific representation or conclusion in the audit report should not be construed as concurrence by the City or its contractor, Social Marketing Consultants (SMC), with any such representation or conclusions.

Management appreciates the professionalism exhibited by Sage Forensic Accounting during the audit. Overall the City is pleased with the report's fundamental conclusion that the City received product of value through its ongoing contractual relationship with SMC. The report repeatedly concludes that "SMC provided work product . . . it is our opinion that SMC performed the tasks billed to the City . . ." The report also concludes that "the City disbursed \$427,173 to SMC for writing and applying for grants which, in return, generated \$8,058,539.09 of grant funds for the City" over the course of five years.

While the report does not expressly state a conclusion to answer the expanded scope of the audit as to whether there was "economic justification to SMC's involvement with CSSL," it is clear from the facts set forth in the report that the City received a substantial return on the funds provided to SMC, which have been used to invest in the future of the children and the residents of the City.

However,  
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City Code,  
the draft

There are a number of other points in the audit report that warrant further clarification. First, while the City generally agrees with the draft report's analysis of relevant State law, and policies, a critical relevant finding was overlooked in this regard. In several instances, report acknowledges that the City is bound by State law in addition to City code and policies. Accordingly, the draft report correctly concludes that SMC's services qualified as "professional services," and as such were exempt from the formal bidding process under the relevant legal framework. However, the report fails to clearly reach a similar critical conclusion that the City had in place relevant policies and procedures, including the requirement of a written contract, and that the parties complied with the terms of their written contract.

Notwithstanding the auditor's concerns about the level of specificity of certain contract terms, the contract and the relationship between the City and SMC complied with applicable State law and municipal codes and policies, according to the auditor's own analysis. To exclude such a relevant, material conclusion in the report is misleading because it invites the reader to infer otherwise, which, the City believes, is not the auditor's intent.

**CHERIE WOOD**  
MAYOR

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Second, the auditor's report should better reflect and acknowledge the context of the City's relationship with SMC and the nature of the work. SMC was and is highly qualified to provide the services the City hired it to provide, as evidenced by the results of its grant-writing services and the effective programs it helped the City develop and maintain. SMC is, however, a small business run primarily by one dedicated individual—not a large corporation with an accounting or bookkeeping department or with the resources to retain large volumes of detailed documentation years after the fact, that its contract did not require it to retain. Despite that, the report acknowledges that SMC provided hundreds of documents supporting each disbursement to SMC.

The City is proud to partner with dedicated, hard-working small businesses like SMC and others, and will continue to work to improve its policies and procedures as appropriate for local vendors and service providers. The draft report should acknowledge that, given (a) the amount of time that has passed since the expenses were incurred, (b) the contractual requirements that governed the relationship, and (c) the nature of SMC as a small local business with limited resources, the auditor would not expect to see perfect documentation from SMC for every expense in a sample that spanned nearly six years.

For more detailed responses relating to each opinion/conclusion and recommendation in the draft report, please see Addendum A, attached hereto.

A handwritten signature in black ink that reads "Kyle Kershaw". The signature is written in a cursive, flowing style.

Kyle Kershaw  
Finance Director

## Addendum A

### RESPONSE TO SAGE AUDIT OPINIONS/COMMENTS:

#### **Section: SMC And Utah Code Of Ordinances And Purchasing & Contracting Manual P. 4**

**City's Response:** The City agrees with the report's analysis of relevant State law and City policies regarding the need for an RFP and the conclusion that SMC's services qualified as "professional services," and was therefore exempt from a formal bidding process.

#### **Section: Contracts P. 5**

**City's Response:** A critical relevant finding is missing as it relates to the opinion regarding the City's contracts. It would be helpful to the readers if the report more clearly acknowledged the fact that the City had in place contracts, in accordance with its established policies and procedures, and that the parties did in fact comply with the terms of those agreements. To leave out such a critical point inappropriately invites the reader to infer differently. While the City appreciates any feedback on how to improve such contracts, doing so without the explanation that the contracts complied with City purchasing policy is misleading.

The report should also note that while the auditor may have concluded that the contracts that governed the City's relationship with SMC should have required more detailed invoices from SMC, there was no State law or City policy that required that level of specificity, which is an important point that should be noted in the report.

#### **Section: Disbursements Made To SMC From 1/12/12 to 6/15/17 P. 10**

**City's Response:** The City agrees with the opinion that, based on the work product, SMC performed the tasks billed to the City. Also the City agrees that the work product is consistent with SMC's contract, as well as the City's expectation to provide various services.

The opinion asserts that there is insufficient information on the invoices to be able to determine the amount of hours worked on each task. While the invoices considered in isolation may be subject to such criticism, there is and was at the time enough other evidence that a sufficient, and even an excess, number of hours than billed was expended by SMC on each task. To draw such a conclusion fails to take into consideration and give weight to City Staff's personal involvement and observations of the tasks billed. Along with SMC, City staff members were present in all planning meetings, reviewed the monthly newsletter work product, attended activities and events, and were present in all meetings with Promise partners. Therefore, City staff would have personal knowledge upon which to rely in reviewing and approving invoices provided by SMC. The documentation provided should be analyzed—and discussed in the draft report—in light of the first-hand observation and involvement by City staff along the way of the activities addressed in SMC's invoices to the City.

Based on the background and experience of the Mayor and Chief of Staff, other City staff previously involved in newsletter generation and partner/community outreach activities, it was apparent that the services rendered by SMC fulfilled all contractual obligations while creating a vibrant program for the targeted groups. It is worth noting that the newsletter publication produced by SMC won the APEX Awards for Public Excellence for three years.

Regarding the draft report's assertion that the "billing information provided for this category is also inconsistent," the City notes that the report appears to be referring to budget allocation, not billing or invoicing by SMC. While the City cannot access all information relating to the coding of invoices there could be several reasons why the invoices mentioned were assigned to various general ledger accounts. 1. At times the City Council, or another department, could have requested additional outreach activities and found allocation space in that department's budget, 2. Certain grants could have allowed outreach activities as part of the authorized grant budget which would explain why expenditures were allocated to the 10-68 (Promise) department. It was

rare that costs would have been allocated to a grant budget in error because of the rigorous reconciling process that would occur regularly, 3. There could have been an element of human error at play when costs were allocated to specific line items. Errors could have occurred during the allocation coding process or the data input process. It was possible that these errors were not discovered in a timely fashion. Even if a particular outreach expenditure was coded to an incorrect expense account, such error doesn't reflect that the expenditure was not legitimate.

**Section: Travel P. 10**

**City's Response:** The City agrees with the opinion that \$6,366.77 of travel transactions are justified and supported. However, the City does not agree that the auditor can properly reach the conclusion that the remaining expenditure of \$581.20 was not justified or supported. As Schedule 12 of the draft report notes, SMC submitted a bank statement identifying a check for an amount matching the amount of the corresponding line item on the invoice that was drawn on SMC's bank account during the relevant time period which is reliable evidence that SMC had indeed incurred the expense. And SMC provided an accurate explanation for each component of the total expense. As the auditors are aware, more than three years had passed from the time the expense was incurred until the time the auditors requested the documentation, and the contract between SMC and the City did not require SMC to retain such documentation after the fact. As the auditors are also aware, SMC is a small business run by a single individual whose expertise is in grant-writing, communication, and creation and management of effective social programs like the Promise Program. As previously noted, SMC has no accounting or bookkeeping department. The audit report should note that, under these circumstances and under the requirements of the parties' contract, it is not surprising or unreasonable that substitute documentation would be required for at least some of the expenses included in the audit.

**Section: Special Projects P. 11**

**City's Response:** The City agrees with the opinion regarding services rendered by, and payments made to, SMC in the "Reading Buddies" program were correct and proper. This program was financed with grant proceeds from the Utah Department of Workforce Services to provide reading assistance to youth. As such, all expenditures had to be compliant with the grant budget and the awarding agency policies. The fact that these expenditures were reimbursed by the awarding agency indicates all expenditures were properly authorized and adequately supported.

In addition, this section of the report and others assert that the documentation provided to the auditor does not show when specifically the hours billed were worked and by which individuals. That level of detail was not, in the City's judgment, necessary at the time. While that lack of detail on the invoices may have made the task of the auditor more challenging now, after the fact, the City had sufficient information at the time the invoices were processed, based in part on the regular, high level of involvement of City staff in the work performed by SMC, to give the City confidence that it indeed was receiving the services and products for which SMC was paid.

**Section: Grants P. 12**

**City's Response:** The City agrees with the opinion that based on the work product and deliverables SMC performed the tasks which were contracted with, and subsequently paid by, the City.

**Section: Promise SSL P. 13**

**City's Response:** The City agrees with the opinion that based on the work product and deliverables, SMC performed the tasks which were contracted with, and subsequently paid by, the City.

**Section: SMC'S Employee Hours P. 15**

**City's Response:** Contractual agreements between the City and SMC did not require SMC to create and retain detailed hourly work records or time sheets. As such, none were provided when invoices were submitted for payment. However, as noted earlier, City staff members were aware of the services SMC was contracted to provide and verified SMC's attendance at planning meetings, youth programs and activities, community outreach gatherings, partner meetings, etc.

In addition, the deliverables and other evidence indicated strongly that SMC was providing the services for which it was billing. Over the five year period of this review, the Promise program grew immensely which is demonstrated by SMC's increased involvement with the City. Specifically, grant revenue increased by approximately \$1,250,000 annually, the number of afterschool youth centers and programs increased from 6 to 13, the number of youth served increased from 1,200 in 2012 to approximately 2,700 to date. The Promise program created nine community councils to address needs in: jobs/economy, safety, education, arts and community, health, neighborhoods, housing, and faith-based community and equity.

SMC was involved in much of the planning and execution of the South Salt Lake Promise program. The above expansion indicators support the idea that the hours which SMC billed were consistent with the terms of the contract.

The City notes that SMC explained in its written responses to the auditor that the hourly logs it provided were created after the fact from the best available information it had when the auditor requested the information, years after the work was performed and invoices processed and paid. As noted above, SMC is a small business run by one individual without the accounting, records management, and bookkeeping functions of a larger company, and its contract with the City did not require the level of specificity that the auditor, after the fact, wished to see for purposes of the audit.

**Section: SMC And CSSL Invoice Procedure And Policies – City's Approval Process For Accepting And Paying Invoices P. 17**

**City's Response:** The City agrees with the opinion that adequate policies and procedures are in place regarding the separation of duties and the proper authorization thresholds for invoice approval.

**Section: SMC And CSSL Invoice Procedures And Policies P. 18**

**City's Response:** The City agrees with the opinion that its current account structure is appropriate and essential in tracking and reporting grant expenditures.

**Section: SMC And CSSL Promise Program Background – Grant Information Maintained By The City P. 19**

**City's Response:** The City agrees with the opinion that grant records are maintained properly as per grant award requirements and Utah State Law governing records retention.

**Section: SMC And SSL Promise Program Background P. 22**

**City's Response:** The City agrees with the opinion that SMC did assist in developing grant budgets while engaged in the grant writing process. Also, SMC expenditures would have been transacted as per the limitations of the awarding agency's approved budget. SMC did not have the authority or the ability to adjust grant budgets.

**Section: Revenue And Expenses Of The Promise Program P. 23**

**City's Response:** The City agrees with the opinion that a high degree of accuracy was required and utilized to correctly allocate SMC's Promise program's expenditures. As noted in the opinion SMC was disbursed funds for grant management purposes from grants that it was instrumental in obtaining for the City. The grant management funds were requested, as part of the grant budget, during the grant application process. At the time the City didn't have adequate expertise in the grant management area. The City would have therefore been required to disburse these funds to another third party vendor to perform the program reporting requirements and other grant management tasks if SMC was not involved. It is also important to note, that these duties were performed by SMC at a cost to the City of less than one Full Time Equivalent position.

**Recommendations:**

**City's Response:** The City has always been committed to ensuring that all contracts, including professional services contracts, are accurate, transparent, and provide legal protection for the City. The City appreciates the recommendations contained in the audit and will confer with its legal department to determine the best way to implement these recommendations.