

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Community Resources and Development

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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<http://www.saltlakecountyauditor.org/site/audit/>



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Salt Lake County Auditor

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December 31, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Community Resources and Development

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Community Resources and Development in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Community Resources and Development and the cooperation from Michael Gallegos, Division Director, Kerry Steadman, Assistant Division Director, Jared Steffey, Fiscal Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Community Resources and Development during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Cherylann Johnson MBA, CIA, CFE
Sr. Deputy Auditor

cc: Michael Gallegos, Division Director
Kerry Steadman, Assistant Division Director
Jared Steffey, Fiscal Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Community Resources and Development. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

Community Resources and Development has put into place some internal controls for managing public funds and safeguarding confidential information. However, some risks and areas of non-compliance were identified. Most were minor and would not be expected to result in the material loss of County assets. Risks related to inadequate controls over controlled assets and software inventory have a higher likelihood of leading to loss of County property. In addition, there were minor findings related to purchases using the petty cash fund and purchasing cards. A report of the last audit of the Community Resources and Development Division was released to the public in January 2005.

Findings and Recommendations

Finding # 1 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: **Moderate**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information)."

Section 4.3.1 states:

"Exhibit 3 - 'Controlled Assets Inventory Form - Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The "Controlled Assets Inventory Form - Employee" was not used to manage controlled assets that were assigned to employees.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Community Resources and Development use the "Controlled Assets Inventory Form - Employee" to manage controlled assets readily assignable to an individual. All employees who are assigned controlled assets should review and sign the form to indicate their verification of the assets.

Finding # 2 - The "Controlled Assets Inventory Form - Organization" was not signed or dated.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 4.3.3 states:

"The 'Certification' on Exhibits 3 and 4 states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them.

The "Controlled Asset Inventory Form - Organization" was not signed by the Property Manager as evidence of accountability for assets not assigned to individual employees.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Property Manager sign and date the "Controlled Assets Inventory Form - Organization" to certify the assets not assigned to individuals.

Finding # 3 - No comprehensive software inventory was on file.

Risk Level: Moderate

Countywide Policy #1400-3, "Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned, or sent to surplus."

The Community Resources and Development management did not maintain a comprehensive software inventory.

Failure to maintain a software inventory increases the risk of unlicensed software on Community Resources and Development computers. The use of unlicensed software may result in fines and penalties to the County.

Recommendation

We recommend that Community Resources and Development management maintain a current software inventory.

Finding # 4 - Community Resources and Development's petty cash fund was too large for its actual level of utilization.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.1.4, states:

"The requested imprest amount should be sufficient to provide adequate operating funds for two months."

Community Resources and Development has an authorized petty cash fund amount of \$1,600. We obtained replenishment records from Mayor's Financial Administration to analyze the use of the authorized balance. Between November 2012 and October 2013, the petty cash fund was replenished seven times. The amount of petty cash funds used during this twelve-month period was \$2,392.56. Therefore, the funds on hand were sufficient for eight months of expenditures. In addition, the Reimbursement Request submitted in January 2013 represented disbursements from September 2012 through December 2012. Based on current criteria, the petty cash fund balance is too large for its actual level of utilization, as outlined in Countywide Policy #1203.

Because some of the funds in the petty cash fund remain idle, unused funds lose potential interest earnings or could be appropriated to other areas of need within the County.

Recommendation

We recommend that the petty cash fund amount be reduced to a level more appropriate to Community Resources and Development's operational needs.

Finding # 5 - Meal Reimbursement Forms were not included for some transactions.

Risk Level: Low

Countywide Policy #1020, "County Meals," Section 6.1 states:

"All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and group attending in relation to County business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt."

During our review of purchases, we noted 6 out of 49 petty cash transactions made from November 1, 2012 to October 31, 2013 that did not have Meal Reimbursement Forms included with the petty cash vouchers. In addition, 2 transactions for meals that were paid for using a purchasing card did not have Meal Reimbursement Forms.

Without a Meal Reimbursement Form that is signed and dated by the Division or Department Director, we cannot verify that the purchases were authorized and approved.

Recommendation

We recommend that a Meal Reimbursement Form that is signed and dated by the Division or Department Director accompany each food purchase made using the petty cash fund or a purchasing card.

Finding # 6 - There was no approval signature on the petty cash voucher when the Custodian was the recipient of the petty cash.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 4.6.3 states:

"To ensure proper internal control and separation of duties, if the Custodian is the recipient of the petty cash, he/she shall sign as Payee, and the Fiscal Manager or other Agency-designated supervisor shall approve and sign as Custodian."

During our review of petty cash transactions, we noted 1 out of 49 purchases where the purchase was made by the Petty Cash Custodian. The Custodian signed the petty cash voucher as the recipient of the petty cash; however, the approval signature line was left blank.

When proper internal control is not established, there is an increased risk of unauthorized purchases.

Recommendation

We recommend that the Fiscal Manager or other Agency-designated supervisor approve and sign the petty cash voucher when the Custodian is the recipient of the petty cash.

Finding # 7 - Sales tax was paid on one purchase.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 4.5.1 states:

"The County is exempt from sales tax as a governmental entity. Prior to making a purchase, employees shall request from the Custodian a Utah State Tax Commission Form TC-721, 'Exemption Certificate,' to avoid paying sales tax. The Custodian shall ensure that copies of Form TC-721 are readily available upon request."

During our review of petty cash transactions, we noted that sales tax had been paid on 1 out of 49 purchases.

When employees do not provide a Utah State Tax Commission "Exemption Certificate" to a vendor when making purchases, the County unnecessarily pays sales tax on those purchases.

Recommendation

We recommend that employees obtain "Exemption Certificates" to provide to vendors when making purchases, to ensure that sales tax is not paid.

Finding # 8 - Appropriate supporting documentation was not included with the petty cash vouchers for some transactions

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 4.6.4 states:

"Sales receipts, invoices, etc. received at the time of the purchase are to be returned to the Custodian promptly after the use of petty cash, along with any change (unspent money) from the transaction."

Section 4.6.5 states:

"In the event a vendor receipt is not obtained or is lost, the employee/Payee shall provide a written certification detailing the type of expenditure, the amount, and why the receipt was lost or not obtain. The Custodian shall initial all such certifications. The certification shall be attached to the voucher for supporting documentation."

We reviewed 49 petty cash transactions and noted that there was not an itemized receipt included with the petty cash vouchers for 6 transactions. For 4 of the transactions, the credit card signature slip was submitted to the Custodian. However, the signature slip does not have details of the items purchased.

When appropriate supporting documentation is not included for transactions, the risk is increased for unauthorized purchases.

Recommendation

We recommend that appropriate supporting documentation be submitted for all transactions using the petty cash fund.

Additional Information

Background

The Salt Lake County Community Resources and Development Division (CRD) was established to assist in meeting the housing, social service, community, and economic development needs of Salt Lake County, as well as administering programs which support and enhance people's lives. CRD addresses individual, family, and community needs through numerous partnerships and programs such as Homeless Assistance, Refugee Assistance, Sustainable Communities, Community Development Block Grant, and Social Service Block Grant. CRD also funds other agencies that provide homeownership assistance, emergency shelter, and affordable rental housing.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending October 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



Ben McAdams
Salt Lake County Mayor

Lori Bays
Human Services
Department Director

**COMMUNITY
RESOURCES and
DEVELOPMENT**

Michael R. Gallegos
Community Resources and
Development Division Director
mgallegos@slco.org

Community Resources and Development Response to Audit
Dated 1/13/2014

Finding # 1 - The "Controlled Assets Inventory Form - Employee" was not used.

Each year Community Resources and Development does a complete controlled assets inventory. As part of the audit CRD prints a report from their Access Inventory Database and reconciles the property against what is recorded. However, once the audit is complete CRD has not had the individual employees sign off on their inventory. Community Resources and Development has now developed a form where the employees will sign off on inventory assigned to them (see attached). Once a year there will be an inventory audit performed within Community Resources and Development. At the conclusion of the audit a report will be printed for each employee to review the controlled assets that are assigned to them and to sign off. Once signed the report will be placed in the employees file. The form is currently developed and the inventory audit will be completed by the end of May 2014 and will be performed by the IS Manager/Accountant.

Finding # 2 - The "Controlled Assets Inventory Form - Organization" was not signed or dated.

Community Resources and Development has developed a form where the Fiscal Manager will sign off on inventory assigned common areas (see attached). Once a year there will be an inventory audit performed within Community Resources and Development. At the conclusion of the audit a report will be printed for common areas and the Fiscal Manager will review and sign the report. Once signed the report will be placed in the Fiscal Manager's personnel file. The form is currently developed and the inventory audit will be completed by the end of May 2014 and will be performed by the IS Manager/Accountant. The form will then be signed by the Fiscal Manager.

Finding # 3 - No comprehensive software inventory was on file.

Community Resources and Development has added software as a category in its inventory tracking database. The software will be tracked by license key and the number of licenses will be recorded. The invoice documenting the number of licenses will also be scanned in. Each year the software records in the databases will be compared to the software contained on the employees computers. The IS Manager/Accountant will complete a comprehensive inventory audit by the end of April 2014.

Finding # 4 - Community Resources and Development's petty cash fund was too large for its actual level of utilization.

Community Resources and Development will reduce the fund to \$1,000. See attached form for the reduction of petty cash funds.

Finding # 5 - Meal Reimbursement Forms were not included for some transactions.

Fiscal Manager will provide training to the petty cash custodian, the accountants in charge of reviewing petty cash purchases and to the general staff of the need for Meal Reimbursement forms and when to fill them out. This training will be conducted by the end of March 2014.

Finding # 6 - There was no approval signature on the petty cash voucher when the Custodian was the recipient of the petty cash.

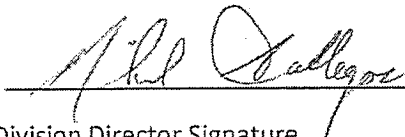
This happened with 1 voucher. The Fiscal Manager has already addressed the concern with the petty cash custodian and is confident that this will not happen again. In the future if the petty cash custodian needs to withdraw funds than the Fiscal Manger will sign off as custodian.

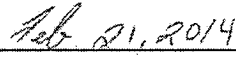
Finding # 7 - Sales tax was paid on one purchase.

This happened on 1 voucher. The petty cash custodian does a thorough review before reimbursing petty cash. There were numerous instances where sales tax was denied. Community Resources and Development is confident that this is not a systemic problem and will not be repeated.

Finding # 8 - Appropriate supporting documentation was not included with the petty cash vouchers for some transactions

Fiscal Manager will provide training to the petty cash custodian, the accountants in charge of reviewing petty cash purchases and to the general staff of the need for detailed receipts. No petty cash will be reimbursed in the future without the itemized receipt or a note in the file documenting what the purchases were for and why there was not an itemized receipt obtained. This training will be conducted by the end of March 2014.


Division Director Signature



Date

Inventory by Location

Description **LORA BAWDEN**

Suite Number **S2600**

<i>Tag Number</i>	<i>Description</i>
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11337	Dell monitor	dell	A00
11338	Dell Desktop	dell	optiplex980
11342	SCANSNAP SW1500	Fijitsu	s1500
11343	HP LaserJet Printer	JPGGC70612	hp LaserJwt 2200d
11542		cicsco	7975g

Employee Signature

Date

Friday, February 07, 2014

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REQUEST FOR CHANGE OR ESTABLISHMENT OF
PETTY CASH OR OTHER IMPREST FUNDS

SECTION I - IDENTIFICATION OF AGENCY AND CASHIER

AGENCY DIRECTOR: Michael Gallegos
 ORGANIZATION NAME: Comm Res & Dev
 FUND NUMBER: 110
 ORGANIZATION NUMBER: 1625000000
 ADDRESS: 7061 S State S-2100
 PHONE NUMBER: 385-468-4961

SECTION II - ACTION REQUESTED

REQUEST FOR ESTABLISHMENT OF NEW ACCOUNT OR CHANGE IN EXISTING ACCOUNT

Policy
#1203☒ New Acct☐ Changes

Effective Date

2/7/14

Ref.

Check One

1.2

☐☒

Petty Cash

1.3

☐☐

Change Fund

1.4

☐☐

Imprest Checking *

1.5

☐☐

Operating Checking (list purpose) *

reducing fund to \$ ^{1,000 91.0} ~~000~~

* Treasurer to determine bank (sec 2.4)

Check All That Apply

5.1.2

☐☐

Custodian being replaced

3.1

☐☐

New custodian

5.1.1

☐☐

New custodian training

"I have reviewed the new custodian training materials on the Auditor's Office intranet site." (Check box and initial)

☐☐

New custodian's title

☐☒

New requested amount

☐☐

New location address

☐☐

New telephone number

☐☐

Name of new responsible cashier

4.0

☐☐

Designation of backup custodian

☐☐

Backup custodian's title

☐☐

Backup custodian's phone no.

4.2

☐☐

Backup custodian training

"I have reviewed the new custodian training materials on the Auditor's Office intranet site." (Check box and initial)

☐

Closing the fund

AGENCY AUTHORIZATION

2-7-14
Date Signed2-7-14
Effective Date of Designation_____
Agency Director or Designee

AUDITOR AUTHORIZATION

Date_____
Auditor or Designee

REQUEST FOR CHANGE OR ESTABLISHMENT OF
PETTY CASH OR OTHER IMPREST FUNDS
(Continued)

SECTION III - PURPOSE AND NEED

- 2.1 Please provide a **detailed explanation** as to why the Agency needs to establish or change this petty cash, change fund, or imprest checking account:

CRD is using the fund less and therefore
does not need a balance of \$1,600.

SPECIAL INSTRUCTIONS

- 3.10.1 In rare circumstances, supporting vouchers and receipts need not be submitted to the Auditor's Office with your reimbursement request. Please provide a **detailed explanation** as to why the Agency meets this exception:

INTERNAL CONTROLS OVER ACCOUNT

ACCOUNTING DISTRIBUTION FOR REIMBURSEMENT CHARGES

Fund	Dept/Agency	Unit/Org	Object Code
<u>110</u>	<u>610</u>	<u>1025000000</u>	<u>2430</u>

Estimated total annual dollar volume to be spent from fund \$2,400 4,000

Estimated number of reimbursement requests per year 12

SECTION IV - INSTRUCTIONS

2.1.1 This completed form is to be submitted to the Auditor's Office, Accounting & Operations Division, Accounts Payable Section prior to the establishment of or change in a petty cash, change fund, or imprest checking account. A notarized affidavit shall be attached for all custodian changes. All new custodians shall review the petty cash training materials provided on the Auditor's Office intranet site prior to submission of a custodian change.

2.3.2 All imprest accounts established as checking accounts should be interest-bearing accounts where feasible. Prior to opening an account with a commercial bank, the custodian shall contact the County Treasurer, who may provide guidance regarding which bank to use and may wish to sign on the account.

4 A petty cash, change fund, or imprest checking account may be terminated using this form. Process as a change in the amount of \$0.00 with no new custodian. Explain fully above. The entire amount in cash and vouchers, with a reimbursement request, shall be delivered to the Auditor's Office, Accounting & Operations Division, Accounts Payable Section.

FORM 2A

This form must accompany MPF FORM 2 when making application to become a custodian of a petty cash or imprest fund.

CUSTODIAN'S AFFIDAVIT

STATE OF UTAH

SS

COUNTY OF SALT LAKE

being duly sworn and upon oath, states as follows:

1. I accept custody of the foregoing petty cash, change fund, or imprest checking account;
2. I have received a copy of the Salt Lake County Countywide Policy on Petty Cash and Other Imprest Funds (#1203) and the Salt Lake County Management of Public Funds Policy and Procedures Manual and have read the same and understand the contents and requirements hereof;
3. I have thoroughly reviewed the petty cash custodian training materials located on the Auditor's Office intranet site and fully understand the responsibilities associated with a petty cash or imprest fund custodian;
4. I understand that I am responsible for the safekeeping of said fund and in the event of loss, due to any act or failure to act on my part, that I may be liable for repayment thereof.

Custodian Signature

Subscribed and sworn to before me this _____ day of _____, 20____.

Notary Public

My Commission Expires _____

Residing at _____