

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Youth Services Crisis Residential and Juvenile Receiving

March 25, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 25, 2014

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 Youth Services Crisis Residential and Juvenile Receiving

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LLM
Chief Deputy Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of Youth Services Crisis Residential and Juvenile Receiving 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 Youth Services Crisis Residential and Juvenile Receiving and the cooperation from Elizabeth Bayler, Ann Stoddard, JD Green, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Youth Services Crisis Residential and Juvenile Receiving 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 Todd Livingston
Deputy Auditor

cc: Pat Berckman, Division Director
Elizabeth Bayler, Fiscal Manager
JD Green, Program Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Youth Services Crisis Residential and Juvenile Receiving. 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

Youth Services Administration and Management oversees the Crisis Residential and Juvenile Receiving programs and has put into place key internal controls for managing public funds, safeguarding public assets, and monitoring County contracts. Risks identified are not expected to result in material loss. Our finding related to petty cash. We repeated the test on petty cash that was conducted during our 2013 audit and, based on use during the current period examined, we again recommend that petty cash accounts be reduced and/or consolidated. Reports of recent audits of the Crisis Residential and Juvenile Receiving programs were released to the public in August 2008 and October 2013.

Findings and Recommendations

Finding # 1 - Authorized petty cash fund balances were excessive.

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 2 months."

A previous audit conducted in 2013 found that petty cash funds on hand for 2012 were sufficient for over 6 months of expenditures. A retest of the two petty cash funds for 2013 expenditures showed that one account was reimbursed once for a total of \$122.68, representing average monthly expenditures of \$10.23. The other account was reimbursed two times for a total of \$129.85, representing average monthly expenditures of \$10.82. These figures show that funds on hand were sufficient for 29 and 18 months of expenditures, respectively.

According to Management, petty cash is tightly controlled at Youth Services. Staff is encouraged to use the purchasing system or purchasing cards wherever possible. The result has been a decreased reliance on petty cash.

Excess funds are at greater risk for misappropriation. In addition, interest is lost on amounts that could be deposited.

Recommendation

We recommend that the Youth Services Crisis Residential and Juvenile Receiving review and reduce the petty cash fund amount.

Additional Information

Background

Youth Services Crisis Residential and Juvenile Receiving programs provide short-term placement, counseling and referrals to struggling youth ages 8 to 17. Youth may arrive on their own, parents may bring them in for counseling, or police may bring them after running away from home, truancy, substance abuse, curfew violation or acting beyond the control of their parents. There are two Juvenile Receiving Centers that are open 24 hours a day.

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 December 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.



March 18, 2014

Roger K Larsen
Audit Division Director
Salt Lake County Auditor
2001 South State Street N3300
Salt Lake City, Utah 84114-4575

RE: Audit of Salt Lake County Youth Services Crisis Residential and Juvenile Receiving

Dear Roger:

Following is the Division of Youth Services response to the Key Control Audit conducted by your office and the findings noted in the report dated February 21, 2014.

Finding #1- Authorized petty cash fund balances were excessive.

While the use of the County purchasing system or purchasing cards are preferred and encouraged, the petty cash fund is available for emergency purposes. Petty cash is tightly controlled. There is no way to predict the nature of an emergency. In Youth Services' history, emergencies can vary from needing to provide medication to food for a restricted diet to basic clothing. The petty cash fund assigned to the Administration programs is for emergency or normal petty cash purposes and is, in reality, utilized by all programs if the petty cash custodian assigned to any one program is out or unavailable. In addition, the petty cash fund itself is strictly safeguarded. At this time, a reduction in the amount of the fund would be imprudent given the possible dramatic fluctuations in need.

Thank you for your assistance and support. Please feel free to contact us with any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Pat Berckman'.

Pat Berckman
Division Director

Cc: Elizabeth Bayler, Fiscal Manager
Roger Gisseman, Youth Services Associate Director