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

An Audit of Key Controls
at the Taylorsville Senior
Center



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

July 2018
Report Number 2018-4

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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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**Office of the
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**An Audit of Key Controls at the
Taylorsville Senior Center**

We recently completed an audit of key controls at the Taylorsville Senior Center ("Taylorsville"). The purpose of the audit was to examine financial transactions and business processes at Taylorsville to determine if internal controls related to cash receipts, receivables, capital and controlled assets, purchasing cards, and inventory were properly implemented and functioning as intended. We performed tests of those key controls to provide assurance that accounting records were complete and accurate, financial transactions and processes complied with established policies, procedures, laws and regulations, and that county assets were adequately safeguarded against loss, theft, waste, or abuse.

Our work was designed to provide reasonable, but not absolute assurance that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included countywide policies such as Countywide Policy 1203, "*Petty Cash and Other Imprest Funds*," Countywide Policy 1062, "*Management of Public Funds*," Countywide Policy 1125, "*Safeguarding Property/Assets*," Countywide Policy 7035, "*Purchasing Card Authorization and Use*," and Aging and Adult Services own internal policies and procedures.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of the Taylorsville Senior Center throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Objectives

The objectives of the audit were to identify and perform tests of key controls at Taylorsville to:

- Determine if internal controls are designed properly and functioning as intended to ensure that county financial transactions are recorded and reported accurately and completely, and free from significant error;
- Determine if financial transactions and business processes comply with applicable laws, regulations, policies, procedures, and contracts;
- Determine if county management provides adequate fiscal oversight, including monitoring the control environment, over financial transactions and business operations to ensure that transactions are valid and appropriate;
- Provide assurance that county assets are properly safeguarded against loss, theft, waste, or abuse.

Scope and Methodology

Our audit covered the period from January 1, 2017 to December 31, 2017. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, records, and transactions in the following areas:

- Change Funds
- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Purchasing Card Transactions and Use

In addition to examining financial records, we observed business activities and procedures, and tested internal controls surrounding them. We examined daily cash collections and deposits, interviewed Taylorsville employees, conducted a physical inventory of capital (“fixed”) and controlled (“expensed”) assets, performed a count of change funds, and examined purchasing card (“p-card”) transactions.

Audit Results

Change Funds

We performed a surprise count on the \$100 change fund at Taylorsville and found that it was intact and maintained at its authorized amount as recorded by the Mayor’s Office of Financial Administration (“Mayor’s Finance”). We also interviewed the staff at Taylorsville, and observed the change fund balancing procedures, operations, and security. Taylorsville uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Taylorsville serves lunches to seniors, and the center staff collect donations for the meals that are served to patrons over the age of 60. At the end of each day, the staff exchange large bills in the change fund for smaller denominations and coins collected from donations. The change fund is then counted and returned to the authorized amount, and the daily deposit is prepared. We noted that the center staff did not have a control log to record the transfer of the change fund to and from the safe each day, as required by Countywide Policy.

Findings and Recommendations

Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.

We found that management at Taylorsville did not keep an MPF Form 7, “*Fund Transfer Ledger*,” or similar form, for center employees to sign when retrieving the change fund from and returning it to the safe each day.

Countywide Policy 1062, “*Management of Public Funds*,” states:

“Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox.” (CWP 1062, 2.7.3, p. 7)

The purpose of a *Fund Transfer Ledger*, or similar log, is to document that the change fund is at the authorized amount each time that the fund is removed from, and returned to the safe, and to establish personal accountability for the change fund, while the fund is in use. By signing the Fund Transfer Ledger, an employee is attesting that all funds are accounted for, and that proper custody of the funds is maintained while they are not stored in the safe or lockbox.

A *Fund Transfer Ledger* is a key internal control that helps minimize the risk of theft or loss of funds due to misuse. Without a Fund Transfer Log, personal accountability for the change fund is not established, and the risk of theft or misuse of the change fund is increased. When we discussed this with management at Taylorsville, they were not aware of the need to document retrieval and return of funds from and to the safe using the MPF Form 7, or similar form, as required in Countywide Policy.

Recommendation

We recommend that Taylorsville Senior Center staff count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger, or similar log, each time the change fund is retrieved from or returned to the safe.

Cash Handling and Daily Deposits

Our audit examined whether daily collections, cash handling, and depositing procedures at Taylorsville complied with Countywide Policy 1062, “*Management of Public Funds*.” We observed that locked donation boxes were being used, manual receipts were issued mainly for the sale of Chuck-A-Rama discount tickets, and donations were collected, counted and deposited by at least two people.

We tested a sample of 30 days of cash and check deposits by examining the “*Deposit Reconciliation Form*,” which serves as Taylorsville’s *Daily Cash Balance Sheet*. We observed the separation of donations from other collections such as under-age-60 meals, transportation, coffee donations, and Chuck-A-Rama discount tickets, and found proper separation of duties in Taylorsville’s daily cash balancing procedures.

We also noted that deposits were made in a timely manner as required by Countywide Policy, and that deposits were properly safeguarded against theft or misuse.

Findings and Recommendations

We noted no significant findings in the area of cash handling and daily deposits.

Capital and Controlled Assets

Our audit included an examination of capital and controlled asset management. **Countywide P 1125, "Safeguarding Property/Assets,"** establishes the policies and procedures for the proper management of County capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

We obtained a copy of a listing of all capital assets at Taylorsville, from the County's financial system. We confirmed that the last inventory of capital and controlled assets was completed on December 23, 2016 and was reviewed and signed by the Agency's Property Manager, and the Division Director. Taylorsville has no assets that meet the criteria of a capital asset.

We also reviewed a sample of 25 controlled assets at Taylorsville. **CWP 1125, "Safeguarding Property/Assets,"** defines a *controlled asset* as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets. Therefore, controlled assets require additional procedures to ensure that they are properly safeguarded against theft or misuse.

While testing P-card purchases, we found a portable microphone headset, laminator, NuStep machine, and a 32" TV that had been tagged and added to the *"Controlled Assets Inventory Log."*

The property manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody. In addition, **CWP 1125, "Safeguarding Property/Assets,"** defines an employee's duties and responsibilities when capital (fixed) or controlled assets are provided for their use.

Findings and Recommendations

Finding 3.1: Management at Taylorsville was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.

We found that management at Taylorsville were not using the **"Controlled Assets Inventory Form – Employee,"** form to identify and track controlled assets that had been assigned to specific employees.

CWP 1125, "Safeguarding Property/Assets," states that,

“[County agencies should] at least annually, conduct a physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization.”

In addition, **CWP 1125**, states that,

“The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures . . . ‘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.” (CWP 1125, 2.2.11, 4.3, and 4.3.1, pp. 3 & 6)

Incomplete or inaccurate controlled asset records increase the risk that those assets could be lost, stolen, or converted to personal use without being detected by the Property Manager or the staff at Taylorsville. When we discussed this issue with management, they did not place a high priority on using the proper forms to track controlled assets or indicate an understanding for the importance of using a form that lists controlled assets assigned to specific employees.

Recommendation

We recommend that all assets assigned to a specific employee at Taylorsville are listed on individual “Controlled Assets Inventory Form - Employee,” forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.

Purchasing Card Transactions and Use

As part of our audit process, we reviewed purchases made by Taylorsville using their Costco proprietary card. **CWP 7036, “Charge Cards/Proprietary,”** establishes a set of guidelines for the use and acquisition of proprietary charge cards including how to obtain a card, how to use it, safeguards, unallowable purchases, credit limits, record keeping and reconciliation, audits, and contact information if the card is lost or stolen.

We examined proprietary card transactions and documentation for 2016. If cardholders had left employment at the senior center, and their receipts were no longer on site, then we accessed documents through the Aging Services accounting specialist. We noted no significant findings in the area of proprietary charge card transactions.

In addition, we reviewed purchases made by Taylorsville using their County purchasing card (P-card). **CWP 7035, “Purchasing Cards Authorization and Use,”** establishes policy and procedures including the same areas as found in **CWP 7036** listed above.

We examined all transactions made during 2016 and found that all had the status of “final approval” in the County electronic system. The center manager was the only authorized purchasing cardholder. We found the center manager reconciled each month’s transactions to their own bank statement.

Active Aging does not require pre-approval for purchases. A program manager told us that purchases can be made if center managers stay within their expenditures budget. At the close of the P-card billing cycle, one of the program managers reviews the purchases and approves them.

Findings and Recommendations

We noted no significant findings in the area of proprietary and purchasing card use.

Conclusion

We appreciate the time spent by the staff at Taylorsville Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Taylorsville were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Cc: Paul Leggett, Division Director, Aging and Adult Services Division
Jessica Montgomery, Administrative and Fiscal Manager, Aging and Adult Services Division

Attachment A: Agency Response

Attachment A: Agency Response

Agency Response Taylorsville Senior Center			
Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that Taylorsville Senior Center staff count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger, or similar log, each time the change fund is retrieved from or returned to the safe.	Partially Agree	The MPF form 7 is used at Taylorsville for transferring responsibility of the cash drawer to different staff when staff are out or unavailable. The cash is not removed daily from the drawer and transferred to the safe, as it is a locked drawer secured to the front desk. Pauline will speak with the Centers Program Managers for specific solution, to bag and transfer the money to the safe after each shift and sign in and out with the MPF form 7 or if they deem the drawer a secure place.	3/31/2018
Finding 3.1: Management at Taylorsville was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that all assets assigned to a specific employee at Taylorsville are listed on individual "Controlled Assets Inventory Form - Employee," forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.	Disagree	Taylorsville does not have employee specific forms in each employee office indicating what inventory is in each office. When the Center Inventory Committee trained the managers on the guidelines, that portion was not included because it was understood it was for items that could be taken home and used for personal use (i.e. cell phones, laptop computers), not items that are kept in the office where all staff have access to them. Pauline will work with Administration and follow the plan of action they deem necessary for all centers.	4/30/2018