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DAVID L. BECK
CHIEF DEPUTY

SALT LAKE COUNTY
GOVERNMENT CENTER
2001 S. STATE STREET
SUITE N3300
SALT LAKE CITY
UTAH 84190-1100
TELL (801) 468-3381
FAX (801) 468-3296

SALT LAKE COUNTY AUDITOR'S OFFICE
CRAIG B. SORENSEN, AUDITOR

August 29, 2002

Patrick Fleming, Director
Substance Abuse Services Division
2001 South State St. S2300
Salt Lake City, UT 84190

Dear Patrick,

We recently completed an audit of the Substance Abuse Services Division. Our audit included an examination of the Petty Cash Fund, the change fund, collections, receipts and depositing, and fixed and controlled assets.

Petty Cash Fund

During our examination of the Petty Cash Fund we found:

- **The fund is not being reconciled to its authorized amount.**
- **Stale dated checks are not properly dealt with.**

The fund is not being reconciled to its authorized amount. The petty cash fund is an imprest checking account, with a portion of the authorized amount held as cash. As we reviewed the petty cash reconciliations, we found that the fund is being reconciled on a monthly basis. However, the fund is only reconciled to the bank statements and not to the authorized amount. The fund was in excess of the authorized amount due to several stale dated checks.

Failing to balance the fund to its authorized level each month increases the risk that unauthorized activity would go un-noticed, thus defeating the detection function of the system of internal control.

RECOMMENDATION:

We recommend that the Petty Cash Fund be regularly reconciled to its authorized amount.

Stale dated checks are not properly dealt with. The stale dated checks (noted in the section above) were over two years old. A stale-dated check is one held by the payee for a period of time exceeding the financial institution's pay date (usually six months from the date of the check). Utah State Code, Section 67-4a-210, states "*Any intangible property held by...a county or municipal subdivision of a state,...that remains unclaimed for more than one year after it became payable or distributable is considered abandoned.*" Stale dated checks fall within this category.

In this case, the stale dated checks should be reported to the Auditor's Office, Accounting and Operation Division, for forwarding to the state. Failure to report and turn over unclaimed property in a timely manner may result in fines or interest charged.

RECOMMENDATION:

We recommend that Substance Abuse Services Division develop and implement a policy of evaluating stale dated checks and forwarding any which qualify to the Auditor's Office for inclusion in the unclaimed property report.

Cash Collection, Receipting and Depositing

As part of the audit, we counted the change fund, reviewed procedures and controls and verified deposits for the past year. In general, we found this aspect of the audit to be running very smoothly. Our single finding in this area relates to the system of internal control:

- **There is no comparison of fees collected to clinical services performed.**

There is no comparison of fees collected to clinical services performed. When a client arrives at the front desk, a payment is made or a fee waiver issued. A hand written receipt is issued when the payment is accepted and the cash or check is placed in the cash box. At the end of the day, the cash and checks are counted and the entire amount is turned over to the accountant who provides an MPF Form 7, Fund Transfer Receipt, acknowledging custody of the funds. The accountant then prepares the deposit and carries it to the Treasurer's Office for deposit.

In the system, there is no comparison of service activity to cash collections and fee waivers. It is conceivable that a client could arrive and pay for a service, the funds diverted, service provided and no detection of the diversion ever accomplished.

None of our work indicated that any diversion is taking place currently. However, the system of internal control should not rely entirely on employee honesty. Some comparison must be made between visits and collections.

Possible solutions include having the assessment professional review the cash receipt and note payment on the client's chart, or collection of visit statistics by both the front desk and the assessment professionals, with a comparison of the two sets of data by the fiscal staff.

RECOMMENDATION:

We recommend that a system be developed to assure that all activity is receipted and monies collected are deposited.

Fixed and Controlled Assets

Fixed assets are those items that have an initial cost of \$5,000 or more and an expected useful life of two years or more. Controlled assets cost between \$100 and \$5,000, and are easily converted to personal use. All communication equipment is considered to be a controlled asset.

- **The list of controlled assets omitted non-computer equipment.**

The list of controlled assets omitted non-computer equipment. Our review of fixed assets showed no discrepancies. All assets were readily located. However, the controlled assets list provided only showed computer equipment. Other items such as cell phones, computer printers, and PDA's were not included on the list.

Countywide Policy 1125, Safeguarding Property/Assets, Section 2 in discussing the role of Property Managers states: "*Property Managers are responsible for the following: ...Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.*"

Without a current listing of all controlled assets, an asset could be lost or stolen without detection or any accountability. Further, required annual inventories cannot be completed without this all-inclusive documentation.

RECOMMENDATION:

We recommend that a comprehensive list of controlled assets be developed and maintained in accordance with Policy 1125.

In closing, we appreciate the assistance of your staff in accomplishing this audit. We are confident that our work will be of benefit to you. If we can be of further assistance to you, please contact us.

Patrick Fleming
August 29, 2003
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Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

CC: Kerry Steadman
Kimball Ball