

Salt Lake County Auditor's Office
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Dear Patti:

The Audit Division recently completed a review of cash collection, receipting, and depositing functions at the South East Public Health Center (Center). Additionally we reviewed the Center's change funds and fixed and controlled assets.

We found internal controls to be generally adequate, but we found some areas where improvements are needed. Our major findings relate to fixed and controlled asset management. We found that:

- **Checks are not always restrictively endorsed upon receipt.**
- **Cashiers do not always sign their Over/Short log and the Office Manager signs her own Over/Short log as supervisor.**
- **The list of controlled assets maintained by the property manager is incomplete and in some cases, inaccurate.**
- **A yearly audit of fixed and controlled assets has not been performed consistently.**
- **Controlled Assets Inventory Forms have not been completed for each employee.**
- **Make and model number are not listed on the controlled assets sheet.**

CASH HANDLING, RECEIPTING AND DEPOSITING

During our review of the cash receipting and depositing process, we found the following areas that should be improved.

- **Checks are not always restrictively endorsed upon receipt.**
- **Cashiers do not always sign their Over/Short log and the Office Manager signs her own Over/Short log as supervisor.**

Checks are not always restrictively endorsed upon receipt. During the course of our count of Center receipts, we found one check that had not been restrictively endorsed. Countywide Policy #1062, *Management of Public Funds*, Section 3.6.1 states, "All checks and other negotiable instruments received by the Agency Cashier should be restrictively endorsed immediately upon receipt using the agency's approved endorsement stamp." Endorsing checks upon receipt provides additional protection against checks being deposited into the wrong account, or being cashed by an individual.

RECOMMENDATION:

We recommend that cashiers restrictively endorse all checks upon receipt.

Cashiers do not always sign their Over/Short log and the Office Manager signs her own Over/Short log as supervisor. We found an instance where one of the cashiers had failed to sign her over/short log. However, on this particular log, there were no occasions of being out of balance. Not signing the over/short log opens the cashier to questions regarding any discrepancies in her cash receipts. Additionally, Agent Cashier, Barbara Swenson, signed her Over/Short Log as Supervisor/Agent Cashier, but left the cashier signature line blank. Lack of separation of duties leaves the Agent Cashier unprotected in the event of any questions regarding deposits.

RECOMMENDATION:

1. *We recommend that all cashiers sign their Over/Short logs.*
2. *We recommend that the Office Manager sign her own Over/Short Log as cashier and have the next-in-line supervisor review and sign the log as Agent Cashier.*

FIXED AND CONTROLLED ASSETS

The objective of this part of the audit was to evaluate the adequacy of internal controls over County fixed and controlled assets, including compliance with Countywide Policy #1125, *Safeguarding Property/Assets*. A fixed asset is an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year and a cost equal to or greater than \$5,000. A controlled asset is an item of personal property, which is sensitive to

conversion to personal use, having a cost of \$100 or greater, but less than the capitalization threshold (currently \$5,000). Our review of fixed and controlled assets resulted in the following findings:

- **The list of controlled assets maintained by the property manager is incomplete and in some cases, inaccurate.**
- **A yearly audit of fixed and controlled assets has not been performed consistently.**
- **Controlled Assets Inventory Forms have not been completed for each employee.**
- **Make and model number are not listed on the controlled assets sheet.**

The list of controlled assets maintained by the property manager is incomplete and in some cases, inaccurate. The property manager delivered a property list to the auditors' office, which indicated that there were 40 controlled assets assigned to the Center. Because the number of assets was relatively small, we performed a complete inventory. We were able to find only 23 of the items on the list. However, we found an additional 43 items that were in use at the Center, but were not on the inventory list. We found several instances of typographical errors and were able to find some of the assets by comparing serial numbers of assets found during inspection to the controlled assets list. There are many assets with WIC tags on them, some of which are being used by Center employees. Assets listed on the inventory as located in the WIC area were not found and assets, which we found in the WIC area, were not on the inventory list. Property management is done from the Health Department location at 620 South 2nd East and there is no one assigned on-site to manage assets.

RECOMMENDATION:

- 1. We recommend that the controlled asset list be updated on a regular basis to accurately reflect the assets at the Center.*
- 2. We recommend that on-site managers be provided with an updated list and that they assume primary responsibility for asset control and maintenance.*

A yearly audit of fixed and controlled assets has not been performed consistently. Countywide Policy #1125, *Safeguarding Property/Assets*, states, ". . . property and equipment . . . must be properly managed (i.e., controlled, inventoried, and protected.)" Section 2.2.11 dictates that, "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." Controlled assets are sensitive to conversion to personal use when they are not closely tracked by management and included on the

asset list. The Center is not conducting annual inventories of controlled assets. By not maintaining proper control over their controlled asset list, the Center is at risk of losing some of their equipment. Moreover, if some items were stolen, it would be difficult to determine exactly which ones were missing.

RECOMMENDATION:

We recommend that a physical inventory of assets be conducted at least annually and that the inventory list be updated as assets are purchased or transferred to the Center.

Controlled Assets Inventory Forms have not been completed for each employee. Countywide Policy #1225, *Safeguarding Property/Assets* explains that in addition to the controlled assets inventory for the organization, a *Controlled Assets Inventory Form–Employee* must be completed for each employee who is assigned fixed or controlled assets. Countywide Policy #1125, Section 4.3, states: “The property manager shall maintain records to manage controlled assets using the following forms and procedures: *Controlled Assets Inventory Form-Employee.*” Because this form is not used, the employees have not signed forms indicating their acceptance of responsibility for the assets they have been assigned.

RECOMMENDATION:

We recommend that the Controlled Assets Inventory Form-Employee be completed for each employee who is assigned fixed or controlled assets.

Make and model number are not listed on the controlled assets sheet. We also found that the serial numbers for many of the controlled assets are not included on the Controlled Assets Inventory Log. Countywide Policy #1125, *Safeguarding Property/Assets*, Exhibit 3 and 4, indicates that the make, model, and serial number are to be recorded on the Controlled Assets Inventory Form for each controlled asset. Without the serial number, it is impossible to distinguish between two identical pieces of equipment. Makes and models of similar equipment are alike; however, the identifying mark on an item is its serial number. The Controlled Assets Inventory Log should be revised to provide three separate columns for make, model, and serial number.

RECOMMENDATION:

We recommend that the Controlled Assets Inventory Log be revised to provide three separate columns for make, model, and serial number, and that the necessity for including assets’ serial numbers be emphasized to those completing the log.

Patti Pavey, Executive Director
Salt Lake City/County Health Dept.
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In closing, we express appreciation to the staff at the South East Public Health Center for their cooperation and assistance during our audit. We are confident that our work will be of benefit to you and help you to strengthen internal controls throughout the Health Department. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director of Internal Audit

cc: Suzanne Kirkham
Leecherie Radcliff
Leslie Workman