



## **SALT LAKE COUNTY AUDITOR'S OFFICE**

**SEAN THOMAS**

April 27, 2005

Sherrie Swensen  
Salt Lake County Clerk  
2001 South State Street #S2200  
Salt Lake City, Utah 84190

RE: Elections Division Audit

Dear Sherrie:

We recently completed an audit of the Elections Division (Elections). As part of our audit we reviewed the following: cash receipting and depositing, fixed and controlled assets, and accounts receivable. We also conducted an unannounced count of the change and petty cash funds as authorized through the Auditor's Office.

Elections is an operational unit of the County Clerk's office responsible for administering all Countywide elections in general election years. The division is responsible for keeping current on election laws, maintaining voter registration records, managing voting precincts and identifying polling locations for registered voters across Salt Lake County.

For each area audited we addressed the effectiveness of internal controls and processes employed by Elections personnel. Our objective was to determine whether operations relevant to areas of our examination were in compliance with Countywide policies examined. Our work was designed to provide reasonable, but not absolute, assurance that controls were adequate, records current and daily transactions valid.

We found that bank deposits were supported by balance sheets and summary reports of daily cash receipts. Internal controls relating to cash handling, such as separation of duties, and management oversight, were in place. Since our audit was limited to the above-mentioned areas, the reader should not assume that processes not discussed here were in compliance with Countywide policy.

### **CASH HANDLING**

Recently, the Clerk's office installed an automated cashiering system. The underlying software for this system, "Cashier for Windows," requires each cashier to enter their assigned identification number thereby identifying the cashier, by name, who

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performed the transaction. The software operations manual stated the following: *“At the end of every cashier transaction, the cashier logs out of the system... This allows other cashiers to enter their own log in to perform cashiering tasks.”* The system also has a function requiring that checks be endorsed immediately upon entering the transaction into the cash register. Once the transaction is commenced, a prompt appears on the screen requiring that the check be run through the attached imprinter. The imprinter automatically endorses the back of the check. The transaction cannot be completed until the check is processed through the imprinter. The system also produces paper register tapes of all transactions, and daily reports of cashiering activity.

In addition to these automated cashiering functions, each cashier prepares County approved balancing forms, or form substitutes, as required by Countywide policy. Management personnel sign the forms to reflect their review of the balance sheet. Daily collections are placed in a safe for the evening. The following morning, personnel in the Elections Division prepare the deposit. County Protective Services officers then take the deposit to the Treasurer’s office. The Treasurer returns a stamped copy of the deposit slip to Elections the following day. Copies of checks, register tapes, cashier balance sheets, over/short logs, and deposit slips are kept on file. Each deposit examined in our sample of 36 days agreed to bank statement data.

We also conducted an unannounced count of change and petty cash funds. Each fund balanced to its authorized limit. The authorized petty cash fund is \$200. The change fund is broken into two separate amounts of \$50 and \$200, each with a separate custodian. Petty cash records were current, and vouchers were completed as required, including signatures of both the recipient and custodian. Petty cash receipts and reimbursement request forms were on file. Management oversight and internal controls, though not infallible, were nevertheless reliable and sufficient to help assure the integrity of cash handling. We commend the Elections Division for their diligence in maintaining accounting records and implementing effective controls. One cash handling problem we did find was as follows:

- **Sales tax was paid on some petty cash purchases, contrary to Countywide Policy.**

**Sales tax was paid on some petty cash purchases, contrary to Countywide Policy.** The petty cash custodian told us that she was aware of the requirement prohibiting payment of the tax. Usually she reminds employees of this requirement, and provides them with the tax exempt number, but on occasion she has forgotten to do so. Although sales tax payments were small, averaging less than \$1.00 for each occurrence, payments were nonetheless made contrary to Countywide policy.

Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 3.12, states, *“The County is exempt from sales tax as a government entity. In order to avoid sales tax, the custodians shall use or provide to employees as needed Utah State Tax Commission Form TC-721, ‘Exemption Certificate.’ This form is to be presented to the*

*vendor as evidence of tax-exemption. If employees do not follow this procedure, they shall pay the sales tax themselves.”*

Reimbursing an employee for payment of sales tax needlessly creates additional expense for the County. Attention to detail in managing petty cash provides organizational discipline and safeguards County assets. A manager’s example of efficiency helps instill a productive work ethic among employees. The petty cash custodian should remind employees that County-designated purchases are exempt from sales tax. The custodian should also provide employees with the necessary tax-exempt forms for presentation to vendors or store clerks when purchases are made.

### **RECOMMENDATION:**

*We recommend that sales tax not be paid on purchases made from petty cash, in accordance with Countywide policy.*

### **FIXED AND CONTROLLED ASSETS**

Our objective for 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 defined as 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 the capitalization threshold, currently \$5,000.

A controlled asset is a personal property item which is easily converted to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold. Personal communication equipment, such as cell phones, are considered controlled assets regardless of cost.

We obtained a list of fixed assets assigned to Elections and located all items listed. We found one item missing from the list, a fork lift that the property manager stated had been listed, but subsequently removed for some unknown reason. The fork lift is still being used, though a request for a replacement machine is being processed. The old fork lift will be sent to surplus once the new machine arrives.

We also obtained a controlled asset list, current as of February 2005, from the Elections Division director. From the controlled asset list, we sampled 25 items and were able to locate all items sampled. In addition, we also reviewed the division’s purchase requests for the period of January through December, 2004, and compared items purchased to the controlled asset list. All purchases considered controlled assets were included on the controlled asset list.

In addition, we reviewed all Form PM-2s, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale," on file in the Elections Division and found these documents to be timely and easily accessible. Forms on file covered the period January through December, 2004. We also reviewed Countywide Policy #1125, Exhibit 3, "Controlled Assets Inventory Form—Employee," and found this form on file for each employee who had control over specific controlled assets. The form assigns controlled assets to individual employees who frequently use or have close proximity to or custody of controlled assets. Managers review the forms each year, and employees sign a new form as evidence of their continuing responsibility over items listed.

### **ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts billed to customers or clients for which payment has not yet been received. The client base of the Elections Division comprises most cities within the County. Elections bills cities for administering elections within their individual jurisdictions. We have included one finding in the area of accounts receivable:

- **The Elections Division did not have a written policy governing accounts receivable.**

**The Elections Division did not have a written policy governing accounts receivable.** Since 1995, cities within Salt Lake County have contracted with the Clerk's office to administer city elections in municipal election years. City Recorders are the official election officers for their respective cities. However, the Elections Division provides administrative and logistical support in conducting elections within these jurisdictions. The Elections Division also provides necessary voting equipment to facilitate the election.

In 2003, the Elections Division assisted nine cities in administering their elections, generating \$302,335 in revenue for the County. Although services were rendered in 2003, most collections occurred in 2004 due to the late time of year (November) when elections take place, and also untimely and inconsistent billing methods. Municipalities with which the Elections Division contracts, and contract amounts for each are identified in Table 1 on page 5.

<b>Cities with which the Elections Division contracted in 2003</b>	
<b>City</b>	<b>Contract Amounts</b>
Bluffdale	\$4,091
Herriman	\$3,303
Murray	\$22,270
Salt Lake City	\$107,862
Sandy	\$50,925
South Jordan	\$12,653
Taylorsville	\$18,028
West Jordan	\$39,727
West Valley	\$43,476
<b>Total</b>	<b>\$302,335</b>

**Table 1. Contract cities, and the amounts for which they contracted, show that Salt Lake City had the highest contracted amount among other cities included in the client base.**

After a municipal election is completed, the Elections Division director bills the corresponding city, in the form of a letter, for services rendered. An accounts receivable is thereby created on Elections Division accounting records. Despite the operational routine involved, the billing process is not supported by policies and procedures. Policies and procedures would direct personnel in a number of important issues. These include the time frame for billing cities following an election, the allowable time for remitting payments to the County, and the manner and timing in which delinquent accounts should be handled.

Despite the lack of a policy, problems in collecting outstanding accounts were virtually non-existent. Nevertheless, Elections should have written accounts receivable policies and procedures in place to guide personnel actions. Written policies and procedures, if followed, also protect employees and the division itself, should the division be accused of wrongdoing and become involved in litigation. The Elections Division has no formal structure to specifically address the collection of municipal accounts because processing these accounts has occurred in the past without incident. Nevertheless, a formal written policy should be established and implemented to provide operational continuity.

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**RECOMMENDATION:**

*We recommend that the Elections Clerk management formulate written policies and procedures that address accounts receivable.*

We appreciate the cooperation and assistance received from Elections staff during our audit, and the opportunity to have been of service, and hope that the information presented here will benefit the Elections Division to help them more fully comply with Countywide policy. If we can be of further assistance to you please contact us.

Sincerely,

James B. Wightman CPA  
Director, Internal Audit Division

cc: Julio Garcia  
Jason Yocom