



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

**SEAN THOMAS**

*Auditor*

September 2, 2005

Neil Stack, Director  
Public Works Engineering  
Suite N-3100  
2001 South State Street  
Salt Lake City, UT 84190

Dear Neil:

We recently completed a limited scope audit of Flood Control Engineering, Projects and Operations. Our audit included an inventory of capital (fixed) and controlled assets and a review of the internal controls in this area. In April 2005, we reviewed cash handling procedures, 2004 deposit activity, and accounts receivable in Public Works Engineering. Since these activities are identical for Public Works Engineering and Flood Control, we did not perform any additional audit work in these areas. The report including our recommendations for these areas was dated April 17, 2005, and is posted on the County website under the Auditor's Office.

To accomplish our fieldwork, we inventoried each equipment-type capital asset assigned to the three Flood Control Organizations. In addition, we inventoried the controlled assets added to the Controlled Assets List since March, 2005. We found many positive features in the system of internal control over the capital and controlled assets. Specifically:

- Staff members were conscientious in fulfilling their duties and aware of the need for strong internal controls over capital and controlled assets.
- Controlled assets have been assigned to individuals when appropriate as indicated by the "Fixed & Controlled Assets Inventory Forms – Employee" signed by the employees.

### **CAPITAL ASSETS**

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County capital and controlled assets, including compliance with

Countywide Policy #1125, "Safeguarding Property/Assets." A capital or fixed asset is an item of real or personal property owned by the County, having an estimated useful life of more than two years and a cost equal to or greater than the capitalization rate, currently \$5,000 for equipment-type assets.

As the result of our audit procedures, we found:

- **One capital asset had not been added to the Capital Asset List.**

**One capital asset had not been added to the Capital Asset List.** There are currently 17 equipment-type assets listed on the "Fixed Asset Inventory by Organization," or AFIN0801 Report, for the three organizations within Flood Control. We readily located each of these capital assets. However, as we completed the inventory, we found three additional pieces of equipment which matched the criteria to be listed as capital assets. All three were pumps, two located at the 2200 North "City Drain" pump house and one mobile pump located at the Public Works yard at 7200 South.

Generally, capital assets are purchased using capital projects funds. Receipt of the asset and payment of the invoice trigger a series of events within the Auditor's Office. Each asset is assigned a property number, added to the Capital Assets List in Advantage Financial (AFIN), and a property tag is issued to the organization.

We obtained the original contract for the pumps at the City Drain pump house from Flood Control. Using this document, the Capital Assets Accountant in Accounting and Operations determined that electric pumps at the City Drain location were not originally listed as equipment. They were added to the AFIN0801, together with the Master Control Panel, as part of the pump house itself and assigned Asset Number L1499B001 and a cost of \$46,414.07. Subsequently, when the capitalization rate for buildings was raised to \$100,000, the asset was purged from the AFIN0801.

No additional activity is required for these two pumps. They are fully depreciated and changing the asset type to "E" for equipment would serve no purpose. Should these pumps be replaced in the future, we suggest that they be listed as equipment and not building improvements.

The mobile pump, located at the Public Works yard at 7200 South, was an H&H Model 50 x 8, Serial Number 12833, and had the number "22F10" on its frame. This is a "field number" assigned by Fleet to enable ready identification of the organization that owns the asset so any maintenance work or petroleum products consumed could be tracked by unit number. The unit number assigned by the Fleet Workforce system was 19531. Notes attached to the documentation indicated that the pump was acquired from Salt Lake City in 1993, in a non-monetary transaction at no cost to the County.

When capital assets are acquired by means other than the County purchasing system, a Form PM-1 "Fixed Asset Acquisition," shown in Attachment A, should be

completed and forwarded to the Auditor's Office so that the asset can be added to the AFIN0801 Report and tracked accordingly. Salt Lake County Auditor's Office Accounting Policies and Procedures, Chapter 5.1, "Management of Fixed Assets," Section 5.0 A.1, "Fixed Asset Forms and Procedures," states, "*The PM-1 form enables the Organization Property Manager to make additions to Fixed Asset Inventory Listings (AFIN 801) for property received through methods other than purchasing or transfer. This form should be submitted to Auditor's Office fixed asset accounting personnel within one week of the receipt of the property. The receiving Organization's Property Manager will maintain a copy of this form in its permanent fixed asset files.*"

When newly acquired capital assets are not documented on Form PM-1, they are not added to the inventory listing by the Auditor's Office and their existence is difficult, if not impossible to ascertain. Theft or inappropriate disposal of the asset is less likely to be detected. Finally, proper disposal of the asset through authorized channels would be equally difficult because the asset is not listed correctly.

#### **RECOMMENDATION:**

***We recommend that the property manager complete a Form PM-1 for the H&H Pump 22F-10 and submit the completed form to the Auditor's Office so the asset can be listed on the AFIN0801 Report.***

#### **CONTROLLED ASSETS**

Controlled assets are assets which cost at least \$100 but less than the capitalization rate (currently \$5,000) and are easily converted to personal use. Some assets, such as communications equipment, are always classed as controlled assets regardless of cost. The property manager in Flood Control is also the property manager for Public Works Engineering and all controlled assets for the divisions are cataloged on the same list. Therefore, our recent audit of Public Works Engineering also included the controlled assets of Flood Control. To accomplish our audit work in this area we located all of the controlled assets acquired since March 2005.

There were six assets acquired and two assets transferred to another division. We located each of the newly acquired assets and verified that they were numbered and tagged. In addition, we noted that the use of individual custody sheets, as recommended in our previous audit, had been implemented for all the individually assigned controlled assets. Finally, we found a Form PM-2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form" completed and signed for the transfer of the controlled assets. We commend Public Works Engineering and Flood Control staff for the internal controls in place over controlled assets, and for implementing the recommendations of our prior audit.

In closing, we express our appreciation to the staff at Flood Control and Public Works Engineering for the cooperation and assistance they provided during the audit.

Neil Stack, Director  
September 2, 2005  
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We are confident that our work will be beneficial and help your organization strengthen internal controls. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA  
Director, Internal Audit Division

cc: Doug Willmore  
Jason Godfrey  
Linda Hamilton  
Larry Moeller  
Randy Allen

SALT LAKE COUNTY  
PM-1 FIXED ASSET ACQUISITION FORM

- |                              |   |                     |   |
|------------------------------|---|---------------------|---|
| 1. Date of PM-1<br>_____     | 2. Unit#/Property#<br>_____   | Unit2<br> <br>_____ | 3. Asset Location<br>_____  |
| 4. Fund/Agency/Org#<br>_____ | 5. Activity Code<br>_____   |                     | 6. Object Code<br>_____   |
| 7. Acquisition Date<br>_____ | 8. Acquisition Method<br><small>Purchase, gift, donation, inter-govt. transfer, etc.</small><br>_____ |                     | 9. Serial Number<br>_____   |
| 10. Manufacturer<br>_____    | 11. Vendor Name/Grantor<br>_____  |                     | 12. Model Number<br>_____   |
| 13. Warrant#/Check#<br>_____ | 14. Purchase Order#<br>_____  |                     | 15. Person Responsible for Item<br>_____                            |
| 16. Useful Life<br>_____     | 17. Salvage Value<br>_____  |                     | 18. Grant Reference<br><small>State, Federal, Etc.</small><br>_____ |
19. Asset Description: (Size, Shape, Color, Materials, and Standard Terminology, etc.)  
\_\_\_\_\_

20. Purchase Price \_\_\_\_\_  
- Freight \_\_\_\_\_  
- Installation \_\_\_\_\_  
= Total Price \_\_\_\_\_

COMMENT

21. Will the item become part of or be attached to an existing asset or structure?  
Yes  No
22. If yes, indicate the property number or description of the asset to which the item will be attached.  
\_\_\_\_\_
23. Is the asset untaggable due to size or use (i.e., scuba gear, radio towers, etc.)? Please explain:  
\_\_\_\_\_
24. Purchase Authorized By: \_\_\_\_\_