

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
General Fund-Statutory & General Fund

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 31, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of General Fund-Statutory & General Fund

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of General Fund-Statutory & General Fund in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Mayor's Financial Administration and the cooperation from Darrin Casper, Javaid Majid, Greg Folta, Gabe Anguiano, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to General Fund-Statutory & General Fund during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Darrin Casper, CFO
Greg Folta, Director of Finance and Payroll



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of General Fund-Statutory & General Fund. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

In isolated instances, the required "Application for Contribution" form was not used. Also, some organizations did not attach an independent audit report when requesting a contribution from the Statutory and General fund.

Findings and Recommendations

Finding # 1 - An application form was not completed by two organizations that received contributions.

Risk Level: Low

Countywide Policy #1200, "Contributions/Waivers," Section 3.2 states:

"All [contribution] requests must be made on the official application form [Form A, 'Application for Contributions']."

An "Application for Contribution" form was not completed and on file for 2 out of 28 organizations the auditor reviewed. In one case, \$650 was contributed to Salt Lake City for a bicycle program. In the second case, \$7,500 was contributed to Sugarhouse Park for fireworks. Total County contributions out of the Statutory and General Fund for the 12-month period examined were \$412,147.

Management stated that use of the form in the bicycle project was overlooked. Regarding the fireworks contribution, Sugarhouse Park Authority included this in its annual letter requesting operational funding as provided for in its County contract. Fireworks funding is not mentioned in the contract, and therefore management should have requested them to complete an "Application for Contribution."

When the "Application for Contribution" form is not required of organizations requesting County contributions, adequate review is lacking for determining whether the funding serves a County purpose.

Recommendation

We recommend that an "Application for Contribution" form be required of all organizations requesting contributions from Salt Lake County.

Finding # 2 - Some organizations that received contributions did not provide required financial statements.

Risk Level: Low

Countywide Policy #1200, "Contributions/Waivers," Section 2.2 defines the application form as follows:

"The official document, with noted attachments, that serves as a request for contribution of funds..."

The official "Application for Contribution" requires that a copy of an independent audit or the organization's current financial statements be attached.

We reviewed application forms from outside organizations requesting Statutory and General Fund contributions in 2013, and found 7 out of 28 did not have an independent audit or their current financial statement attached. Contributions to one of these organizations, Midvale City on behalf of the Boys and Girls Clubs, were based on a multi-year County contract instead of the standard application form. The contract required that an annual fiscal audit of the Boys and Girls Clubs be provided.

Management stated that they occasionally had difficulty in obtaining financial statements from organizations, despite repeated reminders to them.

When independent audits or current financial statements are not submitted with the contribution application, the viability of the organization receiving funding is questioned, and County funding may not be used by the organization, as stated in their application.

Recommendation

We recommend that an independent audit or current financial statement be required of all organizations requesting contributions from the County.

Additional Information

Background

The General Fund-Statutory and General Fund accounts for County money not assigned to other specific funds. All general and personal property taxes, County option sales taxes, and a portion of the motor vehicle fee-in-lieu are posted here. Expenditures out of the fund cover fees to County financial advisors, such as the bank that calculates arbitrage on County general obligation bonds, and fees to the accounting firm that performs the County's annual financial audit. Also, the fund is used to pay annual dues to the Utah Association of Counties, and over a dozen chambers of commerce. In addition, payments are made to the Utah Transit Authority in connection with the employee rideshare and vanpool programs. Expenditures also occur as contributions to outside charitable organizations. Statutory and General is a long-established County fund that dates back to least the early part of the 20th Century.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending October 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



**SALT LAKE
COUNTY**

DARRIN CASPER
Salt Lake County
Chief Financial Officer

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January 24, 2014

GREGORY P. HAWKINS
Salt Lake County Auditor

Re: A Key Control Audit of General Fund – Statutory & General Fund

Dear Gregory P. Hawkins:

We want to thank you for your report dated January 2, 2014 and the work performed by your staff, specifically Larry Decker.

We are pleased that the only two findings were low risk. We take all risk levels seriously and will increase our efforts to address your findings as quickly as possible.

Below you will find our management responses to your findings.

Finding # 1 - An application form was not completed by two organizations that received contributions.

There is uncertainty about which County agency is the repository for this documentation. Although every effort is made to gather the documentation, it is not specified in Countywide Policy 1200 "Contributions/Waivers" whether the application form is to be retained by the Mayor, Council, and/or the agency processing payment. Until this is clarified in policy, Mayor Finance will ensure that all organizations receiving contributions have completed an application form and that it is retained on file with the payment documentation.

Finding # 2 - Some organizations that received contributions did not provide required financial statements.

Again, there is uncertainty about which organization is the repository for this documentation. Although every effort is made to gather the documentation, it can be difficult to obtain and it is not specified in Countywide Policy 1200 "Contributions/Waivers" whether the financial statements are to be obtained and stored by the Mayor, Council, and/or the agency processing payment. Until this is clarified in policy, Mayor Finance will ensure that all organizations receiving contributions have submitted the required financial statements and that all supporting documents are retained on file with the payment request.

Sincerely,

Darrin Casper
Chief Financial Officer