

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Treasurer's Office

December 04, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 04, 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 Treasurer's Office

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Treasurer's Office 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 Treasurer's Office and the cooperation from Wayne Cushing, Randy Wightman, Anna Gallagher, Ben Umeadi, Angie Vise, Liz Madrigal and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Treasurer's Office 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: Wayne Cushing, Salt Lake County Treasurer
Randy Wightman, Chief Deputy Treasurer

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Treasurer's Office. 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

The Treasurer's Office electronic cashiering system retained the names of two individuals that no longer worked at the Treasurer's Office. In addition, an entity in the system named "May Tax Sale" showed there were access rights, but the person who had the password was unknown. We also found that a controlled asset inventory had not been completed in the past year, and individual employees had not signed for controlled assets assigned to their use. In other areas, we found incomplete documentation for one purchasing card. In payroll processing, we found one case of an employee approving their own time in TCRD.

Findings and Recommendations

Finding # 1 - Individuals no longer employed at the Treasurer's Office still had access rights to the cashiering system.

Risk Level: Moderate

Countywide Policy #1400-1, "Information Technology Security: Acceptable Use Policy," Section 3.1.2 states:

"County agency management is responsible for granting users' access to IT resources and systems, which is limited to that which is required to do their work, and for revoking user access in a timely manner."

We found two employees who no longer worked for the Treasurer's Office yet still retained access rights to the Treasurer's iNova electronic cashiering system. Though these individuals had access rights, Treasurer's Office personnel stated that they could not enter the system without use of a Treasurer's Office computer. We also found an entity titled "May Tax Sale" with access rights, however, personnel did not know who had the password for this entity.

Management stated that continuing the access rights of these parties was an oversight due to infrequent review of the users list.

When individuals no longer employed at the Treasurer's Office retain access rights, the possibility exists for them to manipulate the system for personal gain or on behalf of others.

Recommendation

We recommend that the names of the two individuals no longer working at the Treasurer's Office be deleted from iNova system access, and that the access rights be determined for the "May Tax Sale" entity.

Action Taken:

The Treasurer's Office reported that since our office initiated fieldwork they have deleted the two former employees from the iNova system. They have also deleted the "May Tax Sale" entity due to its function no longer being needed.

Finding # 2 - Controlled asset forms signed by individual employees were not used and maintained on file.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms:... 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The "Controlled Assets Inventory Form-Employee" was not used by the Treasurer's Office. Employees did not sign for controlled assets assigned to their individual use.

Management stated that they were not aware of this form or the requirement to have employees sign for controlled assets.

When employees do not sign for assets under their use, accountability is lost and any loss or theft is not as readily recognized.

Recommendation

We recommend that the Treasurer's Office implement use of the "Controlled Assets Inventory Form-Employee" and have employees sign for assets assigned to them individually.

Finding # 3 - The Treasurer's Office had not conducted a controlled asset inventory in the past year.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets to ensure complete accountability for all property owned by, or assigned to the organization."

A controlled asset inventory had not been conducted in the Treasurer's Office since March 2012.

Management stated that the lack of continuity created by the unexpected departure of the property manager during the past year led to the controlled asset inventory not being conducted.

When an annual controlled asset inventory is not conducted, equipment could be converted to personal use without its loss being recognized.

Recommendation

We recommend that a physical inventory of all controlled assets be conducted at least annually.

Finding # 4 - Adequate documentation was not maintained for one of the purchasing cards.

Risk Level: Low

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 6.6 states:

"County records, including itemized receipts, quotes, and other supporting documentation discussed in this policy, will be maintained..."

An invoice or other documentation was not on file to support a \$600 hotel stay charged to one of the purchasing cards. In addition, only 2 bank statements out of 12 were maintained on file for the previous year.

The purchasing card holder stated that it was infrequently used, resulting in inconsistent filing of receipts and other documentation. Also, this employee was not sure whether the bank generated a statement in months when no card usage occurred.

The lack of supporting receipts and bank statements on file creates doubt as to transaction legitimacy and whether unaccounted for transactions occurred.

Recommendation

We recommend that all supporting invoices and monthly bank statements from purchasing card usage be maintained on file.

Finding # 5 - An employee entered and approved their own time in the TCRD system.

Risk Level: Low

The Mayor's Office Payroll Manual, Section 2.5 states:

"All records where employees make the original entry of time and attendance must be approved by at least the immediate supervisor before information is posted to the County payroll system Time and Attendance Report (TandA)."

A Treasurer's Office employee approved her own time in the TCRD system as part of payroll processing.

Management stated that the employee approving her own time was an oversight due to an established procedure that had not been reviewed recently.

When employees approve their own time, hours not worked could be reported and paid for without management recognizing the inaccuracy.

Recommendation

We recommend that employees not approve their own time in the TCRD system, and that their immediate supervisor approve this time.

Additional Information

Background

The Salt Lake County Treasurer's Office collects real property taxes assessed against all parcels within the County. The Treasurer collects these taxes not only for the County but also for all local government entities. In fact, most of the approximately \$1 billion collected each year is distributed to these other entities, including cities, school districts, and special service districts, such as mosquito abatement districts. The Office also collects personal property taxes on behalf of the Assessor's Office. The Office maintains all County depository bank accounts and bank accounts used for disbursements on accounts payable and payroll, and it authorizes depository and checking accounts for individual County agencies. Each night all deposits from other agencies are swept into the Treasurer's main bank account. The Treasurer's Office has 25 employees and a 2013 budget of \$3,357,930.

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 August 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.



November 1, 2013

The Honorable Gregory P. Hawkins
Salt Lake County Auditor
2001 S State #N 3300
Salt Lake City, Utah 84190-1100

RE: October 18, 2013 Audit of the Key Controls of Treasurer's Office

Dear Mr. Hawkins,

We have received and reviewed the audit referenced above and the list of findings and recommendations associated with the audit.

We appreciate the professionalism shown by the auditors assigned to our office and their willingness to deal with the time constraints of our employees.

We have met and discussed the findings made by your office and have made changes to controls and procedures necessary to alleviate the risks associated with those findings.

Thank you again for your diligence in performing your duties as the Salt Lake County Auditor.

Sincerely,

K. Wayne Cushing
Salt Lake County Treasurer

KWC/ld

**SALT LAKE COUNTY
TREASURER**

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Salt Lake County Treasurer

Randel Wightman
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