

An Audit  
of the  
Expenditures  
of the  
Salt Lake County Council

2017

# Audit Report



Salt Lake County Government Building



OFFICE OF THE  
Salt Lake County Auditor  
SCOTT TINGLEY, CIA, CGAP

Audit Services Division  
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## Our Mission:

*To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.*

Report Number 2017-IN1-1

April 2017





**SCOTT TINGLEY**  
CIA, CGAP

Salt Lake County Auditor

[STingley@slco.org](mailto:STingley@slco.org)

**CHERYLANN JOHNSON**

MBA, CIA, CFE

Chief Deputy Auditor

[CAJohnson@slco.org](mailto:CAJohnson@slco.org)

2001 S State Street, N3-300

PO Box 144575

Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711

866-498-4955 / fax

5 May 2017

**To:** The Citizens of Salt Lake County, the County Council, and the County Mayor

**From:** Scott Tingley, CIA, CGAP  
Salt Lake County Auditor

**Re:** An Audit of the Salt Lake County Council's Expenditures

Transmitted herewith is our report, ***An Audit of the Salt Lake County Council's Expenditures*** (Report Number 2017-IN1-1). An Executive Summary of the report can be found on page 1. The overall objective of the audit was to determine if critical internal controls related to Countywide Policies and business processes are adequate, properly implemented, and operating as they are intended to prevent fraud, waste, or abuse of County assets.

We reviewed the business processes within the County Council's Office, specifically in the areas of operating expenses, purchasing card transactions, travel expenditures and reimbursements, and capital asset and equipment purchases. In our report, we identify findings and recommend actions to improve the efficiency and effectiveness of operations, ensure greater accountability, and better safeguard County assets within the County Council's Office.

We truly appreciate the time and efforts of the employees of the County Council's Office throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or to better facilitate the implementation of the recommendations.

Respectfully submitted,

Scott Tingley, CIA, CGAP  
Salt Lake County Auditor





## I. EXECUTIVE SUMMARY

### Background

The Salt Lake County Council is the governing legislative body of the County. In addition, they have a managing role in overseeing the day to day affairs of the County as a business.

### Audit Objective

The objective of the audit was to determine whether proper controls were implemented and operating to provide assurance that adequate oversight and accountability were present as related to Salt Lake County Council expenditures and assets.

### Audit Scope and Methodology

Our audit involved reviewing actual expenditures and related supporting documentation. We reviewed and examined controls over expenditures and assets. Data and information were collected from the County financial system and the Council fiscal staff. We focused our audit effort in four main areas of the Salt Lake County Council operations.

- **Operations Expenditures**
- **Purchasing Cards**
- **Travel Expenditures and Reimbursements**
- **Capital and Controlled Assets**

We examined operations, travel, and purchasing card expenditures as well as capital and controlled asset purchases from 2012 through 2016.

### General Audit Conclusions

- Purchasing cards were not properly safeguarded, and a purchasing card was used by an employee not designated as an authorized cardholder.

A purchasing card was used by an employee not designated as an authorized cardholder and purchasing cards were kept in a filing cabinet to which multiple employees had keys.

- The *Controlled Assets Inventory Form – Organization* and *Controlled Assets Inventory Form – Employee*, or similar forms, were not used to conduct the annual inventory.

The documentation used by the County Council property manager to conduct the controlled asset inventory showed assets were individually assigned; however, each employee who was assigned controlled assets had not signed and dated the documentation. In addition, the *Controlled Assets Inventory Form-Organization*, or similar form, was not used for assets not individually assigned.

- Salt Lake County Council operations expenditures were authorized and appropriate.

We conclude that the controls in place over operations expenditures were sufficient to minimize the risk of fraud, waste, and abuse. We determined that actual expenditures were authorized and appropriate. There were no findings in this area of the audit.

- Travel Expenditures were reasonable and in compliance with Countywide policy.

We reviewed all travel related trips to verify that they had a valid, business related purpose and supporting documentation was maintained for each expense. There were no findings in this area of the audit.

## What We Recommend

To avoid purchases being made by an employee not designated as an authorized cardholder:

- Prohibit cardholders from allowing anyone to use their purchasing card.

To properly safeguard purchasing cards:

- Store purchasing cards in a secure location where others are unable to use or gather information from them.

To ensure the Controlled Asset Inventory is conducted according to Countywide policy:

- Use the *Controlled Assets Inventory Form – Organization and the Controlled Assets Inventory Form - Employee*, or similar forms, when conducting the annual inventory.

Please refer to the main section in the report for more details about these findings and recommendations.

AN AUDIT OF THE EXPENDITURES OF THE

# Salt Lake County Council

Report Number 2017-IN1-1  
April 2017

Scott Tingley, CIA, CGAP  
SALT LAKE COUNTY AUDITOR

Cherylann Johnson, MBA, CIA, CFE, CRMA  
CHIEF DEPUTY AUDITOR

**Audit Staff:**

Todd Livingston, JD  
Leonardo Flores, CIA  
David Lewis, CPA



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## II. INTRODUCTION

### Background

The Salt Lake County Council is the governing legislative body of the County. It was formed in the year 2000, replacing the County Commission, when the County moved to a Mayor/Council form of government. It consists of nine members. Three members are considered at large and serve six-year terms while the other six are elected by district and serve four years. Councilmember terms are staggered with elections held every two years. The Council adopts ordinances, rules, and regulations, but also serves many other diverse functions including adopting County policies and procedures, adopting the County budget, setting and levying taxes, and establishing fees.

### Audit Objectives

Our audit objectives were to determine if key financial internal controls were designated and implemented to provide adequate oversight and accountability over Salt Lake County Council expenditures and assets; and to provide reasonable assurance against the risk of loss, unreasonable purchases, and compliance with County ordinances, policies, and procedures. Specific audit objectives related to each major audit area can be found in the Audit Results section of this report.

### Audit Scope and Methodology

We analyzed the financial records as applicable to purchases, expenditures, and reimbursements to provide reasonable assurance of compliance with Countywide policies. We sought to identify areas of material risk. Our examination period was from January 1, 2012 through December 31, 2016.

Our work included an examination of assets, records, expenditures, and transactions in the following areas:

- **Purchasing Cards**
- **Capital and Controlled Assets**
- **Operations Expenditures**
- **Travel Expenditures and Reimbursements**

In addition to reviewing financial records and documentation, we met with fiscal management and interviewed Salt Lake County Council employees.

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### III. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Finding No.	Findings	Recommendations	Page No.
<b>1.0 PURCHASING CARDS</b>			
<b>1.1</b>	A purchasing card was used by an employee not designated as an authorized cardholder. <b>Risk Ranking: 2 (Moderate)</b>	We recommend that the purchasing cardholder not allow anyone to use their purchasing card.	6
<b>1.2</b>	Purchasing cards were not properly safeguarded. <b>Risk Ranking: 2 (Moderate)</b>	We recommend cardholders properly safeguard their purchasing cards by keeping them in a place where others are unable to use or gather information from them.	6
<b>2.0 CAPITAL AND CONTROLLED ASSETS</b>			
<b>2.1</b>	The <i>Controlled Assets Inventory Form – Organization</i> and <i>Controlled Assets Inventory Form - Employee</i> , or similar forms, were not used to conduct the annual inventory. <b>Risk Ranking: 1 (Low)</b>	We recommend that the Salt Lake County Council property manager complete a <i>Controlled Assets Inventory Form - Organization</i> , or a similar form, for property not readily assignable to an individual employee or which is shared by more than one employee.  We recommend that all employees who are assigned controlled assets review and sign the <i>Controlled Assets Inventory Form – Employee</i> .	8
<b>3.0 OPERATIONS EXPENDITURES</b>			
	We noted no significant findings.		10
<b>4.0 TRAVEL EXPENDITURES AND REIMBURSEMENTS</b>			
	We noted no significant findings.		11

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## IV. AUDIT RESULTS

### 1.0 Purchasing Cards

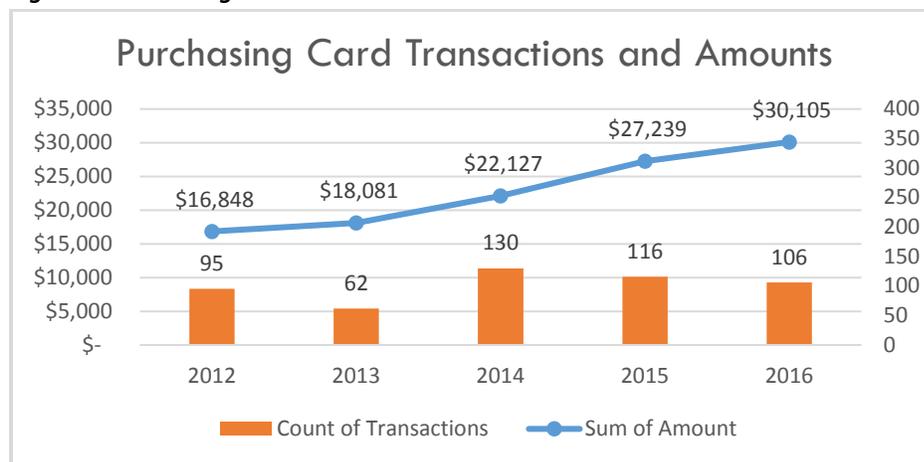
#### Audit Objective:

- **Determine whether purchasing card transactions received authorization and represented legitimate business transactions.**

**Countywide Policy #7035, "Purchasing Cards Authorization and Use"** establishes procedures and processes regarding purchasing card use, allowed purchases, prohibited purchases, reconciliation, and records retention.

Purchasing cards are used to pay for travel, controlled assets, office supplies, trainings, meals, donations, and other business expenses. As part of the process in determining whether purchasing card transactions were authorized and appropriate, we reviewed all purchasing card transactions from 2012 through 2016. In addition, we physically reviewed purchasing cards, the location where the cards were stored, and interviewed the cardholders regarding **Countywide Policy #7035, "Purchasing Card Authorization and Use."**

**Figure 1. Purchasing Card Transactions and Amounts.**



**The amount spent using the purchasing card has increased each year from 2012 through 2016 while the number of transactions varies.**

Our findings in the area of Purchasing Cards were as follows:

- **A purchasing card was used by an employee not designated as an authorized cardholder.**
- **Purchasing cards were not properly safeguarded.**

## FINDINGS AND RECOMMENDATIONS

***FINDING 1.1: A purchasing card was used by an employee not designated as an authorized cardholder.***

**Risk Ranking: 2 (Moderate)**

An employee, not designated as an authorized cardholder, had access to the purchasing card and used it to make emergency purchases. or when the cardholder was unavailable. During separate interviews, the cardholder and the employee, not designated as the authorized cardholder, acknowledged that this occurred on two separate occasions. The first instance was to purchase an emergency plane ticket, and the other to purchase Council meals. The cardholder stated that the purchases were made with her knowledge and under management’s direction.

***Countywide Policy #7035, Purchasing Cards Authorization and Use,” Section 4.1.5, states:***

***The cardholder is solely responsible for the use of the P-Card issued in their name and purchases by anyone other than the cardholder, personally, are prohibited.***

When employees not designated as authorized cardholders use a purchasing card, the potential for theft is increased.

### **RECOMMENDATION:**

**We recommend that the purchasing cardholder not allow anyone to use their purchasing card.**

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***FINDING 1.2: Purchasing cards were not properly safeguarded.***

**Risk Ranking: 2 (Moderate)**

The Salt Lake County Council had one purchasing card assigned to their division until December 2016. The purchasing card was stored in a lockable filing cabinet. The cardholder and three other employees, one being the employee in charge of approving the purchases, had access to the purchasing card.

***Countywide Policy #7035, “Purchasing Cards Authorization and Use,” Section 2.2 and 1.4 state:***

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**Employees not designated as authorized cardholders used purchasing cards.**

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***[T]he cardholder shall be responsible for authorized and allowable use and safeguarding of the P-Card.***

***Any cardholder training materials and usage guidelines related to the use of a county P-Card are, by reference, incorporated as part of this policy, and shall be reviewed, understood, and followed by the cardholder, their supervisor, and the agency fiscal manager prior to use.***

During purchasing card training, it is expressed that cards should be safeguarded by keeping the card where other people are unable to use or gather information from it.

Salt Lake County Council had an internal policy regarding the management of purchasing cards and petty cash. The internal policy stated that purchasing cards were to be stored in a securely locked location with designated access keys provided to the front desk reception/secretary, council administrative coordinator, budget and policy analyst, and legal counsel.

When multiple employees have access to a purchasing card, including the employee approving purchases, the potential for theft is increased.

#### **RECOMMENDATION**

**We recommend cardholders properly safeguard their purchasing cards by keeping them in a place where others are unable to use or gather information from them.**

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**Purchasing cards were not always properly safeguarded.**

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## **2.0 Capital and Controlled Assets**

### **Audit Objective:**

- **Determine whether capital and controlled assets were properly accounted for and applicable to County Council operations.**

The audit included an examination of both the capital and controlled assets maintained at the County Council office. The Salt Lake County Council Office maintains only one capital asset, a copy machine, and lists a total of 20 controlled assets assigned to 16 employees. The capital asset is verified on a capital asset list that is sent annually to Mayor's Financial Administration. The controlled asset inventories are also to be conducted annually, but the controlled assets inventory lists are not required to be sent to Mayor's Financial Administration.

The capital asset lists were available for review from Mayor's Financial Administration for all years reviewed, except 2014. The County started using a new financial operating system in 2014. The capital asset inventory list for that year was unavailable. However, the 2013 and 2015 capital asset lists were compared with 2014 purchasing records to ensure no capital assets were purchased during that timeframe.

Salt Lake County Council's property manager provided the Auditor's Office with the controlled asset inventory forms for all years except 2015. The controlled asset inventory documentation for 2015 was unavailable for review due to a former employee, who conducted the inventory, leaving County employment without providing the inventory documentation to management. However, the 2016 inventory, along with all purchases made by the County Council for 2015, were reviewed to ensure that controlled asset purchases in 2015 were listed on the controlled assets inventory list.

Regarding the purchasing process for controlled assets, the Salt Lake County Council Fiscal Manager explained that a request is submitted by a Council member to the other Council members to determine if the asset is necessary to complete their job function. If the asset is required to complete a job function, the Council may request the single asset be purchased, or the Council members may request that the asset be purchased for each Council member. The request is then sent to the Council Fiscal Manager. The Council Fiscal Manager evaluates the request for purchase and determines whether there is adequate budget for the purchase. If the controlled asset is necessary for the job function, reasonably priced, and within the budget, the asset is then purchased by a purchasing cardholder. The property manager receives the asset and places it on the controlled assets list.

Our finding in the area of capital and controlled assets were as follows:

- ***The Controlled Assets Inventory Form – Organization and the Controlled Assets Inventory Form - Employee, or similar forms were not used to conduct the annual inventory.***

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## FINDINGS AND RECOMMENDATIONS

***FINDING 2.1: The Controlled Assets Inventory Form - Organization and Controlled Assets Inventory Form - Employee, or similar forms, were not used to conduct the annual inventory.***

**Risk Ranking: 1 (Low)**

Controlled assets inventories were conducted on a rotating basis as assets were purchased. The assets were tracked using an excel document that stated the year of the inventory at the top of the page and listed the employees with their assigned assets. However, no space was provided for the employees to sign and date the controlled asset list as attestation that the controlled assets were in their possession, or otherwise assigned. The forms provided in **Countywide Policy #1125** require that the employees sign to acknowledge their acceptance of accountability.

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**Controlled assets were not inventoried on a yearly basis, but on a rotating basis as assets were purchased.**

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**Countywide Policy #1125 "Safeguarding Property/Assets," Sections 4.3.1, 4.3.2, and 4.3.3** state:

*The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures.*

*Exhibit 3 - "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. Exhibit 4 - "Controlled Assets Inventory Form - Organization" is used for property not readily assignable to an individual employee or which is shared by more than one employee.*

*The "Certification" on Exhibits 3 and 4 states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them.*

The property manager stated that he never received specific instruction from management on how to conduct the controlled assets inventory and was using his best judgment on how to track the controlled assets. However, when individual responsibility is not established for assets under an employee's control, assets are at a greater risk of being lost, stolen, or diverted for personal use.

#### **RECOMMENDATIONS:**

We recommend that the Salt Lake County Council property manager complete a "Controlled Assets Inventory Form - Employee, or a similar form, for each employee who is assigned controlled assets.

We recommend that the Salt Lake County Council property manager complete a "Controlled Assets Inventory Form - Organization, or a similar form, for property not readily assignable to an individual employee or which is shared by more than one employee.

We recommend that all employees who are assigned controlled assets review and sign the “Controlled Assets Inventory Form – Employee” to indicate their verification of the assets.

### 3.0 Operations Expenditures

#### Audit Objective:

- Determine if expenditures made by County Council members and their advisors were authorized and appropriate.

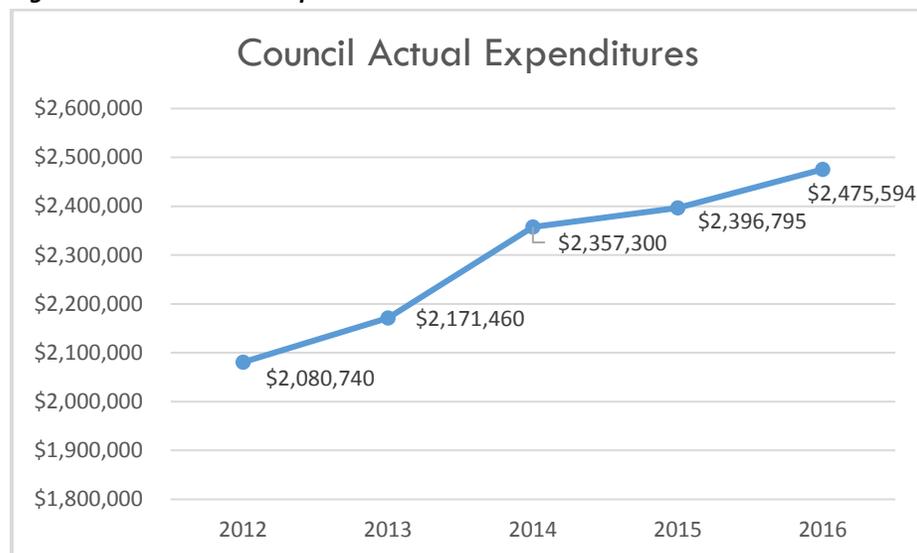
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**Council Expenditures increased by \$185,840 during 2014.**

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We conducted an analysis of operations expenditures. We obtained detailed expenditure data from the County financial system for the period January 1, 2012 to December 31, 2016. The data showed an annual increase in expenditures, the largest occurring in 2014 with an 8.6% increase. Below is a chart illustrating actual expenditures from 2012 to 2016.

**Figure 2. Council Actual Expenditures**



**The largest increase occurred in 2014, an increase of \$185,840.**

Our test objective included a review of organizational expenses except for purchases made using a purchase card, travel expenditures, and meal reimbursements. We reviewed transactions for proper authorization and appropriateness. We reviewed a stratified sample of 312 transactions out of a total of 1658 transactions.

We found that all sampled transactions were authorized and appropriate. The County has a dispersed accounting structure that provides internal controls on transactions created in the financial system. As a result, not all expenses are

recorded by Council fiscal staff. Most Council expense transactions reviewed were recorded by other agencies. For example, telephone utilities are charged by Information Services and the charges are reviewed in the accounting system by Council fiscal staff.

However, our sample did include expense transactions recorded by Council fiscal staff. These were primarily transactions from the Council contribution fund. The contribution fund allows the Council to contribute funds to a non-profit organization that meets certain criteria. Each contribution is approved and ratified by the Council as a whole. We reviewed detailed documentation for the transactions in our sample and noted that each transaction included proper authorization, approval signatures, and an explanation for the amount contributed.

Because the sample in the analysis was representative of all organizational expenses, we determined that expense transactions that occurred from 2012 to 2016 were authorized and appropriate. Therefore, we concluded that controls over spending were sufficient to minimize the risks of fraud, waste, and abuse. We noted no significant findings in this area of the audit.

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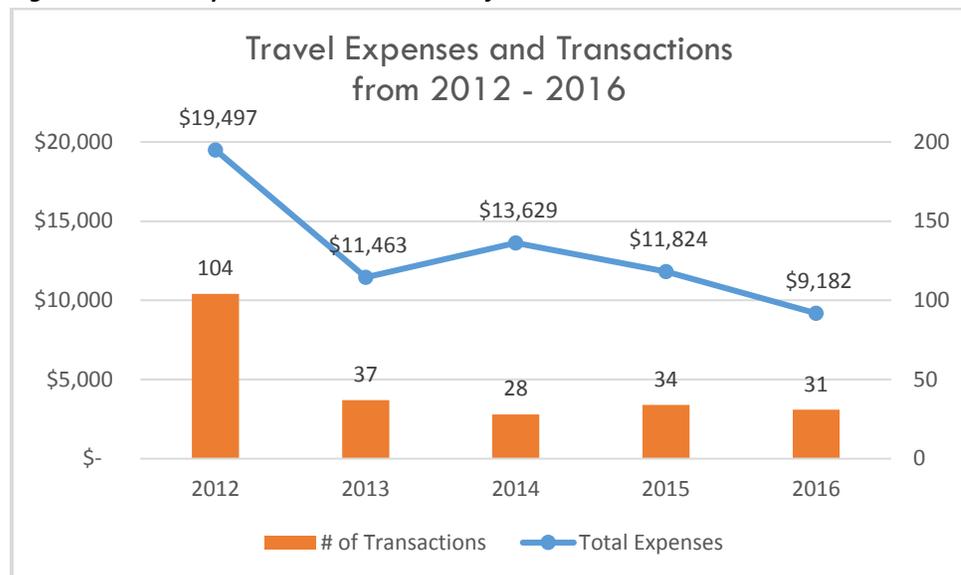
**Operational expenditures that occurred from 2012 to 2016 were authorized and appropriate.**

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## 4.0 Travel Expenditures & Reimbursements

### Audit Objective:

- **Determine whether travel expenditures were reasonable and in compliance with Countywide Policy #1019.**

**Figure 3. Travel Expenses and Transactions from 2012 – 2016**

***The amount spent on travel has declined over a five-year period.***

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**Travel Expenses have declined over a five-year period.**

---

A portion of our audit involved a comprehensive review of the travel expenditures incurred by the County Council from 2012 through 2016. Our objective was to determine if the internal controls related to travel expenses provided reasonable assurance that the expenses were for a business purpose, followed Countywide Policy for reimbursements, and were sufficient to prevent fraudulent payments.

When internal controls surrounding travel expenses are not well designed or operating as intended, it is relatively easy to conceal fraud within this account. Some of the risks include: manipulated mileage reports, erroneously reimbursed expenses for personal days taken during a trip, and multiple reimbursements for the same expense. To this end, we examined supporting documentation for 236 travel expense transactions from 2012 to 2016. This documentation included:

- Receipts for all events attended
- Airfare receipts
- Mileage reports
- Meal and lodging per-diem rates
- Lodging itineraries.

We compared the amounts on all receipts to the amount reimbursed to the Council, or items purchased using a purchasing card, for accuracy. We found that all amounts claimed for reimbursement could be tied to a receipt. Mileage per-diem was reimbursed based upon pre-printed Google Maps directions showing the most efficient route. These controls eliminated the potential for unwarranted mileage to be claimed for a trip.

We also reviewed the meal and lodging per-diem rates used for reimbursement. We found that meal per-diems were always granted at the correct amount, but the actual reimbursement for lodging could vary based upon the availability of rooms. There were three instances where the amount reimbursed for a room was more than double what the per-diem recommended. One for the 2016 NACO conference in Los Angeles County, and two for the 2015 UAC convention in St. George, Utah. However, it was explained by the employee reconciling the purchases that these were based on a lack of availability of rooms, particularly if a Council Member decided to attend a conference at the last minute. In addition, we reviewed conference agendas to a corresponding hotel itinerary to confirm that unnecessary additional (personal) nights were not reimbursed. We found the itineraries matched all official lodging nights stayed.

Finally, we compared all purchasing card travel purchases to the amounts listed on a reimbursement form. For the sample of travel expense transactions, we matched all the amounts listed on purchasing card documentation and amounts on the reimbursement forms with corresponding receipts. We found no evidence of any purchases that were also reimbursed to a Council Member or staff.

Based upon our audit tests, we determined that the internal controls over travel expenses implemented by the County Council were operating as intended and were sufficient to prevent fraud and abuse. We noted no significant findings in this area of the audit.

## V. CONCLUSION

We conducted an audit of the Salt Lake County Council and reviewed operations expenditures as well as purchasing card transactions, travel expenditures and reimbursements, and capital and controlled assets management. We determined from our review that controls were in place and followed to allow for proper oversight and to establish accountability over operations expenditures and travel expenditures and reimbursements by the Salt Lake County Council. However, the County Council was not compliant with Countywide policy regarding the use and storage of purchasing cards, and the forms used to conduct the controlled assets inventory.



## VI. APPENDICES

### **Appendix A: Response to Audit**





May 1, 2017

**Steven L. DeBry, Chair**  
District #5

**Jenny Wilson**  
At-Large A

**Richard Snelgrove**  
At-Large B

**Jim Bradley**  
At-Large C

**Arlyn Bradshaw**  
District #1

**Michael H. Jensen**  
District #2

**Aimee Winder Newton**  
District #3

**Sam Granato**  
District #4

**Max Burdick**  
District #6

The Honorable Scott Tingley  
Salt Lake County Auditor  
2100 South State #N3-300  
Salt Lake City, Utah 84190-1100

Dear Auditor Tingley,

The Salt Lake County Council has received and its staff has had the opportunity to review your audit report. Thank you for the recommendations related to the controls put in place by the Council to prevent waste, fraud, and abuse.

Council staff has already put in place your recommendations related to purchasing cards and the controlled asset inventory form. The Council does not have any other comments related to the audit. The Council appreciates the professionalism with which your staff conducted themselves over the course of the audit.

Sincerely,

A handwritten signature in black ink that reads 'Steven L. DeBry'. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Steven L. DeBry  
Chair  
Salt Lake County Council