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December 18, 2017

Paul Leggett, Director

Division of Aging and Adult Services

2001 South State Street, S1-600

Salt Lake City, UT 84190-4575

Re: **An Audit of Key Controls at the Liberty Senior Center**
Report Number 2017-MLR04

Dear Paul,

We recently completed an audit of key controls at the Liberty Senior Center ("Liberty"). The purpose of the audit was to examine financial records and procedures to determine if critical internal controls over areas such as cash handling, daily deposits, capital and controlled asset management, and other public assets, are properly implemented and functioning as intended to help prevent fraud, waste, or abuse. We also reviewed financial processes and procedures to ensure that they complied with Countywide policies and standards.

Our work was designed to provide reasonable, but not absolute assurance that the system of internal controls was adequate, financial records current, and that daily transactions were recorded accurately. Since our audit included only a sample of items from the period we examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included Countywide Policies such as **CWP 1203, "Petty Cash and Other Imprest Funds," CWP 1062, "Management of Public Funds," CWP 1125, "Safeguarding Property/Assets," CWP 7035, "Purchasing Card Authorization and Use,"** and Aging and Adult Services internal policies and procedures.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of Liberty throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Scope and Methodology

Our audit covered the period from January 1, 2016 to December 31, 2016. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, records, and transactions in the following areas:

- Change Funds

- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Purchasing and Proprietary Card Transactions and Use

The audit objectives, findings, and recommendations, in each of the areas we examined are as follows:

Audit Objectives, Findings, and Recommendations

1.0 Change Funds

Audit Objectives:

- **Determine if the change fund is intact and maintained at the authorized amount.**
- **Determine if the change fund is properly safeguarded against theft or misuse.**

We performed a surprise count on the \$100 change fund at Liberty, and found that it was intact and maintained at its authorized amount as recorded by the Mayor's Office of Financial Administration ("Mayor's Finance"). We also interviewed the staff at Liberty, and observed the change fund balancing procedures, operations, and security. Liberty uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Liberty serves lunches to seniors, and the center staff collect donations for the meals that are served to patrons who are 60 years of age or older. At the end of each day, the staff exchange large bills in the change fund for smaller denominations and coins collected from donations. The change fund is then counted and returned to the authorized amount, and the daily deposit is prepared. We noted that the center staff at Liberty did not document the transfer of the change fund to and from the safe each day using the appropriate form as required by Countywide Policy.

Finding 1.1: The Fund Transfer Ledger was not being used properly.

We obtained a copy of the **MPF Form 7, Fund Transfer Ledger**, that Liberty used from May to December 2016. We found that it listed only 50 entries over 158 working days, or a transfer on average every 3.16 days. We interviewed the staff at Liberty and found that the Fund Transfer Ledger was only being used to document the transfer of responsibility for the change fund from one cashier to another, instead of every time the change fund was transferred into or out of the safe each day.

CWP 1062, "Management of Public Funds," states that,

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox and return the fund to the safe or lockbox." (CWP 1062, 2.7.3, p. 7)

The purpose of the Fund Transfer Ledger is to document that the change fund balances to the authorized amount each time that an employee retrieves funds from the safe, and that it balances when funds are returned to the safe. The Fund Transfer Ledger also establishes responsibility for the funds when they are in use. When Liberty employees do not use the Fund Transfer Ledger to track each

movement of the change fund, funds are at an increased risk of being lost, stolen, or diverted for personal use. Center management was following internal office procedures which did not include documenting the movement of the change fund in and out of the safe daily rather than following CWP 1062.

Recommendation

We recommend that Liberty Senior Center staff count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger, or similar log, each time the change fund is retrieved from or returned to the safe.

2.0 Cash Handling and Daily Deposits

Audit Objectives:

- **Determine if cash handling and daily depositing procedures comply with Countywide Policy.**
- **Determine if daily cash collections and deposits are properly safeguarded against theft or misuse.**

Our audit examined cash handling and depositing procedures at Liberty to determine if those procedures complied with Countywide Policies. We also examined whether daily collections were properly accounted for and adequately safeguarded against the risk of loss or theft. **CWP 1062, "Management of Public Funds,"** establishes procedures for receiving, recording, depositing, and disbursing public funds and defines functions and responsibilities to establish and strengthen internal controls over these procedures.

We discussed and reviewed cash receipting procedures at Liberty with staff members. Most funds collected were donations placed directly in donation boxes. Employees issued manual receipts for sales of lunches for anyone under the age of 60, photo copies, and Chuck-A-Rama discount coupons.

Two Liberty employees opened the donation boxes to prepare the bank deposit and the daily *Deposit Reconciliation Form*. To determine if depositing procedures complied with Countywide Policies, we selected a sample of 30 deposit dates to examine. We analyzed the *Deposit Reconciliation Form* to verify that amounts collected matched the amounts on the bank deposit slip.

The *Deposit Reconciliation Form* was signed by two preparers and one reviewer. We also verified that the total amount of cash and check collections were deposited each day and that deposits were made no later than three days after receipt in accordance with Countywide Policy. Deposit documentation was organized, complete, and accurate. Overall, we found that depositing procedures at Liberty complied with Countywide Policy, and that daily cash collections and deposits were properly safeguarded against theft or misuse.

We noted no significant findings in the areas of cash handling and daily deposits.

3.0 Capital and Controlled Assets

Audit Objectives:

- **Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.**
- **Determine if capital and controlled assets are properly safeguarded against loss, theft, or misuse.**

The audit included an examination of the management of County property and assets under Liberty's control. **CWP 1125, "Safeguarding Property/Assets,"** establishes the proper management of County capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

We obtained a copy of a listing of all capital assets at Liberty from the County's financial system. We determined that fixed assets were identified accurately, physically present, and accounted for properly. Aging Services had signed the memorandum from Mayor's Finance verifying the 2016 inventory of capital assets.

Countywide Policy 1125, "Safeguarding Property/Assets," defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Controlled assets can be highly susceptible to theft or misuse, and therefore require special procedures to ensure that they are properly safeguarded. The property manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody (CWP 1125, 2.2.2, p. 2).

We obtained a listing of 83 controlled assets at Liberty, and selected a judgmental sample of 20 of them to locate on-site. In addition, we selected 5 controlled assets to trace back to the listing. For each of the items in the sample, we verified that the description, make, model, and location recorded on the log, was up-to-date and accurate. We located and verified all 20 items in our controlled asset sample and traced the 5 randomly selected controlled assets back to the listing. Liberty conducted its last annual inventory of controlled assets in June 2017.

We reviewed fixed and controlled asset management procedures with the center manager at Liberty. We found that individual responsibility for certain controlled assets had not been assigned to specific employees, as required by County Policy. In addition, while reviewing purchasing card ("p-card") purchases, we found a vacuum cleaner that had been purchased but had not been tagged or added to the current list.

Finding 3.1: Management at Liberty was not using the *Controlled Assets Inventory Form – Employee*, as required by Countywide Policy.

We found that management at Liberty did not implement the use of the ***Controlled Assets Inventory Form – Employee***, form to identify and track controlled assets that had been assigned to specific employees.

CWP 1125, "Safeguarding Property/Assets," establishes that the *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 (CWP 1125, 4.3.1, p. 6).

Incomplete or inaccurate controlled asset records increase the risk that those assets could be lost, stolen, or converted to personal use without being detected by the Property Manager or the staff at Liberty. Center management stated that they were following Aging and Adult Services direction to not use the *Controlled Assets Inventory Form – Employee*, rather than following CWP 1125.

Recommendation

We recommend that all County assets assigned to a specific employee at Liberty be listed on individual "Controlled Assets Inventory Form - Employee," forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.

Finding 3.2: The controlled asset list at Liberty, did not include a vacuum found on-site, and lacked consistent and accurate information to be able to identify all controlled assets on the list.

We found a vacuum at Liberty that was not included on the controlled asset list. We also noted that purchase or acquisition dates were not included on the controlled asset list as well.

CWP 1125, "Safeguarding Property/Assets," states that,

"The Property Manager [at each agency] shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures . . . '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." (CWP 1125, 4.3 and 4.3.2, p. 6)

Assets that are not accurately recorded on a controlled asset list are at a greater risk of loss or theft. Incomplete or inconsistent information on the controlled asset list creates difficulties in tracking and managing controlled assets, making it easier for loss or theft to occur. The various types of asset information, including purchase dates, and accurate descriptions all aid in the asset management process, and help prevent the risk of loss or theft.

Recommendations

- ***We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.***
- ***We recommend that the Property Manager at Liberty include information on the controlled asset list that helps track and manage County assets, including accurate descriptions and purchase dates.***

4.0 Purchasing and Proprietary Card Use

Audit Objectives:

- **Determine if purchasing and proprietary card procedures complied with Countywide Policy.**
- **Determine if purchasing and proprietary cards are properly safeguarded.**

The staff at Liberty use a Costco card to make purchases for the center. **CWP 7036, “Charge Cards/Proprietary,”** establishes a set of guidelines for the use and acquisition of proprietary charge cards including how to obtain a card, how to use it, safeguards, unallowable purchases, credit limits, record keeping and reconciliation, audits, and contact information if the card is lost or stolen. Costco now accepts purchasing cards (“p-cards”) for purchases. Because the proprietary card was no longer needed, we noted that it was turned in and destroyed.

Also, we reviewed p-card transactions by cardholders at Liberty. **CWP 7035, “Purchasing Cards Authorization and Use,”** establishes policy and procedures including the same areas as found in **CWP 7036** listed above.

We found that the cardholders had received the p-card training, and that p-cards were kept in a secure location and signed by the cardholder. We identified two center managers during the 2016 year who used P-cards. The current center manager became the Liberty center manager in May 2016. His card was secured and signed. Cardholders reconciled bank statements to invoices, and all transactions received required approval.

Finding 4.1: The Purchasing Cardholder did not obtain itemized receipts for all transactions.

During the audit, we examined 116 p-Card transactions and found that nine of the receipts associated with these transactions, did not list any detail of the types of items purchased, or whether sales tax was charged. Only the total amount charged was listed on the receipts and invoices, without any itemization.

CWP 7035, “Purchasing Cards Authorization and Use,” establishes the policy that “County purchases are exempt from sales tax” and “Original itemized receipts showing the detail of the goods or services purchased shall be retained and maintained by the agency.” (CWP 7035, 4.1.1 and 6.1, p. 3)

When itemized receipts are not obtained for p-card purchases, then it is not possible to determine if inappropriate or other disallowed charges could have occurred. Furthermore, as a governmental entity, the county is exempt from paying sales tax, and we could not determine from the receipts whether sales tax was charged for these transactions.

In each of these instances, we found that the cardholder did not obtain itemized receipts because the vendor did not provide them, and the cardholder did not ask for one. We noted that two of the transactions were statements received by email, which often do not include detail. Another transaction

included only a copy of the sales order, and not an actual receipt. The rest included receipts with just the total amount charged, making it difficult to determine what was purchased.

Recommendations

- ***We recommend that the cardholder obtain itemized receipts for all p-card transactions whenever possible, to document the business purpose of items purchased and to show that no sales tax was charged.***
- ***We recommend that when a cardholder is not able to obtain a detailed itemized receipt for a p-card transaction, that the cardholder include a written summary of the transaction and itemized details along with an original copy of the receipt.***

Conclusion

We truly appreciate the time spent by the staff at Liberty Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Liberty were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for better compliance with county policies and processes, and better safeguarding of County assets. Please feel free to contact our office with any questions or concerns that you may have.

Sincerely,



Scott Tingley, CIA, CGAP

Salt Lake County Auditor

Cc: Sarah Brenna, Program Manager
Jessica Montgomery, Fiscal Manager
Josh DeCola, Center Manager

Attachment A: Agency Response

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Attachment A
Agency Response

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Agency Response
Liberty Senior Center

Finding 1.1: The Funds Transfer Ledger was not being properly used.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that Liberty Senior Center staff count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger, or similar log, each time the change fund is retrieved from or returned to the safe.</i>	Agree	The Liberty Senior Center staff have been trained and provided with the expectation to follow policy 1062 to count the change fund, and sign and date the Fund Transfer Ledger, or similar log, each time the fund is moved to and from the safe.	11/1/2017

Finding 3.1: Management at Liberty was not using a "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that all assets assigned to a specific employee at Liberty are listed on individual "Controlled Assets Inventory Form - Employee," forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.</i>	Partially Agree	Sometime between this audit and the last audit Aging Services administration no longer required that we keep the "Controlled Assets Inventory Form – Employee."	1/1/2018

Finding 3.2: The controlled asset list at Liberty, did not include a vacuum found on-site, and lacked consistent and accurate information to be able to identify all controlled assets on the list.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.</i> <i>We recommend that the Property Manager at Liberty</i>	Partially Agree	The TVs have been identified adequately and recorded with Aging Services tag numbers and in the Liberty Center inventory log book and computer file. Aging and Adult Services has not required the purchase date or cost be included in the controlled assets list. I will follow up	03/30/2018

<i>include information on the controlled asset list that helps track and manage County assets, including accurate descriptions and purchase dates.</i>		with administration on policy regarding this.	
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Finding 4.1: The P-card holder did not obtain itemized receipts for all transactions.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that the P-card holder obtain itemized receipts for all P-card transactions to document the business purpose of items purchased and show whether no sales tax was charged.	Agree	Office Depot combines separate orders to one large order for ease of payment. When this is done the receipts are not itemized. When combined orders are placed I now ask office depot to provide the itemized receipts in the email receipt they provide to me once payment has been received.	9/1/2017