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February 26, 2018

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 Sandy Senior Center**
Report Number 2018-MLR-04

Dear Paul,

We recently completed an audit of the Sandy Senior Center ("Sandy"). The purpose of the audit was to examine financial records and business processes at Sandy to determine if critical internal controls related to cash handling, capital and controlled asset management, and other public funds were properly implemented and functioning as intended to help reduce the risk of loss, theft, or misuse of county assets.

Our work was designed to provide reasonable, but not absolute assurance that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period 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 Division 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 the Sandy Senior Center 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

- Procurement Card (P-Card) Transactions

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 Sandy 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 Sandy, and observed the change fund balancing procedures, operations, and security. Sandy uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Sandy serves lunches to seniors, and the center staff collect donations for the meals that are served to patrons over the age of 60. 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 did not have a control log to record the transfer of the change fund to and from the safe each day, as required by Countywide Policy.

Our audit findings and recommendations in the area of change funds are as follows:

Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.

We found that management at Sandy did not keep an MPF Form 7, "Fund Transfer Ledger," or similar form, for center employees to sign when retrieving the change fund from and returning it to 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 a Fund Transfer Ledger, or similar log, is to document that the change fund is at the authorized amount each time that the fund is removed from, and returned to the safe, and to establish personal accountability for the change fund, while the fund is in use. By signing the Fund Transfer Ledger, an employee is attesting that all funds are accounted for, and that proper custody of the funds is maintained while they are not stored in the safe or lockbox.

A Fund Transfer Ledger is a key internal control that helps minimize the risk of theft or loss of funds. Without a Fund Transfer Log, personal accountability for the change fund is not established, and the risk of theft or misuse of the change fund is increased through opportunity. When we discussed this with management at Sandy, they were not aware of the need to document retrieval and return of funds from and to the safe using the MPF Form 7, or similar form, as required in Countywide Policy.

Recommendation:

We recommend that Sandy 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 deposit procedures comply with Countywide policy.**
- **Determine if daily cash collections and deposits are properly safeguarded against theft or misuse.**

Our audit examined whether daily collections, cash handling, and depositing procedures at Sandy complied with ***CWP 1062, "Management of Public Funds."*** We observed that locked donation boxes were being used, manual receipts were issued mainly for the sale of Chuck-A-Rama discount tickets, and donations were collected, counted and deposited by at least two people.

We tested a sample of 30 days of cash and check deposits by examining the *"Deposit Reconciliation Form,"* which serves as Sandy's Daily Cash Balance Sheet. We observed the separation of donations from other collections such as under-age-60 meals, transportation, coffee donations, and Chuck-A-Rama discount tickets, and found proper separation of duties in Sandy's daily cash balancing procedures. We also noted that deposits were made in a timely manner as required by Countywide Policy, and that deposits were properly safeguarded against theft or misuse.

We noted no significant findings in the area 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.**

Our audit included an examination of capital and controlled asset management at Sandy. ***CWP 1125, "Safeguarding Property/Assets,"*** establishes the policies and procedures for the proper management of County

capital (long-term) 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 Sandy, from the County's financial system. We confirmed that the last inventory of capital and controlled assets was completed on December 23, 2016 and was reviewed and signed by the Agency's Property Manager, and the Division Director. Sandy has no assets that meet the criteria of a capital asset.

We reviewed a sample of 28 controlled assets at Sandy. **CWP 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. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets. Therefore, controlled assets require additional procedures to ensure that they are properly safeguarded against theft or misuse.

The property manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody. In addition, **CWP 1125, "Safeguarding Property/Assets,"** defines an employee's duties and responsibilities when capital (long-term) or controlled assets are provided for their use.

We noted no significant findings in the area of capital and controlled assets.

4.0 Procurement Card (P-Card) Transactions

Audit Objectives:

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

As part of our audit process, we reviewed purchases made by Sandy using their Costco proprietary card. **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.

We examined proprietary card transactions and documentation for 2016. If cardholders had left employment at the senior center, and their receipts were no longer on site, then we accessed documents through the Active Aging Services accounting specialist. We noted no significant findings in the area of proprietary charge card transactions.

In addition, we reviewed purchases made by Sandy using their County purchasing card ("p-card"). **CWP 7035, "Purchasing Cards Authorization and Use,"** establishes policy and procedures including the same areas as found in **CWP 7036** listed above.

Active Aging does not require pre-approval for purchases. A program manager told us that purchases can be made if center managers stay within their expenditures budget. At the close of the P-card billing cycle, one of the program managers reviews the purchases and approves them.

During our examination of 2016 p-card transactions, we found an invoice that exceeded the single purchase limit of \$1,000 per transaction. The cardholder split payment of the invoice into two separate amounts to circumvent the \$1,000 per transaction limit.

Finding 4.1: A cardholder split a purchase into two transactions to circumvent the \$1,000 per transaction spending limit on the p-card.

During our review of p-card transactions, we noted that a purchasing cardholder split a single invoice purchase into two separate transactions to stay within the authorized single purchase limit of \$1,000 per transaction. The cardholder split payment to the vendor by separating the total of \$1,328 into two payments of \$999 and \$329, respectively.

CWP 7035, "Purchasing Cards Authorization and Use," states that,

"Split Purchases. Splitting a single purchase into two or more small purchases to disguise the purchase of 'related items' which would exceed the authorized limit for small purchases is not allowable. ('Related' items include, for example, items purchased for a related event, or purpose, or as an essential part or element of an item of equipment.)" (CWP 7035, 4.1.4, p.3)

The cardholder, who was the center manager, was not aware that he should not have split the purchase into two separate transactions in this way. He stated that his supervisors had already corrected him for this mistake.

Purchase limits on p-card transactions are a key internal control designed to help reduce the risk of misuse of purchasing cards by setting a limit on the amount that a cardholder may purchase without explicit management review and approval. By splitting the purchase into two separate transactions, and circumventing the purchase limit internal control, a cardholder could use the p-card inappropriately, and transactions may not be properly monitored and authorized.

Recommendation

We recommend that Aging and Adult Services fiscal managers review p-card transactions at least monthly to ensure that cardholders stay within the purchase dollar limits assigned to their cards and are not splitting transactions to circumvent the limits.

Conclusion

We appreciate the time spent by the staff at Sandy Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Sandy were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Paul Leggett, Director

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February 26, 2018

Sincerely,

A handwritten signature in black ink that reads "Scott Tingley". The signature is written in a cursive style with a prominent loop at the end of the last name.

Scott Tingley, CIA, CPA

Salt Lake County Auditor

Cc: Jessica Montgomery, Fiscal Manager

Charles Otis, Center Manager

Attachment A: Agency Response

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Attachment A
Agency Response

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Agency Response
Sandy Senior Center

Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that Sandy 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.	Partially Agree	Sandy staff signed the fund transfer log only when responsibility for the cash box was being transferred from one staff to another. Going forward staff will sign the fund transfer log daily.	2/2018

Finding 4.1: A cardholder split a purchase into two transactions to circumvent the dollar limit on the card.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that Aging and Adult Services fiscal managers review p-card transactions at least monthly to ensure that cardholders stay within the purchase dollar limits assigned to their cards and are not splitting transactions to circumvent the limits.	Agree	P-Card holder Charles Otis did mistakenly split a purchase into two transactions. Charles Otis had forgotten county policy that prohibits splitting a purchase transaction. Arla Vivona, division fiscal coordinator contacted Charles Otis and reminded him of county policy. Charles Otis immediately reviewed county policy CWP 7035, "Purchasing Cards Authorization and Use" and will not make the mistake again.	2/2018