

Salt Lake County Auditor's Office
Craig B. Sorensen, *AUDITOR*



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Chief Deputy

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Dear Patti:

We recently completed an unannounced count of the petty cash and change funds at the Salt Lake City Public Health Center's (SLCPHC) Immunizations, Health Clinic and Vital Records. We also conducted a review of cash receipting and depositing, and fixed and controlled assets for each location. Additionally, we reviewed the Accounts Receivable in Vital Records.

Cash handling controls are generally adequate, but we found some areas where improvements are needed. Our major findings relate to the area of fixed and controlled asset management. Findings and recommendations are discussed below.

FIXED AND CONTROLLED ASSETS

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County fixed and controlled assets, including compliance with Countywide Policy #1125, *Safeguarding Property/Assets*. A fixed asset is an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year and a cost equal to, or greater than, \$5,000. A controlled asset is an item of personal property, which is sensitive to conversion to personal use, having a cost of \$100 or greater. Our review of fixed and controlled assets resulted in the following findings:

- **The list of controlled assets maintained by the property manager is incomplete and sometimes inaccurate.**
- **A yearly audit of fixed and controlled assets has not consistently been performed.**

The list of controlled assets maintained by the property manager is incomplete and sometimes inaccurate. Countywide Policy #1125, Safeguarding Property/Assets § 2.2, states, "Property managers assigned by their Administrators are responsible for . . . accounting for all controlled assets within the organization's operational and/or physical custody." Controlled assets are sensitive to conversion to personal use when they are not closely tracked by management and included on the asset list.

We were unable to find five controlled assets: Three CPU's and one monitor belonging in the Clinic, and one typewriter belonging in Vital Records. We have attached a list of these missing assets as Enclosure 1.

In addition to the missing assets discussed above, we found 21 controlled, tagged assets that were not included on the list provided by the property manager. Items found included CPU's, several monitors, printers, and a television. While these assets may offset the missing items discussed above, they further demonstrate a lack of control over asset management. Items not listed could be converted to personal use and their loss remain undetected during annual inventory or other audits. A list of these assets is included as Enclosure 2.

Finally, the controlled asset tag numbers for several items were recorded incorrectly. We found several assets listed whose serial numbers matched assets on hand at the SLCPHC, but whose tag numbers were different. These tag numbers were usually off by only one digit. It appears that at some point during the recording process a data entry mistake had been made. An accurate list is a keystone of asset management.

RECOMMENDATION:

We recommend that controlled asset lists be updated on a regular basis, to reflect an accurate accounting of items on hand.

A yearly audit of fixed and controlled assets has not consistently been performed. Countywide Policy #1125, Safeguarding Property/Assets § 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." In response to our inquiries, the property manager indicated that an annual inventory had not been performed during 2000 or 2001—due to time constraints. Summer help had been retained and a comprehensive count performed during June of 2002. The data generated during that count was used during our audit and, as discussed in the section above, was found to be questionable with regard to accuracy.

Countywide Policy seeks to make the annual audit as convenient as possible, and indicates that the inventory need not occur on December 31st of each year, but at a time most suitable to the individual departments. In addition, while we did not audit the entire building, the areas we did visit contained relatively few controlled and fixed assets. A comprehensive physical inventory of Vital Records assets, for example, would mean accounting for just 36 controlled and three fixed assets. It seems reasonable each department could be asked to conduct a count of assets on a yearly basis.

RECOMMENDATION:

We recommend that a yearly audit of fixed and controlled assets be performed and documented.

CASH HANDLING, RECEIPTING AND DEPOSITING

During our review of the cash receipting and depositing process, we found several areas that should be improved.

- **Adequate check guarantee procedure is not always used when accepting personal checks.**
- **Checks are not always restrictively endorsed upon receipt.**
- **Two Health Department change funds listed on Auditor's Office records could not be located.**

Adequate check guarantee procedure is not always used when accepting personal checks. During the course of our count of immunization receipts, we found one check that had been accepted without recording a valid identification number. Countywide Policy #1301, Acceptance of Checks, states, "When receipting payments for user fees and other revenues. . . over-the-counter receipts in the form of a personal check [should be] accompanied by a valid form of identification." The following forms of identification are acceptable with a current expiration date: Driver's license, Utah identification card or check guarantee card. These forms of identification are necessary for cases when a check is returned for insufficient funds. The individual can then be tracked through the form of identification and funds may still be collectible.

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RECOMMENDATION:

We recommend that cashiers ask for and document a form of identification when personal checks are accepted from clients.

Checks are not always restrictively endorsed upon receipt. During the course of our count of Clinic receipts we found one check that had not been restrictively endorsed. Countywide Policy #1062, Management of Public Funds, Section 3.6.1 states, "All checks and other negotiable instruments received by the Agency Cashier should be restrictively endorsed immediately upon receipt using the agency's approved endorsement stamp." Endorsing checks upon receipt provides additional protection against checks being deposited into the wrong account, or being cashed by an individual.

RECOMMENDATION:

We recommend that cashiers restrictively endorse all checks upon receipt.

Two Health Department change funds, listed on Auditor's Office records, could not be located. During the course of our review, we were unable to locate two change funds. One missing fund is currently assigned to the Communicable Disease Clinic, in the amount of \$25, and was established in July of 1995. The other missing fund, in the amount of \$50, is listed as being assigned to the Laboratory that was previously located at 610 South 200 East. Upon inquiry, we found that the Health Department is aware of the situation and is in the process of having the funds removed from the Auditor's Office records. A journal voucher is pending to complete this process.

ACTION TAKEN:

The Health Department has completed a journal voucher to remove the funds from the Auditor's Office records.

ACCOUNTS RECEIVABLE

- Vital Records is the only entity with Accounts Receivable at the 6th South location. Management of receivables is commendable in that a consistent procedure for recording receivables is in place and collection efforts are made on a regular basis. During our review of the accounts receivable we found the following:

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- **Practices regarding accounts receivable have not been formalized in a written policy.**

Practices regarding accounts receivable have not been formalized in a written policy. Vital Records indicated that they bill 26 different funeral homes for copies of death certificates. These receivables appear to be well managed, including aging reports and regular management review. However, the process has not been codified into a written policy. Receivables are tracked through a computer program. Aging reports are generated, and when necessary a telephone reminder is made. Past due amounts are typically collected before reaching 45 days outstanding. While there is no countywide policy on receivables, departmental controls over receivables would be strengthened if formalized into written policies and procedures.

RECOMMENDATION:

We recommend that Vital Records adopt a formal, written policy regarding receivables collection.

In closing, we express appreciation to the staffs at the Salt Lake City Public Health Center's Immunizations, Clinic and Vital Records for the cooperation and assistance they gave to us during our audit. We are confident that our work will be of benefit to you and help you to strengthen internal controls throughout the Health Department. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit

Enclosures

cc: Suzanne Kirkham
Ellen Freeman
Leslie Workman

610 South 200 East Controlled Asset Listing
Controlled Assets Not Found

Found	Comment	TAG # OR SERIAL #	LOCATION	ITEM
No	No s/n	T/6881	City L007 STD Clinic	CPU
No	No s/n	T/8109	City L007 STD Clinic	CPU
No		T/85216 SN/S32034579	Vital Records	Typewriter
No		T/8006 SN/1425641-0016	City L007 STD Clinic	CPU
No		T/7364 SN/YA009844085627	City L007 STD Clinic	Monitor

610 South 200 East
Assets Found not Listed

No.	Tag No.	Serial No.	Item
1	6340	1317849	CPU
2	6571	5320234517	Typewriter
3	4521	1425637-0009	CPU
4	7988	GBC 13 Pro	Laminator
5	5914	40u0071908	Printer
6	6612		IBM Selectric typewriter
7	11933	25906	Photographs Certificates
8	11934	7101727	WIC Fax
9	5900	USDF006488	Printer
10	82562	a92031503	Cannon AP350
11	54778	321524	Microfish Reader
12	92194	40635874	Sharp Copier
13	14033		CPU
14	6898	ya009844085608	Monitor
15	6899	1425641-0006	CPU
16	5102		Monitor
17	5414		CPU
18	14061		Printer
19	8250		CPU
20	8095	se440bx2atk	
21	8066	ya009844085607	Monitor
22	8070	14256410008	CPU
23	11753	40u0071945	Epson
24	11799	27537615	Gateway Monitor
25	13504	25041196	CPU
26	6580		TV