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SALT LAKE COUNTY AUDITOR'S OFFICE
CRAIG B. SORENSEN, AUDITOR

October 20, 2003

Don Berry, Fire Chief
Salt Lake County Fire Department
3380 S 900 W
Salt Lake City, Utah 84119

Dear Chief Berry:

We recently completed an unannounced count of petty cash and change funds at the Fire Department. We also audited cash receipting and depositing, fixed and controlled assets, and accounts receivable. We were impressed with the professionalism of your staff in their assistance during the audit and in their operation of the Fire Department. We found internal controls to be generally adequate; however, the following sections of the letter address some areas that need improvement.

CASH RECEIPTING AND DEPOSITING

The Fire Department collects fees for providing fire services to contract cities, and for fire inspections, fire reports, map books, patches, etc. The Battalion Chief deposits the fees collected for fire inspections. The Fire Department accountant processes all other collections and forwards the cash and checks to the Auditor's Office for depositing. The Auditor's Office then posts the revenue to the correct line item in the County's Advantage Financial System (AFIN). During our review of cash collections and the depositing process, we found several items that should be improved.

- **The Fire Department maintained two unauthorized change funds arising from undeposited collections.**
- **Purchases were made from collections that had not been deposited.**
- **A daily cash balance form was not being filled out.**
- **Unissued receipt books were not kept in a secure location.**
- **Handwritten receipts were not voided in the proper manner.**
- **The fire inspection change fund was \$25 over.**
- **Controls over fire inspection cash collections were not adequate.**

- **Funds were not deposited or due billed in a timely manner.**
- **The cash/check composition on the individual receipts did not always match the cash/check composition on the deposit slip.**
- **Checks were not restrictively endorsed upon receipt.**
- **Proof of examining a valid form of identification before accepting a check was not indicated on checks that were to be deposited.**
- **Adequate procedures were not in place to ensure the safeguarding of funds received at the Fire Department.**

The Fire Department maintained two unauthorized change funds arising from undeposited collections. In the process of examining deposit detail, we traced the hand-written receipts in the carbon-copy receipt books to the corresponding deposit. The purpose of this test was to identify any receipts that were not deposited. The hand-written receipts are used to record fees collected for a variety of transactions. These transactions included fees collected for fire inspections, fire reports, patches, map books, CPR cards, EMT reports, etc.

During this process we found six receipts from the medical training unit that could not be traced to a deposit. These receipts totaled \$32 and were written during the time period May 2002 - August 2003. We discovered that the money had been withheld, contrary to County policy, to fund the purchase of department patches. We noted that the same individual, the training assistant, signed the receipts and the buyer had paid in cash for each of the six transactions. We discussed the issue with the accountant to see if she knew anything about these receipts. The accountant did not know why the receipts had not been deposited and stated she relies on the training assistant to bring her the funds that are collected in the medical training section.

We met with the training assistant and she explained that the medical training section sells patches to the people who take paramedic classes. She also sells CPR cards and EMS reports. The training assistant stated that if the person pays for patches with cash, she keeps the cash and uses it to buy more patches when they are needed. She said that she only writes a receipt if the customer asks for one. Countywide Policy #1062, "Management of Public Funds," Section 3.5.1 states, "*The Agency Cashier will prepare a receipt for all remittances received. The original receipt will be given to the person tendering payment. The duplicate receipt will be kept by the agency for accounting and auditing purposes.*" Thus, employees collecting fees for the Fire Department should write a receipt for each transaction.

The training assistant also mentioned that if a person pays with a check, she has them write the check for over the amount due and gives them change to reduce the amount of cash she keeps on hand. Countywide Policy #1301, "Acceptance of Checks," Section 2.5 states, "*Checks shall not be accepted in amounts greater than the amount of "purchase" (i.e., the cost of direct goods or services being paid for by the issuer.*" Requesting patrons to write their checks in excess of the amount due, especially since the excess is used to reduce an already-unauthorized fund balance, is flawed accounting practice for a government entity, and should be discontinued.

We counted the cash that the training assistant had collected over a period of time, and it totaled \$91. The \$91 was kept in an envelope in a shoebox, with the patches, and the box was placed in an unlocked cabinet. In essence, the \$91 was being used as an unauthorized change fund, as well as a way to purchase new patches from funds received from previous sales. Policy 1062, Section 2.3.1.1 states, "*If cash is to be stored in a cash box, each agency location must provide a locked desk drawer, file cabinet or safe where the cash box can be safely secured.*"

Additionally, we found a similar situation at Fire Administration's front desk. The data coordinator sells a variety of patches to Fire Department employees, as well as CPR cards, EMS reports and map books. Transactions were not always documented by a receipt, including the majority of patch sales. We counted \$82.86 in the data coordinator's cash box. There were not any hand-written receipts in the cash box to support cash transactions at the time of the count.

In summary, three egregious violations of County policy took place, 1) Collections were not deposited, 2) Undeposited collections were being used for unauthorized change funds, and 3) Purchases were made from undeposited collections thereby circumventing established purchasing procedures.

Undeposited funds could have been mishandled due to the lack of controls. Since a receipt is not always written for each transaction, a paper trail does not exist to verify that all funds are handled properly. One way to increase controls would be to keep a log of patches that are purchased, and then as patches are sold, update the log as to the fees collected for each patch. If for some reason, a fee is not required for a patch, a note could be made on the log. Periodically, an individual separate from those selling the patches, such as the accountant, could review the log to ensure that all patches are accounted for and the fees collected were deposited.

Another way to increase controls would be to assign one individual the responsibility of managing all patch sales for the Fire Department. To properly manage patch sales, an authorized change fund would be needed. In regards to obtaining an authorized change fund, Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 2.1, states, "*The requesting organization shall complete an MPF form 2, Request for Change or Establishment of Petty Cash or Other Imprest Fund . . . It shall be forwarded to the Accounting and Operations Division of the Auditor's Office. After a review for propriety and internal controls, the Auditor will make a recommendation to the Mayor regarding implementation.*"

RECOMMENDATIONS:

- 1. We recommend that a log be kept to account for patches purchased for resale in the Fire Department.*
- 2. We recommend that the accountant review the patch log and ensure that all funds collected for patch sales are deposited.*
- 3. We recommend that a receipt be issued for all over-the-counter purchases at the Fire Department, including patch sales, map books, fire reports, EMS reports, CPR cards, fire inspections, etc.*
- 4. We recommend that management request a change fund, according to the procedures in Policy 1062, for the individual(s) assigned responsibility to sell patches.*

Purchases were made from collections that had not been deposited. While counting the funds in the cash box at the front desk we found \$232 in loose cash register receipts from places like the post office, a home improvement store, and a grocery store. These receipts ranged in age from September 2000 to September 2003. Upon inquiry, the data coordinator indicated that the funds collected for patch sales, etc., had been used to make purchases. She indicated that she had recently been directed not to use the funds for purchases anymore. However, the receipts had not been removed from the cash box. As mentioned in the previous section, the paramedic training section of the Fire Department also uses funds collected from patch sales to purchase more patches.

Policy #1062, Section 4.1.1 states, "*Cash disbursements such as refunds, payments, reimbursements, etc. will not be made from agency revenue receipts. Disbursements may be accomplished only in accordance with the authorized use of imprest funds, imprest checking accounts or the general warrant process.*"

The petty cash fund is a more appropriate source to use for small purchases under \$200. When petty cash is used, the approval process and documentation requirements cannot be circumvented. In addition, when purchases are made out of cash receipts, expenses are not properly recorded and revenue is understated.

RECOMMENDATION:

We recommend that purchases only be made out of petty cash or through the purchasing system, not out of daily receipts.

A daily cash balance form was not being filled out. Policy #1062, Section 3.7.3.1, states, "*Each day, all county agencies should balance collections to register (or receipt log) totals and prepare a deposit, using MPF Form 3 (Daily Cash Balance) or a facsimile developed for the specific agency.*" Neither the data coordinator nor the training assistant were using a Daily Cash Balance form to record the amount of cash and checks collected. Once a change fund has been established for patch sales and other cash receipts, collections should be reconciled to the amount of the change fund every day that money is collected. By using a Daily Cash Balance Form, controls will be increased and the risk of funds being mishandled will decrease.

RECOMMENDATION:

We recommend that a daily cash balance form, or an agency-specific form with the same information, be utilized by the Fire Department.

Unissued receipt books were not kept in a secure location. During our examination we noted that new, unused receipt books are kept in an unlocked file cabinet in an area that is accessed by many individuals. Policy 1062, Section 3.5.1.1 states, "*The supply of unissued counter receipts will be kept in a safe, locked drawer or secure area. The first and last numbers of receipts should be verified by the Agency Cashier and entered into a receipt log maintained by the agency. As blank receipts are released to cashiers for use, the log should be updated, accordingly.*"

Currently, a log is not maintained to track receipt books as they are assigned to Fire Department employees. Implementing this type of a log would prevent an employee from obtaining a blank receipt

book, collecting cash from a customer, writing the customer a receipt, and converting the funds to personal use without management's knowledge.

RECOMMENDATIONS:

- 1. We recommend that a log be used to record the sequential order of cash receipt books and to record receipt books assigned to each cashier.*
- 2. We recommend that unused cash receipt books be kept in a locked drawer.*

Handwritten receipts were not voided in the proper manner. While examining the used receipt books, we noted that some of the receipts were not used due to an error the cashier had made when writing the receipt. These unused receipts were not voided and a supervisor had not signed the receipt to indicate review or approval. The cashier also did not sign the receipt or indicate the cause for the unused receipt.

Policy #1062, Section 3.5.2.1, states, "*When errors are made on receipts, corrections, strikeovers, changes, erasures, and alterations of any kind, are prohibited. The erroneous receipt should be voided, and a correct receipt issued.*" Section 3.5.2.2 goes on to state, "*When it is necessary to void a receipt, all copies will be marked "void," including the original (customer) copy, if available. The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void. The voided receipts will be filed in proper numerical sequence and kept for audit purposes.*"

RECOMMENDATIONS:

- 1. We recommend that the cashier void receipts that contain an error, document an explanation, and sign the receipt.*
- 2. We recommend that the supervisor review and sign the voided receipt.*

The Fire Inspection Change fund was \$25 over. When we counted the fire inspections change fund we found a \$25 overage in the cash box. The Battalion Chief stated that there was an overage since the cash box had been assigned to him. Policy #1062, Section 2.5.5 states, "*Any overage in the accounts of an Agency Cashier will be deposited in the appropriate fund through the normal process of regular depositing and listed as an overage on the Monthly Report of Cash Receipts and on MPF Form 10, CASH OVER/SHORT LOG.*"

ACTION TAKEN:

The \$25 overage was deposited in the appropriate fund through the regular depositing process.

Controls over fire inspection cash collections were not adequate. Inspectors in the Fire Department go to various businesses (i.e. daycares, rest homes, etc.) to inspect buildings for compliance with fire code. At the time of the inspection, the inspector collects the fee from the business for performing the inspection. The business is given a "Certificate of Fire Clearance" to show that the inspection was performed. The inspector brings the fees collected back to the EOC and gives them to the

fire inspection secretary. The secretary prepares a hand-written receipt and mails it to the business. The secretary gives the funds to the Battalion Chief who then prepares a deposit and delivers the deposit to the bank.

We discussed with the Battalion Chief over inspections some of the options for increasing controls over the fees collected by the inspectors. We suggested that the "Certificate of Fire Clearance" include a sequential number that could be tracked. Each inspector would be given a sequence of certificates and would have to account for the funds collected for each one. The Battalion Chief stated that tracking the certificates might be too complicated because a certificate is issued for a variety of inspections, and a fee may be waived or not required.

We also discussed the option of assigning each inspector a receipt book with each individual receipt being numbered sequentially. The inspector would write a receipt at the time of the inspection and have the customer sign the receipt as acknowledgement that fees were paid to the inspector. An independent individual would then verify that all the fees recorded on the receipts were turned in and deposited. However, this option still has a control weakness due to the fact that the inspector could choose to not write a receipt at all and convert the funds to personal use.

As another option, the inspector could keep a log of places inspected during his daily rounds. The log could then be compared to collections to determine whether any funds are absent.

RECOMMENDATION:

We recommend that inspectors maintain a log of their daily site visits, and that the log be compared to actual collections to verify whether receipts are accurate and complete.

Funds were not deposited or due billed in a timely manner. We examined 30 fire inspection deposits for the period September 2002 through August 2003. We found that on average, funds are held 7.8 days before being deposited. In some instances funds were deposited the same day they were collected. In the most severe case, \$20, collected on September 12, 2002, was not deposited until February 6, 2003, a total of 144 days.

We also examined collections processed by the Fire Department accountant that are due billed to the Auditor's Office, or in other words, sent to the Auditor's Office where they are taken to the bank for deposit. The average time funds were held before being turned in was 20.6 days. The main source of the funds included in due bills are contract city payments, employee cell phone reimbursement, and fees collected for map books, fire reports, etc.

Policy #1062, Section 3.7.2 states, "*As required by Section 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable but not later than three days after receipt.*" The Battalion Chief and the accountant keep the collected funds in a locked drawer in their office until the time of deposit or due bill. However, the longer the funds are held, the greater the risk is of theft, and interest that could otherwise be accrued is forfeited.

RECOMMENDATION:

We recommend that cash receipts be deposited no later than three days after receipt.

The cash/check composition on the individual receipts did not always match the cash/check composition on the deposit slip. While examining deposit detail for fire inspection fees collected, cash to check composition did not match for 19 of the 30 (63%) deposit days we examined.

The individual who writes the receipt does not always record the composition of the funds collected. Sometimes the composition portion of the receipt is left blank and sometimes the wrong composition is recorded on the receipt. Failure to reconcile check to cash composition may put funds at greater risk of theft. As a scheme to steal money, checks may be used to replace cash taken from receipts.

RECOMMENDATION:

We recommend that cash to check composition be closely monitored and accurately reflect the true composition of funds collected.

Checks were not restrictively endorsed upon receipt. We noted that one check for \$130, dated September 10, 2003 and held by the Battalion Chief over fire inspections, had not been restrictively endorsed upon receipt. Three checks held by the data coordinator dated September 2003, and totaling \$51, had not been restrictively endorsed. We counted checks totaling \$310,158 dated between July 15, 2003 to September 17, 2003, and held by the accountant who prepares the due bills, that had not been restrictively endorsed.

Policy #1062, 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 is necessary in order to prevent them from being converted to personal use.

RECOMMENDATION:

We recommend that cashiers restrictively endorse all checks upon receipt.

Proof of examining a valid form of identification before accepting a check was not indicated on checks that were to be deposited. While performing the unannounced cash counts we did not find any proof that a valid form of identification was obtained prior to accepting checks. Countywide Policy #1301, "Acceptance of Checks," states that a valid form of ID (driver's license, Utah identification card or check guarantee card) be obtained prior to acceptance of checks. Section 4.2 states "*When a valid form of identification is provided, the following information should be documented on the front of the check: expiration date of identification card and either account number, guarantee number or driver's identification number.*"

The Fire Department does receive some checks through the mail. However, most of the checks we examined were received in person. Properly recorded identification information aids collection efforts in the event that a check is presented for insufficient funds.

RECOMMENDATION:

We recommend that a valid form of ID be recorded before checks are accepted.

Adequate procedures were not in place to ensure the safeguarding of funds received at the Fire Department. The data coordinator at the Fire Department receives and distributes the mail. A log is not kept of payments received. The payments are then given to the accountant for processing. Under these conditions, the funds could be diverted to personal use by receiving payments and not including the funds in the transactions that are deposited and recorded by the Auditor's Office. Having two employees handle and open all mail, and keeping a log of payments received, reduces the risk of funds being mishandled.

RECOMMENDATIONS:

- 1. We recommend that two people open the mail together and prepare a log to verify receipt of payments.*
- 2. We recommend that management review deposit records to ensure that all payment receipts on the log are deposited.*

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." Policy #1125 also incorporates the Auditor's Office Accounting Policies and Procedures, which in Section 3.1 states, "*The requirements, guidelines, etc. established in the Auditor's ACCOUNTING POLICIES & PROCEDURES on 'Management of Fixed Assets' shall be considered an integral part of this [1125] policy.*"

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 a personal property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization rate. Personal communication equipment, such as cell phones, are easily subject to conversion to personal use and therefore considered controlled assets regardless of cost.

Our findings and recommendations with respect to the remaining fixed and controlled assets are as follows:

- **Fixed and controlled assets were not always tagged.**
- **Some controlled assets could not be located, and there was insufficient information to conclusively identify some fixed assets.**
- **One Fire Truck had been sold in May 1993, but had not been removed from the Fire Department's list of fixed assets.**
- **One fixed asset had been surplus and one had been awaiting sale or disposal for two years.**
- **Fixed assets were not always listed at the right location.**

Fixed and controlled assets were not always tagged. A Countywide list of fixed assets is maintained at the Auditor's Office, with the assistance of division property managers. The Auditor's Office issues a property tag to the corresponding County office or division after a fixed asset item has been purchased and the property manager places the tag on the item. Policy #1125 states under Section 2.2, "*Property Manager's Duties... may be appropriately delegated to a subordinate, however consistent with basic management principles, Property Managers and County Administrators remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following... 2.2.8 Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and **fixed assets are tagged and capitalized [emphasis added].***"

The centralized fixed asset record lists 132 assets assigned to the Fire Department, from which we selected a random sample of 31. Out of the 31 assets sampled, two were software, six were buildings or capital improvements to buildings, and one was a parcel of land. For these types of assets it is not practical to affix a property tag. Out of the 22 remaining assets, 10 were vehicles, one of which had been sold. The remaining nine vehicles had been tagged with the unit number corresponding to the fixed asset report, with the exception of one ladder truck where it appeared that two digits of the unit number had been inverted on the report. Another fixed asset had reportedly been surplus. No fixed asset tag had been attached to ten of the remaining 11 fixed assets. A list of these items is shown in Attachment A. The lack of a County tag made it more difficult to determine whether assets found at the various Fire Stations matched the items in our sample.

Unlike fixed assets, controlled asset lists are maintained by individual County organizations. Though not required by Countywide Policy, the Fire Department has a forward-looking internal policy of using prenumbered controlled asset tags. The Fire Department controlled asset list was very comprehensive, and included chairs and phones in addition to computers, printers, fax machines and other equipment. Each controlled asset in the database was assigned a unique number based on the Fire Department's controlled asset tags. The Fire Department's property manager provided us with an excel spreadsheet listing 1,252 controlled assets. We narrowed this list to those items with the greatest value and perceived desirability, resulting in a reduced list of 450 assets from which we selected a sample of 37.

We were able to locate 30 of the controlled assets in our sample and each contained a Fire Department tag. As we visited the various stations, however, we noted several controlled assets, such as printers and fax machines, that did not have a controlled asset tag.

RECOMMENDATION:

We recommend that all fixed and controlled assets be tagged.

Some controlled assets could not be located, and there was insufficient information to conclusively identify some fixed assets. We were unable to locate seven, or 19 percent, of the 37 controlled assets in our sample. The items unaccounted for included two fax machines, a printer, a stationary bike, a "gyration receiver," a chain saw, and a monitor. These items are shown in Attachment A. Just prior to the release of this letter, the property manager stated that the gyration receiver was located on the bomb truck. However, we did not verify this. Also, prior to the release of the letter, the property manager provided a PM-2 listing an "exercise bike." However, the PM-2 did not list a controlled asset tag number or other identifying information necessary to make a conclusive match.

In addition, 23 controlled assets in our sample did not have serial numbers listed on the controlled asset list. Policy #1125 states in Section 4.3, "*The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures... 4.3.2 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.*" Serial numbers are one of the fields required on the "Controlled Assets Inventory Form—Organization," along with property description, make, model, location and purchase information.

Similarly, the fixed asset report did not always contain sufficient identifying information, such as serial numbers, to adequately identify assets. This made identification of fixed assets sampled particularly difficult in the absence of fixed asset tags. For instance, our fixed asset sample included three cascade systems, which are used to refill oxygen tanks. None of the three had serial or model numbers listed on the fixed asset report. Cascade systems observed at the various stations did not contain the prenumbered County fixed asset tag they had been assigned, which further complicated a positive identification.

Another asset in our sample was listed on the fixed asset report as an "Amkus Rescue System." In total, there were three such assets listed with identical descriptions, each lacking a serial number or model number. We viewed several rescue systems at various fire stations, but the lack of identifying information on the report and the lack of a fixed asset tags on the item itself made identification difficult.

In other instances, what appeared to be model or serial numbers listed on the fixed asset report could not be matched to numbers on the asset. One example of this is a Sharp digital copy machine, model AR505, which was listed on the fixed asset report with the serial number of DI96206660. The AR505 was the only one assigned to the Fire Department. We located a copy machine with the same age and model number as the one listed, but the serial number on that machine was different, 90C02662. These difficulties highlight the importance of County fixed asset tags as well as identifying information such as serial and model numbers.

RECOMMENDATION:

We recommend that serial, make and model numbers be recorded on the fixed and controlled assets lists.

One fire truck had been sold in May 1993, but had not been removed from the Fire Department's list of fixed assets. The centralized list of fixed assets shows the fire truck, acquired in 1972 for \$80,000, as having been fully depreciated. During the course of our audit, fire personnel indicated that this asset had been sold 8 to 10 years prior. We contacted the Fleet asset manager, but because of the age of the transaction, she was uncertain whether or not sale documentation could be located.

The Auditor's Office conducted an inventory of the County's Fleet of Motor Vehicles in 1998. One of the findings from that audit included, "Several vehicles no longer possessed by the County remain on the Auditor's Office Fixed Asset Records." Further research revealed that the Fire Truck in question was one of the ten vehicles which comprised this finding. We were able to locate paperwork documenting its sale among the work papers for that audit. The truck had been sold for \$20,000 to the city of Red Lodge, Montana in 1993.

County organizations are required to perform a comprehensive inventory of fixed and controlled assets on a yearly basis. It is not certain why the truck remained on the fixed asset list through several years of annual inventories. The Auditor's Office Accounting and Operations Manual explains the procedure for removing fixed assets from the County's list, including detailed instructions on the use of PM-2 forms.

RECOMMENDATION:

We recommend that the Fire Department complete the appropriate paper work to have the fire truck acquired in 1972 removed from the County's fixed asset report.

One fixed asset had been surplused and one had been awaiting sale or disposal for two years. Policy #1125 states in Section 2.2.5, "*Prepare 'Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form PM_2' in advance for all fixed asset property transfers, disposal or sales between the Property Manager's organization and any other organization...2.2.6 Prepare PM_2 form for fixed asset property no longer needed by the organization prior to removing it to the surplus warehouse. Research is to be performed if necessary to identify and report the correct fixed asset (tag) number on the PM_2 form.*"

One of the assets in our sample included a "Platform w/ liftgate" which was attached to a 1972 Ford truck. The vehicle was listed as being located at the Herriman Fire station, but had been moved to the parking lot at Heet's 7200 So. location. According to Fire personnel the unit had been there for approximately two years awaiting sale.

Another asset in our sample was a Sharp copy machine. According to Fire personnel the copy machine had been surplused. The Fire Department property manager was not able to find a PM-2 form for the asset. As of the date of this letter, the status of the copy machine is unknown.

RECOMMENDATIONS:

- 1. We recommend that the Fire Department complete the appropriate paper work to have the copy machine removed from the County's fixed asset report.***
- 2. We recommend that Fleet sell or surplus the truck currently located in its parking lot.***

Fixed assets were not always listed at the right location. All of the controlled assets from our sample that we located were found at the correct location, for which the Fire Department is to be congratulated. The majority of the fixed assets sampled, however, were not. Several location issues related to the Fire Department's recent move from the logistics center in Magna to a new warehouse located at 2651 So and 600 West. In addition, Fire trucks and other vehicles are easily transferable to other sites. However, Policy 1125 states in Section 2.2, "*...Property Managers assigned by their Administrators are responsible for the following... 2.2.3 Maintain records as to **current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.***"

The Auditor's Office Accounting and Operations manual further states under Section 5.0 "FIXED ASSET FORMS AND PROCEDURES" that: "*All County Organization Managers are responsible for ... Defin[ing] location code scheme to control assets based on section, room numbers, or responsible individual, etc. within the organization. Maintain field in AFIN [Advantage Financial accounting] fixed*

asset subsystem as to exact current physical location of all capitalized fixed assets within their operational and/or physical custody.” Detailed instructions on how to update location codes in AFIN can be found under “Accounting Procedure 5.4 Fixed Asset Location Code Maintenance.” In subsection 2.2, this policy states, “The Auditor then makes the initial entry into AFIN. It is then the responsibility of the Property Manager to update the complex/building code on a timely basis whenever the asset is relocated or reassigned.”

RECOMMENDATION:

We recommend that the Fire Department update the location of fixed assets, including vehicles, on a periodic basis.

ACCOUNTS RECEIVABLE

The Fire Department bills contract cities for Fire, Advanced Life Support (ALS) and paramedic services. They also bill entities interested in Fire Department coverage for sporting or other events and other use of personnel and equipment. As of September 24, 2003, the Fire Department had \$269,030 in accounts receivable outstanding. Invoices were dated from May 2, 2003 to September 11, 2003, and averaged 73 days since being generated. The major findings related to accounts receivable are:

- **The Fire Department did not have a written accounts receivable policy.**
- **The Fire Department could not generate an aging report of accounts receivable.**

The Fire Department did not have a written accounts receivable policy. Written policies and procedures help ensure adequate management of accounts receivable. Fire Department personnel may not have placed emphasis on writing an accounts receivable policy due to a lack of collection problems experienced, and because the majority of amounts collected are derived from other governmental entities. Management should consider the benefits of a documented policy, including the following aspects common to effective policies:

- A requirement that a monthly aging schedule be prepared and reviewed by management.
- The time frame in which further collection action will be taken when an account becomes past due, including turning accounts over to the District Attorney’s Office.
- A procedure to assess finance charges on past due accounts.

Failure to consistently collect balances owed could result in accounts becoming more difficult to collect.

RECOMMENDATION:

We recommend that the Fire Department develop and implement written policies and procedures to govern accounts receivable.

The Fire Department could not generate an aging report of accounts receivable. Fire Department personnel track accounts receivable using copies of outstanding invoices. No comprehensive

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spreadsheet or list is maintained nor are accounts aged. Management may believe that tracking by hand is adequate due to the small quantity of receivables typically outstanding. However, an aging report gives management the tools to easily determine how much is currently owed as well as how long it has been outstanding, information which can then be used in effective decision making.

RECOMMENDATION:

We recommend that the Fire Department develop an aging report for its accounts receivable.

In closing, we express appreciation to your staff at each of the fire stations and at administration for the cooperation and assistance they gave to us during our audit. Your staff was both friendly and helpful in completing this project. We are confident that our work will be of benefit to you and help you strengthen internal controls throughout the Fire Department. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Audit Division

Cc: Alan Dayton
Dave Marshall
David Stanley

Controlled Assets: Not Found

Description	Location Listed on Fire's Controlled Asset Report	Serial Number	Model Number	Make
Printer	Holladay Station			Hewlett Packard
Fax Machine	Draper Station			Hewlett Packard
Fax Machine	Kearns Station			Sharp
Stationary Bike	Kearns Station			Schwinn
Gyration RF Receiver	Emergency Operations Center	fd023618187	asoo216	gyration
Chain Saw	Logistics	2360568	ce-670tdv	cutters edge
Monitor	Logistics	9507V11H12551	Micron	Micron

The above controlled assets could not be located. All other controlled assets in our sample were found at the correct location and each had a fire department controlled asset tag attached.

Notes: Shortly before the release of our audit, the property manager indicated that the "gyration rf receiver" was located on the Fire Department bomb truck. A PM-2 was also provided listing a "exercise bike." This bike may have been the one in our sample, but insufficient information was provided on the PM-2 to make a positive ID.

Fixed Assets: Lack of Countywide Tags

Countywide Tag	Description	Serial Number
95490	Cobra Combination Rock/ Drill Breaker	704407
95495	Delsar Listening Device	B0051
96193	Fiberscope (Instrument Technology)	123800SP
95572	HP Air Cart w/Alarm Kit	
97520	Sharp Digital Copy Machine AR505	DI96206660
89029	Cascade System for SCBA's	
93933	Projection TV Unit Installed	VPH 1001
97019	Amkus Rescue System.	
98271	Breathing Air Center (Mako)	
98149	Lifepack 12 Defibrillator	14072176

The ten assets listed above are part of the 31 Fire Department fixed assets sampled. Assets similar to these were found at various Fire Department locations, but those observed did not have a Countywide tag attached. An inability to match serial numbers listed on the Fixed Asset report to those physically observed made identification, in the absence of County tags, even more difficult.