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SESQUICENTENNIAL  
150 YEARS OF SERVICE  
**1852 – 2002**

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**CRAIG B. SORENSEN, AUDITOR**

September 11, 2003

Shauna O'Neil  
Salt Lake County Aging Services  
2001 South State Street - #S1500  
Salt Lake City, Utah 84190

Dear Shauna:

We recently completed a cash audit of the Salt Lake County Aging Services Division. During our audit we reviewed the imprest checking accounts, petty cash funds, and fixed and controlled assets at the Government Center administrative offices. Also, at each of the 17 senior centers, we reviewed petty cash and change funds, and fixed and controlled assets. Furthermore, we reviewed the cash collection and depositing procedures for payments received through the mail.

The Aging Services Division is unique because all collections received are in the form of donations. Receipts are not written or issued for collections received. Therefore, we were unable to verify bank deposits against a separate record of cash collections, including cash register tapes to ensure the amounts deposited were in fact the amounts collected.

Donations are collected for the Meals on Wheels, transportation, and lunch programs. Although there is no required fee for these services, a recommended donation has been established to allow and encourage seniors to contribute if they wish to do so.

Prior to the start of our audit, we received a memo, dated May 13, 2003, from Aging Services regarding a theft of County funds. An Aging Services Accounting Technician reported to the acting Division Director that one of the administrative secretaries was stealing mailed in cash donations before they could be deposited. A review of the daily deposit record over a number of months suggested that when the accused administrative secretary was absent, Aging Services received and deposited cash. However, when she was present no cash or a limited amount of cash was received.

To confirm suspicions, cash was planted in donation envelopes on three separate occasions and sent through the mail to Aging Services administration. In each instance, the accused individual stole the funds. Aging Services believes the activity had been taking place for a sometime and estimates the maximum loss at \$175 per month. The employee has since been terminated.

Had Aging Services implemented more effective internal controls, they may have been able to prevent the thefts. The secretary that perpetrated the fraud was allowed to open the mail at her desk by herself. Nobody was with her to ensure that all mailed-in receipts were deposited. Dual control when opening the mail provides assurance that any receipt of money will not be diverted to personal use.

### **CASH COLLECTIONS AND DEPOSITING**

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

- **Some senior centers were not depositing in a timely manner.**
- **Transportation and lunch donation boxes were not properly secured.**
- **Petty cash vouchers were not completed prior to cash being released.**
- **The change fund custodian listed on the Auditor's Petty Cash Report did not correspond with the employee currently assigned as the custodian.**
- **Sales tax was paid when purchases were made through petty cash.**
- **Overages and shortages occurred in several senior center petty cash and change funds.**
- **Several checks written from the various stipend funds were voided because the recipient had either passed away or could not be located.**

**Some senior centers were not depositing in a timely manner.** The senior centers collect donations for lunches served at the centers, transportation, and purchases of supplies and services for ceramic activities. Aging Services recommends a \$2.00 donation from seniors who eat meals at the centers. Guests who are not seniors are required to pay the full \$4.00 cost of the meal.

In our review of cash handling and depositing, we found instances where several of the senior centers were holding deposits three days or longer. We reviewed deposit records from August and December 2002, and May of 2003. Table 1 indicates the number of instances where there was a lag between the collection and depositing of funds. Patron place their donations in a locked donation box that is situated in a common area of the senior center. Aging Services

points to Utah Code R510-104-3, Contribution Policy, which requires all donations to be made anonymously. Therefore, receipts are not issued.

We observed the deposit preparation process at several senior centers and noted that two individuals count the daily cash collections and complete all accompanying depository paperwork. We commend the centers on their method of dual control when preparing deposits. However, we did not see any reason for delays in depositing cash collections. All, daily cash collections should be deposited in a more timely fashion.

Countywide Policy #1062, “Management of Public Funds,” 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.” In addition, Aging Services Policy, “Senior Centers Project Income Policy and Procedure,” Section 5.6, refers to Section 3.7, which states in part, “Donations will be deposited daily in the County designated Bank.”

Funds that are not deposited on the day they are collected are more susceptible to conversion to personal use. Also, funds not deposited in a timely manner lose interest earnings that would have otherwise been gained from short-term investments. Table 1 below, indicates instances from our deposit sample where lag time between collection and depositing of funds occurred.

Senior Center	# of deposits held 1 day	# of deposits held 2 days	# of deposits held 3 days	# of deposits held 4 days	# of deposits held 5+ days
Columbus	7				
Draper			1		
Kearns	3				1
Liberty	28	6	5	5	3
Magna		1			
Mt. Olympus	16	7	3	8	9
Northwest	25	14	13	8	2
Sandy	1				
So. Jordan	1	1			
10th East	1				
W. Jordan	1				
FNC	16	1	2		1
Harman	8		3	1	

Table 1. Indicates the lag time between collection and depositing of funds occurred.

Each senior center should make arrangements to ensure that cash collections are deposited daily. This would help guard against the possibility of conversion of these funds to personal use as well as make the monies

**RECOMMENDATION:**

*We recommend that all deposits be made daily when practicable, but not later than three days after receipt.*

**Transportation and lunch donation boxes were not properly secured.** Not only do senior centers have donation boxes, but transportation vans carry them as well. A \$2.00 donation is recommended for each lunch and each trip to the senior center. However, since the \$2.00 is a recommended donation, seniors who feel they do not have the means are not required to pay.

Transportation is provided to those individuals who are no longer able to drive or do not have alternative modes of travel to and from the senior centers. A cash box is kept in each of centers' vans so individuals are able to make donations as they enter the vehicle. In theory, drivers are required to take the cash box into the centers where the funds can be removed, counted and properly secured. However, we noted two instances where this procedure was not observed.

For example, at the Northwest Senior Center, we observed that the transportation cash box had been left unattended in an unlocked van. At the Liberty Senior Center, not only was the transportation cash box left unattended in a van, but the doors were wide open. In both instances, the cash boxes contained money.

As an additional security concern, the lunch donation box at the Northwest Senior Center has an easily-opened latch instead of a lock. A locked box should be used to ensure against theft of funds.

**RECOMMENDATIONS:**

1. *We recommend that drivers at the Northwest and Liberty Senior Centers take funds from the transportation cash boxes into their Center immediately upon arrival.*
2. *We recommend that the Northwest Senior Center maintain a lock on their lunch donation box.*

**Petty cash vouchers were not completed prior to cash being released.** The Midvale Senior Center was disbursing money from its petty cash fund without completing a release voucher. Though receipts for each purchase were on hand, there were no corresponding petty cash vouchers.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.11.1, states, "Vouchers are to be filled in completely, prior to releasing any cash. The voucher shall be dated

*and the reason for the expenditure explained. The total amount released to the individual receiving the cash (the payee) shall be recorded. It shall be signed by the payee and approved by the custodian."*

**RECOMMENDATION:**

***We recommend that all petty cash vouchers be completed and signed before funds are released for purchases.***

**The change fund custodian listed on the Auditor's Petty Cash Report did not correspond with the employee currently assigned as the custodian.** The Auditor's Office Petty Cash Report does not accurately reflect the current custodian of the Northwest Senior Center's petty cash and change fund. The previous custodian retired in 2002 and the Petty Cash report has not been updated to reflect the change in custodians. Completion of MPF Form 2, as referred to in Countywide Policy #1062, is the authorized medium for changing the name of the fund custodian.

**RECOMMENDATION:**

***We recommend that the Northwest Senior Center complete and submit an MPF Form 2, Request for Change, to the Auditor's Office to update the Petty Cash Report.***

**Sales tax was paid when purchases were made through petty cash.** Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.1.2, states, "*The County is exempt from sales tax as a government entity. In order to avoid sales tax, the custodians shall use or provide to employees as needed Utah State Tax Commission Form TC-721 "Exemption Certificate."* This form is to be presented to the vendor as evidence of tax-exemption. If employees do not follow this procedure, they shall pay the sales tax themselves."

We noted seven instances at three senior centers—Friendly Neighborhood Center, Northwest, and Liberty—where purchases with petty cash funds included sales tax. Although sales tax paid in each case was less than \$2.00, the intent of Countywide Policy #1203 is to prevent a sizeable loss to the County due to an accumulation of nominal sales tax payments.

**RECOMMENDATION:**

***We recommend that individuals making purchases on behalf of the County carry the TC-721 "Exemption Certificate" with them to ensure that they are not charged sales tax on the purchase.***

**Overages and shortages occurred in several senior center petty cash and change funds.** During our audit of each of the 17 senior center petty cash and change funds we noted several instances of overages and shortages, some more egregious than others. Table 2 below, lists all overages and shortages we encountered from our sample of deposits at each senior center and the Aging Services administrative offices located at the Government Center.

Senior Center	Change Fund	Petty Cash Fund
<b>Aging - Administration</b>	N/A	\$7.19 overage
<b>Columbus</b>	OK	OK
<b>Draper</b>	OK	OK
<b>Kearns</b>	OK	\$1 overage
<b>Liberty</b>	\$8 shortage	OK
<b>Midvale</b>	\$70 shortage*	\$.10 overage
<b>Magna</b>	OK	\$.06 overage
<b>Mt. Olympus</b>	OK	\$1 overage
<b>Northwest</b>	OK	\$3.29 shortage
<b>Sandy</b>	OK	OK
<b>South Jordan</b>	OK	OK
<b>10th East</b>	OK	\$.10 overage
<b>West Jordan</b>	\$2 overage	OK
<b>FNC</b>	\$1.65 shortage	OK
<b>Harman Home</b>	\$12 overage	OK
<b>Taylorville</b>	OK	OK
<b>Riverton</b>	OK**	OK
<b>S. Anderson Westside</b>	\$68.75 shortage***	OK

**Table 2. Indicates the status of the change and petty cash funds at each senior center.**

\*See Midvale Senior Center below.

\*\*See Riverton Senior Center below.

\*\*\*See Sunday Anderson Westside Senior Center below.

The following paragraphs discuss the significant overages and shortages shown above:

### **Midvale Senior Center**

When we did our initial count of the Midvale Senior Center change fund we noted a \$70 shortage. It was a result of the Center's director mistakenly cashing a \$70 check to increase the fund amount. The Auditor's Office had recently authorized the increase of for travel in her personal vehicle. However, upon informing her of the error, she promptly reimbursed the fund. A subsequent count revealed a \$5.00 overage in the fund. The overage was removed from the change fund and added into the daily deposit, bringing the fund down to its authorized limit.

### **Riverton Senior Center**

The Auditor's Office Petty Cash Report indicated that the Riverton Senior Center had a recently established change fund in the amount of \$100. When we asked the director for access to the change fund so that we could verify it, she was not aware of its existence. We later determined that the director had received the \$100 check from the Auditor's Office to establish the change fund. However, she did not know what it was for so she deposited it into their Advisory Council's checking account. Upon learning of her error, she replenished the \$100 to bring the change fund to its authorized amount.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.9, states, "Any unaccounted-for funds (shortages) shall be investigated immediately...If the shortage appears to relate to a theft, it shall be reported in accordance with Countywide Policy #1304, Discovery of Reporting of Thefts. Any shortages not resolved immediately shall be explained in a letter to the Mayor. The Auditor will reimburse requests to replenish accounts resulting from shortages if authorized by the Mayor through this process."

In each of the cases noted above, the fact that fund custodians were not aware of the purpose for checks sent to them points to an amazing lack of communication. A phone call from Aging Services administration could have communicated the purpose for the checks. Certainly, the fund custodians themselves should have more closely read the description on the check stub, or made additional inquiries of Aging Services administration or Auditor's Office staff.

### **Sunday Anderson Westside Senior Center**

The Sunday Anderson Westside Senior Center had a \$68.75 shortage in their change fund when we performed our initial count. Like Midvale Senior Center, Westside's authorized change fund amount had recently been increased from \$30 to \$100. Its director received a \$70 check to increase the change fund amount and gave it to the individual operating the change fund. Due to a miscommunication between the Center's director and the individual operating the change fund, the \$70 check was added into the daily cash collections as a lunch donation and deposited. The Center's director indicated that she would withhold \$68.75 from daily deposits to bring the fund back to its authorized limit. A subsequent count of the change fund showed that the fund had in fact been replenished to the \$100 limit.

### **RECOMMENDATIONS:**

- 1. We recommend that per Countywide Policy #1203, each senior center take action to have their change funds replenished to authorized amounts.*
- 2. We recommend that the fund custodians at each senior center take the necessary care to properly account for all public funds in their custody.*

Several checks written from the various stipend funds were voided because the recipient had either passed away or could not be located. Utah Code 67-41a-210, "Property held by courts and public agencies," states, "Any intangible property held by...a county...that remains unclaimed for more than one year after it became payable or distributable is considered abandoned." These types of checks are unclaimed property and should be turned over to the State of Utah after a year has elapsed.

### **RECOMMENDATION:**

*We recommend that checks not cashed within a one-year period, be voided and the proceeds sent to the Unclaimed Property Division of the State of Utah.*

## **FIXED AND CONTROLLED ASSETS**

The objective of 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 property, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the capitalization threshold (currently \$5,000). 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 in some cases, inaccurate.**
- **Controlled Assets Inventory Forms have not been completed for each employee.**
- **Make and model number are not listed on the controlled assets sheet.**

**The list of controlled assets maintained by the property manager is incomplete and in some cases, inaccurate.** Last fall, Aging Services made efforts to update inventory lists at each senior center. However, ambiguities existed that made identification of controlled assets difficult. For example, colors of tables and chairs were incorrectly identified and physical locations of the assets were absent from lists. Although the government center's Controlled Assets Log had locations and employee names, it was outdated, as assets had been moved to other locations and/or employees had left or moved to other areas. Attachment A, at the end of this letter provides a listing of controlled assets that we could not find in our inventory, and controlled assets that were not listed.

Some county agencies count tables and chairs as controlled assets, while some do not. The difficulty in tracking tables and chairs is that often there are many of them, and many of them look alike. Nevertheless, they are very susceptible to conversion to personal use. For instance, someone could "borrow" a table and chairs for a personal event, and never return them. In deciding whether to list tables and chairs as controlled assets, the \$100 threshold in County Policy #1125 should be applied. If the purchase price of an individual table or chair was greater than \$100, then it should be listed as a controlled asset. Otherwise, it should not be listed.

## **RECOMMENDATIONS:**

1. ***We recommend that the controlled asset list be updated on a regular basis, by adding newly-purchased items and deleting items sent to surplus.***
2. ***We recommend that on-site property managers be provided with an updated list and that they assume primary responsibility for asset control and maintenance.***



3. ***We recommend tables and chairs be listed as controlled assets if the purchase price of each individual table or chair exceeds \$100.***

**Controlled Assets Inventory Forms have not been completed for each employee.**

Countywide Policy #1225, "Safeguarding Property/Assets" explains that in addition to the controlled assets inventory for the organization, a *Controlled Assets Inventory Form–Employee* must be completed for each employee assigned fixed or controlled assets.

Countywide Policy #1125, Section 4.3, states, "The property manager shall maintain records to manage controlled assets using the following forms and procedures:

*Controlled Assets Inventory Form–Employee.*" The names of responsible employees were sometimes noted on the controlled asset list, but because the employee form is not used consistently, the employees have not indicated their acceptance of responsibility for the assets they have been assigned.

**RECOMMENDATION:**

***We recommend that the Controlled Assets Inventory Form–Employee be completed for each employee who is assigned fixed or controlled assets.***

**Make and model number are not listed on the controlled assets sheet.** We noted that serial numbers for many of the controlled assets are not included on the Controlled Assets List. Countywide Policy #1125, "Safeguarding Property/Assets", Exhibits 3 and 4, indicates that the make, model, and serial number are to be recorded on the Controlled Assets Log for all controlled assets. Without the serial number, it is difficult to distinguish between identical pieces of equipment. Serial numbers uniquely identify those assets with identical makes and models. The Controlled Assets Log should indicate make, model, and serial number. We observed that most computer equipment was listed with serial numbers, but much of the other equipment did not list the serial number, although it was available.

**RECOMMENDATION:**

***We recommend that the Controlled Assets Inventory Log be completed with make, model, and serial number where available.***

Shauna O'Neil, Director

September 11, 2003

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In closing, we express appreciation to your staff at each of the senior centers and the Government Center 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 Aging Services Division. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA

Director, Internal Audit

cc: Javaid Majid  
Scott McBeth