

**REPORT TO
THE SALT LAKE COUNTY COUNCIL
AND
THE SALT LAKE COUNTY MAYOR**

COUNTY AUDITOR'S



EIGHTEENTH ANNUAL REPORT

OF

INTERNAL AUDITS – 2006

JEFF HATCH

COUNTY AUDITOR



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH
Auditor

June 28, 2007

TO: The Mayor, County Council, Division Directors, Department Directors, and Elected Officials

Transmitted herewith is our **EIGHTEENTH ANNUAL REPORT OF INTERNAL AUDITS - 2006**. The purpose of the report is to provide managers at all levels of County Government with information relative to the audits we performed during 2006. Specifically, the report lists each recommendation made in the audits completed and whether those recommendations have been implemented. Release of the report is contingent upon receipt, processing, and organizing all responses from audited organizations. We appreciate the concerted effort by the audited agencies in their cooperation.

In the section entitled "**Recommendations Carried Over From Previous Years**," recommendations are listed from audits completed in previous years which have not yet been implemented.

We will be happy to meet with appropriate managers to discuss any item contained in the report in order to facilitate the implementation of recommendations.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

Report to
The Salt Lake County Council
And
The Salt Lake County Mayor
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Eighteenth Annual Report
of
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I. EXECUTIVE SUMMARY

Overview of 2006 Audits and Other Activities

This Eighteenth Annual Report of Internal Audits reviews the findings and recommendations compiled from audits performed during calendar year 2006, with some carryover recommendations from audits performed in 2005, and prior years. The number of audit reports issued during 2006 was down markedly from prior years due to the completion of major performance audits begun in 2005. These included audits of the:

- County Recorder's contractual relationship with an electronic document management system (EDMS) vendor;
- County Fleet's contractual relationship with a national gas card system vendor; and,
- Receipt and expenditure of County funds granted to the Kearns Town Council.

Each of these audits was a major undertaking requiring extensive research, discovery and data analysis to develop findings and conclusions.

Additionally, internal-financial-control audits were conducted at the Salt Lake City and South Main Public Health facilities, and at the Sandy and South Jordan libraries. Findings and recommendations contained in our reports have been received more positively and acted upon more consistently. Although the number of audits conducted was down compared to prior years, the number of findings and recommendations were significant and indicative of the additional time required on each engagement.

During 2005, the examination of internal controls over the administration of key vendor contracts and grants to local town councils produced unanticipated findings, with important implications for the overall control environment of County operations. Highlights of significant findings in these audit reports are outlined below.

County Recorder's Contracting Audit – September 2006

The audit of the County Recorder's contract with the EDMS vendor disclosed a lack of control over the contract amendment process, where provisions of County purchasing ordinances and policies were ignored or not complied with consistently and/or completely. At least 11 changes in scope to the contract occurred between 1997 and 2004, with only one scope change being document by a formal amendment, as required by the contract. The District Attorney's office is responsible for preparing contract amendments. However, the Recorder's office, working with County Contracts & Procurement Division, were responsible to insure that amendments to contracts were examined under the County's vendor solicitation ordinance to determine whether the scope change should be either exempted from competitive bidding under the "sole sourcing" or "standardization" exceptions, and properly referred for amendment; or requests for proposals were solicited under the competitive bidding process.

In December 2004, the Recorder undertook an initiative to completely replicate the SIRE systems in place at the County Government Center at a co-location host facility in Lindon, Utah.

The initiative also included development of a dedicated web-access to the Lindon location by Recorder's office customers. The County Council approved an appropriation unit adjustment to the Recorder's 2005 budget to enable expenditure of \$207,750 to fund the first phase of this project. However, when an additional funding request for \$95,000 was made for the Recorder's 2006 budget, some members of the County Council questioned the Recorder's transparency and candor in bringing a project of this magnitude to their full attention, initially, in December 2004. Examination of the budget-hearing records of the December 2004 and related documents led to the conclusion that the Recorder's presentation was less than comprehensive, and in fact abbreviated given the significant scope, objectives, and cost of the SIRE replication project. However, the County Council's willingness to probe the matter more thoroughly and allow the Recorder time to make a more thorough presentation was limited in both time and focus.

Finally, the audit disclosed that the Recorder's Fiscal Manager had used incorrect object codes, repeatedly, from 1997 to 2006, when encumbering funds and paying invoices for services. This resulted in the chronic misclassification of capital purchases for major software modules and modifications, along with certain related hardware, to incorrect object codes for "Maintenance of Office Equipment" and "Maintenance of Software." Thus, major capital acquisitions of software and hardware, that should have been capitalized on the books of the County, were expensed entirely to the period when the invoices were paid or encumbered.

Audit of Fleet Division's 2004 GasCard Transactions – August 2006

Salt Lake County GasCard-related expenditures totaled \$3.1 million in calendar year 2004. GasCard is a product of FleetCor Co. of Atlanta, Georgia, a sole source vendor with the State of Utah. The County contracts with the State of Utah to purchase vehicle fuel, and maintenance products and services through the State's Fuel Network, through which GasCards are issued to users.

This audit employed the powerful analytical capabilities of the data-mining software, Audit Command Language (ACL). Data was obtained from both County and State sources and extracted from Access DB and Excel files, for example, for further analysis. Additional payroll data contained in County delimited text files was likewise extracted into the ACL data base format. This direct downloading of data enables detailed analysis of 100 percent of the data made available. Three major areas of inquiry and some significant findings are outlined below:

1) Data Management and Billing –

- a. GasCard invoices contained double credits, double charges, and price per gallon differences.
- b. Employee names were not always entered accurately or consistently into the system.
- c. Some car washes and oil changes were coded to the wrong product.
- d. Product codes were duplicated or used inconsistently, and did not always correspond to the product descriptor.

2) Purchasing –

- a. Eleven employee ID numbers assigned to terminated employees were used in 124 transactions with the GasCard.
- b. GasCards assigned to eight vehicles were used after the vehicle was sold.
- c. Inaccurate odometer readings were entered for 2,128 fuel purchases.
- d. Over 140 users IDs and 6 master PINs were used to purchase fuel more than once per day, with unusual miles per gallon or other characteristics.
- e. Fuel was purchased in excess of the vehicle's tank capacity for 418 transactions.

3) Vehicle Maintenance –

- a. Discounts available to the County on oil changes were not consistently applied.
- b. Neither employee identification nor odometer readings were found on 121 transactions, totaling \$3,861.
- c. Oil change charges were in excess of \$40.80 for 104 purchases.
- d. Oil changes were completed at intervals of less than 2,700 miles for 16 vehicles.
- e. Air filter elements were purchased at intervals of less than 5,000 miles for 21 vehicles.
- f. Oil change data obtained from different sources were inconsistent and some transactions contained errors.

The GasCard audit was undertaken as a follow on to the January 2005, investigative report we released on a project begun in 2004 for the County Council. The objective was to examine the effectiveness and efficiency of the County's vehicle replacement and maintenance program. Major findings of this review were that Fleet management was using an outdated, overstated inflation rate to set the vehicle replacement charge to users each year, and that maintenance charges to organizations were based on prior-year budgeted amounts, adjusted for inflation, without reference to actual shop rates and parts. These anomalies raised our interest in the GasCard system.

The findings and recommendations of the GasCard audit were reviewed in detailed briefings to the Mayor's Administrative Services Division Director, the Fleet Manager, and officials representing the Division of Fleet and Surplus Services at the State.

Audit of County's Funding of the Kearns Town Council

This audit was performed at the request of the Mayor's Director of Community Relations and Diversity Affairs. The letter request stated that the Kearns Town Council (KTC) financial disclosure for years 2002 through 2004 had been incomplete regarding revenues received and expenditures disbursed. A similar request for assistance came from the District Attorney's office who was examining KTC's financial documentation for 1998 to 2005. This expanded the scope

of our examination to the longer period, 1998 to 2005. The following summarizes our findings:

- 1) Required year-end financial statements to be filed with the County were either not filed or incomplete.
- 2) KTC expended more funds on County-sponsored community events than shown on budgets submitted to the County.
- 3) The total spent on KTC administrative expenses and community events was more than the funds appropriated by the County for those purposes.
- 4) Adequate documentation was not maintained on file for many significant transactions.
- 5) The County did not receive required evaluation reports for two ZAP grants made to KTC during 2004.
- 6) Grant funds received by KTC were managed from and co-mingled among three different accounts:
 - a. Two grant checking accounts, and
 - b. One operating account

As a result of our audit findings and recommendations, the Mayor's office developed a Grant Agreement which will be entered into with current and prospective community councils. The agreement sets forth the purposes for which the grant monies are intended, establishes a disbursement schedule, and outlines fiscal procedures including record keeping, and grant reporting requirements.

As is evident from the preceding, the Internal Audit Division's work was wide-ranging, with audits and analysis performed in organizations under the Mayor's portfolio in Public Works and Human Services, as well as the Mayor's funding of community council activities. Additionally, extensive work was done in the Recorder's office. Enclosed with this ***Executive Summary***, in Tables 1, 2, 3, and 4 are matrices of our findings for the audits performed during calendar year 2006. The matrices provide a representation of key findings by organization.

The findings and recommendations are in four primary areas of internal control:

- ***Cash handling and management of public funds – Table 1***
- ***Accountability for “capital” and “controlled” assets – Table 1***
- ***Internal controls over accounts receivable management – Table 1***
- ***Findings not listed in other categories – Table 2***

This ***Executive Summary*** has focused on these areas of concern as a means of heightening awareness and soliciting support of Council Members, the Mayor, and other elected officials to address and correct these violations of Countywide policies and procedures. We have noted during our audits a focused effort on the part of the Mayor's senior fiscal staff, under direction of the Mayor's Chief Financial Officer, to review and follow up with their

organizations on the recommendations made in our audits.

First, some introductory comments on the internal audit process and the role of both County management and the County internal auditors in this process may be helpful.

How Audit Findings and Recommendations are Derived

The Internal Audit Division of the Salt Lake County Auditor's office follows, with certain exceptions, governmental auditing standards set forth in the *Government Auditing Standards, 2007 Revision*, published by the General Accounting Office (GAO), under the authority of the Comptroller General of the United States.

In developing audit findings and recommendations, auditors follow a deductive reasoning process using the following basic steps:

1. **Criteria:** Auditors research statutes, ordinances, policies, procedures, and best practices governing the department, division, organization, or agency being audited. These criteria establish the framework for an audit and are an integral part of the audit plan.
2. **Condition:** Auditors examine and document the "condition" that exists under the actual business processes, procedures, and practices followed by the audited organization, which may or may not adhere to the "criteria." A "condition" not in compliance with the "criteria" constitutes the auditor's "finding."
3. **Effect:** Auditors then assess and document whether the current "condition" of the organization's operations are producing "effects" that are exceptionally noteworthy, either good (in compliance with criteria) or deficient (out of compliance), and determine the actual or potential consequences of deficiencies.
4. **Cause:** Next, auditors determine and describe the underlying "cause" contributing to the organization being "in" or "out" of compliance. Assessing the "cause" gets to the root of either the presence or absence of active management oversight, and effective internal control.
5. **Recommendation:** Finally, auditors recommend actions to be taken by the audited organization to improve the condition of the organization and its compliance with the governing "criteria." Recommendations are aimed at improving internal financial and operational controls, and enhancing the effectiveness and efficiencies of the organization.

Accountability and the Audit Process

The concept of accountability is inherent in the governing process. Managers and employees of public programs are accountable to the public and the government, and are increasingly open to scrutiny. One primary tool for quantifying public accountability is the internal audit process.

County governing bodies, other government officials, and citizens want to know whether:

1. *Government resources are managed properly and used in compliance with laws and*

- regulations,*
2. *Government programs are achieving their objectives and desired outcomes, and,*
 3. *Government programs are being provided efficiently and effectively.*

Management's Role

County managers are entrusted with handling public resources. This includes:

1. *Using resources efficiently, effectively, and legally to achieve the purposes for which resources are furnished and programs are established,*
2. *Complying with statutes, ordinances, policies, and procedures, including proactive identification of requirements with which the entity must comply and implementing systems to achieve compliance,*
3. *Establishing and maintaining internal controls to ensure that:*
 - a. *Strategic goals and objectives are met,*
 - b. *Resources are received, economically consumed, and/or safeguarded,*
 - c. *Laws and regulations are understood and followed, and,*
 - d. *Reliable data to measure performance is obtained, maintained, and fairly disclosed,*
4. *Taking action on findings and recommendations of auditors, and tracking the status of implementation of those findings and recommendations,*
5. *Rendering timely and useful reports to oversight governing bodies, and the public, concerning the services rendered, the efforts expended in personnel and resources, and the outcomes of those programs to the constituent user, and,*
6. *Following sound procurement practices when contracting for services.*

Auditor's Responsibilities

The auditor's essential role is to serve the public interest and maintain the highest standard of integrity, objectivity, and independence, including:

1. *Serving the public interest, honoring the public trust, and upholding professional standards,*
2. *Making decisions consistent with the public interest in the program or activity under audit,*
3. *Broadening and maintaining public confidence by performing work with the highest degree of integrity,*
4. *Remaining objective and free of conflicts of interest in discharging professional responsibilities,*
5. *Exercising sound professional judgment when defining the scope and methodologies of their work, determining the tests and procedures to be performed, conducting the work, and reporting the results, and,*

6. *Helping management, and other users of reports, understand the auditor's responsibilities under governmental auditing standards.*

With this overview of the audit process in mind, the following is a summary of the most important findings of our audits, broken down by category:

1. *Cash handling and management of public funds,*
2. *Accountability for "capital" and "controlled" assets,*
3. *Internal controls over accounts receivable management, and*
4. *Findings not listed in other categories.*

1. Cash Handling and Management of Public Funds

The first area of concern is cash handling and management of public funds. The primary areas of consistent non-compliance were:

- **Daily cash collections did not reconcile to bank deposit**
 - *Finding in 2 separate audits – Sandy and South Jordan Libraries*
- **Sequence of pre-numbered Fine & Fee Waiver Adjustment forms was not tracked**
 - *Finding in 2 separate audits – Sandy and South Jordan Libraries*
- **Majority of "no sale" transactions examined were not initialed**
 - *Finding in 2 separate audits – Sandy and South Jordan Libraries*
- **Patron receipts, voided by cashiers, were not signed / approved by supervisor.**
- **Proper identification not recorded on patron checks.**
- **Safe combination was not changed annually.**
- **Funds collected per the "revalue machine" were not documented on daily balancing form.**
- **Controls over removal of obsolete items of inventory should be strengthened.**
- **Petty cash fund was too large for its actual use.**
 - **All of the above findings related to a single audit.**

The occurrence of repetitive findings with regard to the management of public funds has decreased significantly again in 2006 compared to 2005, as was the case for 2005 versus 2004. During 2006, only seven cash audits were performed, so it was more difficult to assess repetitive findings. The highest number of repetitive findings in cash and internal control audits was two out of seven audits performed in 2006, or 29%. This follows closely with five repetitive findings in 22 cash audits, about 25%, of our audits in 2005. By contrast during 2004, 14 cash audits were performed and the highest incidence of a repetitive finding was nine, about 66% of our audits (9/14).

We again attribute much of this improvement to a concerted effort by the Mayor's Operations fiscal staff to go out to organizations under the Mayor's portfolio and verify and enforce compliance with recommendations made in our audits. This proactive approach, along with consistent fiscal manager training, has raised awareness throughout the County of the need to comply with policies and procedures contained in Countywide Policy #1062, and other related policies.

2. Accountability for Capital and Controlled Assets

Accountability for the "capital" and "controlled" assets is governed by Countywide Policy #1125, "Safeguarding Property/Assets." Maintaining accurate, up-to-date inventories of capital and controlled assets acquired by County organizations requires continual, proactive monitoring and review by property managers and administrators. Also, a yearly count and verification of those items must be performed. Property managers must also ensure that all capital assets are tagged with a unique identification number. Tagging of controlled assets is recommended, as well, at the discretion of the organization property manager. When the useful life of an asset has been met or the asset otherwise taken out of service, proper forms must be completed and the asset transferred to the surplus warehouse.

Highlighted below are specific areas of inconsistent compliance discovered during our audits:

The Salt Lake City Public Health Center has demonstrated difficulty during our audits of 2004 and 2005 in coming into compliance with Countywide Policy #1125. These areas of non-compliance were noted during 2006.

- **Controlled assets discovered during the auditor's independent inventory were not listed on the controlled asset inventory. (Also, Sandy and South Jordan Libraries)**
- **Location of certain controlled assets was listed incorrectly on the inventory. (Also, Sandy Library)**
- **The "Controlled Assets Inventory – Employee" form was not completed and on file to assign individual accountability for assets to employees, e.g., desktop computers, printers, etc.**
- **Recently purchased controlled assets were not included on the controlled asset inventory.**
- **Controlled asset inventory was not completed/updated recently in annual cycle.**
- **Items listed on the controlled asset inventory could not be located during the Auditor's independent inventory.**
- **Controlled assets that were sent to County surplus and documented on a PM-2 form were still listed on the inventory.**

In our exit conference with Public Health administrators during June 2006, a renewed sense of urgency and focus in solving these issues was apparent. The specific actions taken to remedy these findings are outlined in Section IV.A.1. of the report. We acknowledge the efforts

of the Health administrators in addressing these issues.

- **Finally, we discovered that the controlled asset inventory listing did not have the required “certification” statement by the Property Manager. (Only, Sandy Library)**

As a final observation, the failure to record purchases of controlled assets on inventory lists reflects a lack of coordination between the organization purchasing person and the organization’s property manager. Continuous coordination between the purchasing and property management functions is necessary to account for assets that can be easily converted to personal use in the absence of vigilance.

3. Internal Controls over Accounts Receivable Management

The County operates a number of facilities under the Community Services Department, i.e., *golf courses, recreation centers, convention centers, ice arenas, theatre venues, and a planetarium*. These organizations also purchase, hold in inventory, and resell products, as well as related services, to their patrons, sometimes on credit. The purchase for resale of consumer merchandise dictates the need for effective internal controls over various stages of the process. Some of these organizations contract with users of their facilities and bill them for space and services rendered. This requires close management of the billing and collections process.

Our audit of July 2000, *Countywide Collections Efforts on Accounts Receivable*, concluded that “62 percent of County organizations have verbal instead of official written policy and procedures” on accounts receivable collections. However, best practices have demonstrated that written guidelines provide a consistent and effective control over the collection of accounts receivable. The July 2000 audit also found that “the County spends upwards of \$2.80 for every \$1.00 recovered” on a delinquent account receivable, once the case has been turned over to the District Attorney’s office for collection. This unacceptable “cost/benefit” ratio was due to the lack of proactive procedures at the organization level to manage receivables. Studies have shown that when a receivable ages for over 30 days, it becomes increasingly more difficult to collect.

To provide guidance in this area, our office collaborated with the District Attorney’s office to develop a new County wide policy entitled: *Management of Accounts Receivable and Bad Debt Collection*. This policy provides organizational level guidelines on billing and collection of accounts receivable and actions to be taken to turn a bad account over for debt collection.

The County Council approved Countywide Policy #1220, *Management of Accounts Receivable and Bad Debt Collection*, on December 12, 2006, to provide County organizations managing accounts receivable a guide for developing internal, written guidelines and procedures, training employees, and consistently enforcing best practices.

The only audit performed in 2006 that included examination of accounts receivable was the Salt Lake City Public Health Center. The sole finding was as follows:

- ***That 85% of Salt Lake City Medical and 47% of Immunization accounts receivable were 90 days or more outstanding.***

Understandably, the Salt Lake City Health Center provides services to the low-income population of the city. In many instances, these patrons do not have the means to pay or their

payment is delayed, and they are often difficult to contact at a permanent address. These factors add to the challenge of managing accounts due from them. Moreover, proactive, aggressive collection practices create alienated feelings which would discourage this population from seeking needed medical care.

4. Findings Not Listed in Other Categories

Finding not reviewed in the previous sections come from the performance audits related to the County's contract with the GasCard system, the Recorder's office contract with SIRE Technologies, and the County's funding of the Kearns Town Council. Major findings of these audits are outlined in the first part of this Executive Summary. The detail of all recommendations related to findings in these audits is set forth in the body of the report.

5. Other Projects Undertaken to Improve Internal Control Environment

As internal control related audits are performed, weaknesses in county wide policies and procedures related to certain areas of fiscal management have been consistently identified over several years. The Internal Audit Division took action to address these chronic weaknesses, by reviewing and updating existing policies and procedures, and developing and recommending new policies and procedures during 2006. The following is an outline of these initiatives.

Countywide Policy #1062, Management of Public Funds. This policy was revised in 2000, but needed added emphasis focused on dual internal controls over the handling of public funds. The presence of two employees in performing cash handling duties creates an important dual control which is effective where feasible. One employee witnessing another employee's actions can deter theft or misuse of monies. Theft is more likely to occur when employees act alone. Where staffing precludes two employees handling cash, supervisory review heightens employee ownership and accountability and may uncover errors in transactions, or thefts. The revision also clarifies and updates the definition of cash custodian roles and procedures for carrying out assigned roles; and addresses issues of safeguarding public funds.

This policy is ready for review by the County's Fund Management Policy Committee, headed by the County Treasurer. Once that review is complete, the revised policy will be submitted to the County's Steering Committee for their review, approval and forwarding to the County Council for final adoption.

Countywide Policy # 1203, Petty Cash & Other Imprest Funds. This policy was, likewise, revised in 2000, but needed additional updates and revisions to address current issues. The policy addresses:

- a. Establishing or changing the fund,
- b. Operations of the fund,
- c. Reconciling, identifying fund discrepancies, reviewing, and reimbursing from the fund,

- d. Designation of backup fund custodian,
- e. Training fund custodians,
- f. Changing fund custodians, and
- g. Identifying prohibited petty cash fund transactions.

All of these sections of the policy and procedures were extensively revised to cover current circumstances and update terminology and procedures. Likewise, this policy is ready for review by the County's Fund Management Policy Committee, headed by the County Treasurer. Once that review is complete, the revised policy will be submitted to the County's Steering Committee for their review, approval and forwarding to the County Council for final adoption.

The Auditor's office has also undertaken a project to prepare an online, streaming-video training presentation on this policy that will enable new fund custodians to review this policy in a user-friendly, web-based format that can be reviewed as often as needed to master the policy and procedures.

Draft Countywide Policy, *Receipt and Payment for Goods and Services Purchased for County Use* - This is a newly developed policy and procedure guideline designed to fill the gap between policy and procedures for competitive bidding and other formal procedures to procure goods and services; and the organizational accountability for receiving and paying for those goods and services. We have discovered significant disconnects, resulting in lack of coordination and collaboration among purchasing agents, receiving personnel, and fiscal managers. A three-way cross check, reconciling items on a packing slips to actual items ordered, then finally to detailed invoiced amounts, was rarely or poorly completed. This was due, we concluded, to a lack of a policy and procedures defining roles and setting forth "best-practice" procedures.

Drafting this policy was begun in the summer of 2006 and has received extensive review and revision by the Mayor's Policy Review Committee, made up of Mayor's office fiscal staff. The first major review and revision session is completed and suggested revisions are being reviewed and incorporated. Once that review is complete, the revised policy will be submitted to the County's Steering Committee for their review, approval and forwarding to the County Council for final adoption.

The remainder of this report outlines the recommendations made by our office to the various audited organizations, along with their response as to the status of implementation of our recommendations.

Table 1. Matrix of Findings from Cash Handling and Management of Public Funds, Capital and Controlled Assets, and Accounts Receivable from Cash Audits - 2006. Columns to the right indicate the organization receiving that finding.

		GasCard 2004	Kearns Towne Council	Recorder's Office	Salt Lake City Public Health	Sandy Library	South Jordan Library	South Main Public Health	Total
Cash Receipting and Handling									
1	Voids not documented in accordance with County policy.			x					1
2	No identification on checks.			x					1
3	Daily collections did not reconcile.				x	x			2
4	Sequence of adjustment forms was not tracked.				x	x			2
5	Majority of "no sale" transactions examined were not initialed.				x	x			2
6	Safe combination not changed annually.				x				1
7	No balancing form was used to document funds collected per the revalue machine.				x				1
8	Controls over removal of obsolete materials from inventory could be strengthened.					x			1
9	Petty cash fund was too large for its actual level of use.						x		1
Capital and Controlled Assets									
1	Assets found but not on CA list			x	x	x			3
2	Assets listed in wrong location			x	x				2
3	CA not assigned to individual employees.			x					1
4	Recently purchased CA not included on CA list.			x					1
5	Complete yearly inventory not completed recently.			x					1
6	Items on CA list could not be found.			x					1
7	Surplussed assets still on CA list.			x					1
8	CA list did not have certification statement.				x				1
Accounts Receivable									
1	85% of City Medical and 47% of Immunizations accounts receivable were 90 days or more outstanding.			x					1

Table 2. Matrix of Findings not listed in other categories from Audits - 2006 *Listed in order frequency of occurrence. Columns to the right indicate the organization receiving that finding.*

		GasCard 2004	Kearns Towne Council	Recorder's Office	Total
1	Invoices contained double credits, double charges, price-per-gallon differences and an \$8,382 charge for 5.6 gallons of fuel.	x			1
2	Employee names were not always entered accurately or consistently, and did not always correspond with payroll records.	x			1
3	During and prior to 2004 more than one GasCard use had the same PIN.	x			1
4	Some car washes and oil changes were coded as the wrong product.	x			1
5	Product codes were duplicated or used inconsistently and the cost of services did not always correspond with the product descriptor.	x			1
6	No employees received a vehicle allowance while using GasCard to purchase fuel.	x			1
7	Eleven employee ID numbers assigned to terminated employees were used in 124 transactions.	x			1
8	The GasCard for eight vehicles was used after the vehicle was sold.	x			1
9	An inaccurate odometer reading was entered for 2,128 fuel purchases.	x			1
10	Over 140 users IDs and 6 master PINs were used to purchase fuel more than once during a day with usual miles per gallon or other characteristics.	x			1
11	There were 1,074 purchases made outside of Salt Lake County.	x			1
12	Fuel was purchased in excess of the vehicle's tank capacity for 418 transactions.	x			1
13	Forty-four car washes in excess of \$17, twelve of which cost more than \$34, were purchased.	x			1
14	32 vehicles were washed approximately once per week or more.	x			1
15	Eighty-three car washes cost less than three dollars.	x			1
16	Oil change discounts were not consistently applied.	x			1
17	No employee ID or odometer was found for 121 transactions, totaling \$3,861.	x			1
18	Oil changes cost in excess of \$40.80 for 104 purchases.	x			1
19	An oil change was completed at intervals of less than every 2,700 miles for 16 vehicles.	x			1
20	An "Air Filter Element, Service/Renew" was purchased at intervals of less than every 5,000 miles for 21 vehicles.	x			1
21	Different sources of oil change data were inconsistent; some transactions contained errors.	x			1

Table 2 (cont'd). Matrix of Findings not listed in other categories from Audits - 2006 Listed in order of frequency of occurrence. Columns to the right indicate the organization receiving that finding.

		GasCard 2004	Kearns Towne Council	Recorder's Office	Total
22	Year-end financial statements that were required to be submitted by KTC to the County were either not filed or incomplete.		x		1
23	KTC expended more funds on County sponsored community events than shown on budgets submitted to Salt Lake County.		x		1
24	The total amount KTC spent on administrative expenses and community events from 1998 to 2005 was more than the funds appropriated by Salt Lake County.		x		1
25	KTC did not maintain adequate documentation for many transactions.		x		1
26	Salt Lake County did not receive evaluation reports for two ZAP grants given to KTC in 2004.		x		1
27	Grant funds received by KTC were managed from two grant checking accounts and the operating checking account, making it difficult to distinguish between grant expenses and operating expenses.		x		1

Table 2 (cont'd). Matrix of Findings not listed in other categories from Audits - 2006 Listed in order frequency of occurrence. Columns to the right indicate the organization receiving that finding.

		GasCard 2004	Kearns Towne Council	Recorder's Office	Total
28	Recorder's Office staff has decreased since implementing SIRE systems.			x	1
29	Greater efficiency in number of documents and pages recorded per employee has been achieved since implementation of SIRE systems.			x	1
30	Efficiencies and effectiveness achieved through SIRE systems, and the justification for offsite replication have not been proactively presented to the County Council, resulting in the Council's lack of understanding.			x	1
31	SIRE systems architecture and configuration were not adequately explained to the County's I/S Division, and reasoning for co-location was not sufficiently outlined to I/S or the County Council.			x	1
32	The District Attorney's Civil Division determined after extensive review during July 2004 that at least 11 prior "changes to scope of work" were entered into between 1997 and 2004, 10 by informal amendment, and only one by written amendment, as required by the 1996 Contract.			x	1
33	Notwithstanding the 1996 Contract requirements, scope changes to the contract which exceeded \$10,000 should have been competitively bid, unless on of 11 exceptions applied.			x	1
34	The provisions of formal Amendment #12, prepared in August 2004, were subsequently ignored or misapplied by the Recorder's Fiscal Manager and the Contracts Manager when processing SIRE's September 24, 2004 Quote Proposal.			x	1
35	The Contracts and Procurement Division Director was primarily responsible to interpret and apply the requirements of the 1996 Contract, including changes requiring amendments.			x	1
36	The Debt Review committee (DRC) was not given opportunity to fulfill its duty to review all proposed debt issuance with a repayment schedule extending beyond the current fiscal years.			x	1
37	The Recorder's Office followed Countywide policy when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative.			x	1
38	The Recorder's Office followed Countywide policy when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative.			x	1
39	The Recorder's Office Fiscal Managers used the incorrect object codes repeatedly over the span of the contract with SIRE when encumbering the funds and paying invoices for transactions.			x	1

II. DEFINITION OF TERMS

Capitalization	The process of recording on the County’s general ledger property items having an estimated useful life of more than two years and a cost that is equal to or greater than the current capitalization threshold. (Note: Effective January 1, 2002, the County capitalization threshold for personal property was increased from \$3,000 to \$5,000; the capitalization threshold for real property increased from \$10,000 to \$50,000 for improvements to grounds and leasehold improvements, and \$100,000 for buildings and improvements to buildings.)
Change Fund	An amount of cash available to provide change for over-the-counter cash receipts from users.
Capital Asset	(Formerly Fixed Assets) Real property and personal property of significant value having an estimated life expectancy of more than two years used in carrying out the operations of the entity.
Controlled Asset	Personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use, thereby necessitating special provisions for safeguarding. Due to the difficulty associated with centralized control of personal communication equipment—pagers, car/cellular phones, portable radios, mobile radios installed in vehicles, walkie/talkies, etc.—this category of property is considered to be “controlled assets” regardless of the cost of the individual items, and is, therefore, subject to the controlled asset procedures.
Imprest Fund	A separate amount of money set aside where, by policy, the cash available to disburse plus the supporting vouchers for money already disbursed must equal an authorized fixed amount (known as the “imprest” amount). Note: All Mayoral approved funds authorized for agency use in change making, petty cash purchases, or special checking accounts are known as imprest funds.
Internal Control	Internal control is the plan of organization and all methods and procedures that are concerned, primarily, with safeguarding of assets, authorization of transactions, and reliability of financial records.

DEFINITION OF TERMS

Overages/shortages	The difference, either plus or minus, between the amount collected and the amount which should have been collected in any given transaction or series of transactions.
Petty Cash Fund	An amount of cash available for small purchases relating to normal business operations.
Form PM-2	A Form PM-2 is used to transfer, dispose of, or surplus an asset.

III. INTRODUCTION

This is the Eighteenth Annual Report of Internal Audits completed during 2006 by the Audit Division of the Salt Lake County Auditor's Office. The purpose of the report is to provide managers at all levels of County government with information relative to each completed audit and other studies. The information includes the recommendations made in each audit and the status of the implementation of those recommendations. These updates can be useful to the Mayor and the other Elected Officials in directing their respective departments and offices, and the County Council regarding operations of the County generally.

The Internal Audit Division performs audits of County organizations, with specific objectives, as the Auditor deems appropriate and necessary under Utah State Code Annotated Section 17-19-1 (3) (d). Audits are performed in compliance with Governmental Auditing Standards (January 2007 Revision) established by the Comptroller General of the United States, Governmental Accountability Office. These standards are referred to as the Yellow Book standards. An annual schedule of audits is structured and performed based on an updated risk assessment. Other reviews, investigations, and studies are performed at the request of the governing body of the County or other Elected Officials. The Auditor makes every effort to accommodate these requests within the scope and priority of audit work scheduled and in progress.

Internal Audit's goal is to assist County executives and middle managers in accomplishing their organizational mission, efficiently and effectively, with adequate internal controls to insure financial and operational integrity. As stated in the Yellow Book Standards:

“Government officials are responsible for carrying out public functions efficiently, economically, effectively, ethically, and equitably, while achieving desired program objectives. High-quality auditing is essential for government accountability to the public and transparency regarding linking resources to related program results.”

Outlined below is a short narrative of the types of engagements undertaken by the Internal Audit Division in compliance with Yellow Book Standards:

1. **Performance audits** examine evidence, systematically and objectively, to make an independent assessment of an organization's efficiency and effectiveness against objective criteria, and may provide a forward-looking focus or synthesize information on best practices. The goal is to improve program operations, facilitate decision making by those charged to initiate and oversee corrective action, and to improve public accountability.

Performance audits can include elements of any one or a combination of the following audit objectives:

a. ***Entity Operations Audits***

- i. ***Effectiveness and Results Audits*** - The objective is to measure the extent to which a program is meeting its goals and objectives with the intended results or outcomes.
- ii. ***Economy and Efficiency Audits*** – The objective is to determine whether and to what extent an entity is acquiring, protecting, and using its resources productively to achieve its objectives.

Typically, performance audits might include assessing:

1. The extent to which legislation, regulatory, or organizational goals and objectives are achieved.
2. The relative merit of alternative approaches in achieving better performance or eliminating inhibitors to program effectiveness.
3. The relative costs and benefits, or cost-effectiveness of a program or activity.
4. Whether a program produced intended results or produced outcomes or effects that were not intended by the program's objectives.
5. The extent to which programs duplicate, overlap, or conflict with other related programs.
6. The validity and reliability of performance measures determining program efficiency and effectiveness.

b. ***Internal Control and Compliance Audits***

- i. ***Internal Control Audits*** – The objective is to examine the entity's plans, methods, and procedures for meeting its mission, goals and objectives. Internal controls include processes for planning, organizing, directing, and controlling program operations, and systems in place to measure, report, and monitor program performance.
- ii. ***Compliance Audits*** - The objective is to test and examine organizational operations against criteria established in laws, regulations, contract provisions, and grant agreements, and other requirements that could affect acquisition and use of resources, and the quantity, quality, timeliness, and cost of services produced and delivered.

Internal control and compliance audits might, for example, address whether:

1. Resources, such as public funds, are used in compliance with laws, regulations, ordinances and policies.
2. Resources are safeguarded against unauthorized acquisition, use or disposition.
3. Management information and public reports, such as performance measures, are complete, accurate, and consistent to support performance and decision making.
4. Security over information systems will prevent or timely detect unauthorized access.
5. Contingency plans for information systems provide for essential backup to prevent unwarranted disruption of entity activities and functions.

2. ***Other Activities*** performed by the Audit Division may include work that provides a prospective focus, surveys of best practices, analysis that cuts across organizational or program lines, or forensic accounting services, such as:

- a. Assisting the legislative body by developing questions or inquiries for use in hearings,
- b. Developing methods or approaches for evaluating a new or proposed program,
- c. Forecasting potential program outcomes under various assumptions, and
- d. Performing investigative work at the request of County District Attorney or other offices of the County.

Audits may have a combination of performance audit objectives, or may have objectives limited to only some aspects of one type of audit. For example, our division conducts audits of government contracts (inter-local agreements) with other government entities, or not-for-profit organizations, which include a combination of performance audit objectives. Over the past several years, the Internal Audit Division has performed audits examining the costing of deputies in the Sheriff's contracts with various municipalities, the costing of services provided by County Fleet internal service fund, the sources and uses of funding of Valley Mental Health, the Recorder's Office contracting with a major EDMS vendor, the operation of the Tuition Advance (now reimbursement) Program, and other similar inquiries.

This annual report reflects audit work resulting in a formal audit report or letter containing recommendations directed to an audited agency. It does not reflect the sum

total of all work completed by the Audit Division over the period. Each year, the Audit Division completes numerous engagements designed to collect and analyze data and provide information, but may or may not result in formal recommendations being made to an agency.

The audit reports summarized in this annual report contain recommendations which we believe should be accounted for until they are implemented or until a decision is made, based on facts and sound rationale, not to implement them. Therefore, the section of this report entitled “Recommendations Carried over from Previous Years,” tracks the status of recommendations, from year to year, which in our opinion should be implemented, but have not been for reasons reported to us by the responsible agencies.

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IV. 2006 AUDITS – SUMMARY OF AUDITS COMPLETED

A. HUMAN SERVICES

1. SALT LAKE CITY PUBLIC HEALTH CENTER – A LIMITED SCOPE AUDIT OF CASH HANDLING AND CAPITAL AND CONTROLLED ASSETS (MAY 2006)

The Salt Lake City Public Health Center (SLCPHC), located at 610 South 200 East, provides a variety of low cost health services to their clients, including immunizations, WIC (Women, Infants and Children), HIV testing and counseling, breast cancer screening, and Tuberculosis testing. Vital Records is also located at SLCPHC.

We conducted an audit of SLCPHC's cash receipting and depositing functions, petty cash and change funds, and capital and controlled assets. The status and implementation of each recommendation in the audit letter is indicated below.

SLCPHC RECOMMENDATIONS

CURRENT STATUS

- | | |
|--|---|
| 1. We recommend that the Health Department continue their efforts to locate the missing assets listed above. (Audit Letter, Page 5) | 1. Missing assets have been reduced from 39 to 26, and we are still working on them. |
| 2. We recommend that missing capital assets be addressed in a letter to the Mayor, that Form PM-2 be completed and submitted to the Auditor's Office, and that the status of the asset be noted within the Health Department asset database. (Audit Letter, Page 5) | 2. PM-2s will be prepared for all missing capital assets by the end of April 2007. |
| 3. We recommend that missing controlled assets be addressed in a letter to the Health Department director and that Form PM-2 be completed and submitted to the Auditor's Office, and that the status of the asset be noted within the Health Department database. (Audit Letter, Page 5) | 3. PM-2s will be prepared for all missing controlled assets by the end of April 2007. |

***SLCPHC
RECOMMENDATIONS***

CURRENT STATUS

- | | |
|--|---|
| 4. We recommend that wherever theft is suspected the Auditor's and District Attorney's Offices be notified and that a letter be forwarded to the Mayor describing the circumstances. (Audit Letter, Page 5) | 4. We concur. |
| 5. We recommend that all capital and controlled asset purchases be added to the asset management database by the purchasing clerk. (Audit Letter, Page 7) | 5. This is being done on all new capital and controlled assets. |
| 6. We recommend that fields within the asset database for invoice number, date and vendor be completed. (Audit Letter, Page 7) | 6. This is being done on all new capital and controlled assets. |
| 7. We recommend that the purchasing clerk follow up to ensure that Health Department employees tag the item and add identifying information, such as model and serial numbers, to the database. (Audit Letter, Page 7) | 7. This is being done by our inventory coordinator. |
| 8. We recommend that the status of assets be changed to "surpcity" as work orders and transfer forms are received. (Audit Letter, Page 8) | 8. This is being done on all new transfers. |
| 9. We recommend that work orders be submitted to the Health Department Facilities Management on a more timely basis, as they are completed. (Audit Letter, Page 8) | 9. This is being done. |
| 10. We recommend that asset status be changed to "surplus" once they are sent to surplus. (Audit Letter, Page 8) | 10. This is being done. |

***SLCPHC
RECOMMENDATIONS***

11. We recommend that the asset manager periodically print a list of items designated as “surpcity” within the asset database and compare it to assets within the storage room. (Audit Letter, Page 8)
12. We recommend that Health Department staff continually be trained in the use of asset transfer forms. (Audit Letter, Page 9)
13. We recommend that the asset database be updated with the correct location as soon as assets are moved or transferred. (Audit Letter, Page 9)
14. We recommend that capital and controlled assets be tagged and included in the Health Department’s asset database. (Audit Letter, Page 9)
15. We recommend that a yearly audit of capital and controlled assets be performed and that a hardcopy report of the inventory, indicating items found or missing, be maintained on file for 10 years. (Audit Letter, Page 10)
16. We recommend that management at the clinic-level assist in the annual inventory process. (Audit Letter, Page 10)

CURRENT STATUS

11. Any items sent to “surpcity” are sent on to Surplus Property within 7 days. So we now have very few items in “surpcity” at any one time.
12. Being done annually.
13. Being done at time of move and verified by audits two times each year.
14. Being done.
15. We do the audits two times per year, and keep the hardcopy report for three years.
16. Being done.

***SLCPHC
RECOMMENDATIONS***

CURRENT STATUS

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|---|-----------------|
| 17. We recommend that all employees who are individually assigned controlled assets complete the “Controlled Assets Inventory Form—Employee,” and that these forms be reviewed upon termination, transfer or at least annually and signed by the individual in possession of the asset. (Audit Letter, Page 11) | 17. Being done. |
| 18. We recommend that cashiers document a form of identification when personal checks are accepted from clients. (Audit Letter, Page 12) | 18. Being done. |
| 19. We recommend that receipts for voided transactions be retained, marked void, signed by the cashier and supervisor and documented with an explanation. (Audit Letter, Page 14) | 19. Being done. |
| 20. We recommend that a Health Department void form be filled out whenever the amount collected from a customer decreases. (Audit Letter, Page 14) | 20. Being done. |

2. SOUTH MAIN PUBLIC HEALTH – A LIMITED SCOPE AUDIT OF CASH HANDLING AND CAPITAL AND CONTROLLED ASSETS (DECEMBER 2006)

The South Main Health Center currently located at 3195 South Main Street, provides a variety of low cost health services to their clients. Services offered at South Main include Immunizations, WIC (Women, Infant, Children), Women’s Health Clinic, Women's Cancer Screening and Medicaid Eligibility. We conducted an audit of South Main’s cash receipting and depositing functions, petty cash and change funds, and capital and controlled assets. The one recommendation in the audit letter is answered below.

***SOUTH MAIN CLINIC
RECOMMENDATION***

1. We recommend that the petty cash account be reduced to a level more appropriate to the needs of the Center. (Audit Letter, Page 2)

CURRENT STATUS

1. We will reduce the petty cash fund from 1,000 to 500 by the end of April, 2007.

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3. SANDY LIBRARY – A LIMITED SCOPE AUDIT OF CASH HANDLING AND CAPITAL AND CONTROLLED ASSETS (NOVEMBER 2006)

The Sandy Library opened in 1991 and is located at 10100 S. Petunia Way (1450 East) in Sandy, Utah. It is the largest and busiest library in the County system. Story times and other programs are held in the large meeting room at the front of the library. Regular programs include story times and Great Reads for Girls. Sandy has two meeting rooms available for public meetings, one with a 49-person capacity and one with a 250-person capacity.

The Audit Division completed an unannounced count of the change fund at the Sandy Library. We also reviewed the branch’s cash receipting and depositing procedures and capital and controlled assets. The status and implementation of each recommendation in the audit report is indicated below.

SANDY LIBRARY RECOMMENDATIONS

CURRENT STATUS

- | | |
|--|--|
| 1. We recommend that the Library continue to pursue an integrated cashiering and patron record system. (Audit Letter, Page 4) | 1. In progress (Req. # LI07199). |
| 2. We recommend that the Library Accountant reconcile the amount reported as “waived” on the daily deposit form to the total recorded as “waived” in the patron record. (Audit Letter, Page 6) | 2. Implemented. |
| 3. We recommend that staff be continually reminded to retain and submit adjustment forms and that all voided forms be marked “void.” (Audit Letter, Page 6) | 3. Staff has been reminded. |
| 4. We recommend that “no sale” receipts be retained and that a brief explanation be recorded on the receipt. (Audit Letter, Page 8) | 4. Staff has been instructed to do so. |

***SANDY LIBRARY
RECOMMENDATIONS***

5. We recommend that “no sale” receipts be kept with the day’s deposit documentation, and that the person preparing the deposit ensure that the number of “no sale” receipts matches the number on the register’s summary report. (Audit Letter, Page 8)
6. We recommend that revalue machine collections be documented on a balancing form, in accordance with Countywide policy. (Audit Letter, Page 8)
7. We recommend that the combination of the safe be changed at least annually, and more often as required, in accordance with Policy #1062. (Audit Letter, Page 9)
8. We recommend that the location of the laptop and computer be changed to Sandy Library. (Audit Letter, Page 10)
9. We recommend that the two hand-held scanners be tagged and added to Sandy’s controlled asset list. (Audit Letter, Page 10)
10. We recommend that maintenance staff continue their efforts to keep the list of vacuums and other maintenance equipment up-to-date. (Audit Letter, Page 11)

CURRENT STATUS

5. Staff has been reminded to do so.
6. Implemented.
7. Presently looking into having all safe combinations changed.
8. Laptop in question was just temporarily assigned to Sandy for the re-tagging project. It belonged to Smith Library and was subsequently returned to Smith at the conclusion of the project.
9. Done.
10. Maintenance staff has been instructed to do so.

***SANDY LIBRARY
RECOMMENDATIONS***

11. We recommend that Sandy Library's controlled asset list be modified to include the certification statement found on "Controlled Asset Form – Organization."
(Audit Letter, Page 12)

12. We recommend that Library personnel review the certification statement included on computer related equipment and maintenance equipment and consider adopting language closer to that contained on the above referenced form. (Audit Letter, Page 12)

CURRENT STATUS

11. Staff has been so instructed and has been furnished the correct language.

12. Same as above.

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4. SOUTH JORDAN LIBRARY – A LIMITED SCOPE AUDIT OF CASH HANDLING AND CAPITAL AND CONTROLLED ASSETS (SEPTEMBER 2006)

The South Jordan Library opened their new building at 10673 S. Redwood Rd. in 2005. South Jordan Library has a large collection of young adult materials and audio visual materials especially books on tape and videocassettes. They also offer programs for toddlers, children and teens. Additionally, they have a 72-person capacity meeting room that is available for public meetings.

The Audit Division completed an unannounced count of the change fund and also reviewed cash receipting and depositing and capital and controlled asset management. The status and implementation of each recommendation in the audit report is indicated below.

***SOUTH JORDAN LIBRARY
RECOMMENDATIONS***

CURRENT STATUS

- | | |
|--|---|
| <p>1. We recommend that the Library continue to pursue an integrated cashiering and patron record system. (Audit Letter, Page 4)</p> <p>2. We recommend that the current reconciliation of sample days be expanded to a more comprehensive and widely communicated basis. (Audit Letter, Page 4)</p> <p>3. We recommend that the Library explore the development of reports listing materials removed from inventory that could be reviewed and signed off on. (Audit Letter, Page 4)</p> <p>4. We recommend that the Library track the sequence of fine and fee waiver forms and that voided forms be retained. (Audit Letter, Page 6)</p> <p>5. We recommend that South Jordan continue their efforts toward supervisory approval of all fine and fee waive forms, if possible. (Audit Letter, Page 6)</p> | <p>1. In progress – RFP # LI07119.</p> <p>2. Library Accountant has been instructed to distribute the reconciliations to managers.</p> <p>3. Still under consideration.</p> <p>4. Libraries have been instructed to track sequence.</p> <p>5. Library has been instructed to be more diligent in ensuring supervisory approval is obtained, in all cases.</p> |
|--|---|

***SOUTH JORDAN LIBRARY
RECOMMENDATIONS***

6. We recommend that “no sale” receipts be retained and that a brief explanation be recorded on the receipt. (Audit Letter, Page 7)
7. We recommend that “no sale” receipts be kept with the day’s deposit documentation, and that the person preparing the deposit ensure that the number of “no sale” receipts matches the number on the register’s summary report. (Audit Letter, Page 7)
8. We recommend that the location of the three assets listed as being in general inventory at Whitmore Library be changed to South Jordan Library. (Audit Letter, Page 9)
9. We recommend that the wireless router and refrigerator be tagged and added to the appropriate controlled asset list. (Audit Letter, Page 9)

CURRENT STATUS

6. Libraries have been told to retain “no sale” receipts.
7. Same as above.
8. I find no mention of these assets in the body of the report, so, consequently, nothing has been done.
9. Employees have been told to tag these items, although the efficacy of tagging the refrigerator is still in question.

B. ADMINISTRATIVE SERVICES

1. GAS CARD 2004 – AUDIT OF 2004 GAS CARD TRANSACTIONS

GasCard is a secure fuel credit card used by the County for purchases of fuel and vehicle maintenance products and services through the State’s Fuel Network, under a contract with the State of Utah. The State, in turn, contracts with a private fuel management company which bills the County directly, and in return for its services receives a 4 percent fee on each transaction. GasCard provides Salt Lake County access to participating fuel and maintenance sites, as well as data management and reporting services.

The Auditor Office used Audit Command Language (ACL) software to query transactions for the year 2004 and analyze results to make recommendations. The status and implementation of each recommendation in the audit report is indicated below.

<i>GASCARD RECOMMENDATIONS</i>	<i>CURRENT STATUS</i>
1. We recommend that Fleet continue their effort to reconcile the amount paid to GasCard to the daily transaction downloads. (Audit Letter, Page 7)	1. Completed.
2. We recommend that Fleet work with the State to detect and report duplicate transactions and overcharges and that reports be provided to user organizations. (Audit Letter, Page 7)	2. Completed.
3. We recommend that Fleet continue their efforts to improve the process by which new user names are submitted, including the use of application forms, supervisory signatures and electronic submission of user names to the State. (Audit Letter, Page 10)	3. We are still working to refine this process.
4. We recommend that employee names be entered into GasCard to conform with the way that they appear in County payroll, and that a system to validate be developed. (Audit Letter, Page 10)	4. We are still working to refine this process.

***GASCARD
RECOMMENDATIONS***

CURRENT STATUS

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|--|--|
| 5. We recommend that Fleet require and maintain information regarding volunteer, new hire, or private contractor status of all GasCard users. (Audit Letter, Page 10) | 5. Completed. |
| 6. We recommend that the County and the State of Utah work with Fleetcor to resolve retailer problems with coding errors through updated equipment, better training and software programming or, (Audit Letter, Page 13) | 6. We have been provided a list of codes by Fleetcor; we review the bills months; we contact Fleetcor with questions about any of the codes that seem out of place. |
| 7. We recommend that, in accordance with County Fleet's proposal, use of GasCard be restricted to purchases of fuel, and that controls be developed to prevent GasCard from being used to purchase other products. (Audit Letter, Page 13) | 7. We have restricted non-gas purchases to \$50 per month for all users other than public safety; we have put controls on the system that screen for purchases that do not appear to match a particular vehicle. |
| 8. We recommend that the County develop and implement policies dictating the products and related charges allowed for Salt Lake County GasCard users, or, (Audit Letter, Page 14) | 8. We have not yet done this. |
| 9. We recommend that, in accordance with County Fleet's proposal, use of GasCard be restricted to purchases of fuel. (Audit Letter, Page 14) | 9. We have not yet done this. |
| 10. We recommend that the County and the State of Utah work with Fleetcor to provide product coding restrictions that correspond to the adopted policy. (Audit Letter, Page 14) | 10. We have not yet done this. |

***GASCARD
RECOMMENDATIONS***

11. We recommend that Fleet work to ensure that PINs assigned to terminated employees, volunteers and subcontractors are promptly disabled after they no longer work for the County. (Audit Letter, Page 18)
12. We recommend that Fleet continue to monitor odometer entries and report users that enter incorrect odometers on a chronic basis to their Division Director. (Audit Letter, Page 24)
13. We recommend that the County consider implementing a fee with each odometer error. The fee would represent the added data-management costs involved with correcting odometer entries for accurate vehicle maintenance and for providing odometer error reports. (Audit Letter, Page 24)
14. We recommend that transactions be monitored for duplicate charges and overcharges. (Audit Letter, Page 26)
15. We recommend that Fleet work with the State to develop ongoing reports of unusual or duplicate transactions and that those reports be distributed to user organizations. (Audit Letter, Page 26)
16. We recommend that employees who purchase excess fuel, products or services be required to reimburse the County. (Audit Letter, Page 26)
17. We recommend that Fleet work with the State and GasCard to prevent purchases beyond the vehicle's tank capacity. (Audit Letter, Page 31)

CURRENT STATUS

11. We are currently working with IS and Personnel to develop a plan to manage this.
12. Completed.
13. We will not be implementing this fee. We feel there are other ways of accomplishing this.
14. Implemented. The billing is monitored in detail monthly.
15. Completed.
16. We cannot really determine based on coding the product that has been purchased and can therefore not determine if it is in excess.
17. Cannot prevent purchases in excess but we do receive exception reports from the State and those are followed up on.

***GASCARD
RECOMMENDATIONS***

18. We recommend that transactions be continually monitored for purchases beyond capacity and that reports of amounts purchased over capacity be provided to user organizations. (Audit Letter, Page 31)
19. We recommend that Fleet continue to update the record of each vehicle's capacity with an accurate figure. (Audit Letter, Page 31)
20. We recommend that guidelines regarding car washes, including allowable price range, and approved locations, be implemented and that controls be developed to prevent transactions outside of those limits, or, (Audit Letter, Page 33)
21. We recommend that, in accordance with County Fleet's proposal, use of GasCard be restricted to purchases of fuel. (Audit Letter, Page 33)
22. We recommend that the County and the State of Utah work with Fleetcor to provide product coding restrictions that correspond to the adopted policy. (Audit Letter, Page 33)
23. We recommend that agreements with retailers be developed that would specify the amount the County will pay for oil changes and which services will be included. (Audit Letter, Page 36)
24. We recommend that the price of oil change be monitored for compliance with any guidelines and/or restrictions developed. (Audit Letter, Page 36)

CURRENT STATUS

18. Same as above.
19. When a vehicle is initially entered into the GasCard system the capacity is entered. The capacity will not change from then on.
20. This has not been completed.
21. We are planning on implementing an internal fueling system this year. We plan on turning car washes over to the divisions. We will contract for all oil changes.
22. We have not yet done this.
23. We intend to have separate contracts within the next year.
24. Not complete.

***GASCARD
RECOMMENDATIONS***

CURRENT STATUS

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| 25. We recommend that Fleet work with the State to develop user controls that prevent transactions outside the established parameters, or, (Audit Letter, Page 36) | 25. Completed. |
| 26. We recommend that the County seek a competitively bid contract, paid for and administered outside of GasCard, for all oil changes. (Audit Letter, Page 36) | 26. We intend to complete this in the next year. |
| 27. We recommend that Fleet monitor transactions for empty fields such as employee ID and name and odometer and that back up documentation be requested for any such transactions. (Audit Letter, Page 36) | 27. Completed. |
| 28. We recommend that agreements with certain retailers be developed that would specify the amount the County will pay for oil changes and which services will be included. (Audit Letter, Page 41) | 28. We intend to complete this in the next year. |
| 29. We recommend that the price of oil change be monitored for compliance with any guidelines and/or restrictions developed. (Audit Letter, Page 41) | 29. Not complete. |
| 30. We recommend that Fleet work with State to develop user controls that prevent transactions outside the established parameters, or, (Audit Letter, Page 41) | 30. Completed. |
| 31. We recommend that the County seek a competitively bid contract with a single provider, paid for and administered outside of GasCard, for all oil changes. (Audit Letter, Page 41) | 31. We intend to complete this in the next year. |

***GASCARD
RECOMMENDATIONS***

CURRENT STATUS

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| 32. We recommend that Fleet develop and communicate written guidelines regarding oil changes and other maintenance services. (Audit Letter, Page 43) | 32. Not completed. |
| 33. We recommend that vehicle maintenance be monitored and that warning letters or statements be issued to employees or agencies that purchase oil changes more frequently than necessary. (Audit Letter, Page 43) | 33. We have conversations with our users and recommend that they have oil changes, on average, every 5,000 miles and at least once per year. We do not send warning letters. |
| 34. We recommend that Fleet develop and communicate written guidelines regarding air filters and other maintenance services. (Audit Letter, Page 45) | 34. Not completed. |
| 35. We recommend that vehicle maintenance be monitored and that warning letters or statements be issued to employees or agencies that purchase air filters more frequently than necessary. (Audit Letter, Page 45) | 35. Timing for air filter replacement varies depending on how the vehicle is used. Fleet will not make general recommendation on air filter replacement. |
| 36. We recommend that drivers submit all their receipts for oil changes and that they do so on a timely basis. (Audit Letter, Page 47) | 36. Not completed. |
| 37. We recommend that oil changes be coded to a specific vehicle and not to cards assigned to "department," etc. (Audit Letter, Page 47) | 37. Completed. |
| 38. We recommend that Fleet periodically compare oil change receipts to oil changes reported by GasCard to ensure that all receipts have been submitted and entered, or, (Audit Letter, Page 47) | 38. Not completed. |

***GASCARD
RECOMMENDATIONS***

39. We recommend that the County seek a competitively bid contract with a single provider, paid for and administered outside of GasCard, for all oil changes and that driver receipts be compared to transactions billed by the contractor.
(Audit Letter, Page 47)

CURRENT STATUS

39. We intend to complete this in the next year.

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C. RECORDER'S OFFICE

1. RECORDER'S OFFICE – A LIMITED SCOPE AUDIT OF THE RECORDER'S OFFICE (SEPTEMBER 2006)

The Recorder's Office is the repository for all recorded documents and records pertaining to land and real property. The Recorder's Office maintains cross-reference indexes to all recorded documents and records and provides for the subsequent retrieval for public viewing. As a result of questions raised about the Recorder's Office by members of the Salt Lake County Council, the Auditor's Office engaged in a limited scope audit of the Recorder's Office contracting relationship with its main electronic document management and imaging systems contractor.

The scope of the audit was to determine if proper contracting, budgeting, and accounting policies and procedures were followed and included inquiries and analysis of efficiencies and effectiveness achieved through the use of the contractor. The recommendations and the implementation of the recommendations follow.

RECORDER'S OFFICE RECOMMENDATIONS

CURRENT STATUS

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| <p>1. We recommend that the Recorder's Office brief the County Council on their system improvements through the use of SIRE systems software. (Audit Report, Page 24)</p> <p>2. We recommend that the Recorder's Office arrange for SIRE Technologies personnel to brief the Council on the features, benefits, and potential wider use of SIRE software. (Audit Report, Page 24)</p> <p>3. We recommend that the Recorder's Office be proactive and transparent with the County Council and I/S concerning its data management plans and computer equipment purchases through a bi-annual presentation. (Audit Report, Page 27)</p> | <p>1. Completed during the last budget cycle, as a result of the presentation of these audit recommendation to the Council on May 9, 2006 and the release of the audit September 14, 2006.</p> <p>2. Council has been made aware of SIRE Technologies Recorder's Office applications. For information about other applications I suggest contacting SIRE directly.</p> <p>3. It is Recorder's Office policy to follow County policy. Purchasing protocol, including IS review, will be completed and included with budget request.</p> |
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***RECORDER'S OFFICE
RECOMMENDATIONS***

CURRENT STATUS

4. We recommend that future “changes in scope” to the 1996 Contract be written as a bilateral contract amendment. (Audit Report, Page 31)
 5. We recommend that the Recorder’s Office with the assistance of Contracts and Procurement and the DA determine whether future scope changes meet the “sole source” or “standardization” exceptions to override the need for competitive bidding. (Audit Report, Page 32)
 6. We recommend that the DA draft an amendment that addresses the “changes in scope” that have occurred and are contemplated as a result of the SIRE September 24, 2004 Quote Proposal. (Audit Report, Page 34)
 7. We recommend that the C&P Director update or establish internal policies to:
 - Determine and document when exceptions to the County’s competitive bidding policy apply, such as, the “standardization” and “sole source” justifications.
 - Enforce the \$10,000 magnitude thresholds above which contract terms require amending.
 - Carry out statutory authority and responsibility to ensure all aspects of the business transactions are fully resolved, to include price, delivery date, delivery terms, acceptance period, warranties, funding terms, and such other terms and conditions as are appropriate. (Audit Report, Page 37)
4. Contracts now as always are not written by the Recorder’s Office.
 5. The Recorder’s Office provides supporting information when requesting a “sole source” or “standardization” exception to competitive bidding. The office of Contracts and Procurement and the District Attorney’s Office make the final decision.
 6. Completed last budget cycle by requesting an amendment #13 to Contract RD0666C on August 14, 2006. Amendment was prepared by the DA’s office and signed, final copy was dated August 29, 2006.
 7. We agree that current policies be reviewed with the contracting staff. That review was started but has been slowed down due to the resigning of the Contract Manager at the end of 2006. During the training of the new contract administrator emphasis has been placed on compliance to the current ordinances and policies in handling contracts. In addition, a check-off document will be developed for our internal processing to ensure all of the steps are understood and followed. After both of the above steps are completed, a review will be conducted to see what policies should be changed or internal policies should be written.

***RECORDER'S OFFICE
RECOMMENDATIONS***

CURRENT STATUS

8. We recommend that the District Attorney's Civil Division and the Division of C&P develop and provide countywide policies, procedures and training focusing on internal processes and guidelines to be followed by contracting organizations with respect to:
- Understanding basic elements of a contract.
 - Responsibility for enforcing contract terms and procedures.
 - Changes in scope to basic terms requiring amendment or restatement.
 - Contracting process roles played by:
 - Contracts and Procurement Division
 - District Attorney's Civil Division
 - Auditor's Office Management and Budget Division
 - Mayor's Office
 - County Council

8. We agree that more importance should be placed on contracting within the County. This effort is not the full responsibility of Contracts and Procurement, although we assume an important role in the processing of contracts. As part of the Contract Administrator's job description there is a section on training County personnel regarding policies and procedures. Contracts and Procurement will offer two classes on contracting during 2007 and will invite the District Attorney's Office, the Auditor's Office and the Mayor Office to participate.

The DA's office expressed a willingness to support the C&P Director in further developing training materials specifically related to basic elements of a contract, enforcing and amending contract terms, and related topics.

(Audit Report, Page 37)

***RECORDER'S OFFICE
RECOMMENDATIONS***

9. We recommend that the Division Director of C&P institute internal policies to ensure that future financial obligation, beyond the current fiscal year, under a contract or contract amendment is referred to the County's Debt Review Committee (DRC). (Audit Report, Page 38)

10. We recommend that County Ordinance 2.97 be amended to add language as to whom, under what circumstances, and by what procedure the proposed issuance of multi-year financial obligations is referred to the DRC. (Audit Report, Page 38)

11. We recommend that the Recorder continue to submit budget adjustments in accordance with Countywide Policy #1050 but with detailed descriptions and justification of future budget adjustments. (Audit Report, Page 40)

CURRENT STATUS

9. In respect to the recommendation concerning the Debt Review Committee, the Department of Administrative Services and Contracts and Procurement do not agree that it is the role of Contracts and Procurement to ensure that contracts are reviewed by the Debt Review Committee. There is nothing in County documentation that suggests or mandates Contracts and Procurement's review document that should be passed to the Committee. Contracts and Procurement would be glad to participate in the review of Ordinance 2.97 should it be changed. We believe that the responsibility is with the Fiscal Managers of each organization as part of their budget oversight and responsibilities.

10. Auditor's office response – We agree that it is the DRC role to amend the language of the current ordinance to include provisions addressing the circumstances, responsibilities and procedures under which County organizations will refer financial obligations to the DRC.

11. The Recorder's Office will continue to comply with County Policy.

***RECORDER'S OFFICE
RECOMMENDATIONS***

12. We recommend that, in the future, the Recorder request sufficient time on the Council Agenda to present requests of the magnitude of an initiative to create an offsite web server and data replication and storage. (Audit Report, Page 41)
13. We recommend that the County Council allow sufficient time to ensure that budget adjustments are understood at the time of their approval. (Audit Report, Page 41)
14. We recommend that the Recorder's Fiscal Manager ensure that all financial transactions are assigned the correct object code in AFIN. (Audit Report, Page 55)
15. We recommend that the Recorder notify C&P of transactions that occur on the SIRE contract so that the appropriate procedures are followed and the appropriate documentation is kept in the contract file. (Audit Report, Page 55)

CURRENT STATUS

12. The budgeting process, by design, addresses this issue.
13. The County Council agrees with this recommendation. The Council has formed several subcommittees in which the details of a major project or initiative are welcome for review.
14. No response was submitted by the Recorder. The division administrator for the Recorder's office who chronically assigned inaccurate object codes has left County employment. The Recorder has hired a new fiscal manager with experience and training to improve performance in this area.
15. The Recorder's Office will continue to follow C&P guidelines.

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D. MAYOR'S OFFICE

1. KEARNS TOWN COUNCIL – A LIMITED SCOPE AUDIT OF KEARNS TOWN COUNCIL (NOVEMBER 2006)

***KEARNS TOWN COUNCIL
RECOMMENDATIONS***

CURRENT STATUS

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| <p>1. We recommend that KTC submit financial statements to the Clerk of the County Council and the County's Community Council Liaison. (Audit Letter, Page 3)</p> <p>2. We recommend that KTC obtain approval of the Auditor's Office regarding the form of their financial statements as required by County Ordinance 2.56.110. (Audit Letter, Page 3)</p> <p>3. We recommend that the Mayor's Office and County Council ensure that KTC's financial statements are submitted and reviewed before appropriating funds to KTC. (Audit Letter, Page 3)</p> <p>4. We recommend that KTC monitor expenses more thoroughly in order to budget for future expenses more accurately. (Audit Letter, Page 4)</p> <p>5. We recommend that the Mayor's Office review the budget and financial statements submitted by KTC before the County Council appropriates funds to KTC. (Audit Letter, Page 5)</p> <p>6. We recommend that KTC ensure that funds received from Salt Lake County are expended on items or events listed in Salt Lake County Ordinance 2.56.110. (Audit Letter, Page 6)</p> | <p>1. Both reports have been completed and filed with the respective offices.</p> <p>2. The KCC will obtain approval from the Auditor's Office regarding the form of their financial statements as required by County Ordinance 2.56.110.</p> <p>3. KCC's financial statements have been submitted and reviewed. No errors or discrepancies were found, and their checks were disbursed. The County Council has not reviewed the statements.</p> <p>4. KCC has pledged to monitor expenses more thoroughly in order to budget for future expenses more accurately.</p> <p>5. KCC's financial statements have been submitted and reviewed. No errors or discrepancies were found, and their checks were disbursed.</p> <p>6. KCC signed the County Grant Agreement which expressly prohibits them from spending County money on items not allowed by ordinance 2.56.110.</p> |
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***KEARNS TOWN COUNCIL
RECOMMENDATIONS***

CURRENT STATUS

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| <p>7. We recommend that when KTC receives funds from the County for a specific purpose that they keep separate, detailed financial records indicating the use of the funds. (Audit Letter, Page 6)</p> <p>8. We recommend that KTC follow Section 9 of their bylaws which require the KTC Treasurer to “disperse funds only approved by the Council.” (Audit Letter, Page 6)</p> <p>9. We recommend that funds received by KTC be deposited daily whenever practicable, but no later than three days after receipt. (Audit Letter, Page 8)</p> <p>10. We recommend that check disbursements to KTC Council Members not be signed by the member for which the disbursement is payable, and be paid directly to the vendor unless extreme circumstances dictate otherwise. (Audit Letter, Page 8)</p> <p>11. We recommend that the KTC Treasurer keep and retain correct and complete financial records. (Audit Letter, Page 8)</p> | <p>7. KCC has pledged that when receiving funds from the County they will keep separate, detailed financial records indicating use of the funds.</p> <p>8. KCC has agreed to this & added that before funds can be dispersed, they must be approved by the council & listed in the meeting minutes w/specific amounts requested or paid.</p> <p>9. KCC will deposit funds daily whenever practicable, but no later than 3 days after receipt.</p> <p>10. KCC checks will be signed by the Treasurer & co-signed by the Chair/and or Vice Chair. Checks to council members will not be signed by the member for which disbursement is made payable. Vendor checks will be made payable directly to the vendor unless extreme circumstances dictate otherwise. When extreme circumstances do arise, the council member for whom the check is made payable should not be one of the signers on the check.</p> <p>11. The KCC Treasurer will keep and retain correct and complete financial records.</p> |
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***KEARNS TOWN COUNCIL
RECOMMENDATIONS***

CURRENT STATUS

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| <p>12. We recommend that evaluation forms be submitted to the ZAP Manager for the \$4,000 of ZAP funding that was received by KTC in 2004. (Audit Letter, Page 9)</p> <p>13. We recommend that KTC use their grant checking accounts exclusively to process grant transactions. (Audit Letter, Page 10)</p> <p>14. We recommend that KTC maintain accounting records that support expenditures and detail the running balance of each grant fund. (Audit Letter, Page 10)</p> <p>15. We recommend that KTC keep detailed receipts and documentation for each grant transaction. (Audit Letter, Page 10)</p> | <p>12. The KCC will attempt to resolve the following issue by doing everything it can to support the submission of the requested forms. However, the KCC recognizes the County is pursuing this matter on its own, and does not expect the KCC to provide these documents since the current KCC did not receive this funding, and does not possess records to complete the requested evaluation forms.</p> <p>13. The KCC will setup and use separate accounts for funds provided thorough Salt Lake County grants, donations, and other monies received. The KCC will use separate accounts exclusively to process transactions for these funds and will not commingle these funds.</p> <p>14. The KCC will maintain accounting records that support expenditures and detail the running balance of each grant fund.</p> <p>15. The KCC will keep detailed receipts and documentation for each grant transaction.</p> |
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V. RECOMMENDATIONS CARRIED OVER FROM PREVIOUS YEARS

A. COMMUNITY SERVICES

1. ART COLLECTION – COUNTY ART COLLECTION INVENTORY AND REVIEW OF ART ACQUISITION AND DEACCESSIONING PROCESSES (APRIL 2005)

ART COLLECTION RECOMMENDATION

RECOMMENDATION 1.

We recommend that members of the Art Collection Committee complete conflict of interest disclosure statements in such instances where the County would purchase artwork created by a committee member, or from a committee member's business or business interests. (Audit Letter, Page 5)

17th ANNUAL REPORT STATUS – 2005

Partially implemented. To date, eight Art Collection Committee members have completed conflict of interest disclosure statements. The Community Arts specialist is in the process of obtaining disclosure statements from the remaining committee members. In the future, all Art Collection Committee members will sign a disclosure statement annually whether or not the County has or will purchase their artwork.

CURRENT STATUS

The recommendation has been implemented. The Art Collection Committee voted not to buy art or receive in donation art work produced from any Committee member or their immediate family. However, disclosure statements will be requested from Committee members that are gallery owners. At present time, only 1 Committee member is a gallery owner. The Community Art Specialist has a disclosure statement from this member. In the future, if the Art Collection Committee changes its position on acquisitions, members will sign a disclosure statement annually if the Committee has or will purchase their artwork.

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2. SALT PALACE PARKING – LIMITED SCOPE AUDIT OF CASH HANDLING AND CAPITAL AND CONTROLLED ASSETS (APRIL 2004)

SALT PALACE RECOMMENDATION

RECOMMENDATION 1.

We request that Salt Palace management initiate correspondence with the Salt Lake County Auditor requesting that the change and Petty Cash funds be segregated into discreet funds and fund types on the Auditor's Office listing of authorized funds. (Audit Letter, Page 6)

16th ANNUAL REPORT STATUS – 2004

This has not been completed. Our ledger reflects one number for cash distributed to our custody.

17th ANNUAL REPORT STATUS – 2005

Not completed. Our ledger currently corresponds with County AFIN report.

CURRENT STATUS

The recommendation was implemented on Salt Palace's books. However, the request to change petty cash or other imprest funds still needs to be done. Lori Okino is in receipt of this form and will submit three requests for each of the accounts (petty cash, parking change fund and business center change fund) to the Auditor's office by April 30, 2007.

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3. PARKS AND RECREATION - TIME CARD AUDIT (SEPTEMBER 2005)

PARKS AND RECREATION TIME CARD RECOMMENDATION

RECOMMENDATION 1.

We recommend that supervisors review time reports for any overlap between hours worked as a contractor and hours worked as a County employee, and that any such practices, if discovered, are discontinued. (Audit Letter, Page 6)

17th ANNUAL REPORT STATUS – 2005

Partially implemented. The Recreation Section is currently working with the District Attorney's Office on a comprehensive review of division's use of Independent Contractors to assist with Recreation program delivery. The Recreation Section initiated this examination because it has become apparent in several areas that some individuals, currently classified as Independent Contractors, were being treated as employees. This wasn't a deliberate misuse of contractors, but rather an evolution of their relationship with the Division's recreation program delivery. The District Attorney's Office has assigned staff to evaluate all of the Independent Contractor positions. They are currently conducting interviews with the Recreation program staff. It is anticipated that their findings will result in a major reduction in the number of Independent Contractors that the Recreation Section uses. On the other hand, we will see a corresponding increase in the number of temporary employees in order to maintain program service levels. The study is expected to be completed by the end of the Summer.

The Recreation Section does not yet have a system to adequately control this issue. The scope of this task creates the difficulty to develop a monitoring program. Each pay period, approximately 900 payment vouchers are submitted by contractors. We are attempting to set up a system to identify how many contractors are temporary employees. If, as we anticipate, the District Attorney's study will result in a reduced number of Independent Contractors, it will be easier to put together an adequate monitoring system, and our exposure to manipulation will be reduced.

CURRENT STATUS

District Attorney's Review is still on-going and is anticipated to be complete in 2007.

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4. WHEELER FARM – LIMITED SCOPE AUDIT OF CASH RECEIPTING AND DEPOSITING, CAPITAL AND CONTROLLED ASSETS, ANTIQUE ASSETS HISTORIC COLLECTION ITEMS, VENDING AND COUNTRY STORE, RENTAL POLICIES AND AGREEMENTS, AND STAFFING AND RELATED ISSUES (MARCH 2005)

WHEELER FARM RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that a fully integrated computerized cash register system be implemented to completely replace the manual McBee receipting system, and eliminate the duplication that currently occurs in maintaining both a cash register and a McBee receipt ledger. (Audit Letter, Page 5)

17th ANNUAL REPORT STATUS – 2005

Implementation in process. System has been purchased through Peak Software (Sportsman) to handle all transactions. New computer has been received and request for computer lines has been initiated. System will be in operation by September 2006.

CURRENT STATUS

Sportsman Software was installed March 2007.

RECOMMENDATION 2.

We recommend that a determination be made, with the assistance of a professional in the field, as to the status of each collection item, whether it is an antique, otherwise items should be added to the controlled, or fixed asset inventories, as appropriate, or disposed of according to policy. (Audit Letter, Page 11)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress. A professional appraiser has not been located as of this date. The number of items in the collection has not increased since the audit. The Auditors office will be contacted in August to move forward with the appraisal process which will lead to reducing the size of the inventory currently on the farm.

WHEELER FARM RECOMMENDATIONS

CURRENT STATUS

Not yet implemented. New Director assigned to the Farm will locate an appraiser.

RECOMMENDATION 3.

We recommend that the items determined to be valuable antiques be catalogued in accordance with American Association of Museum policies. (Audit Letter, Page 11)

17th ANNUAL REPORT STATUS – 2005

Research has been completed to acquire software to catalogue items, i.e., Past Perfect Information is being reviewed and Utah Office of Museum resources will be contacted in July for advisement.

CURRENT STATUS

Not yet implemented. Previous Director retired. New Director will begin researching and implementation of this recommendation.

RECOMMENDATION 4.

We recommend that Wheeler Farm and Parks and Recreation consult with County I/S to purchase a computer software program to control and account for merchandise inventories. (Audit Letter, Page 16)

17th ANNUAL REPORT STATUS – 2005

Currently Researching.

CURRENT STATUS

Sportsman Software installed March 2007. Sportsman currently creating an inventory control upgrade projected to be installed in August of 2007.

5. SALT LAKE CITY SPORTS COMPLEX – LIMITED SCOPE AUDIT OF CASH RECEIPTING AND DEPOSITING, ACCOUNTS RECEIVABLE, CAPITAL AND CONTROLLED ASSETS, VENDING AND PRO-SHOP OPERATIONS (DECEMBER 2004)

SALT LAKE CITY SPORTS COMPLEX RECOMMENDATION

RECOMMENDATION 1.

We recommend, based on the variety of items for sale and the sales volume experienced, that a software program be used to control the inventory for the Pro-shop at the Sports complex. (Audit Letter, Page 16)

16th ANNUAL REPORT STATUS – 2004

Sportsman software is currently in use. We have requested that a program be developed by the software developers. This is still in progress.

17th ANNUAL REPORT STATUS – 2005

Implementation in progress. We are still waiting on Sportsman Software to develop.

CURRENT STATUS

Sportsman currently creating an inventory control upgrade projected to be installed in August of 2007.

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B. HUMAN SERVICES

1. COMMUNITY RESOURCES AND DEVELOPMENT – PERFORMANCE AUDIT (JANUARY 2005)

COMMUNITY RESOURCES AND DEVELOPMENT RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that written documentation be included with applications to strengthen the evaluation process. (Audit Report, Page 9)

17th ANNUAL REPORT STATUS – 2005

Partially implemented. The amended SOP was submitted to the Mayor in November 2005. The scoring component was approved at that time. The CEDAC had some problems implementing provision of the SOP and it is being revised and improved. Training will be provided to DECAD and implemented in the 2006 application process.

CURRENT STATUS

The SOP was revised and updated including clarification of the ranking process. CEDAC discussed and approved the revised SOP on 01/16/07. Ranking sheets were completed for all applications, and they were scored individually by each member. All member scores were then combined and averaged. This average was then submitted with the recommendations to the Mayor for a funding decision.

RECOMMENDATION 2.

We recommend that Community Resources and Development eliminate the need for signatures from the Mayor and the Director of Human Services, and authorize the Division Director of Community Resources and Development to approve and execute “Request for Reconveyance” letters. (Audit Report, Page 38)

17th ANNUAL REPORT STATUS – 2005

Partially implemented. The issue is about the processing of Deeds of Trust for the Downpayment Assistance Program of West Jordan. The funds in this case were Salt Lake County CDBG funds provided to West Jordan through a subgrant agreement. The funds were from the 1994-96 program years and the total project was reported complete in 2003. Preliminary discussions have been held with West Jordan City officials and they have agreed that they will

COMMUNITY RESOURCES AND DEVELOPMENT RECOMMENDATIONS

pay a fee for processing the Reconveyance documents when the affordability period expires. The exact fee amount is in negotiation and is expected to be in place by mid-July 2006. A written agreement to this effect will be in place by the end of July.

CURRENT STATUS

Please disregard prior response. The recommendation applies to all Deeds of Reconveyance, not just those between Salt Lake County and West Jordan.

Two years ago this item was brought to the attention of the new administration. It was determined at that time that the signature authority for Deeds of Reconveyance would remain with the Mayor's office. However, they would be willing to reevaluate this decision at a later time. CRD will approach the Mayor's office regarding this issue by June 30, 2007.

RECOMMENDATION 3.

We recommend that Community Resources and Development either have a written agreement with West Jordan City (which includes fees for the services provided by the County) or require that West Jordan be listed as the beneficiary on the Deeds of Trust originated for the Downpayment Assistance Program administered by West Jordan City and the city be responsible for submitting, to the title company, the "Request for Reconveyance" letters when necessary. (Audit Report, Page 38)

17th ANNUAL REPORT STATUS – 2005

Partially implemented. See above.

CURRENT STATUS

An agreement has been reached between West Jordan and Salt Lake County regarding fees for servicing CDBG loans. The agreement states that CRD keep the reconveyance fee paid by the borrower and will charge West Jordan a service fee for the CDBG loans that Salt Lake County handles. This reconveyance and service fee will be deducted from the loan at the time of pay-off. The remaining balance will then be paid to West Jordan.

2. LIBRARY SYSTEM – LIMITED SCOPE AUDIT OF CASH RECEIPTING AND DEPOSITING AND CAPITAL AND CONTROLLED ASSETS (AUGUST 1998)

LIBRARY SYSTEM RECOMMENDATION

RECOMMENDATION 1.

The Library replace its cash registers to reflect advanced technology such that a collections total can be produced for each cashier and the cashiering and cataloging systems can be integrated. (Audit Letter, Page 15)

11th ANNUAL REPORT STATUS – 1998

Implementation in progress. Library management stated, “In 1998, we purchased five ‘smart’ cash registers. Other cash registers will be replaced as funding is available and as needed. The Library’s 1990 RFP for automated services asked vendors to supply a system that would integrate circulation transactions with cash register functions. No such system was available then or now that will accomplish these tasks and handle the volume of activity that the County Library has each day. We will continue to work with library system vendors to encourage the development of this capability. Once it becomes available we will consider the cost benefits of purchasing such a system.”

12th ANNUAL REPORT STATUS – 1999/2000

Partially implemented. Library management stated, “Cash registers that are ‘integrated’ with our library automation system are still not available. We have, however, replaced all of our cash registers with new registers which have enforced operator codes, thus making it easier to track individual transactions to the cashier responsible.”

14th ANNUAL REPORT STATUS – 2002

Partially implemented. Library management stated, “DYNIX still has not integrated their library automation system with our cash registers. We wish this would happen as we are now contemplating accepting debit and credit cards and the same problem will exist without integration. We will continue to ‘put pressure’ on DYNIX.”

15th ANNUAL REPORT STATUS – 2003

Library management stated, “For six years, we have been told that Dynix was in the process of developing a system that could be integrated with the cash

LIBRARY SYSTEM RECOMMENDATION

registers. This, however, has not come to fruition and no progress has been made. Consequently, we (our Director, Jim Cooper, our Associate Director, Gretchen Freeman, and Mike Stoker) met with three representatives from Dynix and indicated to them our concerns about the lack of progress being made relevant to integrating cash registers and the Dynix system. We also expressed concerns about the quality of accounting-type information available to management from the system. They acknowledged our concerns and asked if we would be interested in meeting with them to discuss it further. I have since spoken to Jim Wightman of the Auditor's Office to determine if the Auditor's Office would be interested in participating in this discussion."

16th ANNUAL REPORT STATUS – 2004

We changed platforms in December 2004 from Dynix to Horizon. There are still no integrated cash registers available with Dynix. However, we have been told that a company by the name of Envisionware can provide such machines and plan to investigate further as soon as our two new libraries are open and there is more time.

17th ANNUAL REPORT STATUS – 2005

A Request for Proposal has been written and submitted to Purchasing for purchase of an integrated cashing system. The requisition number is L106294.

CURRENT STATUS

This RFP is pending issuance. The Library conducted various business case analyses as requested and vetted the project through the IT Governance Committee. It is now in the District Attorney's Office for final review and hopefully should be out for public response shortly. The previous requisition number has been deleted and a new one assigned (LI07199).

3. HOLLADAY LIBRARY – LIMITED SCOPE AUDIT OF CASH RECEIPTING AND DEPOSITING AND CAPITAL AND CONTROLLED ASSETS (AUGUST 2005)

HOLLADAY LIBRARY RECOMMENDATION

RECOMMENDATION 1.

We recommend that the large safe be bolted to the floor. (Audit Letter, Page 5)

17th ANNUAL REPORT STATUS – 2005

The new safe will be secured to either the building or the floor.

CURRENT STATUS

Implemented. Safe was secured during Holladay Library's remodel in 2006.

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4. SANDY LIBRARY – LIMITED SCOPE AUDIT OF CASH HANDLING AND CAPITAL AND CONTROLLED ASSETS (SEPTEMBER 2003)

SANDY LIBRARY RECOMMENDATION

RECOMMENDATION 1.

We recommend that, after the new location is established, the Property Manager follow the instructions in the Auditor's Accounting Policies and Procedures #5.4 to update the location codes of the four items described above, and any other library assets that need to have their location codes updated. (Audit Letter, Page 8)

15th ANNUAL REPORT STATUS – 2003

Implementation in progress. Sandy Library manager, Kent Dean stated, "After the location code for the library storage facility is established, the assets in question will be documented on the appropriate form under the direction of the library system's Fiscal Administrator."

16th ANNUAL REPORT STATUS – 2004

Not implemented.

17th ANNUAL REPORT STATUS – 2005

Still trying to find an adequate method of accounting for items which have been sent to library storage pending surplus. Have talked to Purchasing about problem with not being able (due to space constraints) to take items straight to surplus.

CURRENT STATUS

We have instructed the branches, when surplus assets, to annotate on their controlled assets lists that the items have been sent to "Library Storage." Then, when we are allowed to take them to County Surplus, appropriate paperwork (PM2s) is completed. Keeping a separate inventory of what is in Library Storage is much too labor intensive, so, we are assuming that if an item shows that it has left the branches, but has not yet been officially surplus, that it is in storage.

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5. WEST VALLEY LIBRARY – LIMITED SCOPE AUDIT OF CASH RECEIPTING AND DEPOSITING AND CAPITAL AND CONTROLLED ASSETS (MAY 2005)

WEST VALLEY LIBRARY RECOMMENDATION

RECOMMENDATION 1.

We recommend that at the start of each day, the cashier count the change fund and an independent employee verify the amount and the exchange by a signature on an MPF form 7 or facsimile. (Audit Letter, Page 3)

17th ANNUAL REPORT STATUS – 2005

Not being done at this time. However, the paperwork is being verified at Administration prior to pickup by the armored truck service.

CURRENT STATUS

The change fund is counted each night prior to the cash drawer being placed in the safe. In the morning, the cashier, once again, counts and verifies the amount and then places it in the register for use during the business day.

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C. PUBLIC WORKS

1. ANIMAL SERVICES –LIMITED SCOPE AUDIT OF CASH RECEIPTING AND DEPOSITING, PETTY CASH, IMPREST, AND CHANGE FUNDS, CAPITAL AND CONTROLLED ASSETS AND ACCOUNTS RECEIVABLE (SEPTEMBER 2005)

ANIMAL SERVICES RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that Animal Services develop and implement written policies and procedures to manage accounts receivable. (Audit letter, Page 17)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress. Currently reviewing processes and writing policies and procedures related to accounts receivable.

CURRENT STATUS

Continuing the review. Training new staff and refining processes during the training. This is increasing the accuracy of these policies and procedures. Expect to have them completed within the next 3 months.

RECOMMENDATION 2.

We recommend that Animal Services develop an aging report for its accounts receivable. (Audit Letter, Page 17)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress.

CURRENT STATUS

Created a Crystal report that searches the Chameleon database for all outstanding debt. Because so much of the debt on the report is old, we are currently researching the older data to verify accuracy. The newer data is being reviewed to determine status and to ensure that the information in the database is accurate.

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2. PUBLIC WORKS ENGINEERING – LIMITED SCOPE AUDIT OF CAPITAL AND CONTROLLED ASSETS (SEPTEMBER 2005)

PUBLIC WORKS ENGINEERING RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that Public Works Engineering implement a policy of monthly independent review of cash receipting and depositing. (Audit Letter, Page 3)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress. The cash collection, receipting, and depositing process in PW Engineering has been under review for some time. Accordingly, this and many of the recommendations below resulting from this audit have been implemented as much as possible under the existing system. However, a thorough review of the current cash collection process is anticipated. As this review is completed all relevant recommendations will be fully implemented as analysis and modifications are completed. Software will be evaluated, internal controls will be further modified, and systems will be implemented to accommodate additional and more adequate internal controls.

CURRENT STATUS

The cash collection process has been reviewed and internal controls improved and implemented as far as possible at this time within limitations of the Division. Specifically, the software has been modified to allow cashiers to perform a daily balancing process. The cashiering function has been segregated from the depositing function. An independent review by an Agency Cashier, whose function is segregated from the cashiering function, and review/reconciliation of the daily balancing has been incorporated into the cash collection and depositing internal controls. All concepts of independent review of cash receipting and depositing recommended in the Audit Letter have been implemented as much as possible within Division staffing constraints.

RECOMMENDATION 2.

We recommend that a reconciliation of deposit records to the bank statement be performed each month. (Audit Letter, Page 3)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress. See #3 above.

PUBLIC WORKS ENGINEERING RECOMMENDATIONS

CURRENT STATUS

Reconciliation of the deposit records to the bank statement is performed by the Division Director each month.

D. ADMINISTRATIVE SERVICES

1. VEHICLE REPLACEMENT – LIMITED PERFORMANCE AUDIT (JANUARY 2005)

VEHICLE REPLACEMENT RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that Fleet Management monitor the impact of implementing the recommendations in sections 3.3 and 3.5 of this report by tracking their effect on the fund cash balance. (Audit Report, Page 19)

17th ANNUAL REPORT STATUS – 2005

Fleet is tracking its fund cash balance and will make adjustments to the maintenance rates and replacement rates accordingly.

CURRENT STATUS

Each year, inflation rates are adjusted by the Fleet Director based on the economy and research of industry trends.

Fleet is still in the process of analyzing shop rates. We have revised the cost accounting system to capture costs related to the different services provided. Through 2007 we will work to further refine our costs in each area and by 2008 will adjust the rates accordingly.

RECOMMENDATION 2.

We recommend that Fleet consider standardizing the vehicle makes, models, and options available within each vehicle class. (Audit Report, Page 24)

17th ANNUAL REPORT STATUS – 2005

Vehicle standardization is an item that the new Fleet Management Board will address.

VEHICLE REPLACEMENT RECOMMENDATIONS

CURRENT STATUS

The Fleet Board addressed this issue and turned responsibility over to the Fleet Director. Several vehicle classes were identified and within each class 2-3 models identified. As vehicles are replaced Fleet confers with the using organization to determine needs and Fleet recommends the appropriate vehicle to meet their needs. The user may choose a different vehicle so long as it is one of those identified within the class. Fleet Board approval is needed to purchase a vehicle other than one of those pre-determined within the vehicle class.

E. AUDITOR

1. ANTIQUES COLLECTION – LIMITED SCOPE AUDIT OF CAPITAL ASSET INVENTORY AND COLLECTION OVERSIGHT (JUNE 2005)

ANTIQUES COLLECTION RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that, after completion of a baseline inventory, the antiques collection be catalogued and professionally appraised to establish a more accurate record of each piece and its current market value. (Audit letter, Page 6)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress, pending completion of the baseline inventory.

CURRENT STATUS

Steve Spencer sent a memo to Darrin Casper dated November 6, 2006 and then met with Darrin and Jeff Hatch on February 8, 2007 about antiques. The memo outlines the recommended “next steps” to be taken. It is my understanding Darrin agreed that his area will take primary responsibility to move this forward. It is our plan to work together to achieve the steps outlined in the Nov. 6, 2006 memo. A memo and related documents were attached to the response.

RECOMMENDATION 2.

We recommend that antiques be removed from the capital asset system and reclassified to controlled asset status. (Audit Letter, Page; 6)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress, pending completion of the baseline inventory and better identification of which items should be reclassified and maintained as controlled assets.

CURRENT STATUS

See note above.

ANTIQUES COLLECTION RECOMMENDATIONS

RECOMMENDATION 3.

We recommend that accountability over the antiques collection be decentralized to the individual agency, office, or division where the antiques are located. (Audit Letter, Page 6)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress, pending completion of the baseline inventory and better identification of which items should be re classified and maintained as controlled assets.

CURRENT STATUS

See note above.

RECOMMENDATION 4.

We recommend that the capital assets section of the Auditor's Office, Facilities Management and the antiques coordinator work together to implement the decentralization process, including preparing antiques listings according to the agency, office, or division where the antiques are located. (Audit Letter, Page 7)

17th ANNUAL REPORT STATUS – 2005

Implementation in progress, pending completion of the baseline inventory and better identification of which items should be re-classified and maintained as controlled assets.

CURRENT STATUS

See note above.

F. DISTRICT ATTORNEY

1. DEBT COLLECTION – LIMITED SCOPE AUDIT OF COLLECTIONS, RECEIPTING AND DEPOSITING, IMPREST CHECK AND PETTY CASH ACCOUNTS (JULY 2005)

DEBT COLLECTION RECOMMENDATIONS

RECOMMENDATION 1.

We recommend that a feature be included in the District Attorney's Office Accounts Receivable system that will total amounts due to the County and summarize this data by year of referral to the DA's Office. (Audit Letter, Page 8)

17th ANNUAL REPORT STATUS – 2005

We are working with the database to accomplish this task.

CURRENT STATUS

The District Attorney's Office implemented a new version of TimeMatters Software this year. This new version of TimeMatters can total the amount due to the County. We also have the capability to run reports by year or client. Since 2006, all new cases referred to our office have been entered into the system. In addition to entering new cases, we are in the process of entering all cases on file with the District Attorney's Office. The office has approximately 10,500 pending cases of which 5,200 have been entered into the system. We anticipate that by June 2008 all active cases will be entered into the system. This will allow a total debt report to be generated.

RECOMMENDATION 2.

We recommend that accounts be aged in an aging report as a means to focus attention on any needed improvements in the collection process. (Audit Letter, Page 8)

17th ANNUAL REPORT STATUS – 2005

The TimeMatters program has the capability to extract data for reports and an accounting function that allows for aging accounts and running accounting reports.

DEBT COLLECTION RECOMMENDATIONS

CURRENT STATUS

The TimeMatters program has the capability of providing an age report on the cases entered into the system. All new cases are immediately entered into the system and staff are working to enter existing files. We have entered approximately 5,200 files to date. There are approximately 6,300 additional active files that will be entered by June 2008. Currently, the age report will only pull data from the files entered into the system.