

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Planning and Development Services

March 07, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 07, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Planning and Development Services

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Planning and Development Services in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Planning and Development Services and the cooperation from Randy Allen, Fiscal Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Planning and Development Services during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

A handwritten signature in blue ink that reads "Larry Decker". The signature is written in a cursive style and is positioned below the typed name of the signatory.

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Rolen Yoshinaga, Division Director
Randy Allen, Fiscal Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Planning and Development Services. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

Planning and Development Services has put into place key controls for providing sound management of County assets and guarding against theft. We did note, however, some cases where employees busy with other duties forgot to sign or generate some documents necessary for proper County asset control. As a positive management initiative, we found a written internal Standard Operating Procedures manual on hand. While we did not comment on or review this manual, we commend management for taking this initiative in helping to improve and better organize operations.

Findings, Recommendations, and Management Responses

Finding # 1 - Overages and shortages in daily collections were reflected in the change fund, and not the deposit.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Sections 5.3.1.1 and 5.3.1.2 state, "All overages shall be deposited into the Agency's depository account...Shortages shall be reflected in the daily deposit to maintain the Change Fund at the authorized level."

Shortages were taken from the change fund to ensure the deposit matched the amount shown in the on-line accounting system. Conversely, overages were withheld from the deposit and added to the cashier's change fund.

The fiscal manager explained that he wanted the accounting records to show that all funds due had been collected. He felt that if he deposited overages and reflected shortages in the deposit, he would not know how to account for the difference, for example, whether it should be reflected in receipts for building permits or business licenses.

Though we also noted that variances were small and infrequent, taxpayer money, nevertheless, could be used to make up for shortages where the full amount was not collected from the public.

Recommendation

We recommend that any overages and shortages be reflected in the deposit and not the change fund, and that the change fund always be kept intact at its authorized limit.

Management Response

See Appendix A

Finding # 2 - The deposit documentation lacked a supervisory signature as evidence of review.

Risk Level: Moderate

Countywide Policy #1062, Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

The combined balance sheet lacked a signature of the employee preparing the deposit and a signature of a supervisor or other employee as evidence of review.

Signatures are found on individual balances sheets, including supervisory signatures, so the need for a signature on the master balance sheet was overlooked.

Nevertheless, without necessary signatures verification of funds in the deposit is lacking and accountability for the deposit is not readily apparent.

Recommendation

We recommend that the person preparing the deposit and a supervisor or other employee, sign the master balance sheet to provide for accountability and verification of funds deposited.

Management Response

See Appendix A

Finding # 3 - Reconciliation of credit card settlement reports to cash register credit card totals was not documented.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 7.3.1.1 states,

"The employee preparing a deposit will balance the total payment card receipts to the 'daily report of electronically transmitted activity' (Daily Report) produced by a stand-alone payment card terminal, and will compare the totals to the cash register tender-total for payment card activity. All totals should match up."

Credit card transactions were entered twice, once when the card was swiped through the stand alone terminal, and again to record the transaction recorded by cash registers. There was no documentation showing that the total from the stand alone terminal was reconciled with the total cash register receipts.

Personnel felt that reconciling payment card totals was too time consuming.

The formal reconciliation process will catch payment card handling errors as well as prevent theft and makes it possible to audit this area.

Recommendation

We recommend that a separate sheet be added to the deposit documentation showing the reconciliation of credit card receipts, the settlement report, and the cash register tender-total for payment card activity.

Management Response

See Appendix A

Finding # 4 - A plotter that had been traded in remained on the capital asset list and no Form PM-2 was completed for it.

Risk Level: [Moderate](#)

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.5 lists one of the property manager's duties as:

"Prepare 'Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form PM-2' in advance for all fixed asset property transfers, disposal or sales between the Property Manager's organization and any other organization."

We were unable to locate an HP Design Jet printer. The property manager stated that the HP Design Jet 1055 plotter was used as a trade in for a new HP Design Jet. No documentation, either a PM2 or other form, was on file to record its disposition.

Since a trade-in occurred and the plotter was not sent to County surplus, the need for a PM2 was overlooked.

Without proper documentation for the trade-in evidence does not exist to distinguish proper asset disposal from conversion to personal use.

Recommendation

We recommend that a Form PM2 be completed and maintained on file for disposal, whether by sale, trade-in, or transfer to surplus, of all capital assets, including the plotter mentioned above.

Management Response

See Appendix A

Finding # 5 - Current software used to process applications and cash receipts was outdated, lacked support, and needed to be replaced.

Risk Level: Moderate

Standard business practice requires that software used to support transactions be up-to-date and adequately supported.

The software used for cashiering and other office processes, Hansen 7.7, is a non-current version that is no longer supported. The Division is working towards implementing a new software system purchased in 2012, Adobe LifeCycle, to replace Hansen.

A software upgrade would have been too costly. Moreover, the Division was not satisfied with the current software because it was not designed for a planning and development type operation.

Without software that meets organizational needs, inefficiency in transaction processing occurs.

Recommendation

We recommend that aging, unsupported software be replaced.

Management Response

See Appendix A

Finding # 6 - Documentation for voids and refunds did not always include the supervisor and cashier signature.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 6.1.1 states:

"The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency."

During a review of documentation for 30 deposits, we found one void and two refunds that did not have proper documentation and signatures.

The Division has an internal policy that prohibits voids. Therefore, the voided transaction noted here is evidence of a cashier not complying with office policy. Normally a refund form is completed, but in some cases was overlooked, as just noted.

Without the supervisor signature, there is no evidence that the transaction was reviewed. Voided or refunded transactions could occur as a way to conceal theft. Any such concealment would not be readily discovered without supervisory review.

Recommendation

We recommend that refunds, voids, or other transaction reversals be documented with the appropriate forms and signed by both the cashier and a supervisor as evidence of review.

Management Response

See Appendix A

Finding # 7 - Balancing Sheets occasionally lacked the cashier and supervisor signatures verifying the amount of funds.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.1 states:

"If prepared manually on MPF Form 3A, or similar form, the cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted."

In our review, 17 out of 121 balance sheets lacked the cashier signature, and approximately the same number lacked the supervisor's signature.

As normal office procedure, the cashier and supervisor sign a fund transfer form, and not the actual balance sheet, though the transfer form is attached to the balance sheet. While missing signatures was a simple oversight, it also was evidence of a belief that signing the balance sheet was not necessary.

There is no documented accountability for funds without cashier and supervisor signatures. In addition, without the signatures, a cashier could deny any overages or shortages.

Recommendation

We recommend that cashiers always sign the balance sheet and that the supervisor also sign it as evidence of review.

Management Response

See Appendix A

Finding # 8 - Over/short logs to record cashier overages and shortages were not used.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log."

Cashiers recorded overages, shortages, or no balancing differences on their balance sheets but not on monthly logs.

Management was not aware of the usefulness of these logs. Since cash collections are relatively small, balancing variances are infrequent, and therefore the log was not given priority.

Without the log, cashiering trends in overages and shortages cannot be properly monitored by management. In addition, any significant trends could be overlooked and not brought to the cashier's attention in a timely manner.

Recommendation

We recommend that each cashier maintain an over/short log to record overages and shortages for each day, and that the log be reviewed and signed each month by the cashier and supervisor.

Management Response

See Appendix A

Additional Information

Background

The Planning and Development Services Division issues building permits and business licenses, and provides land use planning, code enforcement, and building inspections in unincorporated areas of Salt Lake County. Fees assessed for these services can be paid in person at Planning and Development Services Offices and through the mail, but no capability is yet available for payments via the internet. In 2011, \$1.9 million in fees was collected.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending December 15, 2012. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

**Management Response to the Draft copy of
A Report to the Citizens of Salt Lake County
An Audit of the Key controls of
Planning and Development Services
March 2013**

Thank you for your report dated February 21, 2013 and the work performed by your staff, specifically Larry Decker. We are pleased your audit conclusion finds “Planning and Development Services has put into place key controls for providing sound management of County assets and guarding against theft.” And thank you for noting our written internal Standard Operating Procedures manual. The Management Responses you requested to each of your finding recommendations for further improvements are provided below. If you have any further questions please feel free to contact us.

Finding #1 - Overages and shortages in daily collections were reflected in the change fund, not the deposit.

Planning and Development Services will comply with County Policy #1062 “Management of Public Funds” Sections 5.3.1.1 and 5.3.1.2 and deposit all overages and shortages in the daily deposit to maintain the Change Fund at the Authorized level.

The current Division practice is currently authorized as an exception to County Policy #1062. The prior Salt Lake County Treasurer approved this exception approximately 8 years ago after review by the prior Fund Management Policy Committee and the Internal Audit Division. The exception (request attached) was re-formalized in December 2012 by the Current Salt Lake County Treasurer who is also Chair of the Fund Management Policy Committee (approval letter attached), after the November 2010 update of County Policy #1062, again approving the exception and current practice as the best treatment of overages and shortages.

Finding #2 - The deposit documentation lacked a supervisory signature as evidence of review.

The Division will incorporate this recommendation by requiring the employee preparing the deposit and another Manager to sign the Master Consolidated Daily Balance Sheet and the Bank Deposit slip.

Finding #3 – Reconciliation of the credit card statement reports to the cash register credit card totals was not documented.

The Division is of the impression this recommendation is already implemented. Each day cashiers prepare a Cashier Close-out and Daily Balance Workbook that reconciles cash, checks, and Credit Card compositions to verify all collections recorded in the Hanson Software generated Crystal Software Report of Development Services Daily Transaction Listing and confirm daily collections. Not only are cash and check reviewed, but also Credit Card transactions are reconciled daily. Additionally, at the end of each day a Credit Card Settlement Report is run and reconciled by another individual to verify that cash, check, and credit card composition totals are correct.

There is a Fund Transfer Receipt requiring dual signature on the Crystal Software Report of Development Services Daily Transaction Listing that verifies the cash, check, and credit card transactions and compositions each day for each cashier. Therefore, we believe the reconciliation of the Credit Card (and cash and check) totals on the Cashier Close-out and Daily Balance Workbook , the Crystal Software Report of Development Services Daily Transaction Listing, and to the Credit Card Settlement Report by the respective cashier and the person preparing the deposit already complies with this recommendation.

Finding #4 – A plotter that has been traded in remained on the Capital Asset list and no PM-2 was completed for it.

A PM-2 has been completed for the trade-in (attached). The Division had prepared an updated AFIN0801 report and forwarded it to the Auditor in April 2012 (also attached) when the plotter was traded in. We assumed the updated report would suffice for trade in of the plotter as well as surplus of a Xerox Digital Document System and purchase of the replacement HP T1300 Plotter and purchase of the Contex SD 4420 Scanner. All other fixed asset transactions were recorded and updated through the updated AFIN0801 report.

Finding #5 – Current software used to process applications and cash receipts was outdated, lacked support, and needed to be replaced.

We are working on replacement of software and have received funding in 2013 to continue.

Finding #6 – Documentation for voids and refunds did not always include the supervisor and cashier signature.

As noted, the Division already has an internal policy that prohibits voids. Additionally, the Internal Policy already requires a supervisor signature and explanation for all refunded transactions. The Division will share the Audit Findings with cashiers and respective supervisors, re-train, and re-stress the importance of complying with internal controls outlined in the written internal Standard Operating Procedures manual noted above and as suggested in your audit report.

Finding #7 – Balancing Sheets occasionally lacked the cashier and supervisor signatures verifying the amount of funds.

The Division has an internal policy that requires dual signature on the Crystal Daily Transaction listing. We will implement an additional procedure requiring dual signature on the Close-out and Daily Balance Workbook as well. The Division will share the Audit Findings with cashiers and respective supervisors, train, and stress the importance of complying with internal controls as outlined and incorporate this recommendation into the written internal Standard Operating Procedures manual noted above.

Finding #8 – Over/short logs to record cashier overages and shortages were not used.

The Division will implement this recommendation. As noted in your audit report, the Cashier Close-out and Daily Balance Workbook includes an over or short line to track daily each cashier over or short. Management has used this document, and cash counts, to successfully monitor and manage overages and shortages. And management is aware of the usefulness of an additional over short log as explained and illustrated on MPF form 11, Cash over/short Log. However, replication of the over or short for each cashier on a Log similar to MPF form 11 is a duplication, so the cost benefit of the additional log has been considered excessive. Regardless, the Division will create an additional form, require the noted reviews and signatures, and incorporate the additional internal control recommended into the written internal Standard Operating Procedures manual noted above and train cashiers and supervisors accordingly.