

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



An Audit of the Key Controls of
West Jordan Senior Center

November 04, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 09, 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 West Jordan Senior Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of West Jordan Senior Center 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 West Jordan Senior Center and the cooperation from Nancy Freeman, Center Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to West Jordan Senior Center 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

By Leonardo Flores
Deputy Auditor

cc: Sarah Brenna, Division Director
Jessica Montgomery, Fiscal Manager
Nancy Freeman, Center Supervisor



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of West Jordan Senior Center. 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

The West Jordan Senior Center has put into place several key internal controls for safeguarding the change fund, purchasing card procedures, payroll practices, and depositing procedures. Most risks identified were minor and are not expected to result in material loss of County assets. Deficiencies in certain internal controls over controlled assets, receipting, and documentation of cash handling were observed.

Findings and Recommendations

Finding # 1 - Pre-numbered receipts were not used.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.5.3 states:

"If a County Agency uses manual receipts, they shall be pre-numbered and used in numerical order. All remittances shall be receipted in the manner indicated on the prescribed form of pre-numbered receipts. Each receipt shall be filled out completely."

Prior to April 2013, manual receipts issued to patrons were not pre-numbered.

When pre-numbered receipts are not issued to patrons and kept on file, transactions cannot be reviewed; thereby, increasing the risk transactions could be falsified in order to conceal misappropriation of funds.

Recommendation

We recommend that West Jordan Senior Center use pre-numbered receipts.

Action Taken: The West Jordan Senior Center began using pre-numbered receipts in April of 2013.

Finding # 2 - The name of the West Jordan Senior Center change fund custodian did not match the Mayor's Finance Division records.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.1.1 states that the procedure for modifying an existing account, including identifying a new custodian, is that:

"The requesting Agency shall complete MPF Form 2, 'Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund.'"

The change fund custodian at the West Jordan Senior Center was not the current custodian of record in the Mayor's Financial Office.

When the change fund custodian is not updated with the Mayor's Financial Office, responsibility and accountability for the fund may be compromised.

Recommendation

We recommend that the West Jordan Senior Center update the name of the change fund custodian with the Mayor's Finance Division.

Finding # 3 - MPF Form 7, "Fund Transfer Ledger," was not used to record the retrieval/return or transfer of funds.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 2.7.3 states:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

An MPF Form 7, "Fund Transfer Ledger," or similar log was not used to record the retrieval and return of the change fund from the safe and the transfer of funds from one individual to another. In addition, when used, MPF Form 7 was never filled out completely.

When accountability for funds is not completely documented, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the West Jordan Senior Center use MPF Form 7 "Fund Transfer Ledger," or similar log to record retrievals and returns of the change fund from the safe and transfer of funds from one individual to another.

Finding # 4 - Voided receipts were not handled correctly.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

"The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution. A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

Two receipts out of 84 were voided. Both voided receipts did not include an explanation of the voided transaction and a supervisor's signature.

Without evidence of supervisor review and an explanation of the voided transaction, voided receipts could easily be used to conceal misappropriation of funds.

Recommendation

We recommend that an explanation of the voided transaction and a supervisor's signature be documented on voided receipts.

Finding # 5 - MPF Form 11, "Cash Over/Short Logs," were not being 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."

Cash overages and shortages were not recorded on MPF Form 11 logs prior to April of 2013.

When overages and shortages are not tracked by a cashier and reviewed by a supervisor, trends may not be noted and needed training and/or remediation may not occur.

Recommendation

We recommend that the West Jordan Senior Center record overages and shortages on MPF Form 11.

Action Taken: The West Jordan Senior Center began recording overages and shortages on MPF Form 11 in April of 2013.

Finding # 6 - MPF Form 11, "Cash Over/Short Logs," were not signed by a supervisor.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.3 states:

"The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor."

The use of MPF Form 11, "Cash Over/Short Logs," was implemented in February 2013; however, supervisors did not begin signing these logs as evidence of review until June of 2013.

When overages and shortages are not reviewed and signed by a supervisor, accountability for overages and shortages is not ensured, trends may not be noted, and needed training and/or remediation may not occur.

Recommendation

We recommend that the West Jordan Senior Center supervisor sign for recorded overages and shortages on MPF Form 11.

Action Taken: The West Jordan Senior Center supervisor began signing MPF Form 11 in June of 2013.

Finding # 7 - The annual comprehensive controlled asset inventory was not verified with a signature.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

A "Controlled Asset Inventory Form - Organization" was available, however, the signature verifying that the annual comprehensive controlled asset inventory had been performed was missing.

When inventories are not verified by signature, accountability for controlled assets is not ensured.

Recommendation

We recommend that the annual comprehensive controlled asset inventory be verified with a signature.

Finding # 8 - Pre-numbered receipts were not used in numerical order.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.5.3 states:

"If a County Agency uses manual receipts, they shall be pre-numbered and used in numerical order."

Five receipts located in the pre-numbered manual receipt book were not used in numerical order and left blank.

Failure to use pre-numbered receipts in numerical order increases the risk of funds being lost, stolen, or converted for personal use.

Recommendation

We recommend that pre-numbered receipts be used in numerical order.

Additional Information

Background

The West Jordan Senior Center is part of the Salt Lake County Aging Services Division and is located at 8025 South 2200 West, in West Jordan. The West Jordan Senior Center provides seniors with social and learning opportunities, including: meals, classes, computer access, and activities.

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 July 31, 2013. 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 findings in this report, when received, will be attached as Appendix A.



November 1, 2013

Leonardo Flores
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PO Box 144575
Salt Lake City, Utah 84114-4575

Ben McAdams
Salt Lake County Mayor

Lori Bays
Human Services
Department Director

AGING SERVICES

Sarah Brenna
Aging Services Division Director

Information & Referral
385-468-3200

*"Helping you
navigate the transitions
of aging"*

Re: Audit of West Jordan Senior Center

Dear Leonardo,

This letter outlines how the Active Aging program will respond, train, and correct the deficiencies found in your letter dated October 9, 2013.

Finding #1 – Pre-numbered receipts were not used.

- A. The Program Manager has met with the Senior Center manager; pre-numbered receipts were implemented in April of 2013.

Finding #2 – The name of the West Jordan Senior Center change fund custodian did not match the Mayor's Finance Division records.

- B. The Program Manager has met with the Senior Center manager; the Senior Center manager will follow up and ensure that proper custodian paperwork is completed by November 15, 2013.

Finding #3 – MPF Form 7, "Fund Transfer Ledger," was not used to record the retrieval/return or transfer of funds.

- C. The Program Manager has met with Roger Larsen, Auditor's Office, to discuss proper controls of the change fund. It was determined that Aging Services has controls in place by using the MPF 7 which identify the employee who has control and responsibility of the change fund. The MPF 7 was implemented consistently since April of 2013.

Finding #4 – Voided receipts were not handled correctly.

- D. The Program Manager has met with the Senior Center Manager; the Senior Center manager has met with employees and reviewed the process for voiding receipts. The Senior Center manager will review and sign off on all voided receipts.

Finding #5 – MPF Form 11, "Cash Over/Short Logs," were not being used.

- E. The Program Manager has met with the Senior Center Manager; the MPF Form 11 was implemented in April of 2013.

Finding #6 – MPF Form 11, “Cash Over/Short Logs,” were not signed by a supervisor.

- F. The Program Manager has met with the Senior Center Manager; the Senior Center manager began signing the MPF Form 11 in June of 2013.

Finding #7 – The annual comprehensive controlled asset inventory was not verified with a signature.

- G. The Program Manager has met with the Senior Center Manager; the Controlled Asset Inventory Form has been verified with a signature.

Finding #8 – Pre-numbered receipts were not used in numerical order.

- H. The Program Manager has met with the Senior Center Manager; the Senior Center manager has met with employees and reviewed the process for issuing receipts. The Senior Center manager will review the receipt book and ensure that receipts are used in numerical order and sign off if receipts need to be voided.

Thank you for your assistance and support. Please feel free to contact us with any questions or concerns.

Sincerely,



Sarah Brenna
Director

cc: Jessica Montgomery, Fiscal Manager
Dwight Rasmussen, Aging Services Associate Director
Traci Lee, Active Aging Program Manager
Jene Mortensen, Active Aging Assistant Program Manager
Nancy Freeman, West Jordan Senior Center Manager