

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



An Audit of the Key Controls of
Youth Services Crisis Residential & Juvenile Receiving

October 15, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org

August 08, 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 Youth Services Crisis Residential
& Juvenile Receiving

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Youth Services Crisis Residential & Juvenile Receiving 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 Youth Services Crisis Residential & Juvenile Receiving and the cooperation from Yanping Ding, Elizabeth Bayler, JD Green, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Youth Services Crisis Residential & Juvenile Receiving 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 Brenda Nelson MBA, CISA
Sr. Deputy Auditor

cc: Pat Berckman, Division Director
Yanping Ding, Department Fiscal Administrator
Elizabeth Bayler, Fiscal Manager
JD Green, Adolescent Services Director



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Youth Services Crisis Residential & Juvenile Receiving. 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

Youth Services Administration and Management overseeing the Crisis Residential and Juvenile Receiving programs have put into place key internal controls for managing public funds, safeguarding public assets, accessing sensitive information, and payroll reporting. Risks identified are not expected to result in material loss. Our findings include that petty cash accounts could be reduced and/or consolidated, and that not all "Controlled Asset Form-Employee" were signed and on file. A report of the last audit of Youth Services was released to the public in August 2008.

Findings and Recommendations

Finding # 1 - Not all "Controlled Asset Form-Employee" forms were signed and on file.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/ Assets," Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures...'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

Nine employees that work in the Juvenile Receiving and Crisis Residential program were assigned responsibility for controlled assets. Out of the nine employees, seven had not submitted a signed Controlled Asset Form-Employee for 2013. However, two of the nine employees had forms on file for 2012 that were less than one year old at the time of our field work.

According to management, one employee had not signed the form because he was out of the office on medical leave. Another employee form was being updated and two employees had been recently hired or recently assigned assets and had not yet signed a form. In addition the Youth Services Information Systems Manager stated that forms from 2012 and earlier had been shredded at the start of the 2013 inventory. A form may have previously been on file, but was destroyed during that effort.

Failure to establish employee accountability through use of a signed form increases the risk of asset misappropriation and loss.

Recommendation

We recommend that Youth Services continue their efforts to obtain a signed Controlled Asset Form-Employee from all employees with assigned assets.

Finding # 2 - Authorized petty cash amounts were excessive.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.1.4 states:

"The requested imprest amount should be sufficient to provide adequate operating funds for 2 months."

Three employees that work in the Crisis Residential and Juvenile Receiving programs were assigned petty cash accounts, two in the amount of \$300 and one at \$200. One of the \$300 funds was recently transferred to a new employee and an analysis of transaction volume was not performed for that account. A total of \$48 worth of expenditures were reimbursed for the \$200 account during 2012, making the account balance the equivalent of several years worth of transactions. The second \$300 account was reimbursed a total of \$466. The balance was equal to over seven months of transactions.

According to management, petty cash is tightly controlled at Youth Services. Staff is encouraged to use the purchasing system or purchasing cards where ever possible. The result has been a decreased reliance on petty cash.

Excess funds are at greater risk for misappropriation. In addition, interest is lost on amounts that could be deposited.

Recommendation

We recommend that Youth Services review and reduce the amount of petty cash on hand.

Additional Information

Background

Youth Services Crisis Residential and Juvenile Receiving programs provide short-term placement, counseling and referrals to struggling youth ages 8 to 17. Youth may arrive on their own, parents may bring them in for counseling, or police may bring them after running away from home, truancy, substance abuse, curfew violation or acting beyond the control of their parents. There are two Juvenile Receiving Centers that are open 24 hours a day.

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



October 11, 2013

Roger K Larsen
Audit Division Director
Salt Lake County Auditor
2001 South State Street N3300
Salt Lake City, Utah 84114-4575

RE: Audit of Salt Lake County Youth Services Crisis Residential & Juvenile Receiving

Dear Roger:

Following is the Division of Youth Services response to the Key Control Audit conducted by your office and the findings noted in the report dated July 29, 2013.

Finding #1- Not all "Controlled Asset Form- Employee" forms were signed and on file.

The Division of Youth Services is diligent in obtaining a signed Controlled Asset Form-Employee from all employees of Youth Services. A controlled asset inventory software including a barcode system is utilized to ensure accuracy. The annual internal controlled asset audit and review which includes the signing of this document was in process at the time of the Key Control Audit. This process is time consuming to audit our inventory of controlled assets and obtain the signed forms due to the sheer volume of assets and number of Youth Services' campuses. All forms have been received from employees responsible for controlled assets.

In addition it should be noted that the lack of a current signed Controlled Asset Form- Employee did not in any way indicate a lack of data to indicate who the asset was assigned to or a lack of control over the assets within the division as this information is easily obtained from our software system. In fact, during the Key Control Audit we were several times commended for our use of a software system to track controlled assets and were asked if we could be used as an example.

Finding #2- Authorized petty cash amounts were excessive.

While the use of the County purchasing system or purchasing cards are preferred and encouraged, the petty cash fund is available for emergency purposes. Petty cash is tightly controlled. There is no way to predict the nature of an emergency. In Youth Services' history, emergencies can vary from needing to provide medication to food for a restricted diet to basic clothing. Crisis Residential and Juvenile Receiving Centers operate 24/7/365, therefore, funds for emergency purchases must be available at all times. At this time, a reduction in the amount of the fund would be imprudent given the dramatic fluctuations in need. Youth Services is evaluating the implementation of a

purchasing card for this location. Should this be determined to be in the best interest of serving clients, a reduction in the amount of the fund may occur.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Berckman". The signature is written in a cursive style with a large initial "P".

Pat Berckman
Division Director

Cc: Elizabeth Bayler, Fiscal Manager
Roger Gisseman, Youth Services Associate Director
JD Green, Crisis Residential & Juvenile Receiving Program Manager