

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



An Audit of the Key Controls of
South Main Public Health Center

October 29, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 29, 2014

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 South Main Public Health Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of South Main Public Health 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 South Main Public Health Center and the cooperation from Jim Chlumsky, Monica Ramos Barreto, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to South Main Public Health 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 Todd Livingston
Deputy Auditor

cc: Gary Edwards, Executive Director
Dorothy Adams, Director of Administrative Services
Audrey Stevenson, Director of Family Health Services
Jim Chlumsky, District Manager
Matthew Ferguson, Fiscal Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of South Main Public Health 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 South Main Public Health Center has put into place several key controls for managing public funds. Most risks identified were minor and not expected to result in material loss. Deficiencies in internal controls over controlled assets and petty cash have a higher likelihood of being a liability to the County. A report of the last audit of the South Main Public Health Center was released to the public in March 2013.

Findings and Recommendations

Finding # 1 - The imprest checking account was not reconciled monthly.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and other Imprest Funds," Section 5.1.3 states:

"In the case of Imprest Checking/Operating Accounts, the account's bank statement balance shall be reconciled at least monthly by an employee designated by Agency Management, who is not the Custodian."

A previous audit conducted in 2013 found that the imprest checking account at the South Main Public Health Center was reconciled quarterly instead of monthly. A retest showed that the imprest account in like manner was reconciled quarterly instead of monthly.

Fiscal management of the Salt Lake County Health Department (SLCoHD) previously deemed the account activity insufficient for a monthly reconciliation, but allowable for a quarterly reconciliation.

When imprest checking accounts are not reconciled monthly, it could indicate a lapse of proper management control of the fund.

Recommendation

We recommend that the imprest checking account at the South Main Public Health Center be reconciled monthly by an employee who is not the custodian.

We recommend that if SLCoHD management deems the prior recommendation unnecessary, that they seek an exception to this policy from the County Council.

Finding # 2 - A comprehensive controlled asset inventory had not been conducted within one year.

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 previous audit conducted in March of 2013 found that a controlled asset inventory had not been conducted annually. A retest showed that a controlled asset inventory was conducted in July 2014, but was not completed for 2013.

When asked about the 2013 controlled asset inventory documentation, staff responded that a controlled asset inventory was not conducted in 2013.

When accountability for assets is not fully established by conducting an annual inventory, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a comprehensive controlled asset inventory be conducted at least annually.

Additional Information

Background

The South Main Public Health Center is a part of the Salt Lake County Health Department that provides health services including: immunizations, women, infants and children (WIC) clinic, women's health clinic, women's cancer screening (BeWise program), pediatric and prenatal services, teen mother and child program, home visitation program, and nurse-family partnership program.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending August 29, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

Management response to findings in this report, when received, will be attached as Appendix A.

Memorandum

To: Todd Livingston, Salt Lake County Auditor's Office

CC: Gary Edwards, Audrey Stevenson, James Chlumsky, Monica Barreto, Kayla Doud

From: Matt Ferguson, Fiscal Manager

Thru: Dorothy Adams, Associate Director

Date: 10/29/2014

Re: Audit of the South Main Public Health Clinic

Regarding the audit of the South Main Public Health Center, both findings have already been brought to our attention through the recent audits of other clinics. So these issues are already currently being addressed throughout the Health Department. Here is a short summary of what we are doing.

The first finding was, **"The imprest checking account was not reconciled monthly."** When an account is small and is rarely used, the cost in time, travel, and pay to reconcile it every month is more than the resulting benefit or reduction in risk. At South Main, the account amount is relatively small, but it is used fairly often. Therefore, we will continue to monitor the account activity and adjust the frequency of the reconciliations accordingly. We don't plan to "seek an exception to this policy from the County Council," as recommended.

The second finding was, **"A comprehensive controlled asset inventory had not been conducted within one year."** We concur with the recommendation to perform a controlled asset inventory annually. The next audit of South Main Clinic assets is scheduled for July 2015. Monica Barreto is the Asset Manager who will be responsible to conduct the inventory at that time.

In conclusion, thank you for your work. Since these findings represent only minor risks, it's reassuring to know that the other internal controls are functioning reasonably well.