

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



An Audit of the Key Controls of
Protective Services

October 23, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 23, 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 Protective Services

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Protective 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 Protective Services and the cooperation from Ben Doctorman, Assistant Fiscal Manager, Beth Harrell, Purchasing Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Protective 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

By Anita C. Kasal
Deputy Auditor

cc: Scott Carver, Undersheriff
Carrie Hackworth, Fiscal Manager
Jim Pierce, Property Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Protective 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

The Salt Lake County Protective Services Division has put into place key internal controls for managing public funds and safeguarding public assets. Most risks identified were minor and would not be expected to result in the material loss of County property. The report of the last audit was published in February 2013 and had no findings. Deficiencies in the controlled assets such as annual accountability by employees for assigned assets including weapons and the timeliness of assets updated to the County system by the firing range staff have a higher likelihood of leading to loss of County property.

Findings and Recommendations

Finding # 1 - Requisitions were not always signed.

Risk Level: Moderate

The Sheriff's Office Form, "Supply and /or Requisition Order," states:

"If total cost exceeds \$5,000 the following signatures must be obtained. ... Division Commander, Fiscal Division, Chief Deputy, and Sheriff or Undersheriff."

In a review of vendor invoices, we found that two out of ten invoices were covered by one requisition form, and that form was missing authorization signatures. The requisition form totaled \$63,513.96 for radios.

Recommendation

We recommend that required signatures are obtained on requisitions whose total cost exceeds \$5,000.

Finding # 2 - Internal controls over payments received through the mail were not adequate.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

The auditor observed that only one employee was opening the checks in the mail, preparing the posting spreadsheet for the checks, preparing the Fund Transfer Receipt (FTR), and delivering the checks to Mayor's Finance. Although the mail was received by another employee, she was not opening the checks or logging the receipt date and information.

Recommendation

We recommend that mail be opened in the presence of two persons and that the date the checks were received be documented.

Finding # 3 - Monthly invoices prepared on revenue contracts were not always paid within 30 days of receipt.

Risk Level: Moderate

County Contract #SF10136C, "State of Utah Administrative Office of the Courts," Attachment A: Terms and Conditions #8 Payment states:

"Payments are normally made within 30 days following the date a correct invoice is received. All invoices must be submitted in an approved format."

In a review of twelve payments made to Protective Services from the Administrative Office of the Courts, we found two payments that were untimely. An invoice dated July 1, 2013 for July services was paid with a check dated September 12, 2013 and an invoice dated November 1, 2013 for November services was paid with a check dated January 6, 2014. Both invoices were included with the next month's payments, August and December, respectively. The late payments totaled over \$475,000.

Recommendation

We recommend that invoices from revenue contracts be collected within 30-days of the receipt of the invoice.

Finding # 4 - County controlled asset records were not maintained as to the physical location of assets at the Firing Range Station.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that property managers are required to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

Nine out of 22 controlled assets we reviewed did not list the correct location. Of the 9 there were 6 weapons not at the Firing Range because they had been assigned to employees, 2 taser weapons were sent back for repair, and 1 weapon location was listed as surplus.

The Rangemaster stated that he was managing controlled assets with a database. He indicated there was less efficiency in updating the County controlled asset records than in updating his database.

When records are not maintained as to the current physical location of controlled assets, employee accountability is not established, asset inventories are more difficult to perform, and theft of assets is more likely to occur and remain undetected.

Recommendation

We recommend that the Rangemaster update the County controlled asset records in a timely manner.

Finding # 5 - Checks were not restrictively endorsed upon receipt.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.6.1 states:

"All checks and negotiable instruments received by Cashiers shall be restrictively endorsed immediately upon receipt using the Agency's approved restrictive endorsement stamp."

Checks were not being endorsed with the agency's restrictive endorsement stamp upon receipt.

Recommendation

We recommend that checks are restrictively endorsed immediately upon receipt.

Additional Information

Background

The Protective Services Division is a part of the Salt Lake County Sheriff's Office and is located at 2001 S. State St., in Salt Lake City. Protective Services provides a transition between law enforcement authority, prisoner management, government security, and public service.

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 December 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. 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.

Salt Lake County Sheriff's Office

James M. Winder
Sheriff

Scott Carver
Undersheriff



Pam Lofgreen
Chief Deputy

Kendra Herlin
Captain Protective Services

Carrie Hackworth
Fiscal Manager

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October 23, 2014

Re: Sheriff's Office Management Response to 2014 Key Controls Audit of Protective Services

Finding # 1 – Requisitions were not always signed

Management Response:

Our Office believes this issue with one requisition was an anomaly as our staff is well trained in our procedures on obtaining required signatures and Administration was aware of the purchase. The Fiscal manager has reviewed this finding with the staff and reinforced the importance of following our internal purchasing signature policy.

Finding # 2 – Internal Controls over payments received through the mail were not adequate.

Management Response:

The volume of checks received through the mail is minimal and are payments for our contract receivables that are invoiced by our office so receipt of the funds is anticipated. The receivables are monitored and reviewed monthly by an individual not involved in depositing leaving little risk involved in our current process. Our office will purchase a date stamp in order to document receipt of checks as recommended.

Finding # 3 – Monthly invoices prepared on revenue contracts were not always paid within 30 days of receipt.

Management Response:

We value our contractual agreement with all of our partners. While it is preferable to receive all payments within the contractual time stated in the contract, we understand that sometimes circumstances are out of one's control. The agreement quoted in this instance states that "Payments are normally made within 30 days following the date a correct invoice is received" leaving room for uncontrollable circumstances. The isolated late payments in reference are from another governmental entity with a history of fulfilling their contractual responsibility timely. We do not believe the rare instances of this occurring will cause significant issues for the County. Our office reviews our receivables monthly and conducts follow up when needed.

Finding # 4 – County controlled asset records were not maintained as to the physical location of assets at the Firing Range Station.

Management Response:

The Range master utilizes a duplicate asset tracking system for controlled assets at the Range. He is very meticulous in his record keeping. While one system was updated timely the other was not. The Range master has already implemented a process to ensure both systems are updated timely whenever a change occurs.

Finding # 5 – Checks were not restrictively endorsed upon receipt.

Management Response:

Our Fiscal Office has ordered an endorsement stamp so checks can be endorsed upon receipt.