

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



An Audit of the Key Controls of  
Youth Services After School Program

March 24, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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March 24, 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 Youth Services After School Program

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Youth Services After School Program 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 After School Program and the cooperation from Elizabeth Bayler, Administrative and Fiscal Manager, Ann Stoddard, Accountant, Kelly Riding, Program Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Youth Services After School Program 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: Pat Berckman, Division Director  
Elizabeth Bayler, Administrative and Fiscal Manager  
Kelly Riding, Program Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Youth Services After School Program. 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 After School Program 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 for cash receipting and purchasing cards have a higher likelihood of being a liability to the County. A report of the recent audit of Youth Services After School Program was released to the public in October 2013.

## Findings and Recommendations

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***Finding # 1 - There was no independent review of paid fees versus unpaid fees for the After School Program.***

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**Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," states in the introduction that:

"Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and policies and errors, irregularities, and omissions are effectively minimized or detected."

Youth Services asks After School Program participants to pay a small tuition fee to participate in the program. Students that are eligible for free or reduced lunch based on income guidelines are not required to pay a fee. There was no independent review of the fees received from participants in the program that would verify that all funds received were actually deposited.

When there is no independent review and adequate documentation to verify program fees received and deposited, funds may be misappropriated or lost without detection.

### ***Recommendation***

We recommend that an independent review be performed to verify that fees received were actually deposited.

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***Finding # 2 - Checks were not restrictively endorsed upon receipt.***

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**Risk Level: Moderate**

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.

Checks that are not restrictively endorsed upon receipt are at a greater risk of misappropriation.

***Recommendation***

We recommend that checks are restrictively endorsed immediately upon receipt.

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***Finding # 3 - A cashbox was not used for the safekeeping of public funds.***

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**Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," Section 2.4.1.1 states:

"If total receipts per day are less than \$250, or the number of transactions processed is less than 50, then Agency Management shall provide a secure, lockable cashbox."

Checks collected, which totaled less than \$250 per day, were not kept in a lockable cashbox.

Checks that are not secured in a cashbox upon receipt are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that all funds collected be secured in a lockable cashbox.

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***Finding # 4 - Internal controls over checks received through the mail were not adequate.***

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**Risk Level: Low**

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."

Checks received by mail were not opened and recorded in a log in the presence of two staff members.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that checks received in the mail be opened and recorded on a log in the presence of two staff members.

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***Finding # 5 - Purchasing card was not signed by the cardholder.***

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**Risk Level: Low**

Countywide Policy #7035, "Purchasing Cards," Section 2.1 states:

"Immediately, upon receipt of the P-Card, it shall be signed by the Cardholder."

Of the three purchasing cards reviewed, one was not signed on the back by the cardholder.

When a purchasing card is not signed, the cardholder cannot easily be verified by a vendor when making transactions.

***Recommendation***

We recommend that the cardholder sign their purchasing card.

## **Additional Information**

### **Background**

Youth Services operates After School Programs in Kearns, West Valley City, and Magna. Activities include sports, dance, art projects, academic support, service projects and off-site field trips. Program goals include an increase in participant's academic success and graduation rates, health, and self esteem, as well as increased parental and community involvement. According to the 2012 After School Program Annual Report, teachers reported an increase in participating students' academic performance and ability to get along with others. The report indicated that almost 320 youth were served on any given 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, 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.





March 18, 2014

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 Administration

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 January 29, 2014.

*Finding #1- Deposits did not always balance.*

Since the time that the Key Control Audit was conducted, a new process has been implemented as follows:

- Each person who may be in a circumstance to receive money has been assigned a three-part cash receipt book with consecutively numbered receipts.
- When the money is received from the client an original, numbered receipt is issued.
- The accountant will sign the receipt book and retain part two of the receipt when receiving the funds.
- Part two of the receipts will be reconciled with the cash/check amounts being deposited.
- Part three of the receipt is retained in the book by the person who originally received the funds for future reference

*Finding #2- Checks were not restrictively endorsed upon receipt.*

The two checks noted in the audit finding were just a human oversight and not an illustration of regular practices. All checks are restrictively endorsed when received.

*Finding #3- Internal controls over checks received through the mail were not adequate.*

A log for recording checks received through the mail has been created and all future mail items that appear to have checks enclosed will be opened by two staff members.

*Finding #4- The master balance sheet did not include a calculation of overages and shortages, and no over/short log was used.*

It is my understanding that the terms "over" and "short" are in reference back to Finding #1 and there not being receipts for all money being deposited. So if

there was no receipt but there was money we would be considered “over” and if there was a receipt and no money we would be considered “short”. In the future we will utilize an over/short log in cases when this occurs.

*Finding #5- The fund transfer receipt did not completely document the transfer of funds.*

After the Key Control Audit performed in the late spring/early summer of 2013 a new process was implemented to complete the transfer of funds properly as follows:

- Each person who may be in a circumstance to receive money has been assigned a three-part cash receipt book with consecutively numbered receipts.
- When the money is received from the client an original, numbered receipt is issued.
- The accountant will sign the receipt book and retain part two of the receipt when receiving the funds.
- Part three of the receipt is retained in the book by the person who originally received the funds for future reference

*Finding #6- The “Controlled Assets Inventory Form – Organization” was not signed or dated.*

Each employee is required to sign a list of assets assigned to them. The property manager then signs each of those forms. We were not aware that an additional full listing of the controlled assets needed to also be signed by the property manager. We will implement this process in the future.

*Finding #7- Deposits were not always made in a timely manner.*

Deposits have been historically made when a sufficient amount to justify the trip from the Youth Services main campus to the Government Center building was obtained. We will make every effort going forward to make deposits within 3 days of receiving funds.

*Finding #8- The authorized petty cash fund balance was 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. The petty cash fund assigned to the Administration programs is for emergency or normal petty cash purposes and is, in reality, utilized by all programs if the petty cash custodian assigned to any one program is out or unavailable. In addition, the petty cash fund itself is strictly safeguarded. At this time, a

reduction in the amount of the fund would be imprudent given the possible dramatic fluctuations in need.

*Finding #9- Purchasing cards were not signed by cardholders.*

The two purchasing cards noted in the audit that had not been signed have now been signed and the fiscal manager will verify all cards are signed when received going forward.

*Finding #10- Youth Services Administration did not maintain a file of required quotes or justifications for a multiple award state contract.*

The contract noted in this audit finding is an office supply contract of which there are 4 state contracts for office supplies. The County policy #7020 states "County agencies shall maintain a file of any required quotes or award justifications for orders made by the agency". The requirement in this policy is referring to whatever "requirement" the state contract may have. The state contract states "Please note this is a multiple award contract. Please see the following contracts for similar items before making a purchasing decision". There is no mention of a requirement for either quotes or documented justification on this particular set of multiple award state contracts for office supplies. Therefore, we did not have anything on file with quotes or an award justification. We will however going forward indicate on all payments made our justification for the choice of this particular vendor to satisfy the auditors' recommendations.

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

Sincerely,



Pat Berckman  
Division Director

Cc: Elizabeth Bayler, Fiscal Manager  
Roger Gisseman, Youth Services Associate Director