

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



An Audit of the Key Controls of
The Salt Lake County Adult Detention Center

April 09, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 09, 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 The Salt Lake County Adult Detention Center

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

Dear Mayor McAdams:

We recently completed an analysis of the financial records of The Salt Lake County Adult Detention 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 The Salt Lake County Adult Detention Center and the cooperation from Jim Pierce, Property Manager, Teresa Carney and Sarah Dibble, Supervisors, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to The Salt Lake County Adult Detention 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 Anita C. Kasal
Deputy Auditor

cc: Jim Winder, County Sheriff
Pamela Lofgreen, Chief Deputy
Carrie Hackworth, Fiscal Manager
Ben Doctorman, Assistant Fiscal Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of The Salt Lake County Adult Detention Center (Metropolitan Jail). 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 Metropolitan Jail has put into place several key internal controls for managing public funds, prisoner funds, and safeguarding public assets. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in the collection of past due invoices have a higher likelihood of leading to loss of County funds. The report of the last audit of the Metropolitan Jail was released to the public in April 2013. We retested the six findings from the previous audit dated March 6, 2013 and found that five recommendations have since been implemented. The other finding regarding sequential transaction numbers was unresolved at the close of this audit, however, significant progress had been made toward the recommendation.

Findings and Recommendations

Finding # 1 - An employee was circumventing their monthly purchasing card limit by using another employee's purchasing card.

Risk Level: High

"Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 2.3 states:

"Allowed purchases ... shall not exceed the single-purchase or monthly limit set for each Cardholder, unless authorized by the County Purchasing Agent in writing."

One employee admitted to using another employee's purchasing card, in addition to her own, to avoid exceeding her monthly limit.

When a purchasing cardholder uses another employee's purchasing card to circumvent their monthly limit, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the cardholder not use another employee's purchasing card to circumvent her monthly limit.

Finding # 2 - The A/R Aging Detail showed the majority of past due invoices were over 90 days old and no collection program was in place.

Risk Level: High

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 4.0 states:

"County departments and agencies are required to take all appropriate and cost effective actions to aggressively collect accounts receivable, including assessing related collection costs, interest, penalties, or fees."

As of December 31, 2013, the pay-for-stay program had accounts receivable totaling \$8,388,800, \$7,994,608 (95%) of which was over 90 days past due. The only collection actions taken are (1) some prisoners are given an invoice upon their release, and (2) prisoners are sent a statement every six months. No other collection actions are taken.

When the invoices are very past due, remain unpaid, and there are no collection actions, County assets are overstated and diminish in their quality.

Recommendation

We recommend that further direction be obtained from the County Council.

Finding # 3 - The custodian wrote and cashed checks without the proper separation of duties.

Risk Level: High

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 4.6.3 states:

"To ensure proper internal control and separation of duties, if the Custodian is the recipient of the petty cash, he/she shall sign as Payee, and the Fiscal Manager or another Agency-designated supervisor shall approve and sign as Custodian."

The custodian issued checks payable to herself, signed the checks, and then cashed the checks at the bank to replenish the cash portion of the imprest checking fund.

When the petty cash custodian can write, endorse, and cash checks without supervisor approval, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that management ensure proper internal controls and separation of duties are in place when the custodian needs to replenish the cash portion of the imprest checking account.

Finding # 4 - An employee was not safeguarding his purchasing card.

Risk Level: Moderate

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Sections 2.2. and 4.1.6 state that:

"The Cardholder shall be responsible for authorized and allowable use and safeguarding of the P-Card. ... The Cardholder is solely responsible for the use of the P-Card issued in their name and purchases by anyone other than the Cardholder, personally, are prohibited."

An employee stored his purchasing card in a file cabinet that was accessible to others.

When a purchasing card is not safeguarded and others are allowed to use it, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the cardholder safeguard his purchasing card and prohibit use of it by other employees.

Finding # 5 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.31 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... [The] '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."

The "Controlled Assets Inventory Form-Employee" was not used to manage controlled assets that were assigned to employees. The auditor observed that there were several offices and designated work areas where assets would be assignable to an individual.

The property manager indicated that assignability would be difficult due to the constant employee turn around.

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

Recommendation

We recommend that the property manager use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

Finding # 6 - Accounts receivable reconciliations were not documented and signed by an independent party.

Risk Level: Moderate

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.3.2 states:

"The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step."

Invoices prepared during the month of December 2013 showed differences in 54 account balances. The difference found between the Aging Report and Invoicing Detail totaled \$4,185 for that period.

In a recent email, the supervisor reported that she had reconciled the difference but no additional documentation had been received by the auditor.

When accounts receivable are not reconciled and reviewed on a monthly basis, misappropriation and errors are more likely to occur and remain undetected.

Recommendation

We recommend that monthly reconciliations are performed on the accounts receivable ledger and that those reconciliations are reviewed and signed by a supervisor.

Finding # 7 - Controlled Asset records were not properly maintained.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.12(d) states that property managers are responsible for:

"maintaining supplementary records to support location and existence of property as necessary; ..."

During a review of controlled asset inventory records, 7 out of 35 assets showed incorrect locations and two of these assets were not located.

The property manager reported in an email to the auditor, dated February 24, 2014, that the two controlled assets had been located.

When responsibility for controlled asset locations is not correctly identified, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the property manager's supplementary records support the controlled asset locations.

Finding # 8 - Manual receipts were not being filled out completely.

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."

In a review of 400 manual receipts, 98 receipts were not filled out completely. Of these, 89 receipts were missing a second signature, five receipts were skipped, three pink receipt copies were blank, and one pink receipt copy was missing from the record book.

When manual receipts are not filled out completely or are missing from the record book, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that manual receipts always have a second signature, skipped receipts are voided, receipts are not left blank, and that pink receipt copies are retained in the record book.

Finding # 9 - Meal authorization forms were not always approved prior to events.

Risk Level: Low

Countywide Policy #1020, "County Meals," Sections 2.2 and 5.1 state:

"On-going Boards, Councils, Task Forces, or Committees where food is provided and where expenditures will be requested must receive prior approval to provide food. The organization staffing said Board, Council, Task Force or Committee shall be responsible for requesting approval from the Elected Official or Department Directors. ... To obtain prior approval (as referred to in 2.2) the requesting organization should submit an explanation of the function where food will be made available ... (breakfast, lunch, dinner) purpose, attendees, and the County organization responsible for arranging the meeting. The Department Director or Elected Official will then set the budget according to a reasonable estimate of the cost of the function."

In a review of the imprest checking account, meal authorization forms, 20 out of 28 were approved after the date of the event.

When County meals or supplies for meals are purchased without prior authorization, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Department Directors or the Elected Official authorize the purchase of meals or food and supplies for meals before they are purchased.

Finding # 10 - The imprest checking was used to maintain a cash portion at more than five times the usual amount of \$200.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 1.8.1 defines an Imprest Checking Account as:

"A fixed amount of cash maintained in an account with a Qualified Depository for purposes similar to Petty Cash Funds, but which is generally established in larger imprest amounts. A reasonable portion of the established amount, usually not more than \$200, may be maintained in cash to accommodate small cash transactions."

The portion of the imprest checking account maintained in cash was over \$1,000 and was used for the majority of transactions and not just small amounts.

When a larger cash balance is maintained in the imprest checking account, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the cash portion of the imprest checking account be reduced to the usual amount of \$200 or less.

Additional Information

Background

As recorded in the Salt Lake County History since 1852, the County Sheriff, by State statute is designated as the County jailer. The physical location of the jail since 1852 has changed from the basement of the courthouse to four jails which housed 40, 150, 311-825 and 552 inmates. The Salt Lake County Adult Detention Center opened in the year 2000 and is also known as the Metropolitan Jail. The Oxbow Jail was opened in 1991. Together they make the Salt Lake County Jail System. The current Adult Detention Center is located at 3415 South 900 West, Salt Lake City and can house 2,000 inmates with additional area for expansion. Upon intake a prisoner will be booked into the jail and any funds held will be placed into a prisoner trust fund. These prisoner funds are managed using computer software named the Offender Management System (OMS). A prisoner may post bail from his funds, purchase commissary items, pay co-pays for services, or receive the balance of the funds upon release.

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

* 2001 SOUTH STATE STREET, SUITE S3300 * SALT LAKE CITY, UTAH 84190 * 385-468-9872 *

April 8, 2014

Re: Sheriff's Office Management Response to 2014 Key Controls Audit of the Salt Lake County Adult Detention Center

Finding #1 – An employee was circumventing their monthly purchasing card limit by using another employee's purchasing card.

Management Response:

The Sheriff's Office Fiscal Division will require a thorough review of Policy 7035 by all cardholders and cardholder supervisors as a refresher. All cardholders and supervisors will be required to sign a document stating they have read the policy and have a complete understanding of the policy. This remedy has already been implemented by the Sheriff's Office Fiscal Division.

Finding # 2 – The A/R Aging Detail showed the majority of past due invoices were over 90 days old and no collection program was in place.

Management Response:

The Sheriff's Office has been operating this program based on the desire of the Council when the Pay for Stay program was implemented in 2009. The Council has received periodic updates on the program over the years and has not indicated a desire to change how the program is functioning.

Finding # 3 – The Custodian wrote and cashed checks without the proper separation of duties.

Management Response:

We would like to note that the imprest checking account is reconciled by an independent party without custodial rights or access to the account. The account is reconciled monthly and no hints of misuse have been found to date. In reviewing this account we found that the needs of the Sheriff's Office have evolved over the last couple of years from needing an imprest checking account to a petty cash account. Sheriff's Fiscal Division will close the imprest checking account and open a petty cash account in accordance with Policy #1203. This remedy has been initiated by the Fiscal Division and will be in place by the end of April 2014.

Finding # 4 – An employee was not safeguarding his purchasing card.

Management Response:

The Sheriff's Office Fiscal Division will require a thorough review of Policy 7035 by all cardholders and cardholder supervisors as a refresher. All cardholders and supervisors will be required to sign a document stating they have read the policy and have a complete understanding of the policy. This remedy has already been implemented by the Sheriff's Office Fiscal Division.

Finding # 5 – The "Controlled Assets Inventory Form – Employee" was not used.

Management Response:

The Sheriff's Office current practice complies with the spirit of this recommendation. The Sheriff's Office utilizes an asset tracking software. Within the software controlled assets are assigned to individuals or Divisions as required. While we do not use the specific form mentioned in the policy we can run a report that "contains substantially the same information" as stated in policy. The Jail operates 24/7 so a lot of the assets are shared by several employees each day and week. Since we run a 24/7 operation several assets are assigned to a Division/office rather than an individual and are tracked accordingly.

Finding # 6 – Accounts receivable reconciliations were not documented and signed by an independent party.

Management Response:

The difference found during the audit was a result of payments and discounts for Pay for Stay that was not reflected on the report given to the Auditor. Our office agrees with this recommendation and a formal Pay for Stay receivable reconciliation process will be implemented by the Assistant Fiscal Manager and Prisoner Funds staff.

Finding # 7 – Controlled Asset records were not properly maintained.

Management Response:

The Sheriff's Office inventory system does contain controlled asset locations as recommended. All of the assets reviewed were located. When controlled assets are being retired from use, they are moved from the recorded location to a holding area prior to being sent to surplus which caused some of the assets to not be located in their designated area. When the Asset Property Coordinator is notified that items need to be taken to surplus, the appropriate surplus documentation is filled out and the inventory system is updated. Weekly inventory audits are completed throughout the Jail in an effort to ensure the accuracy of inventory system.

Finding # 8 – Manual receipts were not being filled out completely.

Management Response:

The manual receipts reviewed in this finding are filled out during intake where often the other party is uncooperative. The Sheriff's Office will review the intake process to see if any improvements can be made.

Finding # 9 – Meal authorization forms were not always approved prior to events.

Management Response:

In order to formalize the approval process for events involving food, the Sheriff's Fiscal Division has created a letter template as well as a new meal reimbursement form to include the Division Commanders approval along with the Sheriff. The letter template is designed to get pre-approval for reoccurring events with an estimated cost for the year as allowed per Countywide Policy #1020. The Fiscal Division will have the letter and form available to Commanders by mid April 2014.

Finding # 10 – The imprest checking was used to maintain a cash portion at more than five times the usual amount of \$200.

Management Response:

In reviewing our account we found that the needs of the Sheriff's Office have evolved over the last couple of years from needing an imprest checking account to a petty cash account. Sheriff's Fiscal Division will close the imprest checking account and open a petty cash account in accordance with Policy #1203. This remedy has been initiated and will be in place by the end of April 2014.