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Salt Lake County Auditor
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**A Key Control Audit of the
Kearns Senior Center**

We recently completed an audit of the Kearns Senior Center ("Kearns"). The purpose of the audit was to examine areas of financial and asset management to determine if financial records were complete, internal controls were functioning as intended, and County assets were properly safeguarded.

Our work was designed to provide reasonable, but not absolute assurance that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included Countywide Policies such as *CWP 1203, "Petty Cash and Other Imprest Funds," CWP 1062, "Management of Public Funds," CWP 1125, "Safeguarding Property/Assets," CWP 7035, "Purchasing Card Authorization and Use,"* and Aging and Adult Services Division internal policies and procedures.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of the Kearns Senior Center throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Scope and Methodology

Our audit covered the period from January 1, 2016 to December 31, 2016. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, records, and transactions in the following areas:

- Change Funds
- Cash Receipting and Depositing

- Capital and Controlled Assets
- Proprietary and Purchasing Card Accounts

The audit objectives, findings, and recommendations, in each of the areas we examined are as follows:

Audit Objectives, Findings, and Recommendations

1.0 Change Funds

Audit Objectives:

- **Determine if the change fund is intact and maintained at the authorized amount.**
- **Determine if the change fund is properly safeguarded.**

We performed a surprise count on the \$150 change fund at Kearns, and found that the change fund was at \$200, an overage of \$50 from its authorized amount as recorded by the Mayor's Office of Financial Administration ("Mayor's Financial Admin"). We also interviewed the staff at Kearns, and observed the change fund balancing procedures, operations, and security. Kearns uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Kearns serves lunches to seniors, and the center staff collect donations for the meals that are served to patrons over the age of 60. At the end of each day, the staff exchange large bills in the change fund for smaller denominations and coins collected from donations. The change fund is then counted and returned to the authorized amount, and the daily deposit is prepared. We noted that the center staff did not have a control log to record the transfer of the change fund to and from the safe each day, as required by Countywide Policy.

Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.

We found that management at Kearns did not keep an MPF Form 7, "Fund Transfer Ledger," or similar form, for center employees to sign when retrieving the change fund from and returning it to the safe each day.

CWP 1062, "Management of Public Funds," states that,

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox." (CWP 1062, 2.7.3, p. 7)

The purpose of a Fund Transfer Ledger, or similar log, is to document that the change fund is at the authorized amount each time that the fund is removed from, and returned to the safe, and to establish personal accountability for the change fund, while the fund is in use. By signing the Fund Transfer Ledger, an employee is attesting that all funds are accounted for, and that proper custody of the funds is maintained while they are not stored in the safe or lockbox.

A Fund Transfer Ledger is a key internal control that helps minimize the risk of theft or loss of fund due to misuse. Without a Fund Transfer Log, personal accountability for the change fund is not established, and the

risk of theft or misuse of the change fund is increased. When we discussed this with management at Kearns, they were not aware of the need to document retrieval and return of funds from and to the safe using the MPF Form 7, or similar form, as required in Countywide Policy.

Recommendation

We recommend that Kearns Senior Center staff count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger, or similar log, each time the change fund is retrieved from or returned to the safe.

Finding 1.2: The change fund balance was \$50 over its authorized limit.

We counted the change fund as one of our audit procedures and found an excess of \$50 over its authorized limit. Our count totaled \$200 compared to \$150 shown on Mayor's Financial Administration records as the authorized amount. Center management believes that \$200 represents the correct change fund amount.

CWP 1203, "Petty Cash and Other Imprest Funds," states that,

"Custodians are directly responsible for their Imprest Funds, and are accountable and may be held personally liable for maintaining the authorized imprest amount ... Overages shall be immediately investigated and resolved, if possible, by the Custodian. The amount of any unresolved overages shall be deposited as miscellaneous revenue, and a cash receipt obtained from [Mayor's Financial Administration]." (CWP 1203, 4.1.1 and 5.2.3)

When the change fund is not at its authorized limit, County financial records do not reflect actual activity and officials lack the ability to sufficiently account for funds. Center management gave us an MPF Form 2, "Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund," from 2014 requesting an additional \$50 that would increase the change fund balance to \$200. They stated this request was made to Mayor's Financial Administration. Mayor's Financial Administration, however, had no record of this MPF Form 2 or of a disbursement for the extra \$50.

Recommendation

We recommend that the change fund custodian contact Mayor's Financial Administration to resolve the \$50 discrepancy between the actual and authorized change fund balance.

2.0 Cash Receipting and Depositing

Audit Objectives:

- Determine if cash receipting and depositing procedures comply with Countywide policy.
- Determine if daily cash collections and deposits are properly safeguarded against theft or misuse.

Our audit examined whether daily collections, cash handling, and depositing procedures at Kearns complied with **CWP 1062, "Management of Public Funds."** We observed that locked donation boxes were being used,

manual receipts were issued mainly for the sale of Chuck-A-Rama discount tickets, and donations were collected, counted and deposited by at least two people.

We tested a sample of 30 days of cash and check deposits by examining the “*Deposit Reconciliation Form*,” which serves as Kearns’s Daily Cash Balance Sheet. We observed the separation of donations from other collections such as under-age-60 meals, transportation, coffee donations, and Chuck-A-Rama discount tickets, and found proper separation of duties in Kearns’s daily cash balancing procedures. We also noted that deposits were made in a timely manner as required by Countywide Policy, and that deposits were properly safeguarded against theft or misuse. However, we found that there were two manual receipts missing from the manual receipt book.

Finding 2.1: Receipt copies were missing from the manual receipt book.

In our review of the manual receipts we found that there were two instances where all copies of the receipts were removed from the receipt book with no potential for management review.

Countywide Policy #1062, “Management of Public Funds,” states that,

“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.” (CWP 1062, 3.5.3)

When sequential manual receipts are missing, management has no way to review the receipting of funds, and it could be used to conceal theft. Management could not explain the missing receipts or their whereabouts, but occasionally a receipt is mistakenly torn from the book.

Recommendation

We recommend that management insure retainage of sequentially numbered receipt copies in the receipt book.

3.0 Capital and Controlled Assets

Audit Objectives:

- **Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.**
- **Determine if capital and controlled assets are properly safeguarded against loss, theft or misuse.**

Our audit included an examination of capital and controlled asset management. **CWP 1125, “Safeguarding Property/Assets,”** establishes the policies and procedures for the proper management of County capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

We obtained a copy of a listing of capital assets at Kearns, from the County’s financial system. Kearns has no assets that meet the criteria of a capital asset. We confirmed that the listing was reviewed and signed by the Agency’s Property Manager, and the Division Director to confirm that the center has no capital assets.

We reviewed a sample of 30 controlled assets at Kearns. **CWP 1125, Safeguarding Property/Assets,** defines a *controlled asset* as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets. Therefore, controlled assets require additional procedures to ensure that they are properly safeguarded against theft or misuse.

The property manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody. In addition, **CWP 1125, "Safeguarding Property/Assets,"** defines an employee's duties and responsibilities when capital (fixed) or controlled assets are provided for their use.

Salt Lake County Active Aging, Inventory Control Log Guidelines, defines standard operating procedures for when a controlled asset will be tagged and listed in the Agency's inventory as an item of personal property having a cost of \$300 or greater, but less than the current capitalization rate. We noted that this guideline differs from County policy.

Finding 3.1: The controlled asset list at Kearns, did not include a TV and a microwave found on-site, and lacked consistent and accurate information to be able to identify all controlled assets on the list.

We found a TV and a microwave at Kearns that were not included on the controlled asset list. We also noted that purchase or acquisition dates were not included on the controlled asset list.

CWP 1125, "Safeguarding Property/Assets," states that,

"The Property Manager [at each agency] 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 – Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee." (CWP 1125, 4.3 and 4.3.2, p. 6)

Assets that are not accurately recorded on a controlled asset list are at a greater risk of loss or theft. Incomplete or inconsistent information on the controlled asset list creates difficulties in tracking and managing controlled assets, making it easier for loss or theft to occur. The various types of asset information, including unique tag numbers, purchase dates, and accurate descriptions all aid in the asset management process, and help prevent the risk of loss or theft.

Recommendation

- ***We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.***
- ***We recommend that the Property Manager at Kearns include information on the controlled asset list that helps track and manage County assets, including unique tag numbers, accurate descriptions, purchase dates, and accurate asset locations.***

Finding 3.2: Management at Kearns was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.

We found that management at Kearns were not using the "**Controlled Assets Inventory Form – Employee,**" form to identify and track controlled assets that had been assigned to specific employees. Instead, management provided us with a form created by Active Aging that listed controlled assets that had been assigned to the Senior Center Manager and two other senior center employees. However, that list was outdated and no longer relevant, because it was from 2014.

CWP 1125, "Safeguarding Property/Assets," states that,

"[County agencies should] at least annually, conduct a physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

In addition, **CWP 1125,** states that,

"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." (CWP 1125, 2.2.11, 4.3, and 4.3.1, pp. 3 & 6)

Incomplete or inaccurate controlled asset records increase the risk that those assets could be lost, stolen, or converted to personal use without being detected by the Property Manager or the staff at Kearns. When we discussed this issue with management, they did not place a high priority on using the proper forms to track controlled assets, or indicate an understanding for the importance of using a form that lists controlled assets assigned to specific employees.

Recommendation

We recommend that all assets assigned to a specific employee at Kearns are listed on individual "Controlled Assets Inventory Form - Employee," forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.

4.0 Proprietary and Purchasing Cards

Audit Objectives:

- **Determine if purchasing and proprietary card procedures complied with Countywide policy.**
- **Determine if purchasing and proprietary cards properly safeguarded.**

As part of our audit process, we reviewed purchases made by Kearns using their Costco proprietary card. **CWP 7036, "Charge Cards/Proprietary,"** establishes a set of guidelines for the use and acquisition of proprietary charge cards including how to obtain a card, how to use it, safeguards, unallowable purchases, credit limits, record keeping and reconciliation, audits, and contact information if the card is lost or stolen.

We examined proprietary card transactions and documentation for 2016. If cardholders had left employment at the senior center, and their receipts were no longer on site, then we accessed documents through the Aging Services accounting specialist. We noted no significant findings in the area of proprietary charge card transactions.

In addition, we reviewed purchases made by Kearns using their County purchasing card (P-card). **CWP 7035, "Purchasing Cards Authorization and Use,"** establishes policy and procedures including the same areas as found in CWP 7036 listed above.

We examined all transactions made during 2016 and found that all had the status of "final approval" in the County electronic system. The center manager was the only authorized purchasing cardholder.

Active Aging does not require pre-approval for purchases. A program manager told us that purchases can be made if center managers stay within their expenditures budget. At the close of the P-card billing cycle, one of the program managers reviews the purchases and approves them.

We noted no significant findings in the area of Proprietary and Purchasing cards.

Conclusion

We appreciate the time spent by the staff at Kearns Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Kearns were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Agency Response Kearns Senior Center			
Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that Kearns personnel count the change fund, and sign and date the fund transfer ledger, or similar log each time the change fund is moved to and from the safe.	Agree	This can be done daily, instead of when the person in charge of the change fund leaves on vacation.	10/2017
Finding 1.2: The change fund was \$50 over its authorized limit.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that the change fund custodian contact Mayor's Financial Administration to resolve the \$50 discrepancy between the actual and authorized change fund balance.	Agree	I spoke with Aging and Adult Services Thomas Steffey on 12/6/17 and he is confident the \$50.00 used to increase the change fund in 2014 was from space rental for elections. Moving forward I will work with Mr. Steffey to rectify the situation. This will most likely include a new check being issued from Mayors Finance and added to the change fund, while removing \$50.00 from the current change fund to add to building rental revenue.	12/2017
Finding 2.1: Receipt copies were missing from the manual receipt book.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that management insure retainage of sequentially numbered receipt copies in the receipt book.	Agree	This has been corrected. The Office Specialist, Sherry Hansen, now is the only person responsible for maintaining the receipt copy book. This includes being responsible for ensuring the receipt book in under lock and key, ensuring the customer only receives the proper copy of the receipt, and ensuring the Chuck-A-Rama cards are properly documented and logged.	09/2017

Finding 3.1: The controlled asset list at Kearns, did not include a TV and a microwave found on-site, and lacked consistent and accurate information to be able to identify all controlled assets on the list.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p>We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.</p> <p>We recommend that the Property Manager at Kearns include information on the controlled asset list that helps track and manage County assets, including unique tag numbers, accurate descriptions, purchase dates, and accurate asset locations.</p>	Agree	There were two items I had purchased, put into use, and not tagged. I did not tag these items upon receiving them do to completing an annual inventory in the near future. Moving forward, I will ensure each item received is tag upon opening, and added to inventory.	10/2017
Finding 3.2: Management at Kearns was not using the “Controlled Assets Inventory Form – Employee,” as required by County policy.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p>We recommend that management document assets assigned to employees by using the “Controlled Assets Inventory Form – Employee” and request the employee to sign and date the form.</p>	Partially Agree	We had been instructed by the agency to discontinue this procedure. However, we are more than willing to do what is requested moving forward. Please advise agency and relay information to us as how to proceed.	10/2017