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February 12, 2018

Paul Leggett, Director

Division of Aging and Adult Services

2001 South State Street, S1-600

Salt Lake City, UT 84190-4575

Re: **An Audit of Key Controls at the Mount Olympus Senior Center**
Report Number 2018-MLR01

Dear Paul,

We recently completed an audit of key controls at the Mount Olympus Senior Center ("Mount Olympus"). The purpose of the audit was to examine financial records and business processes at Mount Olympus to determine if critical internal controls related to cash handling, capital and controlled asset management, and other public funds were properly implemented and functioning as intended to help reduce the risk of loss, theft, or misuse of county assets.

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 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 Mount Olympus 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 Handling and Daily Deposits

- Capital and Controlled Assets
- Purchasing and Proprietary Card Use

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 against theft or misuse.**

We performed a surprise count of the \$100 change fund at Mount Olympus, and found that it was intact and maintained at its authorized amount as recorded by the Mayor's Office of Financial Administration ("Mayor's Financial Admin"). We also interviewed the staff at Mount Olympus, and observed the change fund balancing procedures, operations, and security. Mount Olympus uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Mount Olympus serves lunches to seniors, and the center staff collect donations for the meals that are served to patrons who are 60 years of age or older. 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 at Mount Olympus did not document the transfer of the change fund to and from the safe each day using the appropriate form 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 obtained a copy of the MPF Form 7 for 2016. It listed 10 entries over the 250 working days represented, or a transfer, on average, every 25 days. Per interview, the entries were to represent the transfer of the change fund from one cashier to the other instead of the transfer into and out of the safe.

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)

When employees do not use the Fund Transfer Ledger to track each movement of the change fund, funds are at an increased risk of being lost, stolen, or diverted for personal use. Center management was following internal office procedures which did not include documenting the movement of the change fund in and out of the safe daily rather than following CWP 1062.

Recommendation

We recommend that Mount Olympus 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.

2.0 Cash Handling and Daily Deposits

Audit Objectives:

- Determine if cash handling and daily deposit 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 Mount Olympus 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 reviewed a sample of 30 days of cash and check deposits by examining the *"Deposit Reconciliation Form,"* which serves as Mount Olympus' 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 Mount Olympus' 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.

We noted no significant findings in the area of cash handling and daily deposits.

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 memorandum dated December 23, 2016, stating that an inventory of capital and controlled assets was conducted, naming the Agency's Property Manager, and signed by the Division Director. Mount Olympus has no assets that meet the criteria of a capital asset.

The center manager gave us the “*Controlled Assets Inventory Log*,” which listed 67 total controlled assets. We selected 20 from the list to locate, and verified their existence on site. Conversely, we randomly selected 6 controlled assets and verified that they were included on the log.

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.

Finding 3.1: Management at Mount Olympus was not using the “Controlled Assets Inventory Form – Employee,” correctly, as required by Countywide Policy

We found that management at Mount Olympus was not using the “**Controlled Assets Inventory Form – Employee**,” form to identify and track controlled assets that had been assigned to specific employees. When we asked the center manager for copies of the “*Controlled Assets Inventory Form - Employee*”, she explained that Aging management had told her that the forms were no longer necessary. She provided the forms, but they were not signed.

CWP 1125, “Safeguarding Property/Assets,” establishes that 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.” (CWP 1125, 4.3.1 p. 6)

When management does not require employees assigned assets for their use to sign the “*Controlled Assets Inventory Form – Employee*” accepting responsibility for them, then those assets are at an increased risk of being lost, stolen, or diverted for personal use. Center management was following Active Aging management’s direction to not maintain signed “*Controlled Assets Inventory Form – Employee*” rather than following CWP 1125.

Recommendation

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

Finding 3.2: The controlled asset list at Mount Olympus did not include a step stool, AED, projector, and stove found on-site, and lacked consistent and accurate information to be able to identify all controlled assets on the list.

While reviewing P-card purchases for controlled assets to be added to the *“Controlled Assets Inventory Log,”* we identified a table tennis set, an Artificial External Defibrillator (AED), and a step stool. We noted the table tennis set was listed on the log; however, the purchase date and cost for the item was not included on the list.

The purchase date and cost would help verify the table tennis set on the controlled asset list. While the controlled assets list may include a serial number, this number usually is not included on the invoice. For the table tennis set, the manufacturer did not include a serial number on either the invoice or the unit itself. In addition, we located the AED and step stool on-site, but they were not included on the list.

Additionally, while tracing a sample of controlled assets back to the *“Controlled Assets Inventory Log,”* we found two controlled assets that were not listed. One projector had been tagged, but was not included on the list, and a stove was neither tagged nor included on the list. The center manager thought the stove had been left behind when the senior center moved to the location.

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 purchase dates, and accurate descriptions all aid in the asset management process, and help prevent the risk of loss or theft. Center management had overlooked and did not make a priority of listing new purchases on the controlled asset list.

Recommendations

- ***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 Mount Olympus include information on the controlled asset list that helps track and manage County assets, including an accurate description and acquisition date of every item.***

4.0 Purchasing and Proprietary Card Use

Audit Objectives:

- Determine if purchasing and proprietary card procedures complied with Countywide Policy.
- Determine if purchasing and proprietary cards are properly safeguarded.

As part of our audit process, we reviewed purchases made by Mount Olympus 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. Costco now accepts purchasing cards (P-cards) for purchases. Because the proprietary card was no longer needed, it was turned in and destroyed.

In addition, we reviewed purchases made Mount Olympus 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.

Only one employee at Mount Olympus was an authorized purchasing cardholder. She had taken the P-card training, and her P-card was secured and signed. She had reconciled bank statements to invoices, and all transactions had the status of "final approval" in the County electronic system.

We noted no significant findings in the area of purchasing and proprietary card use.

Conclusion

We appreciate the time spent by the staff at Mount Olympus Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Mount Olympus 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.

Sincerely,



Scott Tingley, CIA, CFP
Salt Lake County Auditor

Cc: Sarah Brenna, Program Manager
Jessica Montgomery, Fiscal Manager
Susie Cates, Center Manager

Attachment A: Agency Response

Attachment A
Agency Response

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Agency Response
Mount Olympus 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
<i>We recommend that Mount Olympus 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.</i>	Agree	MPF Form 7 will be signed each time cash box is retrieved from and returned to safe.	1/29/2018

Finding 3.1: Management at Mount Olympus was not correctly using the “Controlled Assets Inventory Form – Employee,” as required by Countywide Policy.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that all assets assigned to a specific employee at Mount Olympus are listed on an individual “Controlled Assets Inventory Form – Employee,” and that the form is signed and dated by the employee to acknowledge that it is an accurate and complete list.</i>	Agree	Employees will sign their inventory sheets.	2/1/2018

Finding 3.2: The controlled asset list at Mount Olympus did not include a step stool, AED, projector and stove 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
<i>We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.</i>	Agree	Listed items have already been tagged and listed on appropriate inventory sheets.	8/1/2017
<i>We recommend that the Property Manager at Mount Olympus include information</i>			

<i>on the controlled asset list that helps track and manage County assets, including accurate descriptions and purchase dates.</i>			
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