



SCOTT TINGLEY
CIA, CGAP

Salt Lake County Auditor
STingley@slco.org

CHERYLANN JOHNSON
MBA, CIA, CFE
Chief Deputy Auditor
CAJohnson@slco.org

ROS WELL ROGERS
Senior Advisor
RRogers@slco.org

STUART TSAI
JD, MPA
Property Tax
Division Administrator
STsai@slco.org

**OFFICE OF THE
SALT LAKE COUNTY
AUDITOR**
2001 S State Street, N3-300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711
1-866-498-4955 / fax



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 River's Bend Northwest Senior Center**
Report Number 2018-MLR02

Dear Paul,

We recently completed an audit of key controls at the River's Bend Northwest Senior Center ("River's Bend"). The purpose of the audit was to examine financial records and business processes at River's Bend 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 River's Bend 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 loss, theft, or misuse.**

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

River's Bend 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 had a control log to record the transfer of the change fund to and from the safe each day, as required by Countywide Policy.

We noted no significant findings in the area of change funds.

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 River's Bend 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 River's Bend'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 River's Bend'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.

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 assets was conducted, naming the Agency's Property Manager, and signed by the Division Director. River's Bend had one asset that met the criteria of a capital asset, and it was tagged with the proper asset number, and was identifiable from the list of capital assets. We also reviewed a sample of 20 controlled assets at River's Bend. Conversely, we randomly selected five controlled assets on-site and verified that they were included on the controlled asset list.

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 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.

Our audit findings and recommendations in the area of capital and controlled assets were as follows:

Finding 3.1: The controlled asset list at River’s Bend, did not include a TV and AED 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 Artificial External Defibrillator (AED) at River’s Bend 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 purchase dates, and accurate descriptions all aid in the asset management process, and help prevent the risk of loss or theft.

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 River’s Bend include information on the controlled asset list that helps track and manage County assets, including an accurate description and the acquisition date of every item.***

Finding 3.2: Management at River’s Bend was not using the “Controlled Assets Inventory Form – Employee,” as required by Countywide Policy.

We found that management at River’s Bend were 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 could provide the forms, but they were signed by her and not the employees to be held responsible.

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)

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

River's Bend. Center Management was not following CWP 1125 by signing the forms herself rather than having the employees sign indicating their responsibility for the assets.

Recommendation

- ***We recommend that all assets assigned to a specific employee at River's Bend 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 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.**

We noted that River's Bend had obtained a Costco proprietary card for small cost purchases at the wholesale warehouse retailer. **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. Even though River's Bend had obtained the card, we noted that it had never been used. Costco now accepts several major brands of credit cards for payment, and so management at River's Bend had turned in their Costco card, and now use purchasing cards ("p-cards") for purchases.

In addition, we reviewed p-card transactions by cardholders at River's Bend. **CWP 7035, "Purchasing Cards Authorization and Use,"** establishes policy and procedures including the same areas as found in **CWP 7036** listed above.

Cardholders had received the p-card training, and we observed that each of the p-cards were secured and signed by the appropriate cardholder. We found that cardholders reconciled bank statements to invoices, and that all transactions had been authorized by someone other than the cardholder.

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

Conclusion

We truly appreciate the time spent by the staff at River's Bend answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at River's Bend 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.

Paul Leggett, Director

Page 6

February 12, 2018

Sincerely,

A handwritten signature in black ink that reads "Scott Tingley". The signature is written in a cursive style with a prominent loop at the end of the last name.

Scott Tingley, CIA, CPA

Salt Lake County Auditor

Cc: Sarah Brenna, Program Manager
Jessica Montgomery, Fiscal Manager
Cheryl Leach, Center Manager

Attachment A: Agency Response

Attachment A
Agency Response

This Page Intentionally Left Blank

Agency Response
River's Bend Senior Center

Finding 3.1: The controlled asset list at River's Bend, did not include a TV and AED 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><i>We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.</i></p> <p><i>We recommend that the Property Manager at River's Bend include information on the controlled asset list that helps track and manage County assets, including accurate descriptions and purchase dates.</i></p>	Partially Agree	TV and AED were added to controlled asset list for River's Bend. Unfortunately, inventory is included on controlled asset list that was purchased prior to my starting date. There are no records to identify purchase dates so descriptions are accurate so we can easily identify. Purchase dates are included for purchases made from my starting date to present.	1-25-18

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

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that all assets assigned to a specific employee at River's Bend 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.</i></p>	Partially Agree	Due to the business plan of the Senior Centers, Auditors office instructed Centers to prepare Employee Specific list but employees did not have to sign, managers should sign all lists. Active Aging Management will review this finding and will come up with an action plan for all center managers.	3-30-18