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February 15, 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 Riverton Senior Center**
Report Number 2018-MLR03

Dear Paul,

We recently completed an audit of the Riverton Senior Center ("Riverton"). The purpose of the audit was to examine financial records and business processes at Riverton 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 Riverton 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 on the \$200 change fund at Riverton, 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 Riverton, and observed the change fund balancing procedures, operations, and security of funds when not in use. Riverton uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Riverton 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 Riverton 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.

Our audit findings and recommendations in the area of change funds were as follows:

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 43 entries over the 250 working days represented, or a transfer on average every 6 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)

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 funds 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. 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 Riverton 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 Riverton 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 Riverton'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 Riverton'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 (long-term) and controlled (expensed) 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. Riverton has six assets that meet the criteria of a capital asset. None of them were tagged or properly documented. We also reviewed a sample of 35 controlled assets at Riverton. Conversely, we randomly selected 5 controlled assets and verified that they were included in 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 custody. In addition, **CWP 1125, "Safeguarding Property/Assets,"** defines an employee's duties and responsibilities when capital or controlled assets are provided specifically for their use.

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

Finding 3.1: Management at Riverton was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy

We found that management at Riverton 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 indicated that Aging management told her they would soon be making a change to their agency policy.

CWP 1125, "Safeguarding Property/Assets," states 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 Riverton. Center Management was following Active Aging Management's direction to not use the "Controlled Assets Inventory Form – Employee" rather than following CWP 1125.

Recommendation:

We recommend that all assets assigned to a specific employee at Riverton 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.

Finding 3.2: Property tags, or correct property tag numbers, were not attached to some capital assets.

While reviewing the PeopleSoft list of capital assets that belong to Riverton, we discovered that a commissioned four-piece tapestry artwork set, did not have the correct property tag number attached to it. We noted that due to their nature, the tapestries would be hard to affix an asset tag to. However, the Property Manager had a file folder with a picture of the set, and a property tag, but the tag number on file was not the correct number per PeopleSoft records.

Additionally, we found five tables on the capital asset list that did not have property tags attached. We identified these tables in consecutive order on the list, each having identical descriptions, amounts, and dates of acquisition. We reviewed invoices for the purchase of these tables and associated them to the items listed. We physically observed and located the tables in a courtyard, but without tags attached.

CWP 1125, "Safeguarding Property/Assets," assigns accountability of County property to the property managers. The policy lists one of the duties as "accounting for all fixed assets within the organization's operational and/or physical custody . . ." (CWP 1125, 2.2, p. 2)

When capital assets are not properly accounted for, those assets are at an increased risk of being lost, stolen, or diverted for personal use. In this case, it appeared that Active Aging management did not properly coordinate the tagging of capital assets with Mayor's Finance to ensure that all capital assets at Riverton had the correct identification number.

Recommendations:

- ***We recommend that the property manager contact Mayor's Financial Admin to request the correct numbered tag for the tapestry artwork.***
- ***We recommend that the property manager attach property tags to the five tables found on the capital asset list.***

Finding 3.3: The controlled asset list at Riverton did not include a clay extruder, medical scale, 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 clay extruder, medical scale, and Artificial External Defibrillator (“AED”) at Riverton 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 as well.

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.

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 Riverton include information on the controlled asset list that helps track and manage County assets, including accurate descriptions, and purchase dates.***

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 identified the issuance of a Costco proprietary card for Riverton. **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. The Costco card was never used even though it had been issued. 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 all purchasing card (“p-card”) transactions by cardholders at Riverton. **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 p-cards were secured and signed by cardholders. Cardholders reconciled bank statements to invoices, and all transactions received the required approval.

Finding 4.1: Sales tax was paid on some County p-card purchases.

We discovered that 2 transactions out of 209 in our sample that included the payment of sales tax, one for \$5.04 and the other one for \$.88, for a total of \$5.92. These two purchases were made at a retail store.

CWP 7035, “Purchasing Cards Authorization and Use,” establishes that,

“County purchases are exempt from sales tax.” (CWP 7035, 4.1.1, p. 3)

As a government entity, the County is exempt from paying any form of sales and use tax on purchases. When sales tax is paid on County purchases, public funds are used unnecessarily, and may be hard to recoup after the transaction has been made. In both instances we identified, we found that the p-card holder did not present the Form TC-721 – *Utah State Sales Tax Exemption Certificate*, to the sales clerk, as required by Countywide Policy. County employees should be aware of the policy, and present the exemption certificate for every purchase transaction where sales tax could be charged.

Recommendation:

We recommend that management at Riverton emphasize that all County purchases are exempt from sales tax with p-card holders, and that p-card holders are provided with the state sales tax exemption form, to ensure that sales tax is not paid on any County purchases.

Conclusion

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

Paul Leggett, Director

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February 15, 2018

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

Attachment A: Agency Response

Attachment A
Agency Response

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Agency Response
Riverton 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 Riverton 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	We are now signing the change fund in and out of the safe each time it is removed from the safe, returned to the safe, and if the change fund transfers to another staff member during the day. The correction has been implemented.	1-29-18

Finding 3.1: Management at Riverton 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 Riverton are listed on an individual “Controlled Assets Inventory Form – Employee,” forms, and that the form is signed and dated by the employee to acknowledge that it is an accurate and complete list.</i>	Agree	All employees have completed an Employee Specific Controlled Assets Inventory form signed and dated it.	1-29-18

Finding 3.2: Property tags or correct property tag numbers were not attached to some capital assets.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
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<p><i>We recommend that the property manager contact Mayor's Financial Admin to request the correct numbered tag for the tapestry artwork.</i></p> <p><i>We recommend that the property manager attach property tags to the five tables found on the capital asset list.</i></p>	<p>Agree</p>	<p>Mayor's finance sent corrected tag for the Capital Asset Flying Birds Tapestry. Manager attached corrected tag to picture of art and filed in her office. Picture of art and tag number was scanned and placed in Capital Asset Inventory file on N drive.</p> <p>The five outdoor tables were added to Capital Asset Inventory and pictures of tables with tag numbers next to each picture has been filed on N drive Capital Asset Inventory Riverton Senior Center. Hard copy with tags are located in Manager files.</p>	<p>1-29-18</p>
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Finding 3.3: The controlled asset list at Riverton did not include a clay extruder, medical scale, 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 Riverton include information on the controlled asset list that helps track and manage County assets, including accurate descriptions and purchase dates.</i></p>	<p>Agree</p>	<p>The clay extruder, medical scale and AED were tagged and added to Controlled Asset Inventory. Process has been implemented by manager and office specialist to ensure future purchases are tagged and added to inventory as purchased.</p>	<p>1-29-18</p>

Finding 4.1: Sales tax was paid on some County P-card purchases.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that management at Riverton emphasize that all County purchases are exempt from sales tax with p-card holders, and that p-card holders are provided with the state sales tax exemption form, to ensure that sales tax is not paid on any County purchases.</i></p>	<p>Agree</p>	<p>Manager will check after each purchase the vendor used the tax-exempt number when completing a sale.</p>	<p>1-29-18</p>