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March 19, 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 Draper Senior Center**
Report Number 2017-MLR-06

Dear Paul,

We recently completed an audit of key controls at the Draper Senior Center ("Draper"). The purpose of the audit was to examine financial records and business processes at Draper 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 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 Draper 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 Handling and Daily Deposits
- Capital and Controlled Assets
- Procurement Card Transactions and 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 \$100 change fund at Draper 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 Draper, and observed the change fund balancing procedures, operations, and security. Draper uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Draper serves lunches to seniors, and the center staff collect anonymous 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 Draper 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 funds. 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 Draper, 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 Draper 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 combination to the safe was not being changed annually, or at other times when required.

We interviewed the Center Manager and staff at Draper and found that the safe combination had not been changed at least annually, or at other times as required by county policy. Managerial and staffing changes also require a change to the combination, but we found that no staffing changes had occurred at Draper in the past five years.

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

"The combination to a safe, cashbox, or vault ... should be changed at least once a year, and/or any time a Cashier or Cashier Supervisor with knowledge of or access to a combination is assigned new duties, transfers to another County Agency, or leaves County employment." (CWP 1062, 2.3.5 p. 5)

When the combination of the safe is not changed at least annually, or when a change in personnel occurs, County funds are at greater risk of being stolen by someone who knows the combination and thereby has unauthorized access to the contents of the safe. When we discussed this issue with management at Draper, they were not aware of this policy, and the need to update the combination of the safe at least once a year, or when employee changes make it necessary.

Recommendation

We recommend that the combination of the safe be changed at least annually, or when necessary due to changes in personnel.

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 Draper 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 two people.

We tested a sample of 30 days of cash and check deposits by examining the "*Deposit Reconciliation Form,*" which serves as Draper'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 Draper'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 assets, including procedures for accounting for, protecting, and disposing of those assets.

We obtained a copy of a listing of all capital assets at Draper, from the County's financial system. We confirmed that the last inventory of capital and controlled assets was completed on December 23, 2016 and was reviewed and signed by the Agency's Property Manager, and the Division Director. Draper only has four capital assets listed that meet the criteria of a capital asset. All four comprise outside artwork installed near the entrance.

We also reviewed a sample of 37 controlled assets at Draper. **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 help 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 or controlled assets are provided for their use.

Finding 3.1: Management did not retain, and file capital asset tags related to the outside artwork.

We found that several pieces of artwork that were outside of Draper did not have the proper identification tags on file. Due to the nature of the artwork, affixing a capital asset tag may not be practical. However, Active Aging guidelines require that capital asset tags that were assigned to the artwork by Mayor's Finance should be placed in a file folder to properly identify the artwork as County capital assets. We found that four capital asset tags assigned to the artwork outside, in front of the building at Draper, were missing.

CWP 1125, "Safeguarding Property/Assets," states one of the Property Manager's duties as,

"... [maintain] supplementary records to support location and existence of property as necessary." (CWP 1125, 2.2.12 p. 4)

In addition, **Salt Lake County Active Aging Inventory Control Log Guidelines,** state,

"For items that you are unable to place a tag on ... On your Inventory file folder, place the tag and then write a description about the item so you know what tag it is."

Draper management stated that tags for the pieces of artwork were not on file because they could not be located. Also, they stated that the requirement to file artwork-related tags at each individual center was not sufficiently communicated. Without a supplementary record for the tags, management cannot adequately account for assets, such as artwork.

Recommendation

We recommend that the Property Manager follow Active Aging guidelines for a supplementary file to store asset tags that cannot be reasonably affixed to capital assets, such as artwork, and include in the file an asset description, pictures, purchase dates, and costs that identify the asset.

Finding 3.2: Management did not report possible capital assets on-site to Mayor's Financial Administration.

During our search for capital assets, we found two Sci-Fit treadmills and a Boston upright piano on Draper's controlled asset list that management designated as exceeding the \$5,000 capitalization threshold. Draper's controlled asset list indicated that these items were acquired in 2012, likely as part of building construction, so only a controlled asset tag number had been assigned to these items.

Current County policy states that assets whose acquisition cost exceeds \$5,000 should be capitalized and included on the capital asset list maintained for each agency by Mayor's Finance.

CWP 1125, "Safeguarding Property/Assets," states that one of the Property Manager's duties is to,

"Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and fixed assets are tagged and capitalized." (CWP 1125, 2.2.8 p. 3)

Active Aging management was not aware that these assets had not been reported to Mayor's Finance to be included on Draper's capital asset list. Mayor's Finance requires an invoice or other backup documentation, to substantiate the capitalization threshold of \$5,000. In this case, since the assets were likely acquired when the building was built, invoices or receipts for these items were not forwarded on to Mayor's Finance. The Capital Assets Administrator stated that these types of items could qualify as capital assets pending identification of an invoice or receipt for the transaction. When capital assets are not accurately recorded, the risk of those assets being lost, stolen, or converted to personal use increases, and creates an opportunity for theft.

Recommendation

We recommend that Active Aging management research invoices for the two treadmills and piano and report them as capital assets to Mayor's Finance if their costs exceeded the \$5,000 capitalization threshold.

Finding 3.3: Management at Draper was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.

We found that management at Draper were not using the "**Controlled Assets Inventory Form – Employee,**" form to identify and track controlled assets that had been assigned to specific employees. Draper management had implemented use of the "**Controlled Assets Inventory Form - Employee**" form previously, but the center manager stated that internal office procedures did not require them to use this form anymore.

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 Draper. 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 Draper 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 Procurement Card Transactions and 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 Draper using their Costco proprietary card. **CWP 7036, "Charge Cards/Proprietary,"** establishes a set of guidelines for the acquisition and use of proprietary charge cards including proper safeguards, allowable purchases, credit limits, record keeping and reconciliations, and what to do if the card is lost or stolen.

We examined proprietary card transactions and documentation for 2016, to determine whether they were properly authorized, reviewed, and reconciled to the proprietary card statements. If cardholders had left employment at the senior center, and their receipts were no longer on site, then we obtained copies of the receipts from the Aging and Adult Services Accounting Specialist.

In addition, we reviewed purchases made by Draper using their County-issued purchasing card (p-card). **CWP 7035, "Purchasing Cards Authorization and Use,"** establishes the policies and procedures required for p-card transactions and use.

We examined all p-card transactions for 2016 and found that those transactions had been properly authorized, reviewed, and reconciled to the bank statements in a timely manner. We found that the cardholder was keeping her card in the safe, and we recommended that she keep it on her person with her personal items. Also, we found only one food purchase event missing a division or department director's signature.

Active Aging does not require pre-approval for purchases at the division level. A program manager that we interviewed stated 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.

Cyndi McCarty, Center Manager

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March 5, 2018

We noted no significant findings in the area of procurement card transactions and use.

Conclusion

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

Salt Lake County Auditor

Cc: Jessica Montgomery, Fiscal Manager

Cyndi McCarty, Center Manager

Attachment A: Agency Response

Attachment A
Agency Response

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Agency Response
Draper 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 Draper 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	The center manager has discussed with staff members the funds transfer log will be signed each time the change fund is retrieved from and returned to the safe.	2/21/2018

Finding 1.2: The combination to the safe was not being changed annually, or at other times when required.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the combination of the safe be changed at least annually or when necessary due to changes in personnel.</i>	Agree	Center manager will have facilities manager Bill Olpin schedule annually safe combination be changed. Center manager will schedule combination code be changed whenever there is a staff change of persons with safe combination.	2/28/2018

Finding 3.1: Management did not retain and file capital asset tags related to the outside artwork.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager follow Active Aging guidelines for a supplementary file to store asset tags that cannot be reasonably affixed to capital assets, such as artwork, and include in the file an asset description, pictures, purchase dates, and costs that identify the asset.</i>	Agree	Center manager has contacted Bill Olpin for a copy of the information asked for to store on site.	3/31/2018

Finding 3.2: Management did not report possible capital assets on-site to Mayor's Financial Administration.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
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<i>We recommend that Active Aging management research invoices for the two treadmills and piano and report them as capital assets to Mayor’s Financial Administration if their costs exceeded the \$5,000 capitalization threshold.</i>	Agree	Center manager will report treadmills and piano as capital assets to the Mayor’s Financial Administration if research of items shows worth of \$5000 or more.	3/31/2018
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Finding 3.3: Management at Draper was not 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 Draper 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>	Partially Agree	Center manager will address the employee assets inventory with management to see if they would like all employees to sign individual inventory form. Center manager had signed the inventory list and is the one responsible for all inventory in the center. If management agrees to employees signing individual controlled assets she will have staff sign and date their list.	3/31/2018