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April 2, 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 Sunday Anderson Westside Senior Center  
Report Number 2018-MLR07**

Dear Paul,

We recently completed an audit of key controls at the Sunday Anderson Westside Senior Center ("Westside"). The purpose of the audit was to examine financial records and business processes at Westside 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 Westside 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 Card Transactions

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 \$150 change fund at Westside 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 Westside, and observed the change fund balancing procedures, operations, and security. Westside uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Westside 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 Westside 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 findings and recommendations in the area of change funds are as follows:*

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#### **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 the 2016 calendar year. It listed 13 entries over the 250 working days represented, or a transfer on average every 19 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.

Using a Fund Transfer Ledger is a key internal control that helps minimize the risk of theft or loss of funds due to misuse. 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 Westside 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 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 Westside 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 Westside'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 Westside's daily cash balancing procedures. Collections were deposited each day, and all but one deposit was made no later than three days after receipt in accordance with Countywide Policy and Utah State Code.

*Our findings and recommendations in the area of cash handling and daily deposits are as follows:*

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### **FINDING 2.1: Funds were not always deposited in the bank within three days of receipt.**

We found one deposit prepared on June 10<sup>th</sup> that was not recorded on the bank statement until June 20<sup>th</sup>, six banking days later. The current center manager was not at this location in 2016 but is aware of the policy to deposit funds within three banking days.

**Utah State Code § 51-4-2**, that regulates deposits by political subdivisions states that,

*“Each officer shall deposit all public funds daily, if practicable, but no later than every three banking days.”*

When funds are not deposited in a timely manner, then the funds are subject to loss or theft. Significant staff turnover has occurred at Westside, and, therefore, we were not able to find a reason for this deposit delay.

## **RECOMMENDATION**

We recommend that Westside management and the cashier make sure all prepared deposits are received by the bank within three banking days.

### **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. Westside has two assets that meet the criteria of a capital asset. One was accurate, physically present, and accounted for properly. The second capital asset could not be found.

The center manager gave us the *“Controlled Assets Inventory Log,”* which listed 70 total controlled assets. We selected 20 from the list to locate and verified their existence on-site. Conversely, we randomly selected five 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 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.

*Our findings and recommendations in the area of capital and controlled assets are as follows:*

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**FINDING 3.1: An item on the capital asset list could not be located on-site at Westside.**

We obtained a current capital asset list for Westside from Mayor's Finance. We noted that only two capital assets, both LifeFitness treadmills, were listed. During our audit, we were able to locate one treadmill, but not the other treadmill. When we questioned the Center Manager about the missing treadmill, she could not provide a PM-2 form indicating disposal or transfer of this capital asset. She plans to coordinate with Aging and Adult Services administration to take the steps necessary to remove the treadmill from the capital asset list.

**Accounting and Operations, Accounting Policies and Procedures**, addresses the proper procedure for missing capital assets. Section 5.0, Subsection 5.1, Paragraph 5, states,

*"Form PM-2, 'Salt Lake County Personal Property Transfer/ Disposal/Internal Sale Form,' is to be completed for all types of transfers, including, Unaccounted For, Destroyed, Junked, Lost, Stolen assets. . . Attach explanation of circumstances surrounding destruction, junk status, loss, or stolen status of personal property item. If item was stolen be sure to include case number from appropriate law enforcement agency... [Mayoral] approval is required to dispose of destroyed, junked, or lost items."*

When the Form PM-2 is not used, assets that have been disposed of or transferred to surplus cannot be accounted for properly, and the risk that an asset may be stolen or converted to personal use, and possibly go undetected is increased. The Property Manager at Westside could not recall whether the treadmill was disposed of without proper documentation or if it was stolen or lost. Consistent capital asset management practices, such as filing a Form PM-2, every time an asset is disposed of or sent to surplus, is a critical key internal control intended to help prevent theft of county assets.

**RECOMMENDATION**

We recommend that Westside management write a letter to the Mayor regarding the missing capital asset and a Form PM-2 be submitted to the appropriate accounting staff in the Mayor's Office.

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**FINDING 3.2: The controlled asset list was not updated for items documented on PM-2 forms as disposed of or sent to surplus and no longer on-site.**

We examined PM-2 forms on file to determine whether assets listed on them had been removed from the "Controlled Assets Inventory Log." Once listed on an authorized Form PM-2, the asset should be removed from the "Controlled Assets Inventory Log" because it no longer needs to be tracked. We found a laminator and two treadmills had not been removed from the log.

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

*"Property Managers and County Administrators remain ultimately responsible for management of County property . . . [to] Maintain records as to current physical location of all fixed assets and*

*controlled assets within the organization's operational and/or physical custody . . .” (CWP 1125, 2.2, p. 2)*

When assets removed from the premises, as documented on a Form PM-2, are not removed from the “*Controlled Assets Inventory Log*” they could erroneously be considered lost or stolen, and employee time would be wasted in trying to locate them.

While the center manager was not working at Westside when these items were disposed of, the controlled asset inventory process conducted in June should have detected that these assets were no longer at the center and should be removed from the list.

### **RECOMMENDATION**

We recommend that the property manager update the “*Controlled Assets Inventory Log*” for items transferred out or no longer on the premises as shown on an authorized Form PM-2.

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### **FINDING 3.3: Management at Westside was not using the “*Controlled Assets Inventory Form – Employee,*” as required by Countywide Policy.**

We found that management at Westside was not using the “*Controlled Assets Inventory Form – Employee,*” form to identify and track controlled assets that had been assigned to specific employees.

**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 Westside. 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 Westside 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.

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### **FINDING 3.4: The controlled asset list at Westside did not include a TV and camera found on-site and lacked consistent and accurate information to be able to adequately identify all controlled assets on the list.**

During our audit, we discovered a television and digital camera at Westside that was not included on the center's 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)*

Controlled 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 Westside include information on the controlled asset list that helps track and manage County assets, including accurate descriptions and acquisition dates.

### **4.0 Purchasing Card Transactions**

#### **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 Westside 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, putting proper safeguards in place, unallowable purchases, credit limits, record keeping and reconciliation, audits, and what to do if the card is lost or stolen.

Costco now accepts major credit cards for purchases, and therefore Westside had switched to using their county purchasing card (p-card) to pay for items bought at Costco. Because the Costco proprietary card was no longer being used by center staff, it was turned in and destroyed.

In addition, we reviewed a sample of p-card transactions made by employees at Westside. **CWP 7035, "Purchasing Cards Authorization and Use,"** outlines the policies and procedures for the proper use of county issued p-cards for all county entities.

During our audit, we found that all cardholders at Westside had received the required p-card training. We noted that Westside had a total of five p-cards that were used throughout the period of our audit, and that management reconciled bank statements to invoices, and all transactions that we selected for review, received management approval and authorization except as noted in finding 4.2.

*Our findings and recommendations in the area of purchasing card transactions are as follows:*

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**FINDING 4.1: Some cardholders did not obtain detailed itemized receipts for every p-card transaction.**

We examined a total of 129 p-card transactions at Westside and found that 14 of those transactions lacked sufficiently detailed receipts to adequately identify the types of items purchased and whether sales tax had been charged at the time of sale. The receipts and invoices that were included with these transactions only listed the total amount charged without giving any line item details.

**CWP 7035, "Purchasing Cards Authorization and Use,"** states that,

*"Original itemized receipts showing the detail of the goods or services purchased shall be retained and maintained by the agency." (CWP 7035, 6.1, p. 3)*

Countywide policy requires that cardholders obtain receipts or invoices for p-card transactions that contain sufficient detail to allow management to easily verify that the purchases were for legitimate county business purposes, and not for items disallowed under the policy. When cardholders do not obtain itemized receipts, and management does not follow-up on transactions that are of a questionable nature, then an opportunity for fraud or misuse of county resources is created.

In these cases, we were unable to determine from the documentation provided whether the items purchased were for legitimate county business purposes. Four of the transactions included statements received by email, that did not include transaction details, and the remaining ten transactions just included charge receipts that only indicated the total amount charged to the p-card.

We found that the cardholders did not obtain did not obtain itemized receipts because the vendors did not provide them, and management at Westside did not enforce countywide policy requiring the cardholders to do so. When transaction documentation does not include itemized receipts showing the detail of the goods or services purchased, and management does not enforce countywide policy regarding the proper use of p-cards, the risk that p-cards could be used to purchase personal items is increased.

## RECOMMENDATION

We recommend that purchasing cardholders at Westside obtain itemized detailed receipts for all purchasing card transactions, and that management enforce the requirements of Countywide policy regarding retaining adequate documentation for purchasing card transactions.

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### **FINDING 4.2: We found that a purchasing cardholder at Westside did not approve six purchasing card transactions during March 2016, indicating that the transactions could have been fraudulent charges, or were not for legitimate County business purposes.**

In our sample of p-card transactions that we reviewed at Westside, we found six transactions that were flagged as "Pending Cardholder Approval," in the US Bank electronic approval system. Each of the six p-card transactions were made by the same cardholder during March 2016. County purchasing cardholders are required to approve each transaction made on their purchasing card during the previous billing cycle at least monthly. The cardholder approves each p-card transaction to indicate that the charges on his or her card were legitimate and for County business purposes.

After the cardholder approves his or her transactions from the previous billing cycle, the cardholder's supervisor then approves each transaction to indicate that the transactions were properly reviewed and authorized. The approval process is accomplished electronically through the US Bank online approval system. During our audit, we found that the County's Purchasing Card Program Administrator never received an approval report log from the cardholder despite the fact she had reached out to her twice with no response. In addition, the Center Manager at Westside never followed up on the outstanding transactions to determine why the cardholder had never approved the transactions electronically.

***"Salt Lake County Purchasing Card Training Manual and Operating Standards," Section 6.3, Monthly Reconciliation,*** states that,

*"Each cardholder will receive a statement identifying all transactions made against the card during the previous billing cycle . . . If you did not have your transactions approved electronically in the US Bank system you must submit a paper log. The Log must be signed by your Supervisor and Fiscal Manager to indicate approval."*

The electronic approval process for p-card transactions is a key internal control designed to prevent the misuse or abuse of County purchasing cards for personal use. When p-card transactions are not properly authorized and approved, and management does not follow-up on questionable transactions, then an opportunity for abuse is created and fraudulent p-card transactions may go undetected.

It is important to note that the current Center Manager at Westside was not at this location in 2016 but is familiar with the County's p-card transaction approval process and the requirements of Countywide policy.

## RECOMMENDATION

Paul Leggett, Director

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We recommend that management at Westside ensure that all purchasing cardholders approve every p-card transaction electronically, and that all p-card transactions are reviewed and authorized in a timely manner. Part of the review process should include determining that all p-card transactions are for legitimate County business purposes.

## **Conclusion**

We appreciate the time spent by the staff at the Sunday Anderson Westside Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Westside 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: Jessica Montgomery, Fiscal Manager  
Amber Christensen, Center Manager

Attachment A: Agency Response

Attachment A  
Agency Response

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**Agency Response**

**Sunday Anderson Westside 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.**

<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
<i>We recommend that SAW 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	The new form will be printed and located in place convenient for daily logging. Staff will be trained on the sheet.	12/31/2018

**Finding 2.1: Funds were not always deposited in the bank within three days of collection.**

<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
<i>We recommend that SAW management and the cashier make sure all prepared deposits are received by the bank within three banking days.</i>	Agree	The new manager covering SAW is aware of the policy and has it implemented.	2/23/2018

**Finding 3.1: An item on the capital asset list was not located on-site at SAW.**

<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
<i>We recommend that SAW management write a letter to the Mayor regarding the missing asset and a Form PM-2 be submitted to the appropriate accounting staff in the Mayor's Office.</i>	Agree	The SAW manager will write a letter to the mayor regarding the missing capital asset.	12/31/2018

**Finding 3.2: The controlled asset list was not updated for items documented on Form PM-2s as disposed of and no longer on-site.**

<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
<i>We recommend that the property manager update the "Controlled Assets Inventory Log" for items transferred out or no longer on the premises as shown on an authorized Form PM-2.</i>	Agree	Updated inventory log is completed.	2/23/2018

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

<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
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<p><i>We recommend that all assets assigned to a specific employee at SAW are listed on an 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>	<p>Agree</p>	<p>Locate the forms, print the forms, assign the editing of forms for each employee's space.</p>	<p>12/31/2018</p>
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**Finding 3.4: The controlled asset list at SAW did not include a TV and camera 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 SAW 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>Completed.</p>	<p>2/23/2018</p>

**Finding 4.1: Some P-card holders did not obtain itemized receipts for all transactions.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that P-card holders obtain itemized receipts for all P-card transactions to document the business purpose of items purchased.</i></p>	<p>Partially Agree</p>	<p>This information will be forwarded to the appropriate p-card holder, for the audited time period, who is no longer at this facility.</p>	<p>2/26/2018</p>

**Finding 4.2: An approved P-card transaction log was not obtained by the cardholder for transactions that were not approved electronically.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that P-card holders always obtain electronic or paper approval for all P-card transactions.</i></p>	<p>Partially Agree</p>	<p>This information will be forwarded to the appropriate p-card holder, for the time frame audited, who is no longer at this facility.</p>	<p>2/26/2018</p>