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April 3, 2018

Paul Leggett, Director  
Division of Aging and Adult Services  
2001 South State Street, Suite S1-600  
Salt Lake City, UT 84190-4575

Re: An Audit of Key Controls at the Columbus Senior Center  
Report Number 2018-MLR08

Dear Paul,

We recently completed an audit of key controls at the Columbus Senior Center ("Columbus"). The purpose of the audit was to examine areas of financial and asset management to determine if financial records were complete, internal controls were functioning as intended, and County assets were properly safeguarded.

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 Columbus 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 Depositing
- Capital and Controlled Assets

- Purchasing 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 balanced, operated, and safeguarded.**

We performed a surprise count on the \$100 change fund at Columbus 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 Columbus, and observed the change fund balancing procedures, operations, and security. Columbus uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Columbus 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 use a control log to record the transfer of the change fund to and from the safe each day, as required by Countywide Policy.

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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 found that management at Columbus 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 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. When we discussed this with management at Columbus, 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 senior center staff 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.

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

We interviewed the manager and staff at Columbus and found that the safe combination was not changed annually. In addition, we noted that staff changes had occurred at Columbus, and that the safe combination was not changed as former employees had left.

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

*"The combination to a safe, cashbox, or vault shall be changed immediately after any one of these has been opened using a duplicate combination in emergency situations. Otherwise, a combination 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 Columbus, 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 Depositing**

### **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 Columbus complied with **CWP 1062, "Management of Public Funds."** We observed that locked donation boxes were being used, manual receipts were issued on some, but not all, of the sales of Chuck-A-Rama discount tickets, and donations were collected, counted and deposited by at least two people.

We tested a sample of 30 days of cash and check deposits by examining the "*Deposit Reconciliation Form*," which serves as Columbus'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 Columbus'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 and misuse.

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**FINDING 2.1: Management did not issue receipts for the sale of Chuck-A-Rama discount tickets.**

We reviewed manual receipts during our examination of 30 deposit days and found that receipts were not issued for 21 out of 37 Chuck-A-Rama discount tickets sold. To isolate receipts not issued, we searched for missing dates on copies in the receipt book when compared to *Deposit Reconciliation Form* dates. For example, the *Deposit Reconciliation Form* of January 18, 2016 showed a Chuck-A-Rama receipt and deposit of \$1, but we found no receipt copy for this date.

Moreover, receipt copies were not attached to the deposit documentation. In addition to receipt copies in the receipt book, a yellow copy is available to attach to documentation. Table 1 shows all 21 instances of missing receipts.

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**Table 1: Chuck-A-Rama Discount Ticket Sales Without a Receipt in 2016.**

<b>Chuck-A-Rama Discount Ticket Sales Without a Receipt in 2016</b>			
<b>Date of Sale</b>	<b>Amount of Sale</b>	<b>Date of Sale</b>	<b>Amount of Sale</b>
1/18/16	\$1.00	8/3/16	2.00
2/25/16	2.00	8/18/16	1.00
3/9/16	3.00	8/22/16	2.00
4/22/16	2.00	9/29/16	1.00
4/28/16	2.00	10/5/16	1.00
5/3/16	1.00	10/10/16	1.00
5/18/16	2.00	10/28/16	2.00
6/16/16	2.00	11/10/16	2.00
7/6/16	2.00	11/17/16	1.00
7/20/16	2.00	12/16/16	1.00
8/1/16	2.00	Total	\$35.00

*We found a total of \$35 of Chuck-A-Rama discount tickets sold without a receipt in 2016.*

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

*"Cashiers will prepare a receipt for all remittances made in person 'over-the-counter.' A receipt will be given to the person tendering payment. The duplicate receipt or electronically stored receipt will be retained on file by the Agency for accounting and auditing purposes." (CWP 1062, 3.5.1, p.9)*

Although the total dollar amount of Chuck-A-Rama discount tickets sold without a receipt is small, the accuracy of accounting for discount ticket sales is adversely affected when senior center patrons are not given receipt for each sale. Also, when receipts are not prepared and issued for each sale, an opportunity for theft is created by the lack of accurate record keeping.

We discussed the issue with the center manager, and he stated that he was aware of the lapse in issuing receipts during 2016, but that the staff at Columbus now issue receipts for every transaction, and that the issue had been corrected prior to the audit.

## **RECOMMENDATIONS**

- We recommend that employees at Columbus issue a receipt for all Chuck-A-Rama discount ticket sales and all other non-donation sales of goods or services to senior center patrons.
- We recommend that copies of all transaction receipts be included with daily deposit documentation to help with management review and ensure the accuracy of all sales transactions.

### **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 listing of all capital and controlled assets at Columbus, 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. In the Active Aging portion of this report, we found no capital assets for Columbus.

We also reviewed a sample of 29 controlled assets at Columbus. **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. During our review, we discovered an Active Aging asset tag on a Royalton food warmer, that had not been included and recorded on the controlled asset list.

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**Finding 3.1: We found that a Royalton food warmer was not included on the controlled asset list.**

As part of our audit, we identified several controlled assets at random and traced them back to the control asset list at Columbus, to be sure that controlled asset items were properly identified, and that asset records were complete and accurate. One of the items we selected at Columbus was a Royalton brand food warmer, and we could not identify it on the controlled asset list.

After speaking with the property manager at Columbus, we determined that the food warmer had been purchased by Active Aging management, and that staff at Columbus viewed it as management's responsibility to include it on the controlled asset list at Columbus. The food warmer did have an Active Aging Division property tag attached to it that did not correspond to any controlled asset on the list.

**CWP 1125, "Safeguarding Property/Assets,"** states one of the property manager's duties as:

*"Accounting for all controlled assets within the organization's operational and/or physical custody." (CWP 1125, 2.2.2, p.2)*

The center manager stated that the food warmer was purchased by Active Aging management prior to her working at Columbus, and that she did not have any asset details about the warmer that should be included on Columbus' controlled asset list, such as the acquisition date and purchase price. The lack of asset details made it hard for Columbus to properly identify and include the food warmer on their controlled asset list.

We verified that Mayor's Finance had no record of the equipment purchase either, and that it did not appear in the County's financial system as a capital asset assigned to Columbus. When assets are not properly identified and accounted for, there is an increased risk that they may be stolen, lost, or converted to personal use without being detected. Asset records that are up-to-date and accurately identify assets, help to reduce these risks, and are a key internal control in preventing theft or abuse of county assets.

**RECOMMENDATION**

We recommend the Property Manager at Columbus work with Active Aging management to gather details about the acquisition date and purchase price of the food warmer and include it on the controlled asset list as soon as possible.

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**FINDING 3.2: Management at Columbus was not using the "*Controlled Assets Inventory Form – Employee*," as required by Countywide Policy.**

We found that management at Columbus were not using the "*Controlled Assets Inventory Form – Employee*," form to identify and track controlled assets that had been assigned to specific employees. Instead, management at Columbus provided us with a form created by Active Aging that listed controlled assets that had been assigned only to the senior center.

**CWP 1125, "Safeguarding Property/Assets,"** 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)

Establishing accountability for assets that are used or assigned to a specific senior center employee is an important internal control that helps prevent loss, theft, or misuse of county assets. When asset records are incomplete or inaccurate, or do not properly identify the person responsible for the use and care of those assets, the risk that those assets could be lost, stolen, or converted to personal use without being detected is increased. When we discussed this issue with management, they indicated that 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 the *Controlled Assets Inventory Form – Employee*, to identify controlled assets assigned to specific employees at Columbus.

## **RECOMMENDATION**

We recommend that all assets assigned to a specific employee at Columbus be listed "*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 Card Transactions and Use**

### **Audit Objectives:**

- **Determine if purchasing and proprietary card transaction procedures complied with Countywide Policy.**
- **Determine if purchasing and proprietary cards are properly safeguarded against loss, theft, or misuse.**

As part of our audit, we reviewed purchases made by Columbus using their Costco proprietary charge 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, discipline, audits, termination, and contact information if the card is lost or stolen.

We examined proprietary card transactions and their documentation for 2016. If cardholders had left employment at the senior center, and their receipts were no longer on site, then we accessed documents through the Aging Services accounting specialist. We noted no significant findings in the area of proprietary charge card transactions.

In addition, we reviewed purchases made by Columbus using County issued purchasing cards (p-cards). **CWP 7035, "Purchasing Cards Authorization and Use,"** establishes policy and procedures including the same areas as found in CWP 7036 listed above.

We examined all transactions made during 2016 to determine the approval status in the County electronic system. We noted that 44 transactions had the status of "final approval" and 6 transactions had the status of "pending approval." During 2016, the center manager was the only authorized purchasing cardholder.

Active Aging does not require pre-approval for purchases. The program manager told us that purchases can be made if center managers stay within their budget. At the close of the p-card billing cycle one of the program managers reviews the purchases and approves them.

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**FINDING 4.1: The purchasing cardholder did not obtain authorization and approval for six meal purchases from the Division Director.**

We found six meal purchases using the county p-card issued to Columbus, that included a completed Meal Reimbursement Form but did not have the signature or approval of the Division or Department Director, as required by Countywide policy.

**CWP 1020, "County Meals,"** states that,

*"All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to county business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt." (CWP 1020, 6.1, pp. 2 & 3)*

In accordance with Countywide Policy, the County does not provide meals for employees unless certain criteria are met. Review and approval by the Division or Department Director is a key control to help ensure that expenses for meals meet those criteria, and that they are appropriate. When not approved by a designated director, meal purchases could more likely be made for events that do not have a defined County business purpose. The cardholder overlooked obtaining the Director's signature in these cases. Despite the lack of signatures, we found no indication of meals being obtained for non-County business purposes.

Paul Leggett, Director

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## **RECOMMENDATION**

We recommend that purchasing cardholders use the Meal Reimbursement Form when required, and that meal expenses are reviewed and approved by the Division or Department Director.

## **Conclusion**

We appreciate the time spent by the staff at Columbus 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, C&AP

Salt Lake County Auditor

Cc: Jessica Montgomery, Fiscal Manager

Shawn Ashby, Center Manager

Attachment A: Agency Response

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**Attachment A**  
**Agency Response**

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**Agency Response**  
**Columbus 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 senior center staff 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>	Partially Agree	This process is being reviewed by Active Aging Administration to see how it can be changed in a way that will both fulfill the Audit requirement and be user friendly for Center Staff.	12/31/2018

**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	Since the change of a new manager to Columbus Senior Center, the safe combination has been changed. Active Aging Administration will determine if this is an annual requirement.	3/15/2018

**Finding 2.1: Management did not issue receipts for the sale of Chuck-A-Rama discount tickets.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that employees issue a receipt for discount ticket sales and all other non-donation type receipts.</i>	Agree	Since the date of the Audit, Center Staff have started to issue receipts for Chuck-A-Rama tickets and other non-donation type sales.	3/29/2018
<i>We recommend that receipt copies be included with daily deposit documentation.</i>	Agree	Receipt book is a carbon copy style so that receipts can be kept with daily deposit documentation.	3/29/2018

**Finding 3.1: A food warmer was not included on the controlled asset list.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend the Property Manager update the controlled asset list to</i>	Agree	As of March 29, 2018, the food warmer has been added	3/29/2018

<i>include the Royalton food warmer and record the cost from the invoice if it can be located.</i>		to the controlled asset list. The warmer is not working and will be either fixed or surplus.	
<b>Finding 3.2: Management at Columbus was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.</b>			
<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
<i>We recommend that all assets assigned to a specific employee at Columbus 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>	Disagree	Aging and Adult Services Administration started a new procedure for inventory control, which we were instructed to follow. Revisions to the procedure will be determined by Aging and Adult Services Administration.	12/31/2018
<b>Finding 4.1: The purchasing cardholder did not obtain authorization and approval for six meal purchases from the Director.</b>			
<b>RECOMMENDATION(S)</b>	<b>AGREE/ DISAGREE</b>	<b>ACTION PLAN</b>	<b>TARGET DATE</b>
<i>We recommend that purchasing cardholders use the Meal Reimbursement Form when required, and that meal expenses are reviewed and approved by the Division or Department Director.</i>	Agree	New Center Manager will follow the requirement to use the Meal Reimbursement Form and to get approval from the Division Director.	3/29/2018