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April 30, 2018

Paul Leggett, Director

Division of Aging and Adult Services

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An Audit of Key Controls at the West Jordan Senior Center Report Number 2018-MLR09

Dear Paul,

We recently completed an audit of key controls at the West Jordan Senior Center ("West Jordan"). 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 against fraud, waste, or abuse.

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 Division 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 West Jordan 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
- 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 safeguarded against theft or misuse.**

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

West Jordan serves lunches to seniors, and the center staff collect 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 patrons for the lunches. 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 West Jordan 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 funds are 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 fund 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 West Jordan, 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 1.1:

We recommend that West Jordan 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 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 West Jordan 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 tested a sample of 30 days of cash and check deposits by examining the "Deposit Reconciliation Form," which serves as West Jordan'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 West Jordan'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 West Jordan, from the County’s financial system. The memorandum dated December 23, 2016 stated that an inventory of capital assets was completed, named the Agency’s Property Manager, and was signed by the Division Director. West Jordan has no assets that meet the criteria of a capital asset.

We also reviewed a sample of 30 controlled assets at West Jordan. **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 (long-term) or controlled assets are provided for their use.

Finding 3.1: The controlled asset list at West Jordan, did not include a portable sound system, cordless microphone system, and a hot dog machine found on-site, and lacked consistent and accurate information to be able to identify all controlled assets on the list.

We found a portable sound system, cordless microphone system, and a hot dog machine at West Jordan that were not included on the controlled asset list. We also noted that purchase or acquisition dates were not included on the controlled asset list.

CWP 1125, “Safeguarding Property/Assets,” states that,

“The Property Manager [at each agency] shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures . . . ‘Controlled Assets Inventory Form – Organization’ is used for property not readily assignable to an individual employee or which is shared by more than one employee.” (CWP 1125, 4.3 and 4.3.2, p. 6)

Assets that are not accurately recorded on a controlled asset list are at a greater risk of loss or theft. Incomplete or inconsistent information on the controlled asset list creates difficulties in tracking and managing controlled assets, making it easier for loss or theft to occur. The various types of asset

information, including unique tag numbers, purchase dates, and accurate descriptions all aid in the asset management process, and help prevent the risk of loss or theft.

Recommendation 3.1:

- A. We recommend the Property Manager at West Jordan ensure that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.**
- B. We recommend that the Property Manager at West Jordan include information on the controlled asset list that helps track and manage County assets, including unique asset ID tag numbers, asset descriptions, purchase dates, and accurate asset locations.**

Finding 3.2: Management at West Jordan was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.

We found that management at West Jordan were 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,

"[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)

Establishing personal 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 West Jordan.

Recommendation 3.2:

We recommend that all assets assigned to a specific employee at West Jordan 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 procedures complied with Countywide Policy.**
- **Determine if purchasing and proprietary cards properly safeguarded.**

As part of our audit process, we reviewed purchases made by West Jordan using their Costco proprietary card. **CWP 7036, "Charge Cards/Proprietary,"** establishes a set of guidelines for obtaining and using proprietary charge cards including establishing proper safeguards, allowable purchases, setting credit limits, adequate record keeping, statement reconciliations, and what to do if the card is lost or stolen.

We examined proprietary card transactions and 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 and Adult Services accounting specialist. We noted no significant findings in the area of proprietary charge card transactions.

In addition, we reviewed purchases made by West Jordan using their County purchasing card ("p-card"). **CWP 7035, "Purchasing Cards Authorization and Use,"** establishes policy and procedures for obtaining and using a county-issued p-card, like those same areas found in **CWP 7036** listed above.

We examined all transactions made during 2016 and found that all had the status of "final approval" in the County electronic system. The center manager was the only authorized purchasing cardholder.

Aging and Adult Services does not require pre-approval for purchases. A program manager told us 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.

We noted no significant findings in the area of Proprietary and Purchasing cards.

Conclusion

We appreciate the time spent by the staff at West Jordan Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at West Jordan were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Paul Leggett, Director

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April 30, 2018

Sincerely,

A handwritten signature in black ink that reads "Scott Tingley". The signature is written in a cursive style with a large, sweeping initial "S".

Scott Tingley, CIA, CFPAP

Salt Lake County Auditor

Cc: Jessica Montgomery, Fiscal Manager

Lisa Butterfield, Center Manager

Attachment A: Agency Response

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Attachment A
Agency Response

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Agency Response
West Jordan 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
We recommend that West Jordan 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.	Agree	Center staff will count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger each time it is retrieved from the safe or returned to the safe.	2/15/18

Finding 3.1: The controlled asset list at West Jordan, did not include a portable sound system, cordless microphone system, and a hot dog machine 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
We recommend that all controlled assets be listed on the controlled asset list in an accurate and consistent manner.	Agree	All controlled assets will be listed in an accurate and consistent manner.	2/01/18
We recommend that the Property Manager at West Jordan include information on the controlled asset list that helps track and manage County assets, including unique tag numbers, accurate descriptions, purchase dates, and accurate asset locations.	Partially Agree	All items are tagged, anything purchased prior to the current management lack purchase dates. I am unable to access the information on purchase dates.	2/01/18

Finding 3.2: Management at West Jordan was not using the "Controlled Assets Inventory Form – Employee," as required by Countywide Policy.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
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We recommend that all assets assigned to a specific employee at West Jordan 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.	Agree	All assets assigned to a specific employee at West Jordan will be listed on individual Controlled Assets Inventory Form - Employee. The form will be signed and dated by the employee to acknowledge that it is accurate and complete.	03/30/18
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