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May 14, 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 Midvale Senior Center**
Report Number 2018-MLR10

Dear Paul,

We recently completed an audit of key controls at the Midvale Senior Center ("Midvale"). 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 the risk of loss, theft, or misuse.

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 **Countywide Policy 1203, "Petty Cash and Other Imprest Funds," Countywide Policy 1062, "Management of Public Funds," Countywide Policy 1125, "Safeguarding Property/Assets," Countywide Policy 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 Midvale 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 Midvale 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 Midvale and observed change fund balancing procedures, operations, and security. Midvale uses the change fund as a convenience for patrons to change large bills into smaller denominations and coins.

Midvale serves lunches to seniors, and the center staff collects 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 Midvale 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.

Countywide Policy 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."
(Countywide Policy 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, employees at Midvale are attesting that all funds are accounted for, and that proper custody of the funds are 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 Midvale, 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 the staff at the Midvale Senior Center 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 necessary as required by Countywide Policy.

We interviewed the center manager and staff at Midvale and found that the safe combination had not been changed at least annually, as required by county policy. In addition, we noted that staff changes had occurred at Midvale, and that the safe combination was not changed as former employees had left, which is also required by county policy.

Countywide Policy 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." (Countywide Policy 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 Midvale, 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 1.2:

We recommend that management at the Midvale Senior Center ensure that the safe combination be changed at least annually or when necessitated by personnel changes.

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 Midvale complied with **Countywide Policy 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 Midvale'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 Midvale'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 lost, theft, or misuse.**

Our audit included an examination of capital and controlled asset management. **Countywide Policy 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 the capital assets inventory list at Midvale, 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. Midvale only had four assets that meet the criteria of a capital asset. They were not tagged with the proper asset numbers, nor correctly identified on the list of capital assets.

We also reviewed a sample of 41 controlled assets at Midvale. **Countywide Policy 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, **Countywide Policy 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: We found that four capital assets on the inventory list at Midvale were not correctly tagged or identified, and two other assets were not listed at all.

During the audit, we found four pieces of workout equipment at Midvale that did not match the asset descriptions from the capital asset inventory list. In addition, we found that these assets did not have county issued property tags attached to them and were not properly identified as required by county policy. Table 1 summarizes our results regarding these four capital assets.

Table 1: Capital Assets Not Properly Identified

Capital Assets Not Properly Identified			
Capital Asset Tag No.	Equipment Description from Capital Asset List	Actual Equipment Found On-site	Cost
10046900	AIRSPACE Leg Press W5Dply	Keiser Leg Press W5Dply	\$6,719
10047000	Keiser Treadmill	SciFit Treadmill	\$7,972
10047100	Keiser Treadmill	SciFit Treadmill	\$7,972
10049001	AIRSPACE Lat Pulldown Machine	Keiser Lat Pulldown Machine	\$5,800

The equipment description from the capital assets list did not match that of the actual assets at the center and these capital asset tag numbers could not be found on any equipment.

During our physical inventory of capital and controlled assets at Midvale, we discovered two additional pieces of exercise equipment that were not included on either the capital or controlled assets lists. One piece of equipment was an upper back machine and the other was a chest press machine.

We noted that although it was not listed on the capital asset inventory list, the upper back machine had a county issued capital asset tag attached to it. We asked Mayor’s Finance staff about the capital asset tag attached to the upper back machine, and they could not match the tag number to any current capital asset recorded in the county’s financial system. They thought that perhaps this item had been mistakenly recorded as a capital asset when it was acquired, but then had been reclassified as a controlled asset later. However, neither of these pieces of exercise equipment that we found at Midvale were listed on their controlled asset list either.

Countywide Policy 1125, "Safeguarding Property/Assets," states that,

“Property Managers and County Administrators remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following: Accounting for all fixed assets within the organization's operational and/or physical custody Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.” (Countywide Policy 1125, 2.2, 2.2.1 & 2.2.3, p. 2)

Assets that are not accurately recorded on either a capital or controlled assets list are at a greater risk of loss or theft. Incomplete or inconsistent information on the lists create difficulties in tracking and managing assets, making it easier for loss or theft to occur. The Property Manager at Midvale was not aware of the need to communicate the misidentification of these capital assets and the missing property tags to Mayor’s Finance.

Recommendation 3.1:

- A. We recommend that the Property Manager at Midvale communicate the correct brand name for the four pieces of exercise equipment on-site to Mayor’s Finance and request new property tags for these items.**
- B. We recommend that the Property Manager list the upper back and chest press machines as controlled assets on Midvale’s controlled asset list, unless it can be determined that the original purchase price for each item was above the County’s current capitalization threshold. In that case, the exercise equipment should be included on Midvale’s capital assets inventory list and identified with a capital asset tag obtained from Mayor’s Finance.**

Finding 3.2: The Property Manager at Midvale had not updated the controlled asset list to include items recently purchased.

In our review of purchases on Midvale’s county-issued purchasing card from January through December 2016, we found several items that were purchased, that had a purchase price greater than \$100, that still had not been added to the controlled asset list. The items included tables, chairs, and a large paper cutter. Table 2 lists the missing controlled assets.

Table 2: Items Purchased and Missing from the Controlled Asset List

Items Purchased and Missing from the Controlled Asset List				
Item Description	Purchase Date	Qty	Cost per Item	Purchase Cost
Tables, Enwork	09/21/2016	6	\$551	\$3,306
Upholstered Chairs, Inflex	10/5/2016	12	\$182	\$2,184
Paper Cutter 18”, Office Depot	11/29/2016	1	\$152	\$152
	Total Qty	19	Total Cost	\$5,642

A total of 19 items that were purchased recently were not listed on Midvale's controlled asset list. The total purchase cost of these items was over \$5,000.

Countywide Policy 1125, "Safeguarding Property/Assets," states that,

"Controlled Asset - personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use, thereby necessitating special provisions for safeguarding."

Countywide Policy 1125 also states that,

"[County Property Managers and Administrators should] ... Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established ..." (Countywide Policy 1125, 1.2 & 2.2.8, pp. 1 & 3)

Assets that are not recorded on a controlled asset list are at a greater risk of loss or theft. The Property Manager overlooked updating the controlled asset list for these newly purchased items that cost \$100 or greater.

Recommendation 3.2:

We recommend that the Property Manager at Midvale ensure that all items purchased that meet the definition of a controlled asset be identified and listed on the controlled asset list as soon as possible. The Property Manager should review and update the controlled asset list at least monthly to ensure that it is up-to-date.

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

We found that management at Midvale were not using the *Controlled Assets Inventory Form – Employee*, form to identify and track controlled assets that had been assigned to specific employees. The center manager stated that Active Aging management no longer required them to use *Controlled Assets Inventory Form – Employee*.

Countywide Policy 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." (Countywide Policy 1125, 2.2.11, 4.3, & 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 Midvale. 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 3.3:

We recommend that management at Midvale ensure that all assets assigned to a specific employee 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 Purchasing 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, we reviewed purchases made by Midvale on their proprietary card. **Countywide Policy 7036, "Charge Cards/Proprietary,"** establishes a set of guidelines for the use and acquisition of proprietary charge cards including how to obtain a card, how to use it, safeguards, unallowable purchases, credit limits, record keeping and reconciliation, audits, and contact information if the card is lost or stolen. We found no proprietary card transactions for 2016.

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

We examined all transactions made during 2016 on Midvale's p-card and found that all had the status of "final approval" in the County's electronic system. We noted that during 2016 the center manager was the only authorized purchasing cardholder. The center manager's p-card was secured and signed.

Active Aging does not require pre-approval for p-card 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 in the system to ensure that they are appropriate and within budgetary limitations.

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

Conclusion

We appreciate the time spent by the staff at Midvale 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

Paul Leggett, Director

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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,

A handwritten signature in black ink that reads "Scott Tingley". The signature is written in a cursive style with a prominent flourish at the end.

Scott Tingley, CIA, CFP

Salt Lake County Auditor

Cc: Jessica Montgomery, Fiscal Manager
Ken Donarski, Center Manger

Attachment A: Agency Response

Attachment A
Agency Response

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Agency Response
Midvale 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 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>	Partially Agree	We can do this, it is usually the same staff who retrieves the money and returns it to the safe. I will look up MPF Form 7 to have it on location. Being a small staff of three it seems to be doing paperwork for paperwork sake.	4/30/2018

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 necessitated by personnel changes.</i>	Agree	I will look into having the combination of the safe changed. It is an old safe and we do not have any information on the safe so I will need to Google the make and model to see how to change the combination otherwise we may need to buy a new one.	5/18/2018

Finding 3.1: Four capital assets listed by Midvale were not tagged or correctly identified, and two other assets were not listed.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager communicate the correct brand name for the four pieces of exercise equipment on-site to Mayor's Financial Administration and request property tags for these items.</i>	Agree	Aging Services Facility Manager has stated that he has under his asset control the exercise equipment. He will need to make the necessary changes and request this information from Mayor's Office	5/18/2018
<i>We recommend that the upper back and chest press machines be listed as controlled assets unless in consultation</i>	Agree	Aging Service Facility Manager will need to talk to Mayor's Finance to resolve this issue	5/18/2018

<i>with Mayor's Financial Administration these can otherwise be identified as capital assets.</i>			
Finding 3.2: The Property Manager did not update the controlled asset list to reflect recently purchased items.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the controlled asset list be updated for newly purchased items costing \$100 or greater.</i>	Disagree	Aging Services instructed us to include only things over \$300. They need to resolve this issue.	12/31/2018
Finding 3.3: Management at Midvale 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 Midvale 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	We were advised by Aging Services that we did not need to complete this form as it is all on the inventory form and this is just a duplication of inventory.	12/31/2018