



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

May 3, 2005

Richard Chamberlain, Director
Contracts and Procurement
2001 South State Street, Suite N4500
Salt Lake City, Utah 84190

RE: Printing Division Fixed and Controlled Assets Inventory

Dear Richard:

We recently completed an inventory of fixed and controlled assets in the Printing Division (Printing). As an operational unit within the organizational structure of Contracts and Procurement, Printing performs the copying and printing requests of County agencies and offices. We also planned to audit cash handling operations, but found that Printing neither receives nor receipts money, nor is it assigned any imprest fund, such as petty cash or change funds. Therefore, the scope of our audit was limited to fixed and controlled assets. We used Countywide Policy #1125, "Safeguarding Property/Assets," as a basis for evaluating the adequacy of fixed and controlled assets management.

We conducted a physical inventory based on the fixed assets list, or AFIN 0801 report, prepared and maintained by the Auditor's Office Fixed Assets Section. We found all assets listed for Printing. However, a Baum brand folding machine purchased in February, 2005 was not included on the list, but should have been included due to its purchase price being greater than the current capitalization threshold of \$5,000. At the time of our inventory no fixed asset tag for the machine had yet been received from the Auditor's Office. The Fixed Assets Section is responsible for updating the fixed assets list for new purchases and distributing asset tags. Because of the processing time involved, fixed assets may not be tagged and listed in the AFIN 0801 report until several weeks after the asset has been purchased and received. Tags are normally issued when the asset has been paid for and not necessarily when the asset is received. According to the Fixed Assets Section, the tag will be sent to Printing by the end of May, 2005.

In the area of controlled assets, we found that a property manager had not been appointed, and a controlled asset list was not on file. The Printing Manager searched for records of controlled assets, but found none. He told us that the previous manager, who

retired in July, 2004, had been instructed to delete all of his computer and paper files at the time of his departure. Therefore, any controlled asset list would presumably have been discarded. An employee in Printing told us that a controlled asset list existed at one time, but we could not find the list, either on-line or as a hard copy file.

A controlled asset is a personal property item, which is easily converted to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold. Personal communication equipment, such as cell phones are considered controlled assets regardless of cost.

Our discussions concerning the need for a property manager prompted the appointment of the Printing Manager to this position. We discussed with the Printing Manager criteria for recording and controlling qualified assets. He then prepared a controlled asset list that we reviewed with him. Together, we physically located each item on the list. He later added several items to the list, including newly acquired controlled assets. He also prepared a Form PM-2 "Salt Lake County Personal Property Transfer/Disposal/Internal Sale," to accompany items he had designated as surplus.

Countywide Policy #1125, Section 2.1.2, requires that an administrator "designate a property manager to manage all property..." Policy #1125 outlines various duties assigned to the property manager. Among these duties are the following: "Accounting for all fixed assets within the organization's operational and/or physical custody..." (Section 2.2.1), "Accounting for all controlled assets within the organization's operational and/or physical custody..." (Section 2.2.2), "Maintaining records as to current physical location of all fixed assets and controlled assets..." (Section 2.2.3), "Safeguarding all property subject to this policy for which the organization has custodial responsibility..." (Section 2.2.4), and "The Property Manager shall maintain records to manage controlled assets using forms ... [designated in the policy]" (Section 4.3).

The effect of non-compliance with established internal controls over fixed and controlled assets is the increased risk of theft. Policy #1125, and related policies, provide the basis for fixed and controlled asset management. These policies were not given adequate attention during several months when management transition was taking place. However, Printing has worked towards implementation of Policy #1125 with the appointment of a property manager and formulation of a controlled asset list.

ACTION TAKEN:

The current manager, at the instigation of our audit, has brought the Printing Division into compliance with Countywide policy by accepting the assignment of property manager and recording in an acceptable format all controlled assets located in the Printing Division.

Richard Chamberlain, Director

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We appreciate the cooperation and assistance received from Printing staff during our audit, and the opportunity to have been of service, and hope that the information presented here will benefit the Printing Division and help them more fully comply with Countywide policy. If we can be of further assistance to you please contact us.

Sincerely,

James B. Wightman CPA
Director, Internal Audit Division

cc: David Stensrud