SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH

Auditor

October 22, 2007

Reid J. Demman, L.S.
Salt Lake County Surveyor
2001 S. State Street, N1500
Salt Lake City, Utah 84190

Re: Surveyor's Office Audit

Dear Reid:

We recently completed an audit of the Surveyor's Office. Our audit included an examination of collections and depositing, the change fund and petty cash fund, and capital and controlled assets. We conducted an unannounced count of the change and petty cash funds as authorized through the Auditor's Office.

The lead auditor was Celestia Cragun with assistance from Jenae Christensen on the cash count. Larry Decker had administrative oversight of the audit.

For each area audited we addressed the effectiveness of internal controls and processes employed by Surveyor personnel. Our objective was to determine whether operations relevant to areas of our examination were in compliance with Countywide policies examined. Our work was designed to provide reasonable, but not absolute, assurance that controls were adequate, records current and daily transactions valid.

We found that bank deposits were supported by balance sheets and summary reports of daily cash receipts. We reviewed internal controls relating to cash handling, such as separation of duties, and management oversight. Since our audit was limited to the above-mentioned areas, the reader should not assume that processes not discussed here were in compliance with Countywide policy.

CASH HANDLING

To review cash receipting and depositing, we obtained a statistically random sample of deposits for the past year, September 20, 2006 to September 19, 2007. As part of our audit, we performed an unannounced cash count on the change fund and petty cash fund registered to the Surveyor's Office. Only one cash fund was in use on that day and it balanced exactly. The petty cash fund was $1.42 over but the vouchers were prepared correctly, had appropriate signatures, and receipts were attached. Three of the vouchers showed reimbursement to employees of sales tax paid, although the amounts were small. Following are the findings for this portion of the audit.

- ***Daily Consolidated Register Reports were not signed as required.***

- ***The Petty Cash Fund was too large for its actual level of utilization.***

- ***Sales tax was charged on three petty cash purchases, contrary to Countywide Policy.***

Daily Consolidated Register Reports were not signed as required. We reviewed 56 deposits, supported by the "Consolidated Register Report." This report was produced by the Cash-Pro System and is used by the Surveyor's Office to record revenue received. The form shows the collection date, receipt numbers, total fees collected, division of checks and cash, and total receipts for each business day. Information from each of the two cashiers in the office was consolidated on this report. The report also indicates the deposit date, deposit bag number, deposit number and allows for notation of any over or short revenue. There are three signature rows on the form to indicate the cashier that prepared the deposit, the person who verified the deposit and the person who deposited the money.

Deposits for the Surveyor's Office are picked up at the end of each business day by County Protective Services guards who deliver them to the Treasurer's Office. There was no signature on the consolidated form for "Deposited By" on any of the deposits that we reviewed. The cashier stated that since the Surveyor's Office did not deposit the money, the security guard instead signed the deposit slip indicating receipt and delivery of the deposit. Of the 56 deposits reviewed, only one was missing security's signature. That particular deposit was also the only deposit not prepared within three days of receipt. The fiscal manager explained that the delay was likely due to Cash-Pro being out of order on that day. Reports to support deposits cannot be run when Cash-Pro is not working and it is Surveyor's Office practice to wait until Cash-Pro is operational to enter the fees collected. If Cash-Pro breaks down, customers receive a hand-written receipt and the amount is entered into Cash-Pro when the system is again working.

Ten of the 56 deposits reviewed were not signed by the deposit preparer. Six of those ten occurred on deposits with only one cashier. The signature for checking the deposit was blank on 16 of the deposits. All but one occurred after June 2007. The employee who regularly checked the deposit thought that beginning July 2007 she was no longer required to complete this step as the fiscal manager would check each deposit. The fiscal manager developed a cash handling policy for the Surveyor's Office whereby the office supervisor is responsible for signing the consolidated report indicating review of the deposit, but the policy is not yet in effect. Nevertheless, the fiscal manager reported she personally reviewed every deposit beginning January 1, 2007, though it was not noted by her signature. Until the policy is changed, the cashiers should continue to prepare and check each deposit and sign on the appropriate line.

We found six instances where the "Prepared By" and "Checked By" were initialed by the same person. Separation of duties of employees performing cash handling duties creates an important dual control which is effective where feasible. One employee witnessing another employee's actions can deter theft or misuse of monies. Theft is more likely to occur when one employee performs duties that provide opportunities to steal or misuse funds. Where staffing precludes two employees handling the depositing process, supervisory review is important for employee accountability which may uncover thefts or errors in transactions.

ACTION TAKEN:

The fiscal manager instructed the cashiers that until the new cash-handling policy goes into effect, currently designated employees are to verify the preparing and checking of the deposit by signing the Consolidated Register Reports in the appropriate place.

The Petty Cash Fund was too large for its actual level of utilization. In addition to the unannounced cash count, we reviewed petty cash disbursements for the Surveyor's Office and found them to be appropriate and within the amount allowed by Countywide Policy #1203 "Petty Cash and Other Impress Funds." Proper backup for each purchase was included, as required.

The Surveyor's Office replenished their petty cash account 11 times since the beginning of 2000, an average of 1.5 times a year. Policy #1203, Section 3.7 states, *"The amount requested shall provide adequate operating funds for approximately* ***three (3) months.****"* Reimbursement amounts for the fund which currently has an authorized limit of $800, ranged from $568 to $660 each time over the seven-year period, with an average reimbursement request of $607. Because of this under-utilization, a portion of the fund should be returned to the Auditor's Office, to allow for the earning of interest, or appropriation to other areas of need. Sound cash management practices require that funds be used with specific purposes in mind instead of remaining idle in petty cash accounts.

RECOMMENDATION:

We recommend that the petty cash account be reduced to a level more appropriate to the needs of the Surveyor.

Sales tax was charged on three petty cash purchases, contrary to Countywide Policy. Although sales tax payments were small, payments were nonetheless made contrary to Countywide Policy. Policy #1203, Section 3.12, states, *"The County is exempt from sales tax as a government entity. In order to avoid sales tax, the custodians shall use or provide to employees as needed Utah State Tax Commission Form TC-721, 'Exemption Certificate.' This form is to be presented to the vendor as evidence of tax-exemption. If employees do not follow this procedure, they shall pay the tax themselves."*

Reimbursing an employee for payment of sales tax needlessly creates additional expense for the County. Attention to detail in managing petty cash provides organizational discipline and safeguards County assets. The petty cash custodian reported that she was not previously aware of the requirement prohibiting payment of the tax. The petty cash custodian should remind employees that County-designated purchases are exempt from sales tax. The custodian should also provide employees with the necessary tax-exempt forms for presentation to vendors or store clerks when purchases are made. The forms can be obtained from the Contracts and Procurement Division.

RECOMMENDATION:

We recommend that sales tax not be paid on purchases made from petty cash, in accordance with Countywide policy.

CAPITAL AND CONTROLLED ASSETS

The objective of reviewing capital and controlled assets was to evaluate the adequacy of internal controls and compliance with Countywide Policy #1125, "Safeguarding Property/Assets." A capital asset is an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year and a cost equal to or greater than $5,000. A controlled asset is an item of personal property, which is sensitive to conversion to personal use, having a cost of $100 or greater, but less than the capitalization threshold. We reviewed a statistically random sample of both capital assets and controlled assets. The asset list was in the correct form, included serial numbers and locations as required, and assets were found at the locations listed.

Policy #1125, Section 4.3, explains that in addition to the controlled assets inventory for the organization, a *Controlled Assets Inventory Form-Employee* must be completed for each employee who is assigned capital or controlled assets. The property manager had signed forms from all employees with assigned assets. We commend the Surveyor's Office for excellent tracking and handling of capital and controlled assets.

During our review of capital and controlled assets, we observed the following:

- ***Surveyor's Office assets were effectively tracked and accurately documented.***
- ***Employees were assigned assets and confirmed yearly their responsibility for those assets.***
- ***Many of the assets on the list were obsolete and/or an antique.***

Surveyor's Office assets were effectively tracked and accurately documented. As a starting point for the inventory, we used the "Capital Asset Inventory by Organization" report (AFIN0801) from the County's financial reporting system. This report lists current County capital assets. The Surveyor's Office listed 340 capital and controlled assets. Of the statistically random sample of 35 capital assets, we found all but one on the initial search. The missing asset was subsequently found and returned to the location on the asset list. We found all 58 of the sample of controlled assets in the location designated on the list. Additionally, we looked at purchases made in 2006 to determine if assets purchased were added to the current asset list. We researched 11 assets and found that they were on the current asset list as required.

Employees were assigned assets and confirmed yearly their responsibility for those assets. Surveyor personnel acknowledged with their signature that certain assets were assigned to them and for which they had responsibility. As described in Countywide Policy #1125, "Safeguarding Property/Assets," Section 4.3, *"The Property manager shall maintain records to manage controlled assets using the following forms and procedures: Controlled Assets Inventory Form-Employee."* The asset manager met with the employees yearly to verify assets in their control. We commend the property manager for his diligence in keeping track of the assets in the Surveyor's Office.

Many of the assets on the list were obsolete and/or an antique. We looked at many items in the Surveyor's Office that are no longer used in surveying, but remain on the asset list. The Surveyor's Office now uses GIS technology with new equipment. The equipment used prior to this method could be surplused and valuable room conserved. Items no longer used may more easily be stolen as attention to their location diminishes with neglect. Some of the older levels and surveying equipment could be considered antiques and as such would not be appropriate on the current asset list. For example, antique levels are currently used in some offices as decoration. By removing the unused equipment, the number of assets to be accounted for and the space to store the assets would be reduced.

RECOMMENDATION:

We recommend that management review capital and controlled assets allocated to the Surveyor's Office and send items to surplus that are no longer used or list them on a separate "antiques" list, as appropriate.

In closing, we express appreciation to the staff at the Surveyor's Office for their cooperation and assistance during our audit. They were most helpful and prompt in responding to all our requests. If we can be of assistance to you in the future, please let us know.

Sincerely,

James B. Wightman, CPA
Direct of Internal Audit

cc: Cathleen Anderson