



December 31, 2012

Ben McAdams, Mayor
2001 S. State Street # N2100
Salt Lake City, UT 84114-4575

Re: Audit of Ellis Shipp Clinic

Dear Mayor Adams,

We recently completed an analysis of the financial records of Ellis Shipp Clinic (Health Center) that provides services for Immunizations, Child Health Evaluations and Care (CHEC), Medicaid eligibility, prenatal care, women's cancer screening (BeWise program), Women, Infants and Children (WIC), family dental, and birth and death certificates (Vital Records). The audit's primary focus was the period from August 01, 2011 to July 31, 2012. During our examination, we reviewed cash receipting and depositing, capital and controlled assets, the change fund, and fraud awareness.

For each of these areas, we examined internal controls and procedures in place to determine compliance with Countywide Policies and Salt Lake Valley Health Department (SLVHD) cash handling standards. Our audit objectives were to determine compliance with the guidelines for cash handling and asset management found in Countywide Policies #1062, *Management of Public Funds*, #1203, *Petty Cash and Imprest Funds*, and #1125, *Safeguarding Property/Assets*.

Our review of deposits was done on a sample basis; therefore, problems may have occurred in deposits that were not selected for review. However, a statistically significant random sample is designed to provide a degree of assurance that the complete nature of transactions and processes are examined. In addition, findings relating to non-compliance with Countywide Policies may be present in areas not examined. During our review, we noted some cash handling procedures that could be improved. In addition, some improvements regarding management of controlled assets are recommended.

We have limited our comments to significant findings and recommendations, and have divided the report into the following sections: 1) Cash Handling and Depositing, and 2) Capital and Controlled Assets.

CASH HANDLING AND DEPOSITING

Our audit included counting all funds on the premises. In total, there were 2 separate change funds, one for the Immunization Clinic and one for Vital Records. The Immunization Clinic had separated their change fund into 4 bags, two for each register and shifts. The Immunization Clinic had separated their change fund into 2 bags for 2 registers. The Change Funds balanced to their authorized limits, as recorded on the Salt Lake County

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Petty Cash and Other Imprest Accounts Report. We also reviewed a sample of deposits from the past twelve months, and reconciled these deposits to bank statements on file.

To review cash handling and depositing, we selected a statistically-valid, random-sample of deposits from August 01, 2011 to July 31, 2012. Our findings in the area of Cash Handling and Depositing are as follows:

- *The amount on record for the Health Center's change fund did not match the amount on hand.*
- *Deposits were posted beyond the 3-day mandate.*
- *A check from the imprest checking account was made payable to the custodian.*
- *A reimbursement warrant was not deposited into the imprest checking account.*
- *The reconciliation of the imprest checking account was only performed quarterly.*
- *Preparation, review, and authorization of a refund were completed by the same person.*

The amount on record for the Health Center's change fund did not match the amount on hand. The fund is split between the immunization and vital records bureaus in the clinic. The immunization clinic has 4 separate cash bags, each containing \$50 for a total of \$200. Vital records contains two change funds of \$100 each, for a total of \$200.00. Combined, the grand total of the change fund was \$400 while the fund of record indicates a balance of \$300, which is a \$100 discrepancy.

Countywide Policy #1203 *Petty Cash and Imprest Funds*, Section 3.1.1 and 3.1.2 states,

The requesting Agency shall complete MPF Form 2, Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund.

The requesting Agency shall provide detailed justification for establishing a new account, or when requesting a change (increase or decrease) in the imprest amount of an existing account.

Amounts that do not match the Mayor's Accounting and Finance recorded amount could indicate a lapse of management control of the fund. Further, it could result in abuse or fraud.

The current custodian stated that the fund was \$400 when it was assigned to her and was unaware it was recorded on file for \$300.

RECOMMENDATION:

We recommend that management submit a completed MPF Form 2 to the Mayor's Accounting and Finance Department to reflect the updated amount of the fund.

Deposits were posted beyond the 3-day mandate. In the sample of 63 items tested, 11 deposits representing 17.5% of the sample were found to be beyond the mandatory 3-day allowance for deposits to be posted to the bank account.

Countywide Policy #1062 *Management of Public Funds*, Section 4.1.2, states,

As required by S51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt.

Delays in depositing funds beyond the 3-day mandate has a negative impact on available funds. Late preparation of deposits by staff, Monday holidays, and next day armored truck pick up could potentially delay posting of the deposits beyond the 3-day mandate.

RECOMMENDATION:

We recommend that deposit preparation procedures be reviewed to ensure that deposits are made in accordance with Countywide Policy and State law.

A check from the imprest checking account was made payable to the custodian. Check #1216 dated February 11, 2011, in the amount of \$32.18 was made payable to the custodian of the imprest account and also signed by the custodian. The custodian had purchased supplies for the clinic, submitted the receipt, and was authorized to be reimbursed for the purchase.

For the protection of the custodian of the imprest account, a custodian should avoid issuing checks made payable to "Cash" or to the custodian.

RECOMMENDATION:

We recommend that checks are not made payable to the custodian of the account.

A reimbursement warrant was not deposited into the imprest checking account. Reimbursement warrant #1166071, dated May 4, 2012 in the amount of \$32.18, was not deposited into the imprest checking account. The warrant had been issued and placed in the cash box, then forgotten.

Reimbursement checks should be deposited without delay. Undeposited warrants are carried as outstanding by the County and the imprest account is short by the amount of the warrant. Also, if the warrant is lost, destroyed, or stolen, additional effort would be required to replace it.

The custodian stated that reimbursements are now being directly deposited into the imprest checking account through electronic fund transfer.

RECOMMENDATION:

We recommend that the Health Center deposit reimbursement warrant #1166071 into the imprest checking account.

The reconciliation of the imprest checking account was only performed quarterly. The imprest checking account was reconciled quarterly, which violates Countywide Policy.

Countywide Policy #1062, Section 4.7.2 states,

A Bank Reconciliation shall be performed at least monthly by an employee designated by Agency Management. Cashiers or employees who prepare deposits shall not perform the Bank Reconciliation.

Delays in monthly reconciliations allow outstanding charges or deposits to remain unresolved. However, SLVHD's fiscal management deemed the account activity insufficient for a monthly reconciliation, but allowable for a quarterly reconciliation.

RECOMMENDATION:

We recommend that SLVHD reconcile the imprest checking account monthly to comply with Countywide Policy.

Preparation, review, and authorization of a refund were completed by the same person. A refund was issued on August 31, 2011, in the amount of \$50.00 from the cash register. The description listed on the void slip said, "Client brought Medicaid later after she paid \$50.00 so I gave her money back." The void slip showed the cashier name, employee signature, and the supervisor reviewing the void were from the same person.

More than one person should be involved in preparing and authorizing a refund. Refunds issued without a third party involved provides poor controls over collections and allows for the possibility of skimming funds.

RECOMMENDATION:

We recommend that refunds or voids be signed by at least two separate employees, one of which is a supervisor or manager, indicating their review.

CAPITAL AND CONTROLLED ASSETS

A capital asset is an individual item owned by the County that meets the criteria for capitalization. Currently, the capitalization threshold is \$5,000. A controlled asset is an item having a cost of \$100 or greater, but less than the current capitalization threshold, and which is sensitive to conversion to personal use. However, personal communication equipment, such as a cell phone or PDA, is considered a controlled asset regardless of the cost of the individual item.

The property manager for the Health Center tracks and reports all capital and controlled assets for each of the SLVHD bureaus.

We examined a statistically-valid, random-sample of capital and controlled assets to verify their existence and location, and to determine if the Health Center complies with Countywide Policy #1125. The sample consisted of 79 assets taken from the Health Center's asset inventory list maintained by the SLVHD computerized Health Asset Tracking System (HATS) system. During our review, we were able to locate and identify most of the assets contained in our sample. Our finding in the area of Capital and Controlled Assets is:

- *A desktop computer and a computer monitor could not be located.*
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A desktop computer and a computer monitor could not be located. In the sample, two items; a desktop computer tag #5945 and a computer monitor tag #4856, were not located.

Countywide Policy #1125, Section 2.2.3, states that the Property Manager should:

Maintain records as to current physical location of all fixed [capital] assets and controlled assets within the organization's operational and/or physical custody.

Section 4.3.6, also states,

Property managers should use exact locations [of assets] whenever possible (and update them as needed) to establish better control.

Effective recordkeeping of County assets protects them from loss or conversion to personal use.

The property manager stated that many of the desktop systems had recently been upgraded to Windows 7, resulting in the rotation of the older computers into other areas. This rotation resulted in an outdated inventory record, and the two misplaced items.

RECOMMENDATION:

We recommend that the missing desktop computer and monitor be located and the inventory records be updated.

In closing, we express appreciation to the staff at the Health Center for their cooperation and assistance during our audit. Implementation of the recommendations in this letter will help to improve operations, ensure the security of County assets, and strengthen internal controls throughout the Health Center. We trust that our work will be of benefit to your staff. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

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Salt Lake County Auditor

By: 
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Deputy Auditor

cc: Gary Edwards
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