



December 31, 2012

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

Re: International Travel Clinic Audit

Dear Mayor Adams,

We recently completed an analysis of the financial records of International Travel Clinic (Health Center) that provides services for pre-travel education, immunizations, and travel-related prescriptions. 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, which could be improved.

CASH HANDLING AND DEPOSITING

Our audit included counting all funds on the premises, which included the cash drawer Change Fund, and the imprest checking and petty cash fund. At the time of the surprise cash count, no money had been collected. The Change Funds balanced to their authorized limits, as recorded on the Salt Lake County 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. Management's response to our audit can be found in Appendix A.

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:.

➤ *Some deposits were made after the State-mandated deadline of no later than three days following collection.*

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- *All deposit slips have a handwritten account that is different than the MICR (magnetic ink character recognition) encoded number.*
 - *The reconciliation of the imprest checking account was only performed quarterly.*
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Some deposits were made after the State-mandated deadline of no later than three days following collection. In the sample of 51 Health Center deposits tested, 29 deposits (57%) were found to be beyond the mandatory three-day allowance for deposits to be deposited into the bank account.

Potential deposit delays can occur due to late preparation of deposits, Monday holidays, or delays from the Treasurer's Office, where Protective Services delivers the deposits daily.

Countywide Policy #1062, 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.

A delay in depositing funds beyond the three-day mandate violates Utah State Code, Countywide Policy, and also has a negative impact on available funds.

RECOMMENDATION:

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

All deposits slips have a handwritten account that is different than the MICR encoded number.

Best practices for accurately posting deposits to the correct account should be the MICR encoded account number.

Handwritten numbers could be erroneously transposed, misread, or completely ignored by bank personnel resulting in delayed postings to the account or posting to other accounts. However, examination of the posted account number from bank statements shows that the account the deposits are posted to is the same as the MICR encoded number, not the handwritten account number.

Personnel were instructed by the previous clinic manager to write the account number on the deposit slips. Further investigation with the Treasurer's Office revealed that this is no longer necessary. The account number was a Treasurer's General Ledger (TRGL) account number that is no longer active.

RECOMMENDATION:

We recommend that management revise procedures to eliminate the practice of handwriting the account number on the deposit slip.

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 update their reconciliation schedule to comply with Countywide Policy.

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,

Gregory P. Hawkins
Salt Lake County Auditor

By: 
James Fire, MBA/ACC
Deputy Auditor

cc: Gary Edwards
Holly Birich
Angela Grange
Matt Ferguson



Memorandum

To: James Fire, Salt Lake County Auditor's Office
CC: Gary Edwards, Glenna Jensen, Dagmar Vitek, Holly Birich
From: Matt Ferguson, Fiscal Manager
Thru: Brian Bennion, Associate Director
Date: 1/31/2013
Re: Cash Handling Audit of the International Travel Clinic

Concerning the analysis of the financial records of the International Travel Clinic, which was completed in 2012, I wish to thank the Auditor's Office for the work performed. However, based on conversations I've had with the employees, I disagree with some of the findings of the audit. Therefore, I ask that you consider my input and revise your letter dated December 31, 2012 accordingly, before releasing it as a final report.

The first claim was, "**Some deposits were made after the State-mandated deadline of no later than three days following collection.**" Although a comparison of the deposit date with the bank's date of receipt may show that more than three days had passed, the clinic prepared each deposit at the end of each day and submitted it to Protective Services by the following day. Protective Services then delivered it to the Treasurer's Office. We have no control over the actual amount of time that it takes for deposits to travel from the Treasurer to the bank. We should only be accountable for our handling of the deposit. In other words, your finding is really a non-finding, because this is completely out of our control. One way to keep this under our control would be for us to make the deposits in-person at the bank. However, making daily trips to the bank is not in the County's nor the Health Department's best interests, due to the risks involved with transporting cash. Personally, I feel it's best to continue our current practice of allowing Protective Services to pick up the sealed deposits.

The second claim was, **“All deposit slips have a handwritten account that is different than the MICR encoded number.”** This is simply a misunderstanding. The purpose of the written number on the deposit slip is simply to communicate to the Treasurer’s Office that this is from the Health Department. Since the Treasurer’s Office receives deposits from a multitude of different County Divisions, they need this information in order to know from where it comes. It’s not a bank account number and it’s not a replacement of the MICR code. It’s simply a code given to us by the Treasurer’s Office to use and it is only written on the copy that the Treasurer’s Office receives (the bank never sees this number). Hence, rather than risking that our deposits get lost or posted to the incorrect internal accounting codes, we will continue this practice of identifying them as Health Department deposits.

The third claim was, **“The reconciliation of the imprest checking account was only performed quarterly.”** Although the County policy states that this is to be performed on a monthly basis, it’s difficult to perform the audits monthly without causing undue hardship on the employees, especially considering that several of the accounts are used only intermittently (some of the accounts are used less than once per month). In other words, it’s not always cost effective for the minimal benefit we receive by performing the audits month to month. So I admit that there is room for improvement in this area, but I believe that the County policy could use some revision and updating as well.

In summary, I feel that the Auditor’s Office, although well-intentioned, is making the Travel Clinic appear much worse than it really is. Please modify your report to reflect the feedback provided above. Furthermore, as Fiscal Manager, I request to be included in future preliminary communications. By leaving key stake-holders out of the audit process, it’s difficult to respond to findings in a timely manner. Because it’s important for upper management to be knowledgeable about what’s going on, I recommend instituting a more formal communication process.

This brings up another point. Recently, I was alarmed to find out from staff at our clinics that Internal Auditors have been showing up unannounced, “waving badges like police officers,” in an intimidating fashion. Of course, I can see the benefit of performing “surprise” audits on cash drawers, but when I find out news like this second-hand and after-the-fact from front line staff, I can scarcely respond because I’ve heard nothing from the Auditor’s Office. For all I know, the people showing up at the clinics are impostors.

I would hope that we could work collaboratively. Our staff is more than willing to cooperate, but they shouldn’t have to take abuse or intimidation in any form from the Auditor’s Office. This includes the expectation of dropping everything without notice to meet the Auditors’ needs. Instead, upper management, including the Fiscal Manager and the Health Division Director, should be notified of the audit plans, and kept in the loop about the audit findings.