



May 1, 2012

Wayne Cushing  
Salt Lake County Treasurer  
2001 S State Street Suite N1200  
Salt Lake City, UT 84114-4575

Re: Auditor's Examination of the Salt Lake County Treasurer's Office

Dear Wayne:

We recently completed an examination of the Treasurer's Office that included a review of depositing, capital and controlled assets, and IT security. Scott Tingley and Eloy Leal performed this examination.

The overall objective of the examination was to identify areas of risk in the internal controls currently in place. To make this assessment we examined whether:

- Receipting and depositing were performed according to Countywide Policy #1062, *Management of Public Funds*, and good business practice.
- Capital and controlled assets were managed according to Countywide Policy #1162, *Safeguarding Property/Assets*, to guard against theft.
- Computer security was in place according to Countywide Policy #1400-1, *Information Technology Security: Acceptable Use Policy*, to prevent unauthorized access to data or liability to the County through the installation of unlicensed software.

Our work was designed to provide only limited assurances that the system of internal controls was adequate, records current, and daily transactions valid. We reviewed only a few transactions, so there is a risk that we would not have discovered misuse or theft of County assets because these may have occurred with respect to assets or transactions not selected for review.

We completed the examination based on responses from Treasurer's Office personnel, and reviewed a small sampling of transactions and items as judged appropriate. Statistically random samples were not used in transaction testing. A copy of the completed **Examination Checklist** is attached as Appendix A.

The results of the examination produced several **minor findings** in the following areas:

GREGORY P. HAWKINS  
Salt Lake County Auditor

2001 South State Street, N3300  
PO Box 144575  
Salt Lake City, UT 84114-4575

(385) 468-7200  
(385) 468-7201 / fax

[GHawkins@slco.org](mailto:GHawkins@slco.org)

LONN LITCHFIELD, JD, LLM  
Chief Deputy Auditor

MICHAEL P. CHABRIES, PhD  
Senior Advisor

BRAD A. ROGERS  
Executive Assistant

STEPHEN G. SPENCER, CPA  
Director, Division of Fiscal  
Accountability & Compliance

JAMES B. WIGHTMAN, CPA  
Director, Division of Compliance &  
Performance Assessment

DAVID L. BECK  
Director, Division of Property  
Tax Compliance

- Change Funds
- Cash Receipting
- Cash Depositing
- Petty Cash and Imprest Accounts
- Capital and Controlled Assets
- IT Security

## **CHANGE FUNDS**

Our finding in the area of Change Funds is as follows:

***The name of the current change fund custodian did not match the change fund custodian indicated on the authorized fund custodian list.*** The change fund custodian listed on the authorized fund custodian list is no longer an employee of the Treasurer's Office.

### ***RECOMMENDATION:***

***The Treasurer's Office should submit the required paperwork to the Mayor's Department of Finance Office to change the name of the change fund custodian to the current custodian.***

## **CASH RECEIPTING**

Our finding in the area of Cash Receipting is as follows:

***Reconciliations of daily collections ("balancing of cash drawers") are not reviewed by an independent party immediately after balancing.*** Cashiers balance their own cash drawers either at the end of their shift or at the end of each business day. Sometimes, if another cashier is present, cashiers will verify each other's reconciliations, but this is not a regular practice.

However, collections balances and deposit amounts are verified the following day by two different Accounting Specialists. If any discrepancy is discovered, it is immediately resolved with the cashier that performed the cash drawer balance. We feel that there are adequate controls in place to provide assurance that cashier reconciliations and deposit amounts are accurate and verified by an independent party, even though the current practice is not strictly in-line with Countywide Policy as it is written.

### ***RECOMMENDATION:***

***None.***

## **CASH DEPOSITING**

Our finding in the area of Cash Depositing is as follows:

***The review of deposits was not documented by signatures on the Cashier Daily Collections Balance Forms.*** Two different Accounting Specialists verify cash drawer collections and deposit amounts to 1) tax collections recorded in the tax system (County mainframe) and 2) with the bank deposit amounts. The Cashier Daily Collections Balance Forms we examined did not have a place for the reviewers to document their review on the forms.

It appeared that the deposit amounts were verified because of the tick marks we observed on the forms, but the forms lacked an official place for someone to document an independent review of collections and deposits.

### ***RECOMMENDATION:***

***The Treasurer's Office should update the Cashier Daily Collections Balance Form to include a place to document a review of collections and deposits with a signature and date of the review.***

## **PETTY CASH AND IMPREST ACCOUNTS**

Our finding in the area of Petty Cash and Imprest Accounts is as follows:

***Sales tax was paid on several petty cash transactions.*** We examined receipts for items that were purchased using petty cash funds that included sales tax. These transactions included purchases from Costco, Sam's Club, and restaurants. Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Section 4.5, Sales Tax Exemption, states:

*The County is exempt from sales tax as a governmental entity. Prior to making a purchase, employees shall request from the Custodian a Utah State Tax **Commission Form TC-721, "Exemption Certificate."** to avoid paying sales tax.*

Employees are responsible to provide a FormTC-721 to the vendor at time of purchase. Failure to present FormTC-721 can result in the County being charged sales tax. If an employee does not follow these procedures, causing the County to pay unnecessary sales tax, the employee may be personally responsible for paying the sales tax.

### ***RECOMMENDATION:***

***The Petty Cash Custodian should ensure that Treasurer's Office employees are complying with Countywide Policy #1203, and use Form TC-721 to avoid paying sales tax on purchases made with petty cash funds.***

## **CAPITAL AND CONTROLLED ASSETS**

Our findings in the area of Capital and Controlled Assets are as follows:

- ***The Property Manager does not maintain a current software inventory list.***
  - ***Employee controlled asset inventory forms are not used.***
- 

### ***The Property Manager does not maintain a current software inventory list.***

Although the Property Manager does retain proof-of-purchase documentation, software licensing information, and is aware of where specific software titles are installed throughout the office, he does not maintain a current software inventory list. We discussed various methods and applications that could track the Treasurer's Office software inventory, and the Property Manager was open and very receptive to our suggestions.

### ***RECOMMENDATION:***

***The Treasurer's office should implement a software inventory management system.***

***Employee controlled asset inventory forms are not used.*** The Treasurer's Office Property Manager maintains a detailed controlled asset inventory listing for the entire office that includes asset locations. However, employee controlled asset inventory forms are not generated for each Treasurer's Office employee.

Countywide Policy #1125, *Safeguarding Property/Assets*, requires that property managers maintain records to manage controlled assets, including the Controlled Assets Inventory Form – Employee, to track individual assets that are readily assignable to an employee. We recommend that the Treasurer's Office maintain a Controlled Asset Inventory Form – Employee for each employee.

### ***RECOMMENDATION:***

***The Treasurer's Office should maintain a Controlled Asset Inventory Form – Employee for each employee.***

## **IT SECURITY**

Our finding in the area of IT Security is as follows:

***Laptop computers assigned to employees are not encrypted.*** The Treasurer's Office has three laptop computers assigned to different employees in the office. Although these laptops are password protected for each user, they are not currently encrypted.

**RECOMMENDATION:**

***The Treasurer's Office should have encryption software installed on laptop computers assigned to employees.***

We appreciate the courteous and helpful attitude of the Treasurer's Office employees during our examination. Their cooperation and willingness to take time out of their busy schedules to help us during our examination is commendable. We trust that implementation of the recommendations made in this report will create greater efficiency in operations and improve the internal control environment in your office. Please feel free to call me with any further questions you might have.

Sincerely,

Gregory P. Hawkins  
Salt Lake County Auditor

---

By Scott Tingley  
Deputy Auditor

Cc: Randy Wightman  
Angie Vise  
William Parker  
Peter Corroon