

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Facilities Management

April 16, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 16, 2013

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

Re: An Audit of the Key Controls of Facilities Management

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Facilities Management in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Facilities Management and the cooperation from Rory D. Payne, Administrative and Fiscal Manager, Lee Colvin, Real Estate Manager, Wayne Marion, Division Director, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Facilities Management during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Brenda Nelson MBA, CISA
Sr. Deputy Auditor

cc: Leslie Workman, Department Fiscal Administrator
Wayne Marion, Division Director
Rory D. Payne, Administrative and Fiscal Manager
Lee Colvin, Real Estate Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Facilities Management. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

Facilities Management has put into place key internal controls for managing public funds, safeguarding public assets, accessing sensitive information, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. The risks discovered dealing with controls over payments for purchases of small parcels of tax sale property have a higher likelihood of leading to loss of County funds.

Findings, Recommendations, and Management Responses

Finding # 1 - Receipts were not issued and there was no independent reconciliation of parcels sold to amounts deposited.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.1.2 states:

"All persons remitting payments in the form of currency, check, money order or other negotiable instrument; or by payment card to Salt Lake County, in person 'over-the-counter,' shall be issued a receipt documenting the payment."

Six checks were received in payment for parcels of tax sale land during 2012, totalling \$5,500. Buyers paid a \$100 deposit for property they were interested in purchasing. When the parcel was ready to be sold the buyer was required go in person to Facilities Management with a cashier's check or money order. After remitting payment, the buyer was escorted to the Recorder's Office to record the deed and the purchaser received a copy. Unfortunately, the deed did not indicate the amount paid and the Recorder's Office did not require proof of payment. Facilities Management did not issue a receipt to the purchaser.

When receipts are not issued, payments are at a greater risk of being lost or diverted to personal use without detection. The absence of an independent reconciliation of amounts deposited to parcels sold increases this risk.

Recommendation

We recommend that a receipt, indicating the amount of the sale, be issued to purchasers of tax sale property.

We recommend that amounts received be reconciled to parcels sold, by an independent person.

Management Response

Effective immediately, receipts will be issued to purchasers. Amounts received will be reconciled to parcels sold by fiscal personnel.

Finding # 2 - Controls over payments received in the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Facilities Management occasionally receives \$100 checks in the mail for down payments on purchases of property available for sale due to delinquent property taxes. When checks are received, they are placed in the Real Estate Manager's mail box. The Manager opens the checks alone and takes them to the Mayor's Office-Financial Administration for deposit.

When checks are not opened under dual control and included on a check log, there is an increased risk that funds will be lost or diverted to personal use. Because the Real Estate Manager tracks and receives payments, the lack of segregation of duties increases this risk.

Recommendation

We recommend that all checks received in the mail be opened under dual control and included on a check log, or otherwise documented.

We recommend that the check log be reconciled to amounts deposited by a different individual than the person who prepares the deposit.

Management Response

Effective immediately, checks received via mail will be opened under dual control with recording log reconciled with deposits on a monthly basis by fiscal personnel.

Finding # 3 - The annual controlled asset inventory was not signed by the property manager.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property and Assets", Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. 4.3.1 Exhibit 3 - 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual. 4.3.2 Exhibit 4 - 'Controlled Assets Inventory Form-Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee. 4.3.3 The 'Certification' on Exhibits 3 and 4 states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them."

A current controlled asset inventory was provided at the outset of our fieldwork. The Property Manager indicated that an annual inventory was conducted and that the asset list was updated on an ongoing basis as items were purchased and disposed of. However, there was no signed asset inventory on file from the most recent annual inventory conducted.

The property manager was not aware of the policy requirement.

When the asset inventory is not printed and signed each year, accountability for assets is diminished and a historical record of items on hand is not available. Assets are also at a greater risk of loss or misappropriation.

Recommendation

We recommend that the annual inventory be signed and dated by the Property Manager when it occurs.

Management Response

Property Manager will sign and date annual inventory.

Finding # 4 - The Controlled Assets Inventory Form-Employee was not being used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property and Assets", Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. 4.3.1 Exhibit 3 - 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

Within Facilities Management, some assets, such as computers and printers, were assigned to specific employees. The controlled asset list provided during our fieldwork did not indicate which employee the assets were assigned to. In addition, the "Controlled Assets Inventory Form-Employee" was not in use.

The Property Manager was not aware of the policy requirement.

When accountability for assets is not fully established, assets are at a greater risk for being lost or stolen.

Recommendation

We recommend that assets readily assignable to one employee be included on the "Controlled Assets Inventory Form-Employee" and that the employee sign a new form each year.

Management Response

Property Manager will have employee annually sign "Controlled Assets Inventory Form - Employee" as inventories are conducted. For the most recent inventory the "form" will be completed and signed by April 30, 2013.

Additional Information

Background

The Facilities Management Division, Organization 3310, houses budgeted expenditures of \$737,375 for 2013. The Division consists of two full time and one part time, temporary employee. As stated in the Salt Lake County 2013 Proposed Budget, the organization, "provides countywide support in facility master planning and capital improvements program management, preliminary design, cost estimates and feasibility studies for projects proposed for funding and construction, as well as acquisition, disposal, leasing and management of County land."

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending December 31, 2012. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.