

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of  
**Printing**

August 23, 2013

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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August 23, 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 Printing

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Printing 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 Printing and the cooperation from Kelli Oberle, Printing Coordinator, Dave Larsen, Technical Support Specialist, Craig Peacock, Graphic Design Technician, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Printing 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 Anita C. Kasal  
Deputy Auditor

cc: David Stensrud, Division Director  
Leslie Workman-Webster, Fiscal Administrator





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Printing. 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

The Printing Division has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over production materials (inventory) and the processes (order, receipt, and payment) surrounding purchasing card activity have a higher likelihood of leading to loss of County property.

## Findings and Recommendations

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***Finding # 1 - The same purchasing card holder was able to order, receive, and pay for inventory items (production materials).***

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**Risk Level: Moderate**

Countywide Policy #1062 "Management of Public Funds," states in the purpose that:

"In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

At times in the Printing Division, the person placing, receiving, and paying for the order was the same.

When the person placing the order is the same as the person receiving or paying for the order, the inventory items are at greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the Printing Division separate the duties of ordering, receiving, and paying for inventory items to maintain adequate internal control.

We recommend that the Printing Division document the separation of duties on an order form with a paper trail.

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***Finding # 2 - Production materials were not inventoried.***

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**Risk Level: Moderate**

Standard business practice requires production materials be inventoried at least annually for quantity, condition, type, and valuation.

The Printing Division was not maintaining an inventory of production materials used for processing jobs.

When a production material inventory is not performed periodically, then materials are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend an inventory of production materials be performed, dated, and signed by Printing Division management annually.

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***Finding # 3 - Obsolete production materials (salvaged from the flood) were not disposed of or sent to surplus.***

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**Risk Level: Low**

Countywide Policy #1100, "Surplus Property Disposition/Transfer/Internal Sale," Section 4.1 states:

"All surplus, obsolete or unusable personal property, regardless of its physical condition, shall be disposed of in accordance with these provisions through the Surplus Warehouse, except that items which are obviously scrap may be disposed of at the Salt Lake County Landfill, or be sold to a scrap metal dealer for its residual salvage value."

The Printing Division was keeping unusable and damaged production materials in its inventory. These materials had been damaged in a flood.

When production materials that are unusable or damaged are not sent to surplus the storage room can become cluttered and production materials are at greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that production materials in storage areas that are unusable be sent to surplus.

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***Finding # 4 - Purchasing card reconciliation documentation was not found for the last nine months.***

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**Risk Level: Low**

Countywide Policy #7035 "Purchasing Cards Authorization and Use," Section 6.2 states:

"The Cardholder shall reconcile original receipts with the Issuer's statement of monthly activity, and note any items of reconciliation that require further documentation or inquiry."

The cardholder reconciliation summary report had not been printed in the last nine months.

The cardholder stated that she was unable to find the summary report because US Bank had changed its dashboard.

When evidence of the reconciliation of receipts to the bank statement are missing, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that a cardholder summary report be included with the bank statement as evidence of the reconciliation of receipts.

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***Finding # 5 - A controlled asset inventory list was not completed annually.***

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**Risk Level: Low**

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.11 states:

"Property Manager's Duties - At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

The Printing Division's controlled asset inventory was last done in 2006.

When controlled assets are not inventoried annually, assets are at greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that management perform annual audits for all controlled assets.

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***Finding # 6 - The inventory storage room had water seepage damage to production materials.***

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**Risk Level: Low**

Countywide Policy "1125 "Safeguarding Property/Assets," Section 2.2.4 states:

"Safeguard all property subject to this policy for which the organization has custodial responsibility."

In the past, water seepage had damaged production materials in the storage room. However, at the time of our audit, no steps had been taken to prevent damage to the materials should it happen again.

When production materials are not elevated from areas where previous water seepage has occurred, materials are at a greater risk of being damaged and unusable.

***Recommendation***

We recommend that production materials be safeguarded against potential water seepage through the use of shelving.

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***Finding # 7 - The Supervisor's time card was not being approved.***

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**Risk Level: Low**

Countywide Policy Organizational Payroll System "Accounting Policy 4.5," Section 2.5 states:

"All records where employees make the original entry of time and attendance must be approved by at least the immediate supervisor before information is posted to the County payroll system Time and Attendance Report (TandA)."

No one was approving the Printing Supervisor's time card.

When time cards are not approved by an authorized individual, funds are at greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that an authorized individual approve the Printing Supervisor's time card.

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***Finding # 8 - The door on the inventory storage room (production materials) was left open.***

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**Risk Level: Low**

Countywide Policy "1125 "Safeguarding Property/Assets," Section 2.2.4 states:

"Safeguard all property subject to this policy for which the organization has custodial responsibility."

The Printing Division has a separate storage room, aside from their operations area, which was left unlocked and open.

When inventory items are left unsecured, items are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that when staff is not working in the storage room, it be locked and secured.

## **Additional Information**

### **Background**

The Printing Division is a part of the Salt Lake County Administrative Services and is located in the South building of the Government Center. Services are provided to Salt Lake County employees for all size of print jobs. Among the many services are: offset ink print (business cards and letterhead), high speed production copies, full color copies, paper cutting, drill (hole punch), bindery systems, folding, laminating, layout and design, and CD and DVD replication.

### **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 April 30, 2013. 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.

Management response to findings in this report, when received, will be attached as Appendix A.



August 16, 2013

Finding # 1

With three FTE's in the division the person ordering and the payer will be the same with a different receiver and the director as always will okay the p-card payment sent to him by the payer. To be implemented immediately.

Finding # 2

The director is in the process of developing an inventory form and a tracking spread sheet. Our first inventory is set for the end of the third quarter and will commence quarterly there-after. Inventory results will be stored in the director's office with copies sent to the Department Director and the Department Fiscal Manager.

Finding # 3

All flood damaged paper was recycled during the clean up after the flood. By the end of the third quarter all obsolete and unusable paper will be sent to the surplus warehouse or recycled as per the decision of the surplus manager.

Finding # 4

Starting immediately after the audit the cardholder summary report is being kept with the bank statement as evidence of the reconciliation of receipts.

Finding # 5

The property manager has completed a physical inventory of fixed and controlled assets. This will be performed annually at the same time as the capital assets inventory is done.

Finding # 6

By the end of 2013 the paper storage room will be palletized in the area to the flood shoreline.

Finding # 7

When questioned on this, payroll said that Director's time cards do not have to be approved.

Finding #8

**Ben McAdams**  
Salt Lake County Mayor

**Jill Carter**  
Administrative Services  
Department Director

**PRINTING SERVICES  
DIVISION**

**David Stensrud**  
Director  
DStensrud@slco.org

When there is no one working in the paper storage room it is to remain locked. The door has an always locked door handle so the door will just have to be closed and the end of the rooms use. Current policy.

*David W. Stusund*