

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



An Audit of  
Animal Services' Purchasing Card Transactions and  
Retail Inventory Management

December 12, 2013

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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December 12, 2013

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

Re: An Audit of Animal Services' Purchasing Card Transactions and Retail Inventory Management

GREGORY P. HAWKINS  
Salt Lake County Auditor

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Dear Mayor McAdams:

We recently completed an analysis of Animal Services' Purchasing Card Transactions and Retail Inventory Management pursuant to 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. 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 Animal Services and the cooperation from Russ Wall, Don Porter, Gabe Anguiano, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the purchasing card and merchandise inventory records 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 Cherylann Johnson MBA, CIA, CFE  
Sr. Deputy Auditor

cc: Russ Wall, Public Works Department Director  
Mike Reberg, Division Director  
Don Porter, Assistant to Management  
Michelle Roach, Fiscal Manager





## **Objectives**

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Animal Services' Purchasing Card Transactions and Retail Inventory Management. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with selected internal controls.

## **Conclusion**

We evaluated internal controls related to the audit scope and objectives. Our review focused on controls related to inventory management, purchasing card transactions, and travel-related expenditures.

In 2009, the Animal Services Division began a retail operation of merchandise for pet owners. During our audit, we found that the Division Director's management of the retail operation was inadequate, and there were no procedures to verify the accuracy and completeness of the inventory accounting. Our review of the inventory management revealed deficient controls over purchasing and receiving responsibilities. We also found that inventory records were not properly maintained when merchandise arrived at Animal Services and when items were removed from inventory. In addition, there were excessive merchandise purchases that were largely questionable in terms of their appropriateness and business necessity. Lack of an inventory control system enhanced the Division Director's ability to purchase excess merchandise and to remove inventory items without detection.

Furthermore, the Division Director circumvented Countywide Policy regarding acceptable use of purchasing cards. Disregard for requirements in the Countywide Policy and the overriding of existing controls gave the Division Director the opportunity to conceal her purchases by spreading them among several purchasing cards belonging to various Animal Services employees.

The Division Director also displayed a significant disregard for the provisions in Countywide Policies related to travel. For example, she violated Countywide Policy by allowing vendor-paid expenses for her travel to vendor-sponsored Roundtables. On a separate occasion, when she attended a conference, she charged an amount for lodging that exceeded the approved amount.

Management override can defeat internal control systems and increase the risk that losses may occur due to misappropriation or inefficient use of County funds. Reports of recent audits of Animal Services were released to the public in October 2008 and April 2013.

## **Findings and Recommendations**

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***Finding # 1 - There was no documentation to verify changes affecting the amount of retail inventory.***

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**Risk Level: High**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.1.1 requires Division Directors to safeguard County property. Section 1.10 defines "safeguard:"

"Safeguard - to provide internal controls appropriate to the organization's operating environment on a cost-effective basis that adequately protect against the loss of property through theft, misuse, abuse, etc."

Animal Services did not track or record every item leaving the inventory. Only those items that were sold to customers were tracked using their accounting system. Staff stated that retail merchandise was taken to events, donated to organizations, used for employee incentive awards, and disposed of due to damaged goods. However, no records were maintained to document these changes in the number of items in the retail inventory. In addition, no annual physical inventory was performed.

Staff said that it became overwhelming and time consuming to keep track of the merchandise, and that the Division Director did not want to deal with the laborious aspects of the retail operation, such as pricing, performing inventory counts, and recordkeeping. Staff also said that when the Division Director wanted items for an event, she took merchandise from the store without documenting the amount or description of the items.

Lack of internal controls increases the risk that losses due to theft or inappropriate use of County assets could occur and not be detected. Without adequate internal controls, including inventory control procedures, it is easy to take merchandise inventory without leaving evidence. It is also difficult to confirm the number of items taken and where the items went. Lack of documentation for changes in the amount of items in the merchandise inventory increases the possibility of errors and abuse.

***Recommendation***

We recommend that Animal Services track every item leaving the inventory and prepare monthly reports to document changes affecting the inventory amount.

We recommend that Animal Services adopt written policies that specifically establish internal controls over retail merchandise to guard against inappropriate employee actions regarding the use of merchandise inventory, procedures for disposing of damaged or obsolete items, and guidelines for performing physical inventories.

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***Finding # 2 - The physical inventory of retail merchandise confirmed a shortage.***

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**Risk Level: High**

The Purpose Statement in Countywide Policy #1125, "Safeguarding Property/Assets," states:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed – meaning, controlled, inventoried, and protected."

Animal Services did not maintain accurate records of inventory; therefore, we reviewed the AFIN expenditure reports to calculate the purchases and determine the cost of inventory for which the Division was responsible. Total purchases from January 1, 2009 through June 30, 2013 were \$129,825 and total cost of goods sold was approximately \$64,646. We calculated the ending inventory valuation based on the purchase value of the merchandise and the cost of goods sold. The estimated inventory valuation that should have been on hand was \$65,179 (that is, \$129,825 - 64,646).

We compared this to the actual inventory on hand based on the physical count performed by employees at Animal Services during July and August 2013. The actual inventory on hand was \$37,400. Therefore, approximately \$27,779 of inventory was unaccounted for. As discussed in Finding #3, the inventory records that were available were inadequate. Furthermore, there were no internal controls established to ensure that the merchandise inventory was safeguarded and properly managed.

The lack of supporting documentation made it impossible to prove the validity of employee claims that the Division Director used the inventory items for employee incentive awards and at offsite locations and events. In addition, because of the mismanagement of the retail operation, it was not possible to identify the cause of the shortage in the inventory.

***Recommendation***

We recommend that Animal Services implement appropriate internal controls to manage and safeguard the merchandise inventory.

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***Finding # 3 - Retail inventory amounts were not reconciled.***

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**Risk Level: High**

The Purpose Statement in Countywide Policy #1125, "Safeguarding Property/Assets," states:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed – meaning, controlled, inventoried, and protected."

The United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports...The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

An inventory reconciliation had not been performed. For the majority of retail merchandise shipments, the inventory was not entered into the computer system upon receipt. Therefore, Animal Services staff could not verify the physical inventory to the accounting records. Furthermore, a full physical count of inventory was not performed at least annually.

Without adequate control of the retail merchandise and reconciliation of the inventory amounts, errors and irregularities can occur without being detected. Because of shrinkage (theft, spoilage, and damaged or obsolete goods), the reported balances could be drastically different from the actual inventory if regular inventory reconciliations are not conducted. If reconciliations are not performed by Animal Services, management could be relying on erroneous data for inventory balances and accounting information.

In addition, when inventory is not properly reconciled, inventory on hand is at greater risk of being lost or diverted to personal use. As discussed in Finding #1, the Division Director took advantage of the fact that no reconciliations were performed by taking inventory to be used at off-site events or for employee incentives without documenting the descriptions and amounts of the items.

***Recommendation***

We recommend that Animal Services make inventory tracking a continuous process and perform inventory reconciliations to ensure accurate accounting records for the retail operation.

We recommend that Animal Services record clear notations on the reconciliation report for any differences between the amounts in the physical inventory records and the amounts in the accounting records, and that the fiscal manager review and document the reason for any variance.

We recommend that Animal Services document all reductions in inventory, (e.g., approvals to use inventory items at events or for incentives and approvals to remove items that are damaged, spoiled, or obsolete).

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***Finding # 4 - The Division Director used purchasing card account numbers that were issued to other employees.***

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**Risk Level: High**

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 1.2 states:

"The P-Card shall be issued in the name of the authorized applicant/cardholder, who is solely responsible for its use."

Section 1.4 states:

"Any cardholder training materials and usage guidelines related to the use of a County P-Card are, by reference, incorporated as part of this policy, and shall be reviewed, understood, and followed by the cardholder, their supervisor, and the Agency fiscal manager prior to use."

Sections 2.1 and 2.2 state:

"Immediately upon receipt of the P-Card, it shall be signed by the cardholder. Thereafter, the cardholder shall be responsible for authorized and allowable use and safeguarding of the P-Card."

In addition, the training documents provided by the County Division of Contracts and Procurement instructed employees that purchasing cards were to be used only by the cardholder and were "NOT for use by anyone else."

Each employee who is issued a purchasing card is required to attend training provided by the Contracts and Procurement Division and sign an agreement. The Employee Agreement has ten responsibilities for cardholders. One of the responsibilities states, "The card is issued in my name. I will not allow any other person to use the card. I am considered responsible for any and all charges against the card."

Nevertheless, at least five employees with purchasing cards were instructed by the Division Director to reveal their P-Card account numbers and security codes to enable the Division Director and the Office Coordinator to make purchases using the other employees' purchasing cards. These cardholders knowingly allowed another employee to use their purchasing card account numbers.

The Division Director circumvented the County's internal control system by making purchases using several employees' P-Card account numbers. For example, there were three purchases made using an employee's P-Card account number on days when the cardholder was on vacation leave. Furthermore, staff cited that during a meeting where numerous employees were present, employees with P-Cards were told by the Division Director to limit spending for the upcoming months because she was going to use their P-Cards to make purchases for the retail store.

The Division Director used other employees' P-Card account numbers and also instructed the Office Coordinator to use other employees' P-Card account numbers for purchases of retail inventory and other items. The Division Director's management style was intimidating; therefore, staff were afraid to speak out when she involved them in improperly disclosing their P-Card account numbers. Employees were not encouraged to raise concerns for fear of being persecuted.

Because the internal controls, regarding appropriate purchasing card use, were circumvented, it was difficult to identify who made specific purchases. This practice is particularly problematic for inappropriate purchases.

### ***Recommendation***

We recommend that all purchasing cards issued to employees in Animal Services be cancelled and new cards be issued after the employees have re-attended the training provided by the Contracts and Procurement Division.

We recommend that Animal Services management limit authorized use of the purchasing card to the person whose name appears on the face of the card.

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***Finding # 5 - Exceptions were not granted for vendor-paid expenses for employee travel.***

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**Risk Level: High**

Countywide Policy #1021, "Vendor-Paid Expenses for Employee Travel," Section 1.0 states:

"It is the policy of the County, in order to prevent any situation from creating a conflict of interest, either expressed or implied, that no elected official, appointed or merit-covered employee, nor any person representing the County and receiving compensation therefrom shall travel inside or outside the state of Utah at the expense of any past, present, or future purveyor of goods or services (vendor) to any office, department, division, section or agency of Salt Lake County."

Sections 2.0 and 2.1 state:

"Exceptions to Section 1.0 may be granted by the County Mayor for good cause shown. The term 'good cause shown' shall include and require, but not be limited to, the following:

- a. a written explanation, justifying such an exception,
- b. a written disclosure of all the facts associated with the matter, and
- c. a written request to the County Mayor . . . seeking such exception."

The Division Director attended two vendor-sponsored conferences ("Roundtables"); one in November 2012 and one in June 2013. The vendor paid for the Division Director's airfare and lodging. However, the Division Director did not submit a written request to the Mayor for an exception. Furthermore, there was no documentation from the Mayor approving these trips or giving an exception for the Division Director to attend.

The majority of the merchandise purchased for the retail store at Animal Services was purchased from PetEdge, the vendor who sponsored the Roundtables. From January 1, 2012 through June 30, 2013, a total of \$80,755 of merchandise inventory was purchased by Animal Services. Of that total, \$62,599 (77 percent) was purchased from PetEdge. The cost of merchandise sold during that same period totaled approximately \$34,896. Therefore, the inventory turnover did not warrant the need for the excessive purchases. Furthermore, inventory was increasing faster than sales.

When the Division Director attended the Roundtable in June 2013, she was told by the fiscal manager not to make any inventory purchases while at the Roundtable. However, in August 2013, a shipment of merchandise inventory, totaling \$3,856.48, arrived at Animal Services. This merchandise was ordered by the Division Director in June when she was at the PetEdge Roundtable. When the shipment arrived, staff contacted the vendor to inquire about the purchase and were told that the Division Director submitted the purchase in June, but delayed the shipment until August 2013.

The Division Director created a conflict of interest between herself and the vendor when purchasing merchandise at the vendor-sponsored Roundtable. It appears that the vendor-sponsored Roundtables were incentives for the purchases that were previously made from PetEdge and to encourage additional purchases while at the Roundtables. The excessive amount of purchases made from PetEdge meant that Animal Services had to purchase an additional shed in December 2012, at a cost of \$3,817, in which to store the substantial merchandise inventory. Therefore, County resources were unnecessarily spent for purchasing excessive merchandise inventory and for purchasing a shed in which to store the excess items.

### ***Recommendation***

We recommend that any requests for exceptions to Countywide Policy #1021, "Vendor-Paid Expenses for Employee Travel," be in writing, and any exceptions granted by the Mayor be documented.

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### ***Finding # 6 - Animal Services had not established an inventory management system for retail inventory.***

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#### **Risk Level: High**

The Purpose Statement in Countywide Policy #1125, "Safeguarding Property/Assets," states:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed – meaning, controlled, inventoried, and protected."

There is no Countywide or Animal Services Division policy on inventory control. However, according to Philip B. Goodman, CPA, in his book "Accounting Savvy For Business Owners:"

"The way you track financial data for buying and selling inventory items differs greatly from the way you track other purchases and sales. Here are the guidelines for understanding accounting for inventory:

1. Inventory is an asset.
2. The value of your inventory asset is based on its cost, not its retail value.
3. When inventory product is sold, the expense (the cost of the inventory item) is posted and the value of the inventory asset is decreased by the same amount.

In addition to buying inventory and posting it to the inventory asset account, you must track the quantity and cost of your purchases."

Animal Services purchased \$129,825 of merchandise for resale from January 1, 2009 through June 30, 2013. The amount and costs of the items purchased for resale were rarely recorded. As a result, inventory could not be valued at any given time.

We reviewed the Retail Revenue Report for retail sales from January 1, 2013 through July 15, 2013. There were 4,564 retail items that had been sold. Of the 4,564 items, there were only 984 that had a recorded cost.

The grand totals on the Retail Revenue Report showed total revenue of \$38,306.80 and total cost of \$6,829.64 for a profit of \$31,477.16 ( $\$38,306.80 - \$6,829.64 = \$31,477.16$ ). The profit amount was inaccurate because the majority of the items sold were listed with a \$0 cost and were, therefore, not calculated in the grand total cost shown on the report.

For the majority of retail items sold, Animal Services management only tracked the number of items sold and the retail price of those items. They did not track the cost of each item sold in order to have an accurate accounting of the retail operation.

### ***Recommendation***

We recommend that Animal Services establish an inventory management system to properly account for the retail store inventory.

We recommend that Animal Services record the individual costs of all inventory items in their accounting system to enable accurate financial reporting on the Retail Revenue Report.

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***Finding # 7 - Animal Services had poor recordkeeping of retail inventory items purchased with purchasing cards.***

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**Risk Level: High**

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

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed – meaning, controlled, inventoried, and protected.

Section 2.2.12 (e) requires the Property Manager to:

"Ensure proper receiving controls are in place so that property received is what was ordered, and that upon receipt all other property controls explained in the policy are followed."

Purchasing cards were used to purchase merchandise inventory for the retail store. When shipments arrived at Animal Services, the online records were not updated for inventory items that were received. In addition, some merchandise inventory was transferred to Best Friends Animal Society, a non-profit organization, located in Sugarhouse, Utah, to be displayed and sold. However, no record was kept of the items that were transferred. Furthermore, as discussed in Finding #1, no documentation was kept of the merchandise inventory that was used at off-site events or for employee incentives.

When there is not an accurate record maintained of merchandise inventory, there is the opportunity for employees to misappropriate items without detection.

### ***Recommendation***

We recommend that Animal Services maintain accurate inventory records of merchandise purchased for resale and ensure that all merchandise is accounted for.

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### ***Finding # 8 - Retail inventory was given to a third party on consignment and no records were kept.***

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#### **Risk Level: High**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 1.10, states:

"Safeguard – to provide internal controls appropriate to the organization's operating environment on a cost-effective basis that adequately protect against the loss of property through theft, misuse, abuse, etc."

Animal Services entered into a verbal agreement with Best Friends Animal Society (Best Friends) for consignment of merchandise inventory to be displayed and sold at the Best Friends location in Sugarhouse. When the merchandise was sold, Best Friends was supposed to send the money to Animal Services. There were no records to indicate the description, amount, and cost of the merchandise that had been taken to Best Friends.

Without accurate records of the merchandise taken to another location for consignment, County assets are not properly safeguarded and are vulnerable to misappropriation.

### ***Recommendation***

We recommend that Animal Services maintain an accurate record of merchandise inventory that is on consignment, and that the record of merchandise inventory be confirmed with a signature from the consignee.

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### ***Finding # 9 - There was inadequate documentation for some purchases.***

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#### **Risk Level: Moderate**

Countywide Policy #7035 "Purchasing Cards Authorization and Use," Section 6.1 states:

"Original itemized receipts showing the detail of the goods and/or services purchased shall be retained and maintained for inspection by the Cardholder."

Animal Services Purchasing Procedures, Section H.7 states:

"The Purchaser keeps the receipts for goods delivered and reconciles those receipts with the monthly invoice provided by the vendor."

We reviewed the purchasing card transactions for nine cardholders in Animal Services for the period July 2012 to June 2013. Some cardholders had recently obtained their P-Cards; therefore, we reviewed their transactions for the time period since obtaining their P-Cards. We reviewed 772 purchases and found that 26 did not have appropriate supporting documentation.

Without supporting documentation, we cannot verify what items were purchased, whether the purchase was appropriate, and the cost of the individual items.

#### ***Recommendation***

We recommend that management ensures that cardholders comply with Animal Services internal purchasing procedures and Countywide Policy to maintain documentation for all purchases.

We recommend that approving officials for the Purchasing Card Transaction Logs not approve transactions that do not have appropriate supporting documentation.

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***Finding # 10 - Expenditures were made to Object Code #3010, "Cost of Materials Sold," even though the budgeted amount was over-expended.***

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**Risk Level: Moderate**

Salt Lake County Code of Ordinances, Chapter 3.16 "Purchasing Agent," Section 3.16.010 states:

"Purchasing and contracting is the process of acquiring all those goods and services that are deemed necessary by County agencies to provide the public services within the purview of those agencies."

Countywide Policy #7021, "Small Cost Purchasing Procedures," Section 1.2.2 states:

"It is the responsibility of the using County agency to identify the need for goods and/or services and the approximate cost for those goods and/or services."

When merchandise inventory was purchased, it was coded to Object Code #3010, "Cost of Materials Sold." The amount budgeted for Object Code #3010 for 2012 was \$20,000. However, the actual amount of inventory purchased was \$38,021. The amount budgeted for Object Code #3010 for 2013 was also \$20,000, and the actual amount of inventory purchased through June 30, 2013 (only 6 months of the year) was \$42,734. To make purchases of merchandise, the Division Director used her own County purchasing card and the purchasing cards of other Animal Services employees. (See Finding #4 for more information.) By spreading the merchandise purchases among several employees' P-Cards, the Division Director concealed the purchases so that the excessive merchandise purchases were less noticeable.

When the budget amount for Object Code #3010 was completely expended, the Division Director continued to prepare, and the fiscal manager continued to approve, requisitions for additional merchandise purchases.

Animal Services did not have to show a profit for its retail operation; therefore, there was no incentive to sell merchandise before ordering more items. However, increases in the amount and frequency of inventory purchases ties up County resources that could be used for other purposes. When retail merchandise is selling at a rate that is slower than the rate that merchandise is purchased, additional inventory purchases are not deemed necessary and are not in the best public interest.

### ***Recommendation***

We recommend that Animal Services management identify the need for acquiring goods prior to making purchases.

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### ***Finding # 11 - The Division Director charged an amount for lodging that exceeded the approved amount.***

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#### **Risk Level: Moderate**

Countywide Policy #1019, "Authorization and Payment of Travel Related Expenses," Section 2.19 states:

"All hotel/lodging expenses may be paid using a County-issued purchasing card, and so noted on the 'Request for Travel Allowance' form. Proof of payment and confirmation from the hotel or establishment shall be attached to the 'Request for Travel Allowance' form."

The Division Director attended a conference in October 2012 in Las Vegas, Nevada. The conference was held at the Rio All-Suite Hotel; however, the Division Director stayed at the Vdara Hotel and Spa. The amount charged to the Division Director's purchasing card for her room was \$911.68. However, the amount requested on her 'Request for Travel Allowance' form was \$683.88, which had been approved by the Department Director. The \$227.80 difference was never reported on her form; therefore, it was never approved.

The Division Director reserved the room at the Vdara in September 2012 and submitted the 'Request for Travel Allowance' form in October 2012; therefore, she would have known that the actual cost of the room was more than the amount she listed on the travel request. However, she did not attach the hotel confirmation to the 'Request for Travel Allowance' form. Furthermore, another Animal Services employee, whom the Division Director drove with to Las Vegas, attended the conference and stayed at the Rio Hotel. We did not find documentation from the Division Director to justify staying at an off-site hotel. Not only was the Rio Hotel a more cost effective option, it was the conference site.

The Division Director overrode the internal control system that was established for travel expenditures.

County funds were used inappropriately and were therefore not available for other areas of need within the County.

### ***Recommendation***

We recommend that the "Request For Travel Allowance" forms be accurately completed.

We recommend that individuals who are responsible for reviewing and authorizing travel requests ensure that hotel confirmations are attached to the 'Request for Travel Allowance' forms.

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### ***Finding # 12 - There were no inventory controls in place for receipt of retail merchandise ordered.***

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#### **Risk Level: Moderate**

The Purpose Statement in Countywide Policy #1125, "Safeguarding Property/Assets," states:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed – meaning, controlled, inventoried, and protected."

Purchasing documents for retail merchandise were not properly matched with the receiving documents. During our review of the purchasing card transactions from July 2012 through June 2013, we observed that purchases of merchandise for resale had been made. Out of 772 P-Card purchases reviewed, 79 were for purchases of retail merchandise.

We reviewed the receiving documentation for the purchases and found that there was no indication on any of the receiving documents (packing slips) of the employee who received and verified the order. No one matched the purchase order/order summary with the packing slips to check that the items ordered were actually received. Therefore, there was no independent verification of merchandise received and no record maintained of items that were on backorder.

Without a comparison of the merchandise ordered to the items received, errors or irregularities may occur without detection.

### ***Recommendation***

We recommend that receiving documents be matched with purchase orders/order summaries.

We recommend that merchandise inventory controls be implemented to ensure that there is an independent verification of merchandise received, and that the signature of the employee that verified the order is indicated on the receiving documents.

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***Finding # 13 - There was no segregation of duties for the responsibilities of ordering and receiving merchandise purchased for resale.***

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**Risk Level: [Moderate](#)**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.12 (e) requires the Property Manager to:

"Ensure proper receiving controls are in place so that property received is what was ordered, and that upon receipt all other property controls explained in the policy are followed."

There is no Countywide or Animal Services Division policy on inventory control. However, according to Joseph T. Wells, founder and chairman of the Association of Certified Fraud Examiners (ACFE), in his book, "Corporate Fraud Handbook - Prevention and Detection:"

"The purchasing and receiving functions of a company can be manipulated by dishonest employees to facilitate the theft of inventory and other assets. One of the basic measures, if properly installed and implemented, that may help prevent inventory fraud is segregation of duties. Different personnel should handle these duties: (1) Requisition of inventory, (2) Receipt of inventory, (3) Disbursement of inventory."

No one individual should be allowed to control all key aspects of a transaction, such as authorizing, purchasing, and receiving merchandise.

The Division Director and four other employees ordered and received inventory merchandise for resale. Animal Services did not have any procedures in place to segregate the responsibilities of ordering and receiving inventory. Furthermore, there was not a clear understanding at Animal Services of who was in charge of receiving incoming shipments; therefore, various employees received the shipments.

Without segregation of duties, there is a greater risk that an employee could requisition merchandise that is not required and misappropriate the items for personal use. When employees both purchase and receive inventory, there is an increased risk of merchandise inventory being lost or misappropriated without detection.

### ***Recommendation***

We recommend that Animal Services implement segregation of duties for the responsibilities of ordering and receiving merchandise purchased for resale.

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***Finding # 14 - Authorization controls for purchasing card transactions were circumvented.***

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**Risk Level: Moderate**

Animal Services Purchasing Procedure E.3 states:

"A purchase requisition form will need to be completed and purchaser needs to obtain proper approvals on the form prior to any purchase."

Animal Services created an internal requisition form that was required for all P-Card purchases. The requisition form was to be completed and have proper approval signatures prior to a cardholder making a purchase using the P-Card. The implementation of the authorization process for making purchases using the P-Card lacked strong controls, resulting in the improper processing of unauthorized requisitions.

The Office Coordinator purchased a signature stamp of the Division Director's signature in November 2012 and used it to stamp the Division Director's signature on the "Requestor Name" and "Authorized By" lines of the requisition forms. However, the Animal Services Purchasing Procedures did not allow for the use of a signature stamp to replace the actual signature of the authorized approver. During our review of 772 purchasing card transactions, there were 239 requisition forms that had the Division Director's stamped signature; 25 percent of these had the Division Director's stamped signature on both the "Requestor Name" line and the "Authorized By" line on the form.

Internal controls can break down when authorizers do not review the forms they must sign. During our testwork of processes, we are looking for a signature, not an autograph. Unlike an autograph, a signature implies that a review took place. Unauthorized transactions occur when an employee makes purchases without the appropriate supervisory approvals. Failure to ensure that all transactions are properly authorized could lead to inappropriate purchases and increases the risk that a cardholder could purchase goods that are not necessary and misappropriate the items for personal use.

### ***Recommendation***

We recommend that Animal Services personnel responsible for making purchases complete a requisition form and obtain proper approvals prior to making purchases with a purchasing card.

We recommend that a person with appropriate authority review and authorize requisitions, and indicate the review with a signature.

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***Finding # 15 - There was not a valid contract in place to establish agreed upon procedures for consignment of retail inventory.***

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**Risk Level: Moderate**

Countywide Policy #1060 "Financial Goals and Policies," Section 4.4 states:

"The County shall follow a policy of vigorously collecting all property tax and other receivables."

Animal Services consigned merchandise inventory that was displayed and sold at Best Friends Animal Society (Best Friends). Staff cited that the Division Director had established a verbal agreement with Best Friends; however, Animal Services had not memorialized a contract by which compensation for retail sales would be submitted to the County. According to the fiscal manager, a relationship existed, but a valid formal agreement had not been written. As a County agency, Animal Services should not have entered into such a relationship without a formally executed agreement.

The fiscal manager stated that Best Friends was supposed to submit a check for the revenue when merchandise is sold. However, Animal Services had not received any payments in 2013. Furthermore, as stated in Finding #7, there were no records to indicate the description and amount of merchandise that was delivered to Best Friends; therefore, it was impossible to know the exact dollar amount that Animal Services should expect to receive. Animal Services created a receivable situation by purchasing retail merchandise and consigning it; therefore, measures must be taken to ensure the County receives the money.

When merchandise has not been properly accounted for, items are at risk of being lost or misappropriated without detection.

### ***Recommendation***

We recommend that Animal Services work with the District Attorney's Office to prepare a memorandum of understanding or other form of cooperative agreement authorized by law for the consignment of merchandise inventory at Best Friends.

We recommend that the fiscal manager contact the manager at the Best Friends' Sugarhouse location and determine the status of payments due the County for merchandise sales.

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***Finding # 16 - There was not a supervisory review of the Division Director's purchasing card transactions.***

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### **Risk Level: Moderate**

Animal Services Purchasing Procedure G.7 states:

"At the end of the billing cycle, the purchaser provides original copies of the Purchasing Card Transaction Log (including Meal Reimbursement forms with attached documentation, if purchasing meals or refreshments) to Administration and fiscal manager or designee for review and approval on the U.S. Bank website."

The President's Council on Integrity and Efficiency, "A Practical Guide for Reviewing Government Purchase Card Programs," states:

"The most important internal control of the P-Card program is the monthly review of the cardholder's statement by the approving official."

The fiscal manager was the approving official for the Division Director's purchasing card transactions. The approving official was responsible for ensuring that all purchases made by the cardholder were appropriate and that charges were accurate. This review was the essential control component in the process. Although the fiscal manager signed the Division Director's Purchasing Card Transaction Log indicating that a review had been performed, this control was weakened by the fact that the fiscal manager did not have a position of authority over the cardholder.

The fiscal manager was not able to confirm the legitimacy of purchases and compliance with Countywide Policies and had not required that the Division Director validate the appropriateness of items purchased when there were questionable transactions. Some of the Division Director's purchases were questionable in terms of their appropriateness and business necessity. The Division Director displayed a significant disregard for regulations or controls, yet her P-Card purchases had all been approved.

Without supervisory review, the risk is greater that inappropriate purchases will not be questioned; therefore, the potential for fraud and improper transactions is increased.

#### ***Recommendation***

We recommend that the approving officials be sufficiently independent and of high enough rank to question the cardholders when additional information is needed about specific transactions.

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***Finding # 17 - Meal Reimbursement Forms were either not included or not appropriately signed for some transactions.***

---

**Risk Level: Low**

Countywide Policy #1020, "County Meals," Section 6.1 states:

"All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to County business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt."

During our review of purchasing card transactions, we examined five food purchases that had Meal Reimbursement Forms that were not appropriately signed and dated by the Division Director or Department Director. We also observed three food purchases that did not have a Meal Reimbursement Form included with the sales receipts.

Without a Meal Reimbursement Form that is signed and dated by the Elected Official or Division/Department Director, we cannot verify that the purchases were authorized and approved.

***Recommendation***

We recommend that a Meal Reimbursement Form that is signed and dated by the Elected Official or Division/Department Director accompany each food purchase made using the purchasing card.

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***Finding # 18 - There was no procedure in place to notify the Property Manager when a controlled asset was purchased with a purchasing card.***

---

**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 2.2, 2.2.3, and 2.2.4 state:

"Property Manager's Duties - duties may be appropriately delegated to a subordinate; however, consistent with basic management principles, Property Managers and County Administrators remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following: Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody. Safeguard all property subject to this policy for which the organization has custodial responsibility."

Section 2.8 states:

"Contract entities - This policy shall apply not only to all County organizations, but also to all entities who by contract have responsibility to manage County-owned property of the nature subject to the policy."

During our review of purchasing card transactions, we observed that cardholders made purchases of items that should have been included on the controlled assets list. For example, display items and fixtures were purchased with the purchasing card and delivered to Best Friends Animal Society. When we spoke with the Property Manager, we learned that he had not been informed of the purchases. We also learned that Animal Services did not have a written procedure that instructs cardholders to notify the Property Manager when controlled asset purchases were made using a purchasing card.

When controlled assets are not properly listed on the controlled assets inventory list, accountability is not established, records are less accurate, and assets are more susceptible to being lost or converted to personal use.

***Recommendation***

We recommend that procedures be implemented to ensure proper receiving controls are in place so that all controlled assets are properly recorded on the controlled assets inventory list.

---

***Finding # 19 - Unnecessary charges were noted on some purchasing card transactions.***

---

**Risk Level: Low**

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Sections 6.1, 6.2, and 6.3 state:

"Original itemized receipts showing the detail of the goods and/or services purchased shall be retained and maintained for inspection by the cardholder. The cardholder shall provide the Agency fiscal manager unrestricted access to the receipts for review. 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 Issuer shall be notified by the Agency of any disputed transactions within 60 days of the Issuer's statement date. The Program Administrator shall also be notified. Disputed items should be noted on the P-Card transaction log or in the bank online system."

Section 4.1.1 states:

"Sales Tax on P-Card Purchases. County purchases are exempt from sales tax. Therefore, if sales tax is mistakenly paid and the tax to recover is worth the cost of the recovery effort, the cardholder shall take actions to obtain a credit to the P-Card account for the tax paid. Otherwise, the cardholder may be held responsible, at the discretion of their County Agency Management, for reimbursing the County for the amount of sales tax."

The President's Council on Integrity and Efficiency, "A Practical Guide for Reviewing Government Purchase Card Programs," states:

"Abusive purchases - Review purchases to determine whether they were for appropriate government use or obtained at excessive cost."

From December 26, 2012 through December 31, 2012, there were 24 purchases made from Amazon using the Division Director's purchasing card. These purchases were coded to an Object Code that had an unspent balance. Of these 24 purchases, 9 were charged a shipping and handling fee and 1 was charged sales tax. After reviewing the purchases, it appears that the Division Director had no regard for where the money was spent, she simply wanted to spend the remaining money in the Object Code prior to the year end. For example, the majority of the shipping fees were for a purchase of 30 measuring cups totaling \$38.70. A \$90 shipping and handling fee was added for a grand total of \$128.70. However, a prime membership fee of \$79, which allows for free shipping of items purchased, was charged to the Division Director's purchasing card in October 2012.

In addition, in November 2012, there was a duplicate charge that appeared on the Division Director's U.S. Bank statement. There was no supporting documentation for the duplicate charge. Neither the Division Director, during her monthly reconciliation, nor the fiscal manager, during his monthly review, disputed the duplicate charge.

In all of the instances described above, County funds were used inappropriately and were therefore not available for legitimate County purposes.

### ***Recommendation***

We recommend that management establish and maintain an environment throughout the organization that sets a positive attitude toward internal controls and conscientious management over the use of purchasing cards.

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### ***Finding # 20 - Requisition forms were not always in the monthly purchasing card files.***

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#### **Risk Level: Low**

Countywide Policy #7035, "Purchasing Card Authorization and Use," Section 6.6 states:

"County records, including itemized receipts, quotes, and other supporting documentation discussed in this policy, will be maintained pursuant to the Government Records Access and Management Act §63G-2-101 et.seq., Utah Code Annotated, and in compliance with County Ordinance §2.82, Records Management."

Salt Lake County Animal Services Purchasing Procedure G.8 states:

"The purchaser maintains all receipts and pink requisition copies for their records, and the signed copy of their approved Purchasing Card Transaction Log for that month's billing cycle."

As outlined in the Animal Services Purchasing Procedure, the pink copies of the requisition forms should be in the monthly purchasing card files for each cardholder. During our review of purchasing cards, we found the following issues:

1. The pink copies of the requisition form were not always in the monthly purchasing card files. Out of 772 purchases reviewed, there were no pink copies of the requisition forms in the purchasing card files for 179 purchases.
2. The pink copies of the requisition forms, that were available, were placed in the monthly purchasing card files after all of the other supporting documentation (i.e., receipts, packing slips, order summaries, etc.).
3. There was a pattern of placing some pink copies of the requisition forms in any month's purchasing card file, even when the corresponding purchases were not made in that month.

Because the pink copies of the requisition forms were not in any particular order in the monthly files, it was difficult to match the requisition form to the corresponding purchase on the Purchasing Card Transaction Logs. If the pink copy for a purchase was not in the purchasing card file, verification of the authorization for the purchase had to be made by reviewing the Purchasing Coordinator's original requisition forms and records. Not having the copy of the requisition form attached to the corresponding receipt makes it time consuming and difficult to verify if purchases are authorized.

***Recommendation***

We recommend that all cardholders retain the pink copies of the requisition forms that correspond to the purchases made with their purchasing cards.

We recommend that the cardholders attach the pink copies of the requisition forms to the corresponding receipts in their monthly purchasing card files.

## **Additional Information**

### **Background**

Salt Lake County Animal Services Division serves the citizens within the unincorporated area of Salt Lake County, and in the cities of Salt Lake City, Holladay, Herriman, Midvale, and Riverton. The mission of Animal Services is to provide consistent, reliable, and professional solutions for animal related issues. The Division encourages responsible attitudes to allow people and animals to co-exist in a safer environment.

### **Scope**

Our work included a formal examination of financial records related to the following:

- Purchasing card transactions
- Retail merchandise inventory management
- Retail merchandise purchases
- Safeguards and controls for retail inventory
- Travel-related expenditures

Our examination period covered up to twelve months ending June 30, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation 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.





## Memorandum

To: Cherylann Johnson, Salt Lake County Auditor's Office

CC: Russ Wall, Mike Reberg, Don Porter

From: Michelle Roach, Fiscal Manager

Date: December 5, 2013

Re: Audit of Animal Services Purchasing Card Transactions & Retail Inventory

**ANIMAL SERVICES  
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Thank you for providing the findings of the Salt Lake County Animal Services (SLCoAS) Audit. Before finalizing the report, please include our response to the findings below:

***Finding # 1 - There was no documentation to verify changes affecting the amount of retail inventory.***

SLCoAS has discontinued its Pit Stop retail store operation. However, SLCoAS will continue to stock and sell a few regular pet supplies to our customers through our front counter customer service operation: items such as leashes, collars, kennels, and other miscellaneous items that a new pet owner might need when s/he completes the adoption, licensing, or reclamation process during a shelter visit.

SLCoAS has thoroughly inventoried all of its retail-oriented merchandise and entered it into a manageable and fiscally sound inventory control system. While we are in the process of maintaining sound inventory entries and controls, we are refining our internal Chameleon management software system to enable automated inventory control features that permit sporadic, monthly, and on-demand reports of inventory status. Customer Service, procurement, and inventory management staff will regularly review all inventory reports and assure the accuracy of fiscal reporting.

***Finding # 2 - The physical inventory of retail merchandise confirmed a shortage.***

As stated above, SLCoAS has thoroughly inventoried all of its retail-oriented merchandise and entered it into a manageable and fiscally sound inventory control system. While we are in the process of maintaining sound inventory entries and controls, we are refining our internal Chameleon management software system to enable automated inventory control features that permit sporadic, monthly, and on-demand reports of inventory status. Customer Service, procurement, and inventory management staff will regularly review all inventory reports and assure the accuracy of fiscal reporting.



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***Finding # 3 - Retail inventory amounts were not reconciled.***

We believe that the reduction of inventory and discontinuance of a great majority of our retail operation will reduce our loss of control in this area. For the inventory we do maintain, we will establish an inventory reconciliation process. Employees are required to document any reduction in inventory.

***Finding # 4 - Purchasing card account numbers were compromised.***

Following the Auditor’s recommendation, SLCoAS will require all current p-card holders to re-take the County’s purchasing card training provided by the Contracts and Procurement Division. There will be no record of any card account numbers or security codes maintained. All card users will be periodically reminded that they should never permit any other person to use the card issued in their name.

***Finding # 5 - Exceptions were not granted for vendor-paid expenses for employee travel.***

SLCoAS will make a concentrated effort to make sure the new Division Director and all other managers and supervisors are aware of all county policies in the future. It will be the practice of SLCoAS employees to prohibit attendance at vendor-sponsored events and activities and to further avoid all appearances of conflict in procurement activities involving any vendors.

***Finding # 6 - Animal Services had not established an inventory management system for retail inventory.***

SLCoAS has discontinued the Pit Stop retail store operation. We have implemented a new inventory control procedure to manage any retail items that have been or will be acquired for sale to our customers through the front counter customer service operations. All financial data will be retained to show actual original cost, results of sales, any discount or write-off adjustments, and the dates of all transactions. In addition, a full double-entry inventory accounting will be managed properly within both the balance sheet and P/L account ledgers.

***Finding # 7 - Animal Services had poor recordkeeping of retail inventory items purchased with purchasing cards.***

SLCoAS has implemented a policy and procedure that requires all incoming merchandise and property is properly received and recorded, that all related paperwork is properly signed, recorded, and stored, that documents for all property that is eligible for recording in our property inventory should be copied to our Property Coordinator, and that all merchandise requisitioned and received for use in any retail activity be properly inventoried as to item description, cost, retail value, assigned location, and any other inventory control-related details. We have ceased our retail relationship with Best Friends Animal Society and maintain no similar relationship with any other organization. Whenever any merchandise or property is transferred to any other site, even if temporary, appropriate documentation is



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required and supervisors are instructed to maintain responsible checks on these operating requirements. In addition, the PeopleSoft system will be an additional tool to track these purchases.

***Finding # 8 - There were no records maintained of retail merchandise that was on consignment.***

SLCoAS has terminated the retail component of our relationship with Best Friends Animal Society. We researched SLCoAS records which identified any items which were shipped directly to the Best Friends Adoption Center and any other retail items that could be identified as having been acquired by SLCoAS for use in the Adoption Center. We invoiced Best Friends for the total cost of those items in November 2013, and the Best Friends organization has agreed to full payment of the identified SLCoAS cost. Payment is expected before the end of the 2013 calendar year.

SLCoAS has no intention of proceeding with any other similar consignment relationship with any other external agency. In addition, all relationships with external agencies will be reduced to writing within a formally approved contract agreement approved through normal county policies and procedures.

***Finding # 9 - There was inadequate documentation for some purchases.***

SLCoAS has already taken steps to remind all supervisors and employees that our procurement and purchasing card policies and procedures are important and must be followed at all times. This, of course, includes retention and protection of all requisitions, receipts, shipping documents, etc. We insist that all related documents must be appropriately signed and approved, that all must be stapled together, and that all must be appropriately retained.

We have been particularly sensitive to purchasing card transactions, and we have encouraged all supervisors to carefully review those related documents and to require the matchup of logs, statements, receipts, and any other related or supporting documentation. Transactions without appropriate documentation and authorizations will not be approved for payment.

***Finding # 10 - Expenditures were made to Object Code #3010, "Cost of Materials Sold," even though the budgeted amount was over-expended.***

Our operating procedures require pre-authorization of all purchases by multiple supervisors and/or managers, including the Administrative and Fiscal Manager, whose responsibility is to authorize and help ensure that the expenditure is within the budget of the institution. In actual practice, we do not require that all transactions fit within any given budget line: some expenditures may be authorized within a range of line items so that the sum of the group of lines may be considered in the authorization process.

SLCoAS has also added more restrictive pre-authorization practices that apply to Purchasing Card acquisitions as well as all other procurement activities.



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***Finding # 11 - The Division Director charged an amount for lodging that exceeded the approved amount.***

The SLCoAS Administrative and Fiscal Manager has the responsibility and authority to review the accuracy, completeness, and propriety of all travel requisitions and allowance or reimbursement requests of the Division Director. Should there be discomforting persuasion that interferes with the proper exercise of this authority, the Administrative and Fiscal Manager is authorized to discuss the matter with and seek the counsel of the Department Director.

***Finding # 12 - There were no inventory controls in place for receipt of retail merchandise ordered.***

It will be SLCoAS practice to require that all merchandise received at the shelter facility will be compared to all shipping/receiving documents and purchase requisitions to ensure accuracy in item specifications and pricing before receipt is acknowledged and payment is recommended. The signature of the person completing the inspection shall be affixed to the documents. Wherever possible, the receiver and inspector should be different from the Office Coordinator or the person making the original requisition prior to purchase. All documents shall be stapled together for transmission to the Purchasing Coordinator. The Purchasing Coordinator will inspect the documents to ensure that proper procedures were followed and that proper procurement procedures were followed.

If the items are substantial enough to be classified as capital equipment or otherwise eligible for recording in the SLCoAS property maintenance records, copy of the essential details about the purchase shall be forwarded to the Property Coordinator.

***Finding # 13 - There was no segregation of duties for the responsibilities of ordering and receiving merchandise purchased for resale.***

As stated above, SLCoAS has discontinued the retail operation for the most part. We will not operate The Pit Stop as a self-contained store. We will order a few regular pet supplies to offer for sale: such as leashes, collars, kennels, and other miscellaneous items that a new pet owner might need when s/he completes the adoption, licensing, or reclamation process during a shelter visit.

SLCoAS has instructed that all merchandise orders, as well as normal operating supplies, need to be processed through both our Office Coordinator/Administrative Assistant and our Purchasing/Payroll Coordinator. Further, we have reinforced the requirement that all purchases need to be signed (no e-signatures or stamps permitted) by the requestor and approved in advance by at least one supervisor, manager, or the Division Director, the Office Coordinator or the Purchasing Coordinator, and the Administrative & Fiscal Manager. There is a similar approval process installed for all purchasing card transactions as well.



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***Finding # 14 - Authorization controls for purchasing card transactions were circumvented.***

SLCoAS has already developed good requisition forms and procedures, including appropriate approvals requirements for any and all purchases, whether through the use of a purchasing card or the normal procurement process. The Administrative and Fiscal Manager will develop appropriate instruction copy and training procedures for discussion with all persons who are eligible to use either a purchasing card or a procurement requisition. Further, all purchasing card and procurement transactions will be audited at least each month for accuracy as well as for appropriate authorizations. Further, authorizations will only be recognized by manual signature or the appropriate authorizing individual and no further use will of facsimile signature stamps will be permitted.

***Finding # 15 - There was not a valid contract in place to establish agreed upon procedures for consignment of retail inventory.***

SLCoAS has been working with the Best Friends Animal Society administration and with our SLCo District Attorney to develop a proper agreement to cover all relations between SLCoAS and Best Friends. It is anticipated that there will be a overarching master agreement which will have subordinate specific agreements that will cover each individual program or activity in which the two parties participate. It is anticipated that such agreements will be properly signed under SLCo policy and procedure requirements in 2014.

SLCoAS discontinued the retail operation at the Best Friends' Adoption Center during the month of October. We have conducted several inventory operations and have reached agreement on the items which were processed through the Adoption Center and have submitted a formal request for payment in full.

SLCoAS has discovered that there has been placed a computer, printer, certain other peripheral equipment, and access to SLCoAS software at the Best Friends Adoption Center. We have taken clear and specific steps to recover all SLCoAS equipment and to discontinue all passwords and access to SLCoAS software.

There will be no other consignment of merchandise or controlled assets between SLCoAS and any external agency until after appropriate documents are drawn, agreed to, and executed by all involved parties.

***Finding # 16 - There was not a supervisory review of the Division Director's purchasing card transactions.***

The SLCoAS Administrative and Fiscal Manager has authority to approve/disapprove all purchase requisitions, reimbursement requests, food vouchers, travel requisitions, and any other SLCoAS-related financial obligations of the Division Director. Should there be discomfoting persuasion that interferes with the proper exercise of this authority, the Administrative and Fiscal Manager is authorized to discuss the matter with and seek the counsel of the Department Director.



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***Finding # 17 - Meal Reimbursement Forms were either not included or not appropriately signed for some transactions.***

It is SLCOAS procedure to require that a detailed receipt and completed Meal Reimbursement Form be submitted for every food purchase and that such forms shall be signed and dated by the purchaser, appropriate supervisors, and the Division Director before any payment or reimbursement will be authorized.

***Finding # 18 - There was no procedure in place to notify the Property Manager when a controlled asset was purchased with a purchasing card.***

SLCoAS will develop a firm policy that every purchasing card and/or procurement action which results in the acquisition of any capital or controlled asset must be properly submitted to the manager of SLCOAS controlled assets and properly recorded in the inventory records of the Division. In addition, the PeopleSoft system will be an additional tool to track these purchases.

***Finding # 19 - Unnecessary charges were noted on some purchasing card transactions.***

The Division Director, Managers, and Supervisors will all be required to participate in periodic training and discussions with regard to the proper attitude toward and management of responsible internal controls. Further, every purchasing card user and every user of the SLCOAS procurement process will be required to submit evidence that they have reviewed all detailed purchasing slips and other procurement documents for accuracy and audit on a regular basis.

***Finding # 20 - Requisition forms were not always in the monthly purchasing card files.***

In accordance with SLCOAS policy, we will require all purchasing card holders to retain and attach all pink requisition form copies to the corresponding purchase card receipts and submit them for inspection and audit by the office of the Administrative and Fiscal manager every month.