

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Salt Lake City Health Clinic Vital Records

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 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 Salt Lake City Health Clinic Vital Records

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of Salt Lake City Health Clinic Vital Records 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 Salt Lake City Health Clinic Vital Records and the cooperation from Nancy Jaramillo-Hahn, Evelini Liti, Penny Campos, Janet Rosas, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Salt Lake City Health Clinic Vital 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 James Fire MBA/Acc
Deputy Auditor

cc: Gary Edwards, Department Director
Dagmar Vitek, Division Director
Matt Ferguson, Fiscal Manager
Ilene Risk, Bureau Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Salt Lake City Health Clinic Vital Records. 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 Salt Lake City Public Health Clinic - Vital Records has put into place several 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. However, deficiencies discovered dealing with change fund management, accounts receivable, PCI compliance, and depositing have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - The amount of the change fund did not match the amount of record.

Risk Level: **Moderate**

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Sections 5.2.1 and 5.2.2.1 state:

"Upon discovery of any shortages, an investigation shall be conducted by the Custodian and his/her supervisor. Under circumstances of gross negligence or intentional wrongdoing the Custodian may be required to personally replenish the shortage...Any unresolved shortages greater than \$10.00 shall be explained in writing to the Mayor, along with a request to approve reimbursement of the shortage. If approved, the Auditor will reimburse the amount requested to replenish the account."

The amount of the change fund on hand totaled \$600, a shortage of \$100 from the \$700 balance of record in Mayor's Finance Administration.

When the change fund does not balance to the amount of record, it could indicate a lapse in management control of the fund.

Recommendation

We recommend that the custodian and their supervisor conduct an investigation for the discrepancy and submit a letter to the Mayor requesting a reimbursement for the shortage.

Finding # 2 - Accounts receivable did not conform to Countywide policy requirements.

Risk Level: Moderate

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," provides specific guidelines, controls, and example forms and reports for an effective accounts receivable system.

Vital Records uses the Utah State "Oliver" system to determine monthly billings for death certificates issued to local mortuaries. However, Oliver did not offer an accounts receivable system that met County policy guidelines.

Without items such as signed credit applications, legal remedies to collect outstanding billings are hindered. Additionally, management cannot determine follow-up collection activities without aging reports or determine missing or misapplied payments without monthly reconciliations.

Recommendation

We recommend an accounts receivable system be established that lists individual receivables, cross-references receipt numbers to payments received, provides an aging schedule, and a monthly reconciliation.

Finding # 3 - An SAQ representing Health Department Administration's compliance with PCI-DSS had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy," States in the Policy Statement that:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing Health Department Administration's compliance with PCI-DSS had not been completed and was not on file.

When an agency is not compliant with PCI-DSS, there is an increased risk of cardholder data breaches, fines, and the inability to accept credit cards as payments.

Recommendation

We recommend that Health Department Administration complete and sign an annual SAQ, and that Vital Records keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Finding # 4 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 14 out of 30 deposits examined were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Finding # 5 - A new custodian was not assigned to the change fund.

Risk Level: Low

Countywide Policy #1203, "Petty and Other Imprest Funds," Section 8.3.2 states:

"Responsibility remains with the current Custodian until the final MPF Form 6 is completed and submitted with the signed MPF Form 2 to the Auditor [Mayor's Financial Administration]. Only when these steps are accomplished will responsibility transfer to the new Custodian."

The custodian of record for the change fund retired mid-2013 and a replacement custodian or backup custodian for the fund had not been assigned by management.

When the name of the change fund custodian is not updated with Mayor's Financial Administration, responsibility and accountability for the fund may be compromised.

Recommendation

We recommend that Salt Lake City Health Clinic - Vital Records update the name of the change fund custodian by filling out Section II of MPF Form 2 and submitting it to the Mayor's Financial Administration.

Additional Information

Background

The Salt Lake Valley Health Department is the local health department serving Salt Lake County. It is a department of county government. SLVHD works cooperatively with the Utah Department of Health and other state agencies, but is not an agency of state or federal government.

Salt Lake County Health Department Vital Records offices are conveniently located throughout the Salt Lake Valley and are open Monday through Friday. Your request for a birth certificate, death certificate, or a marriage or divorce abstract is processed while you wait at any of their offices.

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 July 01, 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.



Memorandum

To: James Fire, Salt Lake County Auditor's Office
CC: Gary Edwards, Dagmar Vitek, Ilene Risk, Bonnie Francis
Nancy Jaramillo-Hahn, Evelini Liti, Penny Campos, Janet Rosas
From: Matt Ferguson, Fiscal Manager
Thru: Brian Bennion, Associate Director
Date: 12/30/2013
Re: Key Control Audit of the Salt Lake County Vital Records Office

Thank you for providing the findings of the Vital Records Key Control Audit. In the email you stated, "Vital Records management is ultimately responsible for implementing internal controls to protect taxpayer assets and information and ensure agency objectives are achieved." We would like to clarify that although Vital Records implements and maintains key controls, the ultimate responsibility rests with the Director of the Health Department. Therefore, we prefer that you communicate preliminary audit plans with the Fiscal Manager well in advance and not just send the draft of findings as an afterthought. All official responses throughout the Health Department will be submitted through the Administration Division. Below is our response to this audit:

The first finding was, "**The amount of the change fund did not match the amount of record.**" We respectfully disagree with this finding. There was a transfer of one hundred dollars between the City Vital Records Office and the Shipp Vital Records office, which explains the entire difference between the written amount and the count. This transfer was properly documented and Vital Records staff submitted the receipt to you, but no additional information regarding the transfer was requested. Therefore, because it was formulated on incomplete information, this finding has no basis. It's akin to ignoring the deposits-in-transit when reconciling a bank account.

The second finding was, “**Accounts receivable did not conform to Countywide policy requirements.**” Again, this finding is based on either incomplete information or on a misunderstanding of the current system. Although Countywide Policy #1220 may provide “example forms and reports for an effective accounts receivable system,” that doesn’t mean that a system is *ineffective* if other forms and methods are used instead. Vital Records already has all of the reporting functionality necessary to correctly manage collections in conformance with the policy. Establishing a fancy accounts receivable system, as recommended would be like purchasing a brand new wheel barrow to carry one or two pebbles.

The third finding was, “**An SAQ representing Health Department Administration's compliance with PCI-DSS had not been completed and was not on file.**” Because it takes a specialized knowledge and expertise to fill out the PCI SAQ properly, it’s not in the Health Department’s best interests to have this task performed by Vital Records staff. For one thing, it’s unnecessarily duplicative for each office to fill out the form separately because it’s already completed on a Health Department-wide basis. Secondly, there is no requirement for every single location to have the questionnaire on file. Therefore, we will continue our practice of centralizing this assignment through the Administration Division and staff will continually be trained to follow the right procedures for accepting credit card payments.

The fourth finding was, “**Deposits were not always made in a timely manner.**” In conformance with County policy, our deposits *are* made on a daily basis, “whenever practicable,” or on the following day. Hence, we’d like to offer a “counter” recommendation that the Auditors perform their tests based on the dates when deposits are *transferred to the security officers (or Brinks)* rather than the dates on which they are actually posted to the bank. Otherwise, the audits done in this area will continue to be irrelevant, because the timing of bank postings is entirely beyond our control. However, if it pads your stats for findings, go ahead and we’ll just keep giving the same response.

The fifth finding was, “**A new custodian was not assigned to the change fund.**” The audit occurred in between the time the former supervisor (Ellen Freeman) retired and the new supervisor (Bonnie Francis) started. So this was just a timing issue. Nancy even asked if she should temporarily take the role of custodian during that short period and the auditor said, “No. That won’t be necessary.” Apparently, the reason it wasn’t necessary was so that you could have another finding. Regardless, Bonnie started on August 5th and all of the required paperwork was officially completed by September 5th.

In conclusion, please include this official response with the final audit report. Also, for your information, the Health Department has recently undergone a name change. Instead of Salt Lake Valley Health Department (SLVHD), we are now known as Salt Lake County Health Department (SLCoHD).