

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Behavioral Health Services

March 05, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 05, 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 Behavioral Health Services

Dear Mayor McAdams:

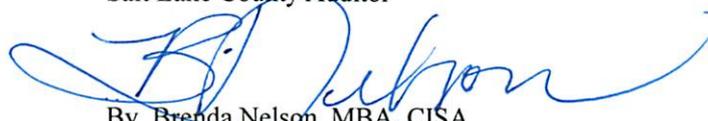
We recently completed an analysis of the financial records of Behavioral Health Services in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified 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 Behavioral Health Services and the cooperation from Zac Case, Fiscal Manager, Evelyn Martinez, Office Supervisor, Marjeen Nation, Accountant, and Cory Westergard, Health Information Systems Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Behavioral Health Services during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor


By Brenda Nelson MBA, CISA
Sr. Deputy Auditor

cc: Patrick Fleming, Division Director
Jeff Smart, Associate Division Director
Zac Case, Fiscal Manager
Evelyn Martinez, Office Supervisor

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Behavioral Health Services (BHS). 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

BHS has put into place key internal controls for managing public funds, safeguarding public assets, accessing sensitive information, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, the risks discovered dealing with asset and software inventories and inadequate controls over checks received in the mail have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - The payroll coordinator approved timecards for higher level staff.

Risk Level: High

The Mayor's Office Payroll Manual, 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)."

The BHS payroll coordinator reviewed timecards for some staff at higher levels of the organization. The BHS Division Director was listed as the approving timecard supervisor for the staff in question.

The payroll coordinator stated that the Director had not approved the timecards due to time constraints.

When timecards are not approved by a supervisor, time entered is at greater risk for errors, either unintentional or intentional. As a result, employees may be paid more or less than the amount actually due.

Recommendation

We recommend that employee timecards be reviewed by a direct supervisor or other higher level member of management.

Management Response

Both Division Directors will comply with this finding effective February 28, 2013, approving timecards for persons they directly supervise.

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

Risk Level: High

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

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

BHS received a variety of checks through the mail from Medicaid and other sources. No record of the amount or date the checks were received was created. In some cases the person receiving the check was the same person responsible for billing and/or for tracking money applicable to that program.

Management was not aware of the cited policy requirements.

When checks are not opened under dual control and included on a check log, there is an increased risk that funds will be lost or diverted to personal use. Lack of segregation of duties over billing or tracking payments and receipting payments increases this risk.

Recommendation

1. We recommend that all checks received in the mail be opened under dual control and included on a check log.
2. We recommend that the check log be reconciled to amounts deposited by a different individual than the person who prepares the deposit.

Management Response

See Attachment A, Finding #2.

Finding # 3 - Deposits were not always made within three days of receipt.

Risk Level: Moderate

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

"As required by §51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt."

On an infrequent basis, BHS received small co-pays from clients, which were accrued and deposited in amounts of \$5 to \$79 per month. Receipts were well-documented and adequately protected. However, deposits were not made within three days of receipt in accordance with Countywide policy. As discussed, BHS receives a variety of checks in the mail. No documentation was created when the checks were received, meaning that days-to-deposit is not known. We did compare the date on the check to the date on the deposit slip and found an average difference of 14 days, with a low of 6 and a high of 32.

Deposits of client fees were made on an infrequent basis due to the low volume of funds in question in comparison with the time expended making the deposit. Additionally, checks received in the mail may have been held prior to being mailed, or prior to being deposited.

Funds that are not deposited on a timely basis are more susceptible to loss or theft and interest that might otherwise have accrued is lost.

Recommendation

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

Management Response

Marjeen Nation, accountant, has been compliant with this finding since November 2012, ensuring that all funds received are deposited within 3 days of receipt.

Finding # 4 - A comprehensive controlled asset inventory had not been performed since 2010.

Risk Level: Moderate

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

"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 BHS property manager inventoried each office and had employees sign for assets under their control during 2010, but no comprehensive controlled asset inventory had been performed since that time. IT staff stated that computers on hand were inventoried during an encryption change over in the Fall of 2011. However, no printed, signed document from that effort was created.

The property manager stated that BHS IT staff were working on implementation of a new controlled asset database and the 2011 inventory was put off pending completion of that effort.

Assets are more susceptible to loss and theft when inventories are not conducted on a timely basis.

Recommendation

We recommend that BHS annually perform a comprehensive controlled asset inventory and that employees sign for assets under their control.

Management Response

Our property manager, Eve Martinez, will perform this audit by April 1, 2013. Our new inventory system will improve this process.

Finding # 5 - No comprehensive software inventory was on file.

Risk Level: Moderate

Countywide Policy 1400-3, "Software Licensing" Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

The controlled asset database maintained by BHS listed the Microsoft Office Suite and the operating system for most computers. No other software, such as installations of Quickbooks or Adobe products were listed and no comprehensive software inventory had been performed.

BHS staff were not aware of the software inventory policy requirement.

Because software has not been inventoried, there is an increased risk of unlicensed software on BHS computers, which could result in fines and penalties. In addition, software licenses available may not be fully utilized.

Recommendation

We recommend that BHS create and maintain a current software inventory that includes the number of authorized and actual installations, license agreement, and proof of purchase.

Management Response

Cory Westergard will comply with this recommendation by April 30, 2013. We do not have extensive software licenses but those that were not included in our inventory system will be added and kept up to date.

Finding # 6 - Time worked was not entered by staff in a timely manner

Risk Level: Low

Standard business practice requires submission of timecard data in a timely manner to allow for proper review prior to processing.

BHS staff are not required to enter their time worked on a real time basis. They are directed to enter it no later than noon on Monday for the preceding week. However, the payroll coordinator indicated that some staff do not always meet that deadline.

Timecards may not be filled out on a timely basis due to conflicting priorities. In addition, the internal policy has not been strictly enforced.

When time is not entered on a timely basis, payroll is at greater risk of errors, either intentional or unintentional. Employees may not be paid on a timely basis and may be paid more or less than the amount actually due.

Recommendation

We recommend that BHS staff enter their time on a real-time basis or daily whenever possible and in all cases no later than the following Monday.

Management Response

Training will be provided and all staff will comply with this recommendation February 28, 2013.

Finding # 7 - The supervisor's signature line on the over/ short was left blank.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 2.5.3, states:

"All overages and shortages, regardless of the amount, must be recorded and reported daily by the agency on MPF Form [11], CASH OVER/SHORT LOG."

An over/short log was maintained for collection of client fees and was included with monthly deposit documentation. However, none of the twelve over/short logs examined contained the supervisor's signature, though the MPF Form 11 provides an area for the cashier and the supervisor to sign the form.

According to the cashier's supervisor, the over/short log was reviewed each month but she was not aware of the requirement for her to sign the log.

Failure to review and sign the over/short log means that patterns of overages and shortages may be less apparent to management.

Recommendation

We recommend that a supervisor review and sign the over/short logs.

Management Response

Marjeen Nation has now been compliant with this recommendation since November 2012.

Finding # 8 - The imprest checking account was reconciled by the custodian.

Risk Level: Low

Countywide Policy #1203, Petty Cash and Other Imprest Funds, states in Section 5.1.3:

"In the case of Imprest Checking/Operating Accounts, the account's bank statement balance shall be reconciled at least monthly by an employee designated by Agency Management, who is not the Custodian."

BHS maintains a \$1,000 imprest checking account for daily operations. The account was reconciled to the bank statement each month by the account custodian and balanced to the amount on record for the time period examined with no exceptions. The reconciliation was reviewed and signed off on by the fiscal manager.

BHS staff were not aware of the policy requirement for someone besides the custodian to balance the account.

Funds are at greater risk of misuse and error when reconciliation to the bank statement is not performed by an independent party.

Recommendation

We recommend that imprest checking account bank reconciliations be performed by an employee designated by Agency Management, who is not the custodian.

Management Response

Marjeen Nation, accountant, will perform the monthly reconciliation of the Imprest Account, starting with February 2013 bank statement once that statement has been received.

Finding # 9 - A signature was not always obtained when taking funds to the Mayor's Office - Financial Administration section for deposit.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.3.2.2 states:

"The Cashier or Agency Fiscal Manager will review and approve the deposit documentation with the employee taking the funds to the [Mayor's] Office for receipting. The employee should require a signature from the [Mayor's Office] on an MPF Form 7A, Fund Transfer Receipt, or other deposit documentation, indicating receipt of funds."

BHS personnel delivered checks received through the mail to the Mayor's Office - Financial Administration section for deposit but no funds transfer form was used to document the amount delivered. The receipt of some BHS checks was acknowledged by Mayor's Office staff signing a copy of the checks being transferred. However, not all BHS employees followed that practice. We examined 6 months of BHS deposits and found a total of \$2.7 million in checks had been received through the mail. Checks ranged in amount from \$442 to \$990,315.

Management was not aware of the cited policy requirements.

When checks are transferred between employees without adequate documentation there is an increased risk that funds will be lost or diverted to personal use.

Recommendation

We recommend that employees transferring funds to the Mayor's Office for deposit require a signature, using MPF Form 7A, or other deposit documentation, indicating receipt of funds.

Management Response

See Attachment A, response to finding #2

Additional Information

Background

Behavioral Health Services (BHS) administers substance abuse prevention and treatment services within Salt Lake County. BHS does not directly treat clients instead referring them to the appropriate subcontracted provider. BHS also subcontracts with the University of Utah's Assessment & Referral Services, which in addition to assessment and referral, offers free Interim Groups for clients awaiting treatment. BHS also subcontracts with school districts and other prevention providers to deliver prevention programs.

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 October 31, 2012. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Agency Management Response
February 28, 2013

Brenda,

Though we do not totally agree with everything that is written in this report, we have no changes to recommend and we will do our best to comply with your recommendations. We do agree that many of your recommendations are spot on and they have been very helpful for us.

In addition, though we completely respect and understand your authority to do so, we would ask that you and your office consider providing some prior notice before coming for the audits in the future. We do understand that for cash audits this would not make sense but for the audit of other processes, it would give us a chance to ensure there is a place for you to work and to ensure that needed staff are available to respond to your questions. That said, Brenda, you were great to work with.

Our response to each finding is as follows:

Finding #1

Both Division Directors will comply with this finding effective February 28, 2013, approving timecards for persons they directly supervise.

Finding #2

Effective February 28, 2013, all mail will be opened by two persons, typically the Office Manager and the receptionist.

Any checks received will be logged as received and two copies of the check will be made.

The Billing and Contract Specialist (does not request any funds), within 3 days of receipt, will provide one check copy to the appropriate accountant for coding and will take the second copy and the check to Mayor's Finance for deposit.

Mayor's Finance will sign the check copy verifying receipt and the billing and contracts specialist will keep all signed check copies in a file.

The applicable accountant will promptly send, by email, the coding for the deposit to Mayor's Finance.

Fiscal manager will verify at least quarterly that all logged checks were appropriately deposited and that the accounting is appropriately reflected in the County accounting system.

Finding #3

Marjeen Nation, accountant, has been compliant with this finding since November 2012, ensuring that all funds received are deposited within 3 days of receipt.

Finding #4

Our property manager, Eve Martinez, will perform this audit by April 1, 2013. Our new inventory system will improve this process.

Finding #5

Cory Westergard will comply with this recommendation by April 30, 2013. We do not have extensive software licenses but those that were not included in our inventory system will be added and kept up to date.

Finding #6

Training will be provided and all staff will comply with this recommendation February 28, 2013.

Finding #7

Marjeen Nation has now been compliant with this recommendation since November 2012.

Finding #8

Marjeen Nation, accountant, will perform the monthly reconciliation of the Imprest Account, starting with February 2013 bank statement once that statement has been received.

Finding #9

This finding is addressed in our response to finding #2.

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