

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Southeast Public Health Center

March 22, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 22, 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 Southeast Public Health Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Southeast Public Health Center 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 Southeast Public Health Center and the cooperation from Terri Ledding, Office Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Southeast Public Health Center 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: Lisa Nokes, District Manager
Matt Ferguson, Fiscal Manager
Gary Edwards, Health Department Director



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Southeast Public Health Center (SEPH). 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

Management of SEPH has taken measures to integrate Countywide policies to manage public funds, safeguard public assets, and payroll reporting. Most risks identified would not be expected to result in material loss of County assets. Deficiencies in certain internal controls over inventory, controlled assets, and petty cash have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - The imprest checking account reconciliation was not performed monthly.

Risk Level: Low

Countywide Policy #1062 Management of Public Funds, Section 4.7.2 states:

"A Bank Reconciliation shall be performed at least monthly by an employee designated by Agency Management. Cashiers or employees who prepare deposits shall not perform the Bank Reconciliation."

The imprest checking account was not reconciled monthly in accordance with Countywide policy.

Fiscal management of the SLVHD deemed the account activity insufficient for a monthly reconciliation, but allowable for a quarterly reconciliation.

Delays in monthly reconciliations allow outstanding charges or deposits to remain unresolved.

Recommendation

We recommend that the imprest checking account be reconciled monthly to comply with Countywide policy.

Management Response

See Appendix A.

Finding # 2 - Complete cardholder account numbers were printed on the settlement statement

Risk Level: Low

The County's Merchant Agreement with card processors require adherence to Payment Card Industry Data Security Standards (PCI-DSS). PCI-DSS state cardholder account numbers must be truncated to the last 4 digits on all receipts and statements generated.

The settlement statement from the Pin Entry Device (PED), printed complete 16-digit cardholder account numbers.

The PED software was out of date, allowing the complete 16-digit cardholder account number to be printed on the settlement statement.

Complete 16-digit cardholder account numbers printed on the settlement statement puts customer's sensitive financial information in jeopardy and violates the PCI-DSS as referred to in the Merchant Agreement.

Recommendation

We recommend the PED software be updated to the latest version that will truncate all instances of cardholder account numbers to the last 4 digits.

Management Response

See Appendix A.

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

Risk Level: Low

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

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

Deposits were tested to determine the number of days transpiring between the date of receipt and the date of posting into the bank account. In the sample of 30 deposits, 5 were beyond the three-day allowance.

Late preparation of deposits, Monday holidays, next-day armored truck pick up, or other circumstances could cause delays of posting of the deposits into the account.

Funds that are not deposited within the state mandated three days, are susceptible to loss or theft, lost interest, or unavailable funds.

Recommendation

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

Management Response

See Appendix A.

Additional Information

Background

The mission of the Salt Lake Valley Health Department is to promote and protect community and environmental health.

The precursor to the Salt Lake Valley Health Department (Deseret Public Health, eventually Salt Lake City Health Department) was founded in 1857. The Salt Lake County Board of Health was created in 1899. Salt Lake City and Salt Lake County operated separate health departments until 1969, when they combined to form the Salt Lake City-County Health Department. The department's name was changed to Salt Lake Valley Health Department in 2000.

There are seven healthcare clinics located throughout Salt Lake County. Services offered include Women, Infants and Children (WIC) Program, Immunizations, Child Health Evaluations and Care (CHEC), Medicaid Eligibility, Prenatal Care, Birth and Death Certificates, Pre-travel Education, Medication Recommendations, HIV and STD Testing and Treatment, Public Health Nursing Home Visitation, Women's precancer screening (BeWise Program), Teen Mother and Child Program, and the Nurse-Family Partnership Program.

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 January 24, 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.



Memorandum

To: James Fire, Salt Lake County Auditor's Office

CC: Gary Edwards, Lisa Nokes, Glenna Jensen

From: Matt Ferguson, Fiscal Manager

Thru: Brian Bennion, Associate Director

Date: 3/13/2013

Re: Audit of the Southeast Public Health Clinic

Concerning the recently completed audit of the Southeast Public Health Center, I wish to thank the Auditor's Office for the work performed. Also, thank you for extending the deadline and allowing more time to formulate this response. Although the findings were all minor, I like to give proper consideration to each one by collecting any additional input from our staff, and formulating alternative solutions, if necessary.

The first finding was, "**The imprest checking account reconciliation was not performed monthly.**" Because this same finding was brought to our attention in the audits of other clinics, we've already addressed the issue and have instituted this change. With the exception of some small accounts that are only used occasionally and carry a low balance, the imprest accounts will be reconciled on a monthly basis, in conformance with County policy. The other accounts are to be reconciled at least quarterly and we accept the minimal risk associated with performing those reconciliations slightly less frequently. Despite the fact that the small accounts are used only intermittently (some are used less than once per month), they are still worth keeping. For this reason, we feel that the County Policy should be updated to allow a more reasonable reconciliation schedule for accounts that represent a significantly reduced level of risk.

The second finding was, **“Complete cardholder account numbers were printed on the settlement statement.”** This is an anomaly in the Health Department. Unlike the other clinics, the credit card machine at the Southeast location simply hadn’t been programmed correctly. While it is not clear why or how this machine’s settings were overlooked, it is a simple problem that will be fixed by the end of this week. As recommended, the credit card numbers will be truncated to four digits on future settlement statements.

The third claim was, **“Some deposits were made after the State-mandated deadline of no later than three days following collection.”** This is another issue that has been brought up in the audits of other clinics recently. We would like to reiterate that it is already our policy to prepare the deposits on a daily basis, “whenever practicable,” as recommended (and as outlined by County policy). However, we can only control how often the deposits are made, not how long it takes the bank to process and post them. Therefore, it isn’t a very helpful audit procedure to compare the deposit date with the dates on the bank statement, unless the specific circumstances causing the delays are noted and/or discounted (i.e. holidays, long weekends, next-day armored truck pick-up, etc.). A better measure would be to observe or otherwise find out exactly how often the deposits are prepared, since that’s the only thing within our control. Furthermore, for the sample of 5 out of 30 deposits that were “beyond the three-day allowance,” it would be more telling to know how *many* days had transpired for each one. For example, if it were four days, this would be much less concerning than say ten or fifteen days. Since the audit finding was graded as a low risk, we can only assume that even those five deposits found to be beyond the three days were still deposited within a reasonable time frame.

In conclusion, thanks again for your work and for helping us to improve on our current processes and procedures. It’s good to know that there were no findings that were material in nature. I hope to keep it that way and I’m confident that our staff at Southeast will continue to run the clinic in a competent and responsible manner.