

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



An Audit of the Key Controls of
Youth Services After School Program

October 15, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 15, 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 Youth Services After School Program

GREGORY P. HAWKINS
Salt Lake County Auditor

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

2001 South State Street, N3300
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Salt Lake City, UT 84114-4575

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of Youth Services After School Program 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 Youth Services After School Program and the cooperation from Elizabeth Bayler, Yanping Ding, Kelly Riding, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Youth Services After School Program 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: Pat Berckman, Division Director
Yanping Ding, Department Fiscal Manager
Elizabeth Bayler, Administrative and Fiscal Manager
Kelly Riding, Program Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Youth Services After School Program. 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

Youth Services Administration and Management, overseeing the After School Program, have put into place key internal controls for managing public funds, accessing sensitive information, and payroll reporting. However, we found that not all controlled asset forms were on file. We also found deficiencies in internal controls over the collection, transfer, and deposit of tuition fees may result in loss of County funds and negative publicity. We reviewed 2012 deposits, which contained cash and checks totaling \$23,223 that were related to the After School Program. Of that amount, \$3,229 was received from individual contributions, representing voluntary payments of tuition fees. The remaining amount was received in connection with grant revenue and inter-local agreements.

Findings and Recommendations

Finding # 1 - After School Program participants were not issued a receipt for payment of participation fees.

Risk Level: High

Countywide Policy #1062, "Management of Public Funds," 3.1.2 states:

"All persons remitting payments in the form of currency, check, money order or other negotiable instrument; or by payment card to Salt Lake County, in person 'over-the-counter,' shall be issued a receipt documenting the payment."

In 2012, Youth Services started to request that participants pay a fee when registering for the After School Program. Management stated that the collection of fees was instituted to foster a sense of accountability in program participants, and to encourage participants to stay in the program until its completion. No receipts were issued for payments received.

When pre-numbered receipts are not used, funds can easily be diverted to personal use without detection. Additionally, participants that pay with cash have no proof of payment.

Recommendation

We recommend that all in-person payments made to Youth Services be accompanied by a pre-numbered, written receipt.

Finding # 2 - Not all "Controlled Asset Form-Employee" were signed and on file.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/ Assets," Section 4.3, states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures...'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

Seven employees that work in the After School Program were assigned responsibility for controlled assets but had not yet submitted a signed "Controlled Asset Form-Employee" for 2013.

According to Youth Services staff, After School Program employee lists had not been signed because they were in the process of being updated and/or corrected. In addition, the Information Systems Manager for Youth Services stated that lists from prior years had been shredded.

Failure to establish employee accountability through use of a signed form increases the risk of asset misappropriation and loss.

Recommendation

We recommend that Youth Services continue their efforts to obtain a signed "Controlled Asset Form-Employee" from all employees with assigned assets.

Finding # 3 - There was no independent review of After School Program participants that pay versus those that do not pay.

Risk Level: Moderate

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

"Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and policies and errors, irregularities, and omissions are effectively minimized or detected."

During 2011, Youth Services started asking After School Program participants to pay a small tuition fee in order to participate in the program. Students that were eligible for free or reduced lunch based on income guidelines were not required to pay a fee. There was no independent review of participants that did and did not pay. No documentation of free or reduced lunch eligibility was maintained.

Program managers explained that the intent of assessing tuition fees was to establish a greater sense of accountability and ownership in program participants. Management's goal was to increase attendance and participation. Because revenue was not the primary goal, and because not all participants were required to pay, Youth Services management did not establish a review process.

In the absence of an independent review and adequate documentation, there is no way to ascertain whether all payments were handled in accordance with applicable laws and ordinances. Funds may be misappropriated or lost without detection.

Recommendation

We recommend that an independent review of participants that pay, versus those that do not pay, be performed on a periodic basis and reviewed for reasonability and compliance with fee waiver guidelines.

Finding # 4 - Checks were not restrictively endorsed upon receipt.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.6.1 states:

"All checks and negotiable instruments received by Cashiers shall be restrictively endorsed immediately upon receipt using the Agency's approved restrictive endorsement stamp. This procedure restricts the disposition of the check 'for deposit only,' to the Agency's authorized bank account."

The majority of After School Participant fees were paid in cash. However, when checks were received they were not endorsed until received by the Accountant at Youth Services Administration.

Checks that are not restrictively endorsed upon receipt are more readily converted to personal use if lost or stolen.

Recommendation

We recommend that all checks be restrictively endorsed upon receipt.

Finding # 5 - Funds were transferred between employees without documentation.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1 states:

"All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit, using MPF Form 3A, Cash Balance Sheet. . . If a cashier is not required to balance their individual cash drawer, an MPF Form 7A, Fund Transfer Receipt, or similar form shall be completed to document the transfer of funds to the employee performing the balancing procedure."

Each week, fees for participation in the After School Program were given to the After School Program Manager by the coordinators located at the participating schools. The Program Manager then remitted the fees collected to the Youth Services Accountant. No documentation of amounts transferred between employees was created.

Because no documentation was created that indicated the amount collected at the school, overages and shortages could not be detected. In addition, individual accountability for amounts lost or stolen could not be established. Funds were at greater risk of being lost or stolen without detection.

Recommendation

We recommend that a funds transfer form, MPF Form 3A, or similar documentation, be created whenever funds are transferred between employees.

Additional Information

Background

Youth Services operates After School Programs in Kearns, West Valley City, and Magna. Activities include sports, dance, art projects, academic support, service projects and off-site field trips. Program goals include an increase in participant's academic success and graduation rates, health, and self esteem, as well as increased parental and community involvement. According to the 2012 After School Program Annual Report, teachers reported an increase in participating students' academic performance and ability to get along with others. The report indicated that almost 320 youth were served on any given day.

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 December 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.

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



October 11, 2013

Roger K Larsen
Audit Division Director
Salt Lake County Auditor
2001 South State Street N3300
Salt Lake City, Utah 84114-4575

RE: Audit of Salt Lake County Youth Services After School Program

Dear Roger:

Following is the Division of Youth Services response to the Key Control Audit conducted by your office and the findings noted in the report dated July 29, 2013.

Finding #1- After School Program participants were not issued a receipt for payment of participation fees.

Since the Key Control Audit was conducted all after school program coordinators have been issued pre-numbered receipt books and are issuing receipts to individuals participating in the program who opt to pay a registration fee. In addition, we would respectfully disagree that this finding is a level of "High" risk. While the Division of Youth Services will comply with the requirements of Policy 1062 and the recommendation of the audit finding, the risk is "Moderate" at best especially in considering the relatively small dollar amounts being received.

Finding #2- Not all "Controlled Asset Form-Employee" were signed and on file.

The Division of Youth Services is diligent in obtaining a signed Controlled Asset Form-Employee from all employees of Youth Services. A controlled asset inventory software including a barcode system is utilized to ensure accuracy. The annual internal controlled asset audit and review which includes the signing of this document was in process at the time of the Key Control Audit. This process is time consuming to audit our inventory of controlled assets and obtain the signed forms due to the sheer volume of assets and number of Youth Services' campuses. All forms have been received from employees responsible for controlled assets.

In addition, we respectfully disagree with the risk level of this finding as "Moderate" due to the fact that all assets are in the inventory software system and assigned to an individual there. The lack of a current signed Controlled Asset Form- Employee did not in any way indicate a lack of data to indicate who the asset was assigned to or a lack of control over the assets within the division as this information is easily obtained from our software system. In fact, during the Key Control Audit we were several times commended for our use of a software system to track controlled assets and were asked if we could be used

as an example. Also, this same exact finding was listed in other of the 7 Key Control Audits for the Division of Youth Services conducted and was indicated to have a risk level of "Low". The status should be one of "Low" at best.

Finding #3- There was no independent review of After School Program participants that pay versus those that do not pay.

The data regarding participants who receive free or reduced price lunches this recommendation is asking us to review is not available due to FERPA regulations. Whether an individual After School Program participant received free or reduced price lunch is protected information. As Youth Services is not the issuing school for the free or reduced price lunch, that information is not available to the division. In addition, our Salt Lake County Attorney has advised us that due to concerns about revealing or acquiring information protected by State and/or Federal law that we not collect and/or to withhold the information. Therefore, the requested comparison is impossible; it would be inappropriate as well. The total amount received by the After School Program is approximately \$5000 a year. The recommendation states that the Division of Youth Services should have an *independent* review of participants that pay versus those that do not pay on a periodic basis. An independent review would most likely cost more than the amount being received and therefore would not be cost effective.

In addition, the registration fee is not expected and not required as was stated in the finding. It is only being requested to increase the value of the program in the eyes of the participants. This tactic has been successful, as continued attendance overall has increased. Data indicating who has and hasn't paid would add no actual value to the program. Participants in this program are from low-income areas where the percentage of those receiving free or reduced price lunches meets or exceeds 80% of the school population. It is safe to say that we receive some amount of payment from about 20% of participants in the After School Program which is in line with the free/reduced price lunch statistics from the school. However, success is measured by the voluntary participation of the at-risk clients not by payments received. Further information would be needed to ascertain exactly the intent of the recommendation.

We respectfully disagree with the risk level of "Moderate" for this finding as well. Due to the fact that registration fees are not required for participation and we cannot reasonably accomplish a review of this material due to the issues noted above this should either not be a finding at all or the risk level noted as "Low".

Finding #4- Checks were not restrictively endorsed upon receipt.

The Division of Youth Services will obtain endorsement stamps for our afterschool coordinators. We would, however, respectfully disagree that the

level of risk for this finding is "Moderate". While the immediate endorsing of checks may prevent them from being diverted to personal use, it will not keep them from being lost or stolen. Our opinion is that the risk level should be "Low".

Finding #5- Funds were transferred between employees without documentation.

Since the time that the Key Control Audit was conducted, a new process has been implemented as follows:

- Each person who may be in a circumstance to receive money has been assigned a three-part cash receipt book with consecutively number receipts.
- When the money is received from the client an original, numbered receipt is issued.
- The accountant will sign the receipt book and retain part two of the receipt when receiving the funds.
- Part three of the receipt is retained in the book or the client's file by the person who originally received the funds for future reference

In this particular circumstance there would never be an overage or shortage as there is no expected revenue. Afterschool Program participants are asked only to pay registration *if they are able, in the amount they are able*, much like a contribution.

Thank you for your assistance and support. Please feel free to contact us with any questions or concerns.

Sincerely,



Pat Berckman
Division Director

Cc: Elizabeth Bayler, Fiscal Manager
Roger Gisseman, Youth Services Associate Director
Kelly Riding, After School Program Manager