

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



An Audit of the Key Controls of
Youth Services Substance Abuse and Counseling

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 Substance Abuse and Counseling

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LLM
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 Substance Abuse and Counseling 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 Substance Abuse and Counseling and the cooperation from Pat Berckman, Yanping Ding, Elizabeth Bayler, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Youth Services Substance Abuse and Counseling 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 Todd Livingston
Deputy Auditor

cc: Pat Berckman, Division Director
Yanping Ding, Department Fiscal Administrator
Elizabeth Bayler, Fiscal Manager
Ayelet Engelman, Program Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Youth Services Substance Abuse and Counseling. 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 Substance Abuse Program, have put into place key internal controls for managing public funds, safeguarding public assets, accessing sensitive information, and payroll reporting. Our findings related to an excessive petty cash fund balance and deficiencies in asset inventory controls. A report of the last audit of Youth Services was released to the public in August 2008.

Findings and Recommendations

Finding # 1 - Not all "Controlled Asset Form-Employee" forms were signed and on file.

Risk Level: Low

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."

Twenty-seven employees that we identified as working in the Substance or Counseling programs were assigned responsibility for controlled assets. Out of the 27 employees, ten had not submitted a signed Controlled Asset Form-Employee for 2013.

According to staff, one form was being updated or corrected and had therefore not yet been signed. Another form belonged to a recently hired employee.

When employee accountability is not established with a signed form, the risk of asset loss and misappropriation is increased.

Recommendation

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

Action Taken: By the end of the audit, we observed that six of the ten employee forms were obtained during the course of our fieldwork and are now on file.

Finding # 2 - The petty cash fund balance was excessive.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.1.4, states:

"The requested imprest amount should be sufficient to provide adequate operating funds for 2 months."

A petty cash fund in the amount of \$300 was assigned to an employee that worked in the area of Substance Abuse and Counseling. During 2012, the account was reimbursed a total of \$296. The balance on hand was the equivalent of one year's worth of transactions.

According to management, petty cash is tightly controlled at Youth Services. Staff are encouraged to use the purchasing system or purchasing cards whenever possible. The result has been a decreased reliance on petty cash.

Excess funds are at greater risk for misappropriation. In addition, interest is lost on amounts that could be deposited.

Recommendation

We recommend that Youth Services reduce their petty cash to an amount equal to two to three months' expenditures.

Additional Information

Background

The Youth Services Substance Abuse Program provides Teens with Substance Abuse Treatment through two local facilities located in South Salt Lake and Riverton. The program includes a Substance Abuse Evaluation and Outpatient, Intensive Outpatient, Enhanced Intensive Outpatient and Day Treatment. The Youth Services Substance Abuse Program uses nationally standardized placement criteria, along with best practice treatment approach to assist in recovery.

Utah State Law Section 62A-4A-195 mandates that the State Division of Child and Family Services, or its contractor, shall provide services to children who are at risk of harm or alleged harm due to abuse, neglect, or dependency.

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.

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 Substance Abuse and Counseling

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 16, 2013.

Finding #1- Not all "Controlled Asset Form-Employee" forms 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.

It should be noted that 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.

Finding #2- The petty cash fund balance was excessive.

While use of the County purchasing system or purchasing cards are preferred and encouraged, the petty cash fund is available for emergency purposes. Petty cash is tightly controlled. There is no way to predict the nature of an emergency. Unlike many divisions in the County where fiscal and administrative staff hours coincide with staff work schedules, Youth Services is a 24/7/365 operation. In Youth Services' history, emergencies can vary from needing to provide medication to food for a restricted diet to basic clothing. The Day Treatment program where this cash fund is maintained is approximately 15 miles from the main Youth Services campus. At this time, a reduction in the amount of the fund would be imprudent given the dramatic fluctuations in need.

However, Youth Services is considering the implementation of a purchasing card for this location. Should this be determined to be in the best interest of serving clients, a reduction in the amount of the fund may occur.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Berckman". The signature is fluid and cursive, with a large initial "P" and "B".

Pat Berckman
Division Director

Cc: Elizabeth Bayler, Fiscal Manager
Roger Gisseman, Youth Services Associate Director
Ayelet Engelman, Substance Abuse Treatment Program Manager
Brock Yancey, Counseling Services Program Manager
Carolyn Hansen, Clinical Services Director