

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



An Audit of the Key Controls of
Midvale Senior Center

September 24, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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September 24, 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 Midvale Senior Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Midvale Senior 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 Midvale Senior Center and the cooperation from Ken Donarski, Center Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Midvale Senior 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 Leonardo Flores
Deputy Auditor

cc: Sarah Brenna, Division Director
Jessica Montgomery, Fiscal and Admin Manager
Ken Donarski, Center Supervisor

GREGORY P. HAWKINS
Salt Lake County Auditor

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

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Midvale Senior Center. 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 Midvale Senior Center has put into place 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. Incomplete purchasing card records, deposit records, receipting records, and controlled asset records were observed.

Findings and Recommendations

Finding # 1 - Purchasing card records were not maintained.

Risk Level: Moderate

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 6.6 states:

"County records, including itemized receipts, quotes, and other supporting documentation discussed in this policy, will be maintained pursuant to the Government Records Access and Management Act, §63G-2-101 et.seq., Utah Code Annotated, and in compliance with County Ordinance §2.82, Records Management. Therefore, these supporting documents and materials shall be retained according to the general accounting retention schedule either on-site or at the County Records' storage warehouse."

Purchasing card information on file had missing bank statements, transaction logs, and supporting documentation (e.g. receipts, packing slips, etc). Documentation was missing for the months of January, April, May, July, September, and December of 2012.

When purchasing card records are not maintained, proper reconciliation and full review of transactions cannot occur. Additionally, a risk of error, misstatement, and misappropriation of funds is present.

Recommendation

We recommend that Midvale Senior Center maintain purchasing card records.

Action Taken: Midvale Senior Center now maintains purchasing card records onsite and includes proper supporting documentation.

Finding # 2 - Deposit documentation was not signed by the preparer or reviewer.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

Deposit documentation for May 2013 and December 2012 were reviewed. Three out of 35 documents were not signed by the preparer and the reviewer.

When deposit records are not signed by two parties, there is a risk of error, misstatement, and misappropriation of funds.

Recommendation

We recommend that two parties sign the deposit reconciliation form.

Action Taken: The Midvale Senior Center now has two parties sign the deposit reconciliation form after the deposit has been prepared.

Finding # 3 - The annual comprehensive controlled asset inventory was not verified with a signature and date.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," 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."

A "Controlled Asset Inventory Form - Organization" was available, however, the signature and date verifying that the annual comprehensive controlled asset inventory had been performed was missing.

When inventories are not verified by signature and date, accountability for controlled assets is not ensured.

Recommendation

We recommend that performance of the annual comprehensive controlled asset inventory is verified with a signature and date.

Finding # 4 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures...[the] '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."

The form "Controlled Asset Inventory Form - Employee" was not used to manage controlled assets assigned to employees.

When accountability for assets is not fully established, assets are at a greater risk for being lost or stolen.

Recommendation

We recommend that a comprehensive controlled asset inventory using the "Controlled Asset Inventory Form - Employee" be performed annually, and that employees sign for assets under their control.

Finding # 5 - Pre-numbered receipts were not used.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.5.3 states:

"If a County Agency uses manual receipts, they shall be pre-numbered and used in numerical order. All remittances shall be receipted in the manner indicated on the prescribed form of pre-numbered receipts. Each receipt shall be filled out completely."

Prior to February 2013, receipts were not issued to patrons. From February 2013 to April 2013, unnumbered petty cash vouchers were used as patron receipts. Starting in April 2013, pre-numbered sequential receipts were issued to patrons.

When receipts are not issued to patrons and kept on file, transactions cannot be reviewed; thereby, increasing the risk transactions could be falsified in order to conceal misappropriation of funds. Additionally, when receipts are not pre-numbered and used sequentially, transactions could be falsified in order to conceal the misappropriation of funds.

Recommendation

We recommend that Midvale Senior Center use pre-numbered manual receipts in numerical order.

Action Taken: The Midvale Senior Center began receipting in February of 2013. The use of pre-numbered sequential receipts was implemented in April of 2013.

Finding # 6 - Cash collections and overages/shortages were not recorded on MPF Form 3A, "Daily Cash Balance Sheet," or its equivalent.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.8.1, 3.8.1.3, and 3.8.1.4 state:

"All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit, using MPF Form 3A, Cash Balance Sheet, or a similar form developed for and produced by the specific Agency...Either a manual or an automated balancing procedure shall be performed as a step in the preparation of each deposit... To complete the balancing process, all recorded receipts shall be summed to arrive at the amount of total collections. A report of total collections may be in the form of an off-line, cash-register generated summary of daily transactions (Z-tape), an online, cash-registering system generated report, or an adding-machine tape of individual receipt copies where, in limited situations, manual receipts are issued... An 'over/short' or 'no-difference' amount between the cash count (cash and checks only, not payment card amounts), and recorded receipt totals shall be generated by the software application, or manually entered on the designated line of the MPF Form 3A."

Midvale Senior Center began using the MPF Form 3A in February of 2013. We observed that the form had not been filled-out properly. Collections and overages/shortages had not been recorded on the MPF Form 3A.

When collections and overages/shortages are not recorded properly, trends may not be recognized and needed training and/or remediation may not occur.

Recommendation

We recommend that Midvale Senior Center record collections and overages/shortages on an MPF Form 3A, "Daily Cash Balance Sheet," or a similar form.

Finding # 7 - The manual receipt book was not secured.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.5.4 states:

"The supply of unissued manual receipts shall be secured in a safe, locked drawer, or other secure area."

The manual receipt book was kept in an open office and not secured in a lockable drawer or safe.

When receipts are not secured, there is an increased risk that transactions could be falsified which may result in incomplete or inaccurate financial records or theft of public funds.

Recommendation

We recommend that the manual receipt book be secured in a safe, locked drawer, or other secure area.

Additional Information

Background

The Midvale Senior Center is part of the Salt Lake County Aging Services Division and is located at 350 West Park St (7610 S), in Midvale. The Midvale Senior Center provides seniors with social and learning opportunities, including: meals, classes, computer access, and activities.

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 May 31, 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.



September 20, 2013

Leonardo Flores
Salt Lake County Auditor
2001 South State Street, N3300
PO Box 144575
Salt Lake City, Utah 84114-4575

Ben McAdams
Salt Lake County Mayor

Lori Bays
Human Services
Department Director

AGING SERVICES

Sarah Brenna
Aging Services Division Director

Information & Referral
385-468-3200

*"Helping you
navigate the transitions
of aging"*

Re: Audit of Midvale Senior Center

Dear Leonardo,

This letter outlines how the Active Aging program will respond, train, and correct the deficiencies found in your letter dated August 15, 2013.

Finding #1 – Purchasing card records were not maintained.

- A. The Program Manager was addressing concerns with the previous Senior Center Manager; she no longer works for Aging Services. The current Senior Center Manager is in compliance with maintaining purchasing card records.

Finding #2 – Deposit documentation was not signed by the preparer or reviewer.

- B. The Program Manager has met with the Senior Center Manager; two parties are signing the Deposit Reconciliation Form, this has occurred since the current manager has come on board.

Finding #3 – The annual comprehensive controlled asset inventory was not verified with a signature and date.

- C. The Program Manager has met with the Senior Center Manager; the controlled asset inventory is now signed and dated.

Finding #4 – The “Controlled Assets Inventory Form – Employee” was not used.

- D. The Program Manager has met with the Senior Center Manager; the Controlled Assets Inventory Form for each employee is completed and signed by the employee.

Finding #5 – Pre-numbered receipts were not used.

- E. The Program Manager has met with the Senior Center Manager; pre-numbered receipts are being used, this has occurred since the current manager has come on board.

Finding #6 – Cash collections and overages/shortages were not recorded on MPF Form 3A “Daily Cash Balance Sheet” or its equivalent.

- F. The Program Manager requests that this finding be redacted as per our previous meeting with Roger Larsen, Division Director. The Active Aging

program utilizes the Deposit Reconciliation Form that incorporates a line to document overages/shortages of the change fund.

Finding #7 – The manual receipt book was not secured.

- G. The Program Manager met with the Senior Center Manager; the manual receipt book is secured when not in use.

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

Sincerely,



Sarah Brenna
Director

cc: Jessica Montgomery, Fiscal Manager
Kristy Cottrell, Aging Services Associate Director
Traci Lee, Active Aging Program Manager
Ken Donarski, Midvale Senior Center Manager
Randy Donnelson, Active Aging Assistant Program Manager

Ben McAdams
Salt Lake County Mayor

Lori Bays
Human Services
Department Director

AGING SERVICES

Sarah Brenna
Aging Services Division Director

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