

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of  
Facilities Services

April 24, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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April 24, 2014

Ben McAdams, Mayor  
Salt Lake County  
2001 S State St #N2100  
Salt Lake City, UT 84114-4575

Re: An Audit of Facilities Services

Dear Mayor McAdams:

We recently completed an analysis of Facilities Services pursuant to 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. 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 Facilities Services and the cooperation from Theresa Christensen, Wayne Marion, Jan Fritz, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Facilities 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: Leslie Workman, Department Fiscal Administrator  
Wayne Marion, Division Director  
Rory Payne, Associate Division Director  
Jan Fritz, Internal Services Manager

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## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Facilities Services. Due to the high volume of purchasing required by Facilities Services, the first objective of the audit was to review expenditures for potential vendor fraud, overcharges, and/or conflicts of interest. The second objective was to review utility rebates and metals recycling checks to ensure all amounts received were deposited.

## Conclusion

During our review we noted that purchases were generally consistent with Facilities Services mission and with projects completed in 2013. However, we did note purchases made on a proprietary credit card at a general merchandise wholesaler that could not be traced to a work order, and one purchase that was recorded on a work order but appeared to be for personal use. We also found that supervisory approval and documentation related to purchasing cards was inadequate in some cases. We reviewed utility rebate checks and metals recycling revenue. We found inadequate controls in place in both areas. In addition, not all funds paid to Salt Lake County from a metals recycling vendor had been deposited.

## Findings and Recommendations

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*Finding # 1 - Separation of duties and other controls over utility rebates was not adequate.*

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**Risk Level: High**

Countywide Policy #1062, "Managing Public Funds," states in the introduction:

"In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping."

Rebates were obtained from gas and electric companies for purchasing energy efficient appliances and/or construction of energy efficient buildings, heating and cooling systems. We reviewed ten utility rebate checks received or deposited by Facilities Services during 2013 and found that payments ranged from \$225 to \$27,280.

Facilities Services' trade supervisors applied for rebates and usually received the payment, which resulted in poor segregation of duties. There was no centralized record of the amount of rebates currently applied for but awaiting payment. Trade supervisors forwarded payments to the Facilities Services Accountant for coding. They were then given to the Internal Services Manager for deposit.

We requested and received from the power company a statement of rebate incentive checks mailed to Facilities Services. A total of \$95,344 was listed. We were able to verify that all funds listed had been deposited with the County. Unfortunately the lack of segregation of duties provides an opportunity for funds to be diverted to personal use, which could occur undetected by County management.

### ***Recommendation***

We recommend that the duties of applying for rebates be separated from the duties of receiving payment for the rebates.

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### ***Finding # 2 - Not all credit card purchases were approved by a supervisor and/or fiscal Manager***

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#### **Risk Level: Moderate**

"Salt Lake County Purchasing Card Training Manual and Operating Standards," Section 6.3.2, states:

"If you did not have your transactions approved electronically in the US Bank system you must submit a paper log. The Log must be signed by your Supervisor and Fiscal Manager to indicate approval."

We reviewed 57 judgmentally selected purchasing card transactions including purchases from general merchandise stores, stores that sell electronics, etc. We found one purchase of gas for an employee's personal vehicle. The purchase was detected and repaid prior to our audit. We were able to verify adequate documentation and business need for the remaining purchases.

We also reviewed supervisory approval of the transactions at the end of the month, as evidenced by a supervisory signature on the cardholders monthly log. We found a total of 18 transactions where the supervisor did not sign indicating their review of the attached transactions. We also found 17 transactions with no Fiscal Manager approval. Finally, we found two purchases where the cardholder did not sign their own log indicating they had reviewed and approved the purchasing card statement and log.

When purchasing card transactions are not reviewed and approved by the employee's supervisor, purchases of unnecessary items or items for personal use are more likely to occur. Purchases are also more likely to be entered into the project tracking system under the wrong work order or vendor.

### ***Recommendation***

We recommend that the cardholder, the cardholder's supervisor and the fiscal manager review purchasing card transactions and indicate their review with a signature.

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***Finding # 3 - Controls over metals recycling were not adequate and some funds received could not be traced to a deposit.***

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**Risk Level: Moderate**

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

"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."

Metals that Facilities Services staff salvaged from construction projects or obsolete equipment were taken to a local recycling company on an ad hoc basis. The recycling company issued payment directly to Facilities Services staff in the form of cash or a check.

As part of our audit, we obtained a statement of amounts paid to "Salt Lake County" or "Salt Lake County Facilities" in 2013 per recycling company's accounting system. We could not trace four of the payments to a County deposit. The missing funds totaled \$502.90.

Two of the missing payments had been made in cash to a Facilities Services employee. When questioned the employee stated that he had the cash from one of the transactions at his desk, which he then brought to the Fiscal Manager for deposit. The employee stated he could not recall the details of the other cash transaction.

For the remaining missing payments, in one case the receiving signature on the receipt was not legible. The other payment was received by an employee from another division and will be followed up on separately.

Items taken for salvage are no longer needed and therefore may not be missed. Because staff taking metals for recycling received payment directly, funds can easily be lost or stolen.

The evidence suggests that funds may have been stolen or otherwise accounted for inappropriately.

***Recommendation***

We recommend that the duties of taking salvage materials to be recycled be segregated from receiving the payment.

We recommend greater supervisory oversight and record keeping of the metals recycling program.

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***Finding # 4 - Controls over checks received in the mail were not adequate.***

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**Risk Level: Moderate**

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."

Mail delivered to Facilities Services is retrieved and sorted by the Front Desk receptionist, or if she is not there, another member of the staff. Mail, including checks, if applicable, is distributed to the appropriate personnel. Checks are unopened and are not logged or restrictively endorsed upon receipt.

When checks are not opened under dual control and included on a log, funds are more likely to be diverted to personal use without detection.

***Recommendation***

We recommend that checks received in the mail be opened and recorded on a log in the presence of two staff members.

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***Finding # 5 - An itemized receipt was not always attached to purchasing card transactions.***

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**Risk Level: Moderate**

"Salt Lake County Purchasing Card Training Manual and Operating Standards," Section 6.1 states:

"Cardholders must obtain detailed receipts, not total receipts."

Section 6.3 states:

"Each cardholder will receive a statement identifying all transactions made against the card during the previous billing cycle...The statement must be reconciled against your Log. The original receipts will be attached to the Statement."

We reviewed purchasing card payments to contracted vendors that were also paid via Electronic Funds Transfer (EFT) or general warrant. We noted four out of 16 payments where the credit card receipt was not detailed and did not break down what goods and/or services were provided. As a result of our audit, Facilities Services purchasing coordinator was able to obtain a detailed receipt or invoice from the cardholder for all but one of the purchases.

When detailed receipts are not attached, supervisory review becomes more difficult. In addition duplicate payments and over payments are more likely to occur, especially when the vendor may receive payments using multiple payment methods, such as electronic funds transfer, physical check and/or purchasing card.

### ***Recommendation***

We recommend that employees obtain a detailed receipt for each credit card purchase, and that the receipt be attached to the monthly purchasing card log and statement.

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### ***Finding # 6 - Purchasing card transactions were not always included on a log***

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#### **Risk Level: Moderate**

"Salt Lake County Purchasing Card Training Manual and Operating Standards," Section 6.2 states:

"Record the purchase on the P-card Transaction Log ... record the date of the transaction, the name of the supplier, and identify the merchandise purchased and the dollar value of the sale."

Section 6.3 states:

"Each cardholder will receive a statement identifying all transactions made against the card during the previous billing cycle ... The statement must be reconciled against your Log. The original receipts will be attached to the Statement."

Facilities services purchasing cardholders have been instructed to enter purchasing card transactions into the Division's work-order/project costing system. At the end of the month, the purchasing coordinator printed a log of the cardholder's transactions from the work-order system, based on what they had entered. During the course of our review we noted that purchasing card logs did not consistently list all purchases made.

According to the purchasing coordinator, cardholders did not always enter purchases into the project tracking system in a timely manner.

Failure to list all transactions on the purchasing card log makes supervisory oversight and administration more difficult. Inappropriate purchases are more likely to occur. Project costing records become less accurate and less reliable.

### ***Recommendation***

We recommend that all purchasing cardholders complete a log that indicates the date, vendor, item purchased, and the amount of each purchasing card transaction.

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***Finding # 7 - A Facilities Services employee worked as a County contractor but had not filed a conflict of interest statement.***

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**Risk Level: Low**

"Salt Lake County Disclosure Statement," Section Disclosure, Subsection 3, states:

"Any covered person involved with a private business that does or anticipates doing business with the County must disclose that involvement."

Subsection 5 states:

"All written disclosures must be sworn statements containing the information required above and be in a form to that on the reverse side of this document."

A plumber working for Facilities Services had performed landscaping work for Youth Services. No "Disclosure of Private Business Interests" had been filed with the County Clerk's Office, or with Facilities Services management.

When private business interests are not disclosed, unfair bidding or work schedule conflicts are more likely to occur undetected.

***Recommendation***

**ACTION TAKEN:**

As a result of our audit, the employee completed and filed a "Disclosure of Private Business Interests" form with the Council Clerk's Office and Facilities Services.

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***Finding # 8 - Checks were not always deposited within three days.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 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."

Because Facilities did not keep a log of when checks were received in the mail, we were not able to verify the number of days to deposit for those revenues. However, we were able to calculate days to deposit for metals recycling checks, because they were dated the same day they were received. We found that days to deposit ranged from 1 to 15 days. A total of 4 checks were deposited more than 3 days after receipt. A similar lag time may exist for other sources of revenue, such as checks received in the mail.

The Fiscal Manager stated that checks are sometimes retained so that the correct accounting code can be identified prior to making the deposit.

When funds are not deposited on a timely basis, they become more susceptible to loss or theft. In addition, interest that could be earned is lost.

### ***Recommendation***

We recommend that checks be deposited no later than three days after receipt.

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***Finding # 9 - A proprietary card purchase was misidentified by the cardholder and not all purchases could be traced to a work order.***

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### **Risk Level: Low**

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

"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"

We judgmentally selected seven purchases made using a proprietary credit card. Purchases primarily consisted of televisions, monitors and television mounting brackets. For three of the purchases, no work order number was noted among the purchasing documentation. After performing research the Purchasing Coordinator was able to provide a copy of a work-order for one of the purchases, showing that the television was installed at a Health Department location. Two televisions were reported by Facilities Services staff to have been installed at the Sheriff's Office Building. Another was reportedly used to replace a broken monitor in the electrical shop. We could not independently verify that the assets were the same as those listed on receipts.

In addition, one of the receipts listed three televisions, but the work order only listed installation of two televisions. In another instance, a member of the custodial staff purchased gloves for use in shoveling snow and recorded the purchase to a work order with that description. The receipt, however, also contained the purchase of a down filled vest.

No supervisory or Fiscal Manager review regarding the business need for items purchased using the proprietary card was performed. Item descriptions per the receipt were often cryptic, increasing the need for greater oversight.

In the absence of sufficient documentation and supervisory review, assets are more likely to be misappropriated or lost.

### ***Recommendation***

We recommend that all proprietary card purchases be cross referenced to a work-order.

We recommend that a supervisor and/or the Fiscal Manager review receipts to ensure purchases have an appropriate business need.

## **Additional Information**

### **Background**

Facilities Services, Organization 3300 has a 2014 budget of \$11.2 million. The organization consists of 68 FTEs including electricians, plumbers, HVAC technicians, and construction workers. Facilities is responsible for over five million square feet of County-owned buildings and strives to ensure they are well-maintained, pleasant and comfortable.

### **Scope**

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Purchasing
- Utility rebate program revenue
- Metals recycling program revenue

Our examination period covered up to twelve months ending December 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation 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.



April 18, 2014

Brenda K. Nelson  
Salt Lake County Auditor

**BEN McADAMS**  
Salt Lake County Mayor

**Jill E. Carter**  
Administrative Services  
Department Director

## **FACILITIES MANAGEMENT**

**Wayne Marion**  
Facilities Management  
Division Director  
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Brenda,

In response to the recent Facilities Services Audit dated April 2, 2014 please note the following responses that either have been implemented or will be implemented according to the individual findings.

### **Finding #1 – Separation of Duties and other Controls over utility rebates was not adequate.**

We have implemented the following:

1. All mail (including checks) are to be opened and recorded by two people:
  - a. Checks are to be recorded in triplicate.
  - b. One copy of the recorded checks is to be sent to Treasurer for deposit.
  - c. One copy is to remain with the division accounting office.
  - d. One copy is to be forwarded to the Project Manager in charge of rebates for matching purposes.
  - e. Deposits of all rebate checks (and all other checks) will be deposited within three business days or have a valid reason stated for the delay i.e., checks retained to obtain correct accounting code before deposit.
2. All trade supervisors (all applicants for rebates) will send a copy of the rebate application to the Project Manager in charge of rebates for matching purposes.
3. Project Manager in charge of rebates will reconcile monthly:
  - a. Rebates received
  - b. Rebates left to be collected
  - c. Aging schedule of rebates

### **Finding #2 – Not all credit card purchases were approved by a supervisor and/or Fiscal Manger.**

We have implemented the following:

1. All logs will be reviewed by supervisors before being sent to Division Accounts Payable
  - a. Review to Include:
    - i. All relevant documents to be attached (invoices, receipts, etc.)
    - ii. Copy of bank card Statement to be attached
      1. All P-Card transactions (invoices, receipts, etc.) are to be matched to bank card statement
    - iii. Signature of Employee (cardholder)
2. Division Accounts Payable will forward all logs to Division Fiscal Manager (or designee) prior to entry into Payable system

- a. Fiscal Manager will verify signature of employee
  - b. Fiscal Manager will verify signature of supervisor approval
  - c. Review of all documents attached
  - d. Fiscal Manager will sign all logs
3. Fiscal Manager will forward all logs to Accounts Payable for cross verification prior to entry.

**Finding #3 – Controls over metals recycling were not adequate and some funds received could not be traced to a deposit**

We have implemented the following:

1. Metals for recycling will be accumulated at a designated location at the Government Center
  - a. This is to allow an accumulation to be sufficient to have the recycler send a check rather than give cash to the driver.
2. Communication has been made with the two metal recyclers indicating that a check is to be sent to Salt Lake County Facilities Management and cash not given to a driver.
3. Checks are to be handled as indicated in Finding #1.

**Finding #4 – Controls over checks received in the mail were not adequate.**

Please see controls implemented under Finding #1.

**Finding #5 – An itemized receipt was not always attached to purchasing card transactions.**

Please see controls implemented under Finding #2

**Finding #6 – Purchasing card transactions were not always included on a log**

Please see controls implemented under Finding #2

**Finding #7 – A Facilities Services Employee worked as a County contractor but had not filed a conflict of interest statement.**

The situation with the employee indicated has been rectified – employee turned in appropriate paperwork.

We will implement the following:

1. Discussion on this issue at two annual meetings held each year.
2. Produce a 'check-off' list for employees to sign indicating that they have turned in the appropriate paperwork or that the policy does not pertain to them.

**Finding #8 – Checks were not always deposited within three days.**

Please see controls implemented under Finding #1



Wayne Marion  
Director, Salt Lake County Facilities Management