

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of  
Ellis R. Shipp Clinic

August 06, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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August 06, 2014

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 Ellis R. Shipp Clinic

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Ellis R. Shipp Clinic 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 Ellis R. Shipp Clinic and the cooperation from Tammy Johnson, Office Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Ellis R. Shipp Clinic 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: Gary Edwards, Executive Director  
Dorothy Adams, Director of Administration  
Audrey Stevenson, Director of Family Health Services  
Matthew Ferguson, Fiscal Manager  
Keith Jensen, District Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Ellis R. Shipp Clinic. 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 Ellis R. Shipp Clinic has put into place several key controls for managing public funds. Most risks identified were minor and not expected to result in material loss. Deficiencies in internal controls for segregation of duties, cash receipting, and cash handling have a higher likelihood of being a liability to the County. Reports of the last audits of Ellis R. Shipp Clinic were released to the public in December 2012 and November 2008.

## Findings and Recommendations

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### *Finding # 1 - Employees working as cashiers also prepared the deposit.*

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

Countywide Policy #1062, "Management of 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. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

Employees that performed cashiering duties also prepared the same funds for deposit.

When depositing duties are not segregated from cashiering duties, funds are at a greater risk of being lost, stolen, or diverted for personal use.

#### **Recommendation**

We recommend that the deposit be prepared by an employee who does not perform cashiering duties for funds received that day.

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***Finding # 2 - On-line cash drawers were not used.***

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**Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," Sections 2.4.1.3 and 2.4.1.3.1 state:

"If total receipts per day exceeds \$1,000, or the number of transactions processed is 100 or more, then Agency Management shall provide an on-line register with the following features: A cash drawer for each terminal that automatically opens when a sale or transaction is completed."

An average of \$1,164.64 was receipted per day in a sample of 30 days of deposits from July 2013 to June 2014. Receipting stations at the Ellis Shipp Health Clinic used lockable cashboxes instead of on-line cash drawers that open automatically when sales or transactions are completed.

When an on-line cash drawer is not used when required, there is an increased risk of inaccurate receipting, recording, accounting, and improper safekeeping of public money.

***Recommendation***

We recommend that Health Department management provide an on-line cash drawer, for each terminal, that automatically opens when a sale or transaction is completed.

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***Finding # 3 - The change fund balance on hand did not match the amount of record.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 2.7.1 states:

"Change Funds shall be maintained at the amount authorized by the Auditor's Office [Mayor's Financial Administration]. ..."

Additionally, Countywide Policy #1203, "Petty Cash and Imprest Funds," Sections 3.1.1 and 3.1.2 state:

"The requesting Agency shall complete MPF Form 2, 'Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund.' The requesting Agency shall provide detailed justification for establishing a new account, or when requesting a change (increase or decrease) in the imprest amount of an existing account."

A previous audit conducted in 2012 found that the amount of the change fund on hand totaled \$400, an overage of \$100 from the \$300 amount of record in Mayor's Financial Administration. A retest showed that the change fund in like manner had an overage of \$100 from the \$300 amount of record in Mayor's Financial Administration.

When the change fund does not balance to the amount on record, it could indicate a lapse of management control of the fund.

***Recommendation***

We recommend that the change fund be maintained at its authorized amount or that the change fund balance be adjusted with Mayor's Financial Administration.

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***Finding # 4 - Over/short logs were not signed by the cashier's immediate supervisor.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.3 states:

"The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor."

Of the 42 over/short logs reviewed, 11 forms included a subordinate cashier's signature instead of a supervisor's signature, and one log was missing the cashier's immediate supervisor's signature.

When overages and shortages are not reviewed and signed by the cashier's immediate supervisor, accountability for overages and shortages is not ensured, trends may not be noted, and needed training and/or remediation may not occur.

***Recommendation***

We recommend that the cashier's immediate supervisor sign for recorded overages and shortages on MPF Form 11.

## **Additional Information**

### **Background**

The Ellis R. Shipp Clinic is located at 4535 South 5600 West in West Valley City. Services provided at this clinic are immunizations, Child Health Evaluations and Care (CHEC), Medicaid eligibility, prenatal care, women's cancer screening, Women, Infant and Children (WIC), family dental, and birth and death certificates. The Ellis R. Shipp Clinic successfully accomplishes Salt Lake County Health Department's mission to promote and protect community and environmental health.

### **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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending June 30, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

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



## Memorandum

**To:** Leonardo Flores, Salt Lake County Auditor's Office  
**CC:** Gary Edwards, Audrey Stevenson, Keith Jensen, Tammy Johnson, Diane Okumura  
**From:** Matt Ferguson, Fiscal Manager  
**Thru:** Dorothy Adams, Associate Director  
**Date:** 08/05/2014  
**Re:** Key Control Audit of the Ellis R. Shipp Clinic

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Thank you for providing the findings of the Ellis R. Shipp Clinic Key Control Audit. Before finalizing the report, please include our response to each of the findings below:

The first finding was, **“Employees working as cashiers also prepared the deposit.”** We respectfully disagree that this should even be a finding, let alone a finding of “moderate risk.” The fact is the Ellis Shipp Clinic *is* compliant with Countywide Policy # 1062 in this regard. There is no stipulation in the policy that cashiers can't be involved in the preparation of the deposit, nor is there any indication that such a practice necessarily constitutes a violation of the requirement to segregate cash handling functions from the duties of maintaining the accounting records of those public funds. As a matter of fact, a more careful reading reveals that the policy actually implies that the cashier *should* be involved. Section 4.7.2 states in part, “Cashiers *or* employees who prepare deposits shall not perform the Bank Reconciliation” (emphasis added). In other words, “cashiers” and “employees who prepare deposits” are synonymous.

Furthermore, the wording in the audit report is misleading because it implies that the cashiers prepare the deposits on their own. This paints an inaccurate picture of the real risks by leaving out the fact that every deposit is prepared by at least two people.

Because the Ellis Shipp clinic strictly follows this widely accepted protocol of dual control, it is simply not necessary “that the deposit be prepared by an employee who does not perform cashiering duties for funds received that day,” as recommended. Similarly, we disagree with the assertions that the risk level is “moderate” and that the funds are at “greater risk of being lost, stolen, or diverted for personal use,” as a result of the cashier’s assistance in preparing the deposit. Finally, in many cases, we wouldn’t even have the necessary staffing levels to incorporate that recommendation. For these reasons, we will not be implementing any changes at this time.

The second finding was, “**Automatic cash register drawers were not used in the cashiering function.**” The cost to comply with the letter of this policy is greater than the resulting benefits. In addition, the Health Department would like to avoid the perception that the clinic is a retail operation. Therefore, we have compensating measures in place to safeguard cash and maintain adequate accountability. Incidentally, the assigned level of risk for this finding is inconsistent with previous risk assessments coming from the Auditor’s Office (it should be “low,” not “moderate”).

The third issue was, “**The change fund balance on hand did not match the amount of record.**” First, we’d like to point out that the 2012 audit was completed in a rushed and unorganized manner. There are no working papers to back it up and the results were finalized without our having the chance to respond. Therefore, the low-risk “finding” didn’t receive the attention and follow-up it otherwise may have deserved. Moreover, the change fund accounts were in transition at that time. Nevertheless, if a retest revealed a slight discrepancy this year, we can easily fix that by submitting the paperwork to correct the record. This action will be taken by August 15, 2014.

The fourth finding was, “**Over/short logs were not signed by the cashier’s immediate supervisor.**” We will educate our staff that the over/short logs need to be signed by the cashier’s immediate supervisor, as outlined in the policy. However, there may be extenuating circumstances or occasions when the right person is not available to sign the log. In such situations, the log will be signed by the supervisor at a later date or an explanation will be included with the documentation.

In conclusion, thanks for pointing out areas where we can improve as a Health Department. Considering that they represent only minor risks, we have the gratifying assurance that the other internal controls are working reasonably well.