

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



An Audit of the Key Controls of
Records Management and Archives

December 26, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

Audit reports are available at
<http://www.saltlakecountyauditor.org/site/audit/>



December 15, 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 Records Management and Archives

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 Records Management and Archives 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 Records Management and Archives and the cooperation from Karri Krattley, Archives Manager, Tarienne Mitchell, Archivist, Hugh Johnson, Records/Archives Specialist and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Records Management and Archives 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 Anita C. Kasal
Deputy Auditor

cc: Darrell Passey, Acting Director



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Records Management and Archives. 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 Salt Lake County Records Management and Archives Division has put into place several key internal controls for managing public funds and safeguarding public assets. However, some risks and areas of non-compliance regarding deficiencies in controls over voids, controlled assets records, and cash balance sheets were identified. These findings were minor and would not be expected to result in the material loss of County assets. A report of the last audit of Records Management was released to the public in August 2013.

Findings and Recommendations

Finding # 1 - Voids were not always handled in accordance with Countywide policy.

Risk Level: **Low**

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

"All copies will be marked 'VOID,' including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution. ... A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

We reviewed 265 manual receipts and found 12 voids. Each void had at least one of the following deficiencies: "VOID" was not written on the front, a reason and/or resolution was not documented on the front, cashier signature was missing, supervisor signature as evidence of review was missing, and voided white receipts were not attached to the existing internal note sheet.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that "VOID" be written on the front of voided receipts, cashiers document and sign the voided receipts, supervisors sign voided receipts as evidence of review, and white copies of voided receipts be attached to the existing internal note sheet.

Finding # 2 - The cash balance sheet (existing internal note) was not signed by the cashier or an independent party as evidence of review.

Risk Level: Low

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, or a similar form developed for and produced by the specific Agency. (See Appendix 3 [MPF For 3A] attached.)"

In an audit conducted in 2013, we found that cash balance sheets were not used to balance collections. As a result of our audit, Records Management began using their own form, referred to as an "existing internal note," to balance their collections. However, this form still lacked documentation of the change fund balance, the cashier's signature, and an independent party's signature as evidence of review.

The management response to the prior audit stated: "Since the audit was done, staff is now consistently attaching balance notes to deposit slips and bank information using the division's existing internal note process."

When the cash balance sheet is missing documentation of the change fund balance, as well as signatures of the cashier and an independent party, funds are at an increased risk of being lost or stolen without agency detection.

Recommendation

We recommend that management document the change fund balance, have cashiers sign the cash balance sheet, and have an independent party sign as evidence of review.

Finding # 3 - Records were not maintained as to the physical location of all controlled assets.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that property managers are responsible to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

The controlled asset inventory list was missing some controlled assets. Out of 10 assets reviewed, 3 assets were not found on the inventory list.

When the controlled asset inventory records are not properly maintained, assets are at an increased risk of being lost.

Recommendation

We recommend that inventory records be maintained to show the physical location of all controlled assets within the organization's operation.

Additional Information

Background

The County Archives stores historical County government records dating from 1852 to the present. Records include territorial records such as minutes, correspondence, and ledgers from various County offices such as the Clerk, Assessor, Treasurer, and the Territorial Selectmen. More recent records include annual reports, building permits, property appraisal cards, photographs, tax ledgers, Board of Health minutes, and minutes and correspondence from the Board of County Commissioners.

Historical property records include property tax appraisal cards and photographs from the years 1936-1980s, tax assessment rolls and tax ledgers from 1852 to the present, and aerial photographs from 1946, 1952, 1958, and 1964.

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 September 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.



Ben McAdams
Salt Lake County Mayor

Sarah Brenna
Administrative Services
Department Director

Megan Hillyard
Administrative Services
Associate Director

**RECORDS MANAGEMENT
& ARCHIVES DIVISION**

December 24, 2014

Gregory P. Hawkins, Auditor
2001 South State Street N3300
Salt Lake City, UT 84114-4575

Re: Division of Records Management & Archives' Response to Key Control Audit

Dear Mr. Hawkins:

Our division was audited recently and we have reviewed the findings and recommendations of the report. Our responses and actions taken to the specific findings are below.

Finding #1 - Voids were not always handled in accordance with Countywide Policy.

During the audit, we were trained on how to do a "Void" and when to do a "Void". We have instructed the staff and it is now being done correctly.

Finding #2 - The cash balance (existing internal note) was not signed by the cashier or an independent party as evidence of review. During the audit, a cash balance sheet was created by the Acting Director, with places for signatures and was reviewed by the person doing the audit as acceptable. We have been using this form with appropriate signatures ever since the audit.

Finding #3 - Records were not maintained as to the physical location of all controlled assets. We have never put our telephones on the controlled assets list. The telephones and their locations have now been added to the list by the Acting Director.

Sincerely,


Darrell Passey, Acting Director
Records Management & Archives Division

- c. Anita Kasal, Deputy Auditor
Wayne Bushman, Assistant Division Administrator
Sarah Brenna, Dept. of Administrative Services Director.

"Unlocking the past,
securing our future"

Appendix A