

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of the
Clerk's Office

December 31, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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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

December 31, 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 the Clerk's Office

Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Clerk's Office 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 the Clerk's Office and the cooperation from Pam Tueller, Administrative and Fiscal Manager, Marlene Osoro, Exempt Secretary, Lorrie Keller, Marriage and Passport Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Clerk's Office 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: Sherrie Swensen, County Clerk
Dahnelle Burton-Lee, Deputy Clerk



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Clerk's Office. 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 Clerk's Office has put into place several key controls for managing public funds and safeguarding public assets. Most risks identified were minor and would not be expected to result in material loss of County property. Our scope included a retest of the findings from prior audits. The prior reports were released individually to the public in September 2013 as Elections and Marriage and Passports. Deficiencies in certain internal controls over accounts payable functions have a higher likelihood of leading to a loss of County property.

Findings and Recommendations

Finding # 1 - Accounts payable duties were not segregated.

Risk Level: Low

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 28, states:

"Segregation of duties, a commonly used and widely accepted internal control and business practice, entails dividing or segregating key duties and responsibilities among different people. Implemented effectively, this type of control reduces risk of error and fraud so that no single individual can adversely affect the accuracy and integrity of the count."

In a review of the accounts payable internal controls, we found one employee performing the duties of requisitioning, purchasing, receiving, and adjusting invoice amounts for payment. In addition, we found requisition forms being copied and then used as a receiving record without any prenumbering system that enabled a match to the original document. Further the employee was given invoices by the purchasing coordinator for verification against the receiving records.

When there is no segregation of duties over accounts payable internal controls, merchandise is at a greater risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping.

Recommendation

We recommend that management segregate accounts payable duties over requisitioning, purchasing, receiving, and adjusting payments on invoices.

We recommend that requisition forms be pre-numbered and be in duplicate or triplicate format to facilitate the matching of records before payment.

Additional Information

Background

The Salt Lake County Clerk's Office is located at 2001 S. State Street, Salt Lake City, Utah. The Clerk's Office provides services that include: Elections (at S1100), Marriage and Passport (at S2200), and the preparation and retention of all minutes, agendas, and correspondences for the Salt Lake County Council, zoning, redevelopment agency, and municipal building authority meetings.

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 December 16, 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.



Sherrie Swensen

Salt Lake County Clerk

Dahnelle Burton-Lee

Chief Deputy Clerk



February 18, 2015

Anita C. Kasel, Deputy Auditor
Salt Lake County Auditor's Office
2001 South State Street, N3-311
Salt Lake City, UT 84114-4575

Dear Anita,

I am writing in response to your audit report dated December 31, 2014. I am pleased that the identified risk was "low" and I appreciate your recommendations. Below are my responses to your recommendations:

FINDING #1: Risk Level: Low

In a review of the accounts payable internal controls, we found one employee performing the duties of requisitioning, purchasing, receiving, and adjusting invoice amounts for payment. In addition, we found requisition forms being copied and then used as a receiving record without any prenumbering system that enabled a match to the original document. Further the employee was given invoices by the purchasing coordinator for verification against the receiving records. When there is no segregation of duties over accounts payable internal controls, merchandise is at a greater risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping.

Recommendation

We recommend that management segregate accounts payable duties over requisitioning, purchasing, receiving, and adjusting payments on invoices.

Just to clarify our process, we did not have one individual performing the duties of requisitioning, purchasing, receiving and adjusting invoice amounts for payment. Those duties were divided between at least two individuals and sometimes more, depending on who was available to receive. The person doing the purchasing and processing the order in People Soft was always separate from the person doing the requisitioning. The person doing the requisitioning occasionally received a delivery, but more often, one of the other staff members received the delivery. However, based on your recommendation, we have implemented a process whereby the person who does the requisitioning will not accept deliveries in the future.

You also recommended that requisition forms be pre-numbered and be in duplicate or triplicate format to facilitate the matching of records before payment. In response to this recommendation, we will not be providing pre-numbered purchase orders because the PO number is assigned in People Soft and a copy is filed. All purchases (including those made with the purchasing card) are consistently documented with receiving and invoice information. This documentation ensures that duplicate invoices are never submitted for payment.

Thank you for your assistance and if you have any questions, please feel free to contact me.

Sincerely,

Sherrie Swensen
Salt Lake County Clerk