

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Mayor Operations

December 15, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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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 Mayor Operations

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Mayor Operations 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 Mayor Operations and the cooperation from Javaid Majid, Associate Fiscal Administrator and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Mayor Operations 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 Cherylann Johnson MBA, CIA, CFE
Sr. Deputy Auditor

cc: Darrin Casper, Chief Financial Officer
Greg Folta, Fiscal Administrator
Javaid Majid, Associate Fiscal Administrator



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Mayor Operations. 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

Mayor Operations has put into place several internal controls for managing public funds and assets. However, some minor risks and areas of non-compliance were identified. Risks related to internal controls over controlled assets have a higher likelihood of leading to loss of County property. In addition, internal controls over software inventory need improvement. A report of the last audit of Mayor Operations was released to the public in August 2013.

Findings and Recommendations

Finding # 1 - The "Controlled Assets Inventory Form - Organization" was not signed and dated.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

Sections 4.3, 4.3.2, and 4.3.3 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. ... Exhibit 4 - 'Controlled Assets Inventory Form - Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee. The 'Certification' on Exhibits 3 and 4 states that the employee (for assets assigned to employees) and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them."

The "Controlled Assets Inventory List - Organization" (for assets not assigned to individual employees) was not signed or dated. Therefore, we could not verify when a physical inventory of controlled assets was conducted.

When controlled assets are not closely monitored, they are subject to being lost or stolen without detection.

Recommendation

We recommend the Property Manager conduct a physical inventory of controlled assets at least annually, and that the "Controlled Assets Inventory List - Organization" be signed and dated when the physical inventory has been conducted.

Finding # 2 - Sales tax was paid on some purchases.

Risk Level: Low

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 4.1.1 states:

"Sales Tax on P-Card Purchases. County purchases are exempt from sales tax. Therefore, if sales tax is mistakenly paid and the tax to recover is worth the cost of the recovery effort, the Cardholder shall take actions to obtain a credit to the P-Card account for the tax paid. Otherwise, the Cardholder may be held responsible, at the discretion of their County Agency Management, for reimbursing the county for the amount of the sales tax."

During our review of purchasing card transactions, we found that sales tax had been paid on 12 purchases made between July 1, 2013 and June 30, 2014. The tax was later refunded on 8 of the 12 purchases. Paying sales tax on County purchases was a finding in the previous audit conducted in 2013. Management's response was: "The Fiscal Manager will educate staff further on being more diligent when making purchases and making sure they are not charged sales tax at the point of purchase. In some cases it is not worth the resources and staff time used to get a sales tax charge removed. In these cases we will make the necessary notations indicating manager approval to not proceed in recovering the sales tax charged."

When employees do not provide a Utah State Tax Commission Form "Exemption Certificate" to a vendor when making purchases, the County unnecessarily pays sales tax on those purchases.

Recommendation

We recommend that purchasing cardholders obtain "Exemption Certificates" to provide to vendors when making purchases to ensure that sales tax is not paid.

We recommend that management sign the individual P-Card transaction documentation to verify approval of the charges when it is deemed appropriate to not recover the sales tax paid on a particular transaction.

Finding # 3 - The software inventory was not complete.

Risk Level: Low

Countywide Policy #1400-3, "Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned, or sent to surplus."

The software inventory maintained by Mayor Operations was incomplete. The number of authorized installations was not included on the list.

Without a complete software inventory, there is an increased risk of unlicensed software on County computers which could result in fines and penalties to the County. In addition, available software licenses may not be fully utilized.

Recommendation

We recommend that management ensure that a complete software inventory is maintained for all software used at Mayor Operations.

Additional Information

Background

Mayor Operations provides leadership and direction to the organizations within the Mayor's purview. The Department Administration area represents and promotes the interests of Salt Lake County to the public, media, and other governmental jurisdictions. This area consists of four departments: Administrative Services, Community Services, Human Services, and Public Works.

The purpose statement for Mayor Operations is "to provide leadership that promotes a government that acts in the best interest of Salt Lake County citizens and improves the quality of life for those citizens. To deliver an open, efficient, ethical, and fiscally accountable government. To be dedicated strategic partners to all County organizations."

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.



December 9, 2014

GREGORY P. HAWKINS
Salt Lake County Auditor

**MAYOR'S FINANCIAL
ADMINISTRATION**

Darrin Casper
Chief Financial Officer

Re: An Audit of the Key Controls of Mayor Operations

Dear Gregory P. Hawkins:

We want to thank you for your report dated November 19, 2014 and the work performed by your staff, specifically Cherylann Johnson.

We are pleased that your audit findings are low risk. However, we take all risk levels seriously and will increase our efforts to address your findings as quickly as possible. Resources permitting, we hope to have fully implemented recommended safeguards by May 29, 2015.

I want to further thank Cherylann Johnson on behalf of Mayor Operations staff who appreciated her approach to our agency's audit and her willingness to meet with us and further explain her findings in a manner that could easily be interpreted by agency staff. This has facilitated solutions to her findings, with some additional training and communication we are confident that our internal controls will strengthen.

Below you will find our management responses to your three (3) findings.

Finding # 1 - The "Controlled Assets Inventory Form - Organization" was not signed and dated.

The property manager will complete the Organization's inventory form/list as well as sign and date where appropriate. This was a one-time oversight that will be corrected.

Finding # 2 - Finding # 2 - Sales tax was paid on some purchases.

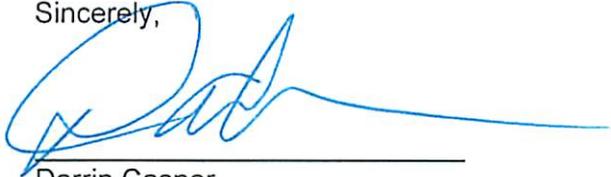
The purchasing card holder will make every attempt when buying an item to bring the "Exemption Certificate" with them to make the purchase. If the initial vendor does not know how to complete the sale with a tax exemption, the purchasing card holder will go somewhere else to ensure no tax is paid.

The Fiscal Manager will continue to educate staff on being more diligent when making purchases and making sure they are not charged sales tax at the point of purchase. In some cases it is not worth the resources and staff time used to get a sales tax charge removed. In these cases we will make the necessary notations indicating manager approval to not proceed in recovering the sales tax charged.

Finding # 3 - The software inventory was not complete.

In discussion with Cherylann Johnson, she gave both property managers a form with instruction on how to maintain the software inventory list. With this instruction we have a better of understanding of what the Auditor's expectations are for this inventory list and will complete it by the date above.

Sincerely,



Darrin Casper
Chief Financial Officer