

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



An Audit of the Key Controls of the
Salt Lake City Public Health Center

October 20, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 20, 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 Salt Lake City Public Health Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Salt Lake City Public Health Center 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 Salt Lake City Public Health Center and the cooperation from Debbie Dean, Ann Holzaepfel, Allison Dodge, Ilene Risk, Bonnie Francis, Lisa Nokes, Connie Allen, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Salt Lake City Public Health Center 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 Administrative Services
Audrey Stevenson, Director of Family Health Services
Dagmar Vitek, Director of Medical
Matthew Ferguson, Fiscal Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Salt Lake City Public Health Center. 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 City Public Health Center 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 controlled assets have a higher likelihood of being a liability to the County. Reports of the last audits of the Salt Lake City Public Health Center were released to the public in December 2013 and December 2012.

Findings and Recommendations

Finding # 1 - An employee working as cashier also had access to and maintained accounting records.

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 for the STD/HIV and Vital Records programs at the Salt Lake City Public Health Center also verified the following day the same funds and transactions they recorded in the system.

When a cashier has access to and maintains accounting records related to those funds, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that employees performing cashiering duties do not verify the same funds and transactions they recorded in the system.

Finding # 2 - A comprehensive controlled asset inventory had not been conducted within one year.

Risk Level: Low

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

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

We audited the controlled assets for five of the Center's programs: Tuberculosis, Epidemiology, Vital Records, STD/HIV, and Immunizations. Documentation on file for all five programs showed an annual physical inventory of controlled assets had not been performed within one year.

When accountability for assets is not fully established by conducting an annual inventory, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a comprehensive controlled asset inventory be conducted at least annually.

Finding # 3 - The "Controlled Assets Inventory Form-Employee" was not completed for each employee.

Risk Level: Low

Countywide Policy #1125 "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 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. ... [The] 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The "Controlled Assets Inventory Form-Employee" was not completed for each employee at the Vital Records, Epidemiology, Immunizations, and STD/HIV programs.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that all programs at the Salt Lake City Public Health Center use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

Finding # 4 - The imprest checking account was not reconciled monthly.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and other Imprest Funds," Section 5.1.3 states:

"In the case of Imprest Checking/Operating Accounts, the account's bank statement balance shall be reconciled at least monthly by an employee designated by Agency Management, who is not the Custodian."

A previous audit conducted in 2012 found that the Immunizations program imprest checking account at the Salt Lake City Public Health Center was reconciled quarterly instead of monthly. A retest showed that the imprest account in like manner was reconciled quarterly instead of monthly.

When imprest checking accounts are not reconciled monthly, it could indicate a lapse of proper management control of the fund.

Recommendation

We recommend that the Immunizations program imprest checking account at the Salt Lake City Clinic be reconciled monthly by an employee who is not the custodian.

Finding # 5 - Cash over/short logs were not signed by a supervisor.

Risk Level: Low

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

"The MPF Form 11 [Cash Over/Short Log], for each Cashier, shall be signed by the Cashier's immediate supervisor."

We found that the monthly over/short logs examined for the office supervisor of Immunizations and the program manager for Vital Records, who acted as cashiers, were not signed by their immediate supervisors.

When over/short logs are not signed by a supervisor as evidence of review, overages and shortages may go unnoticed and needed remediation may not occur.

Recommendation

We recommend that an over/short log be maintained for each cashier and that their supervisor review and sign the log each month.

Additional Information

Background

The Salt Lake City Public Health Center is located at 610 South 200 East. Services provided at this clinic are immunizations, HIV and STD testing and treatment, women's cancer screening, Women, Infant and Children (WIC) clinic, and birth and death certificates. The Salt Lake City 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 July 31, 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, Dagmar Vitek, Audrey Stevenson, Debbie Dean, Ilene Risk, Bonnie Francis, Nancy Jaramillo-Hahn, Michelle Dallon, Lisa Nokes, Ann Holzaepfel, Connie Allen, Allison Dodge, Kayla Doud, Lori Burk

From: Matt Ferguson, Fiscal Manager

Thru: Dorothy Adams, Associate Director

Date: 10/17/2014

Re: Key Control Audit of the Salt Lake City Public Health Center

Thank you for providing the findings of the City Clinic Key Control Audit and for extending the deadline to respond. Below is our response to this audit:

The first finding was, **“An employee working as cashier also had access to and maintained accounting records.”** It is our intent to segregate cashiering and accounting functions as much as possible. However, there are inevitably situations in which staffing levels are too low, forcing the Office Manager—who may be the only person to come in on a particular day—to occasionally act as cashier. In this case, the clinic manager or another staff person verifies the money at the end of the day. In addition, the daily deposits are prepared under dual control.

The second finding was, **“A comprehensive controlled asset inventory had not been conducted within one year.”** We concur with the recommendation to perform a controlled asset inventory annually. The next audit of City Clinic assets is scheduled for June 2015.

The third finding was, "**The *Controlled Assets Inventory Form-Employee* was not completed for each employee.**" This was an inadvertent mistake which has since been corrected. To ensure that these forms are completed by all employees going forward, we will add the procedure to our recently developed "new-hire checklist," and we will remind asset managers to collect the individually signed forms each year.

The fourth finding was, "**The imprest checking account was not reconciled monthly.**" Because the City Clinic cash account is so small and is rarely used, the cost in time, travel, and pay to reconcile it every month is more than the resulting benefit or reduction in risk. Therefore, we do not plan to implement the recommendation to reconcile the account monthly. However, we are regularly monitoring the account activity and will continue to do so. Alternatively, we may choose to lower the amount even further or close out the account altogether.

The fifth finding was, "**Cash over/short logs were not signed by a supervisor.**" This issue has already been brought to our attention from the Shipp clinic audit and we are working to educate our staff that the over/short logs need to be signed by the cashier's immediate supervisor. 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, please include this official response with the final audit report.