



SCOTT TINGLEY
CIA, CGAP

Salt Lake County Auditor

STingley@slco.org

CHERYLANN JOHNSON
MBA, CIA, CFE

Chief Deputy Auditor

CAJohnson@slco.org

2001 S State Street, N3-300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711
866-498-4955 / fax



Office of the
Salt Lake County Auditor
Scott Tingley, CIA, CGAP

A Report to
Salt Lake County Mayor
Ben McAdams

Report Number 2017-MLR02
December 2017

An Investigation of Wrongdoing at the Salt Lake County Youth Services Division

Pursuant to Utah Code Ann. §17-19a-401, *County Auditor Investigative Powers – Report of Findings*, we recently completed an investigation of alleged wrongdoing at Salt Lake County’s Youth Services Division (“Youth Services”). We received an anonymous tip through the Salt Lake County Auditor’s Whistleblower Hotline, alleging possible misuse of donations received, intended for the youth population served by Youth Services, and providing misleading information or incomplete volunteer records to inspectors from the State of Utah Office of Licensing (“Office of Licensing”).

Wrongdoing includes actions such as fraud, waste, abuse, and unethical behavior. Our priority in any type of investigation, is to ensure that County funds and assets are fully accounted for, and that they are properly safeguarded against theft or misappropriation. We designed our investigation procedures to gather sufficient evidence related to the reported allegations, and to form the basis for our conclusions and findings in this report. However, the evidence we gathered, and the investigative steps taken, are meant to provide only reasonable, not absolute assurance, that any wrongdoing occurred.

The whistleblower reported two main allegations of wrongdoing:

1. The Youth Services Communications Manager authorized the use of donations intended for Youth Services program participants to be given to employees as gifts and/or rewards.
2. The Youth Services Communications Manager ordered another employee to hide incomplete volunteer records from program inspectors from the Utah Office of Licensing.

Scope and Methodology

Our investigation covered the period from September 1, 2016 through September 30, 2017. In some cases, we extended our work beyond this period as needed. Our

investigation work included an examination of financial and other records related to the following operational areas at Youth Services:

- Donations made to ShelterKids and Youth Services
- Volunteer Records and Files
- Petty Cash and Other Imprest Funds
- Purchasing Card (P-Card) Transactions

In addition to examining volunteer and financial records, we observed business practices and tested the internal controls surrounding them. We conducted interviews with the staff at Youth Services, and members of the ShelterKids board of trustees. We also performed a surprise count and reconciliation of the petty cash funds on-site.

Inadequate Record Keeping and a Lack of Internal Controls Led to Misuse of Donations

Youth Services receives donations on behalf of ShelterKids, Inc. (“ShelterKids”), a 501(c)(3) nonprofit organization, through a public-private partnership with Salt Lake County. These donations include both cash and non-cash (“in-kind”) items intended to be used for the benefit of the youth population served by Youth Services programs.

We examined records from both Youth Services and ShelterKids, to determine if donations were accurately accounted for from receipt to use. We also reviewed the policies and procedures developed by the communications manager, the employee responsible for donations at Youth Services, to determine if they were sufficient to prevent fraud, waste, and abuse. Finally, we interviewed employees and members of the ShelterKids board of directors to determine if any donations had been used for purposes that were not intended by the original donors. We identified multiple deficiencies related to the donation process.

Finding 1.1: The Communications Manager at Youth Services allowed the use of donated gift cards as gifts or rewards for employees.

We received a tip through our whistleblower hotline alleging that the Communications Manager at Youth Services had allowed using donated gift cards, intended for ShelterKids, to be given as gifts and/or rewards to employees. We examined a gift card tracking spreadsheet provided to us by Youth Services management. This tracking spreadsheet listed certain gift cards that had been given to employees as gifts or rewards for giving presentations at different events hosted by Youth Services.

We contacted the employees listed on the tracking spreadsheet to determine who had authorized using the donations as gifts. Two of the employees we spoke with stated that the Communications Manager had authorized the gift cards to be given to employees as rewards for giving presentations at the events. The employees also confirmed that the

Communications Manager had authorized the gift cards to be used as a reward for other presenters as well.

Figure 1. Donated gift cards given to Youth Services employees.

Donated Gift Cards Given to Youth Services Employees			
Event	Merchant	No. of Cards	Total Amount
Retreat Presenter Gift	Barnes & Noble	6	\$130
Red Ribbon Week	Barnes & Noble	2	\$25

At least \$155 worth of donated gift cards were given as gifts or rewards to employees, rather than the youth population that Youth Services provides services for.

We also spoke with the former director of Youth Services, who now serves on the board of ShelterKids. She stated that the ShelterKids board did authorize the gift cards to be given as rewards to certain Youth Services employees for the Red Ribbon week events. However, she did not recall authorizing the retreat presenter gift cards.

We requested any documentation to substantiate whether the board, or any board member, had authorized the use of the donated gift cards as rewards for Youth Services employees. The former director stated that the process was very informal and that no documentation existed. Thus, we were unable to determine whether the ShelterKids board did in fact authorize the gift cards to be given to County employees.

Salt Lake County Human Resources Policy 5-100, Pay and Employment Practices, states that an agency administrator may give a discretionary bonus award to an employee for outstanding performance. The bonus award may be in the form of cash, disbursed through the County’s payroll system, or in the form of paid leave. Countywide Policy prohibits the use of petty cash funds or imprest account checks to be disbursed to County employees as bonus awards. Countywide Policy also prohibits the use of County purchasing cards to purchase gifts or rewards for County employees.

In this case, the gift card donors had an expectation that the donations would be used to benefit the youth population that Youth Services provides services for. However, when donated gift cards are given to County employees as gifts or rewards, and not to the intended recipients, public trust is eroded, and donors may be less likely to donate to these programs in the future.

Recommendation

- ***We recommend that Youth Services follow County policy when providing bonus awards to employees for outstanding performance, and prohibit the practice of using donated gift cards as employee gifts or rewards.***

Finding 1.2: Youth Services lacked sufficient recordkeeping and internal controls for the receipt, custody, and disbursement of gift card donations, which created an opportunity for theft or misuse.

During our investigation, we reviewed policies and procedures governing the receipt and use of gift card donations to Youth Services on behalf of ShelterKids. Donors purchase these gift cards on behalf of ShelterKids, who then distributes them directly to children in need, or to a Youth Services program manager to purchase items on their behalf.

Due to their nature, gift cards should be treated like cash. Without proper safeguards, gift cards can be easily stolen or converted to personal use. Therefore, it is important that adequate safeguards are in place, and policies and procedures are implemented to help ensure that all gift card donations are recorded and tracked appropriately.

We examined two spreadsheets created by the former Youth Services ShelterKids Liaison in 2016, that tracked the receipt and distribution of gift cards to Youth Services programs. We noted that the tracking spreadsheets were not detailed enough to identify each individual gift card by card number.

For example, the tracking spreadsheet listed a series of individual Barnes & Noble gift cards and their amounts, but did not provide other specific identifiers of individual gift cards. We compared the number of cards and their amounts listed on the tracking spreadsheet to cards listed on the distribution spreadsheet to determine if any cards were recorded as received, but not disbursed. We then compared the gift cards on-hand at the Youth Services administration office, to the receiving spreadsheet to determine if they had ever been logged as received.

The tracking spreadsheet listed 305 gift cards totaling \$7,017. Of these 305 gift cards, the ShelterKids Liaison had marked 211, totaling \$4,490, as disbursed to either a specific person or program. However, we found that employees making purchases with these gift cards were not required to submit a receipt to the ShelterKids Liaison or the Communications Manager for review. This created an opportunity for employees to use gift cards for personal purchases.

Furthermore, due to the lack of details on the tracking spreadsheet, we were not able to identify if any gift cards were used for their intended purpose. We also noted that we could not find any evidence that gift cards were tracked prior to, or after, the ShelterKids Liaison's tenure at Youth Services.

We also performed an inventory of the gift cards currently on-hand at the Youth Services administration office. We found 23 gift cards, totaling \$477, in the custody of the Youth Services Communications Manager. Of these 23 gift cards, only one \$10 gift card was listed as received on the ShelterKids Liaison's gift card tracking spreadsheets. We had no

way to determine when, or how many gift cards in the communications manager's custody were received or how many had been distributed. We found a total of \$2,995 gift card donations that were not tracked.

Figure 2. Breakdown of gift cards that could not be accounted for.

Breakdown of Gift Cards that Could not be Accounted For	
Cards Listed as Received but not On-Hand or Disbursed	\$2,528
Cards On-Hand but not Listed as Received	467
Total Amount of Gift Cards Not Accounted For	\$2,995

Official policies and procedures were not implemented to govern the receipt, use, or disbursement of gift card donations.

We found that \$2,528 of donated gift cards were recorded as received but could not locate them on-site or see that they had been disbursed. In other words, these gift cards were recorded when received by the ShelterKids Liaison, but could not be accounted for on-site.

In addition, we found \$467 of donated gift cards on-site, but could not match these gift cards to the cards listed as received on the tracking spreadsheet. Based on our observations, we concluded that Youth Services had not implemented any policies or procedures for accurately recording and disbursing gift card donations. We also concluded that although the former ShelterKids Liaison had tried to implement a system for tracking gift card donations accurately, Youth Services management did not make it a priority to follow the system after she left her employment with the County.

Overall, the lack of accurate recordkeeping and sufficient internal controls over the receiving, safeguarding, and disbursement of donated gift cards created an opportunity for theft and abuse. Donors have an expectation that any type of donation received, will be used to benefit the causes and organizations they are supporting. Without adequate internal controls in place over the receipt and disbursement of donations, there is an increased risk that donations could be stolen or used for personal gain.

Recommendations

- ***We recommend that Youth Services implement a set of policies and procedures governing the receipt and distribution of gift card donations.***
- ***We recommend that Youth Services program managers be required to submit detailed receipts to management, or a designated employee, whenever a purchase is made with gift card donations.***
- ***We recommend that an employee independent from the donation receipt and distribution process perform a monthly reconciliation of gift card receipts, disbursements, and gift cards on-hand.***

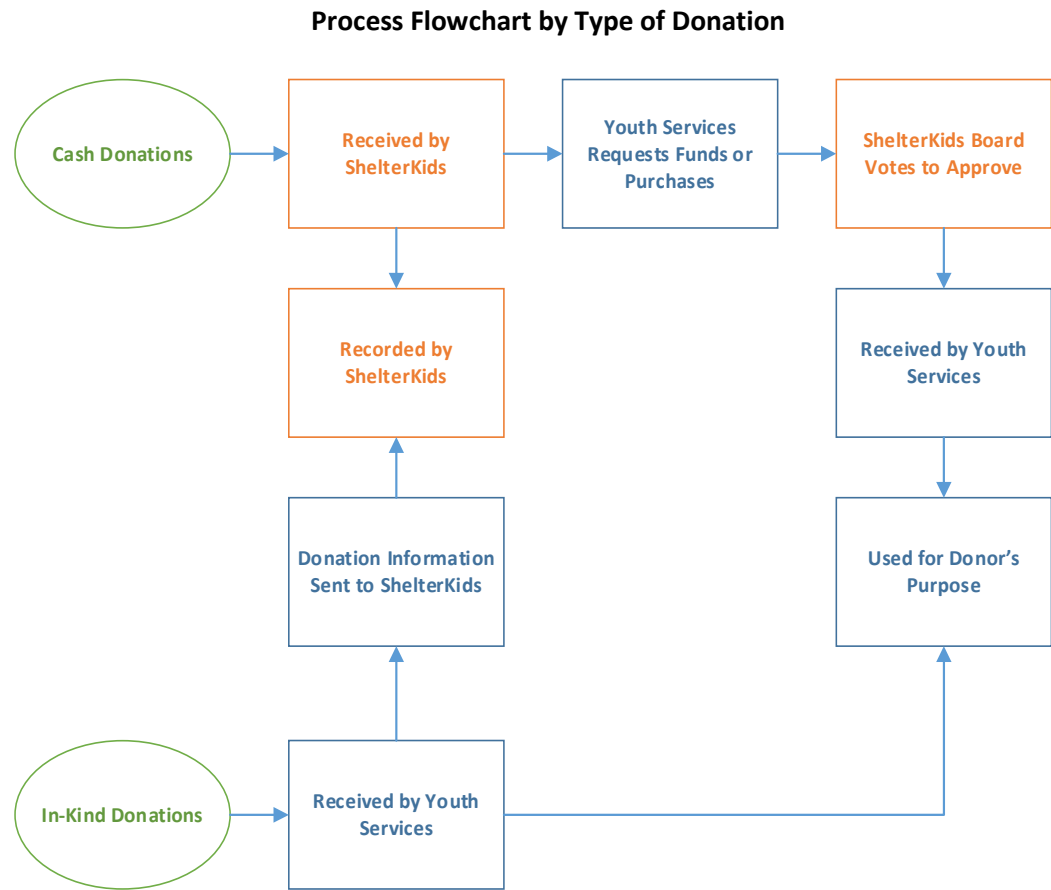
Finding 1.3: Youth Services did not record contribution revenues or program expenses when receiving and disbursing donations from ShelterKids.

We examined the financial records of Youth Services to determine if they were recording contribution revenues once they received donations from ShelterKids. We found that Youth Services was not accounting for either cash or in-kind contributions received from ShelterKids.

Youth Services has two separate processes depending on the type of donation they receive. In-kind (non-cash) donations are received directly by Youth Services at their facility. Donors complete a donation receipt form where they indicate the value of items donated. A copy of this receipt is sent to ShelterKids for their accounting purposes. The items are then distributed to program managers for use.

In contrast, cash donations are deposited in bank accounts managed by ShelterKids. When Youth Services needs to procure funds, they send a request to the ShelterKids board of directors. The board then votes on whether to approve the funding. Figure 3 illustrates this process.

Figure 3. Process Flowchart by Type of Donation



In-kind donations are received at Youth Services and reported to ShelterKids.

A donation given to Youth Services constitutes a voluntary nonexchange transaction. This type of transaction occurs when one party gives something of value without receiving equal value in return. Generally accepted accounting principles require that once an organization takes managing control of the donations they should record a contribution revenue for its fair value. An expense should be recorded once the donation is used for its intended purpose. Management was unaware of the requirement to account for donations at the County level. They were under the impression that the accounting was only performed by ShelterKids.

Per GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions:

Paragraph 7d, defines voluntary nonexchange transactions:

“Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Examples of voluntary nonexchange transactions include certain grants, certain entitlements, and donations by nongovernmental entities, including individuals (private donations).”

Footnote 6, states:

“Contractual agreements include oral as well as written contracts, provided that they are verifiable.”

Paragraph 21, states:

“Providers should recognize liabilities (or a decrease in assets) and expenses from government-mandated or voluntary nonexchange transactions, and recipients should recognize receivables (or a decrease in liabilities) and revenues (net of estimated uncollectible amounts), when all applicable eligibility requirements, including time requirements, are met.”

When donations are not accounted for accurately it increases the risk that donations will be lost or stolen. In addition, contribution revenues and program expenses will be understated on the County's financial statements.

Recommendations

- ***We recommend that Youth Services fiscal staff record donations as contribution revenues when they become available for use.***
- ***We recommend that Youth Services fiscal staff record a program expense when a donation is used for its intended purpose.***

Failure to Properly Monitor Volunteer Background Checks Created a Risk that Unqualified Individuals Continued Working with Vulnerable Youth

One of the allegations that we received stated that the Communications Manager had intentionally ordered another employee to hide volunteer records with expired background checks from inspectors from the Office of Licensing. While we did not find any direct evidence of this occurring, we did discover several internal control deficiencies associated with volunteer record keeping.

Youth Services employs the help of volunteers for many of their programs. Countywide Human Resources Policy 2-500, *Background Check Requirements*, states that volunteers that work in designated positions are required to undergo a background check at least annually. Any work that would allow a volunteer access to a vulnerable population,

including the care and custody of children, falls within the scope of a designated position. All volunteers must have a current background check on-file to work at Youth Services.

We examined volunteer records and work logs to verify those who worked for Youth Services all had completed files. This included an examination of the most recent background check dates in each volunteer file and whether any volunteers had worked past their background check expiration date. We identified multiple deficiencies related to volunteer records.

Finding 2.1: Volunteers at Youth Services were allowed to work without having a complete volunteer record.

When volunteers report on-site to perform service, they are required to sign a volunteer log. Each program manager maintains a copy of these logs. We compared the names on these logs against volunteer records kept by the communications manager. These volunteer records contain the personal contact information of volunteers, volunteer applications, a signed code of conduct, and most importantly, a completed background check. We found 27 on-going volunteers who logged work time at Youth Services from October 2016 through September 2017 that did not have a corresponding volunteer record. Without this documentation, we were unable to determine if these employees had undergone any required initial or subsequent background checks. This occurred due to a lack of management oversight to ensure records were complete before volunteers were allowed to work.

Salt Lake County Human Resources Policy 2-500, Background Check Requirements, Section II(D)(1), states:

"Employees in designated positions will be background checked annually but no less than every three years to ensure compliance with the County's criminal clearance standards. Supervisors who become aware of a disqualifying criminal violation may immediately take action."

Human Resources identifies Youth Services volunteers as designated positions requiring background checks since they are associated with the care and custody of children. When volunteer records are not completed it increase the risk that individuals with criminal records will have access to children served by Youth Services.

Recommendation

- ***We recommend that Youth Services management verify that all volunteer records are complete, including a current background check, before a volunteer is allowed to work at Youth Services.***

Finding 2.2: Youth Services did not monitor the background check process for volunteers properly, which allowed two volunteers with expired background checks to continue to work on-site.

Another issue brought to our attention through our whistleblower hotline alleged that volunteers were being allowed to work at Youth Services even though their annual background check had expired. When volunteers work they are required to sign-in and out on volunteer logs maintained by each program manager within Youth Services. We compared the most recent date worked by each volunteer listed on the logs against the most recent background check approval date listed within volunteer files. We found two volunteers that were allowed to work past their required background check date. One of these volunteers had a file but no background check information was present. Therefore, we could not determine if a background check had ever been performed when she first volunteered. This occurred due to a lack of management oversight over the volunteer background check process.

Salt Lake County Human Resources Policy 2-500, Background Check Requirements, Section II(D)(1), states:

"Employees in designated positions will be background checked annually but no less than every three years to ensure compliance with the County's criminal clearance standards. Supervisors who become aware of a disqualifying criminal violation may immediately take action."

Human Resources identifies Youth Services volunteers as designated positions requiring background checks since they are associated with the care and custody of children. When volunteers are allowed to work without having undergone a current background check, it increases the risk that individuals with criminal records will have access to the children served by Youth Services.

Recommendation

- ***We recommend that no volunteers be allowed to work at Youth Services if their annual background check has expired.***
- ***We recommend that management actively track volunteer background check expiration dates and require volunteers to undergo a background check at least annually.***

Conclusion

We appreciate the time spent by the staff at Youth Services answering our questions, gathering the necessary documentation and records, and allowing us access during our investigation. The staff at Youth Services were friendly, courteous, and very helpful throughout the process. We trust that implementation of these recommendations will

provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.