
A Report to the
Citizens of Salt Lake County
The County Mayor and the
County Council

An Audit of the
Salt Lake County
Behavioral Health
Services Division



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

May 2019
Report Number 2019-4

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Behavioral Health Services Division

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OFFICE OF THE SALT LAKE COUNTY AUDITOR
AUDIT SERVICES DIVISION

OUR MISSION

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.



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Date: July 19, 2019

To: The Citizens of Salt Lake County, the County Mayor and County Council

From: Scott Tingley, Salt Lake County Auditor

Re: An Audit of the Salt Lake County Behavioral Health Services Division

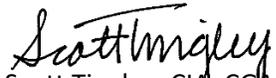
TRANSMITTAL LETTER

Transmitted herewith is our report, **An Audit of the Salt Lake County Behavioral Health Services Division** (Report Number 2019-4). An Executive Summary of the report can be found on page 1. The purpose of the audit was to provide assurance that financial information and County records are presented fairly and accurately, and that operational results are adequately captured and summarized. The audit also examined adherence to Countywide policies and standards, and the management of County assets to ensure that they are used for legitimate and authorized County business and activities.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of the Behavioral Health Services Division throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or to better facilitate the implementation of the recommendations.

Respectfully submitted,


Scott Tingley, CIA, CGAP
Salt Lake County Auditor

Cc: Karen Crompton, Department Director, Department of Human Services
Yanping Ding, Fiscal Administrator, Department of Human Services
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Table of Contents

Executive Summary.....	1
Background and Purpose	1
What We Found	1
What We Recommend.....	2
Summary of Agency Response.....	2
Introduction	3
Background	3
Objectives.....	4
Scope and Methodology	4
Audit Results	6
Revenue	6
Expenditures	7
Payroll	11
Assets	13
Liabilities	17
Appendix A: Explanation of BHS Revenue and Expense Offset	19
Agency Response	20

Executive Summary

Background and Purpose

We recently completed an audit of the Salt Lake County Behavioral Health Services Division (“Behavioral Health” or “BHS”). The purpose of the audit was to provide assurance that financial information and County records are presented fairly and accurately, and that operational results are adequately captured and summarized. The audit also examined adherence to Countywide policies and standards, and the management of County assets to ensure that they are used for legitimate and authorized County business and activities.

Behavioral Health is the administrative arm for managing public mental health and substance use disorder systems of care throughout Salt Lake County. For many years, the efforts put forth by BHS have resulted in improving the lives and wellbeing of individuals, families, and the local community.

The services managed by BHS include:

- Crisis Intervention
- Mental Health treatment
- Substance Use Disorder treatment
- Aftercare and Recovery support
- Limited-term housing

While BHS does not treat clients itself, it subcontracts with multiple service providers that provide the treatment and services needed for each program. With providers located throughout the entire county, clients can obtain services and treatment close to their local community. Most services provided by BHS and its service providers are publicly funded by the State of Utah, the Federal Government, or Salt Lake County. County funding represents approximately 10 percent of total BHS revenues.

What We Found

Evidence of the accuracy of State Department of Health billing computations was not available. (p. 8).

Because of the complexity and retroactive nature of the adjustments made by the Utah Department of Health (“UDOH”) to billing computations, BHS does not perform reconciliations between estimated and final adjusted billing amounts for Federal Medicaid Assistance Percentage (FMAP) funding match payments. Instead, BHS performs reasonability tests and engages in consultations with other counties in Utah to possibly detect any billing calculation errors made by the UDOH. While the methods used by BHS to reduce the risk of paying incorrect billing calculations by UDOH are appropriate, BHS management does not record or retain documentation of the tests or consultations for future reference.

Controlled assets were not being managed effectively due to a poorly designed asset database. (p. 15).

We found that the database that BHS was using to manage its controlled assets was poorly designed and unnecessarily complex. In this case, the controlled asset database did not meet the objective that it was

designed for and made the tasks of managing and tracking controlled assets cumbersome and incomplete.

What We Recommend

To support the accuracy of the Utah Department of Health (UDOH) calculations to other stakeholders:

Behavioral Health management should keep a record and retain reasonability tests that they perform on UDOH payments and document any consultations that they have with other Counties within the State regarding UDOH payment and billing computations.

To properly account for and safeguard controlled assets:

The property manager should design a database that contains the pertinent information to manage controlled assets effectively. Further, the annual controlled asset inventory should identify all controlled assets currently used by BHS and provide an accurate list of all controlled assets as of the inventory date.

Please refer to the main sections in the report for more details about these and other findings and recommendations.

Summary of Agency Response

We received a response to the audit from Behavioral Health regarding the recommendations given, which we have included at the end of this report. The purpose of the response is to outline an action plan for steps management will take to remediate issues noted, the person responsible for implementing the action plan, and a due date for the completion of the action plan.

Introduction

Background

Behavioral Health Services

Behavioral Health is the administrative arm for managing public mental health and substance use disorder systems of care throughout Salt Lake County. The services managed by BHS include crisis intervention, mental health treatment, substance use disorder treatment, aftercare, recovery support and limited-term housing. For many years, the efforts put forth by BHS have resulted in improving the lives and wellbeing of individuals, families, and the local community.

While BHS does not treat clients itself, it subcontracts with multiple service providers that provide the treatment and services needed for each program. With providers located throughout the entire county, clients can obtain services and treatment close to their local community. Most services provided by BHS and its service providers are publicly funded by the State of Utah, the Federal Government, or Salt Lake County. County funding represents approximately 10 percent of BHS total revenues.

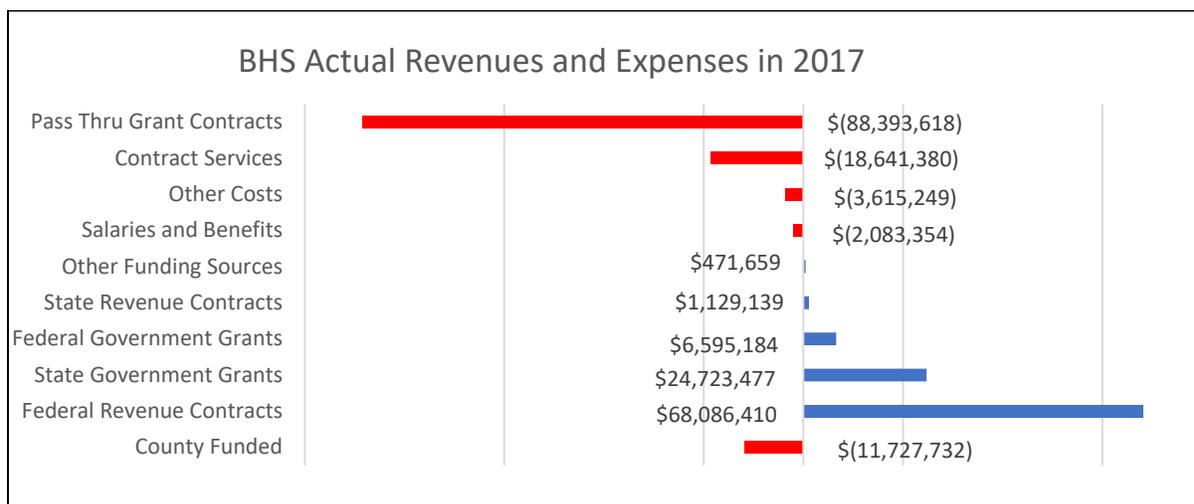
Sources and Uses of Revenue

BHS is managed with a grant programs fund. The purpose of the grant programs fund is to budget and account for the revenue sources and expenditures relating to organizations that receive a significant portion of their revenue from grants.

Much of the revenue is passed through BHS to subcontracted service providers. Total revenues BHS received in 2017 were \$101,005,868 and total expenses were \$112,733,600. Figure 1 shows the actual revenues and expenses from calendar year 2017.

Expenses exceeded grant program revenue in 2017, resulting in a budget deficit of \$11,727,732 which was made up for with County funds. County funding accounted for approximately 10 percent of total dollars received and expensed in 2017 by BHS.

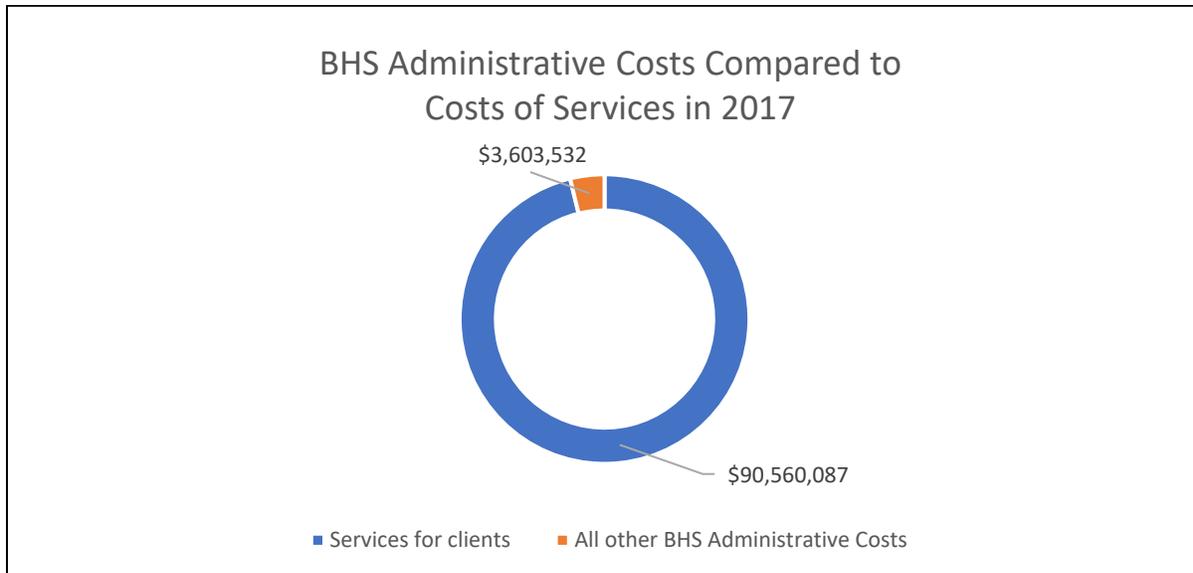
Figure 1. BHS Actual Revenues and Expenses in 2017. *BHS expenses exceeded grant program revenues by \$11.7 million in 2017. The difference was funded using County general funds.*



We noted an offset of revenue and expenses of approximately \$18.5 million dollars. See Appendix 1 for further information.

After adjusting total expenses for the offset, 96.2% of total BHS expenses went directly to service providers or other programs to assist the community. Only 3.8% was spent by BHS to administer its programs. See Figure 2 for the comparison.

Figure 2. BHS Administrative Costs Compared to Costs of Services in 2017. *BHS administrative costs were less than 4% of total expenses in 2017.*



Objectives

Our audit objectives included:

- Determining if internal controls at BHS are designed properly and functioning as intended to ensure that county financial transactions are recorded and reported accurately and completely, and free from significant error.
- Determining if financial transactions and business processes at BHS comply with applicable laws, regulations, policies, procedures, and contracts.
- Determining if BHS management provides adequate fiscal oversight, including monitoring the control environment, over financial transactions and business operations to ensure that transactions are valid and appropriate.
- Providing assurance that county assets are properly safeguarded against the risk of loss, theft, waste, or abuse.

Scope and Methodology

Our audit covered the period from January 1, 2017 through December 31, 2017. Our audit work included a formal examination of financial records and documents related to the following major business cycles:

- Revenue
- Expenditures
- Payroll
- Assets
- Liabilities

In addition to examining financial records, we observed business processes and reviewed internal controls in place designed to provide assurance that funds and assets were properly accounted for and safeguarded against loss or theft. We performed substantive tests of transactions and detailed tests of balances to determine if financial transactions in each of the areas above were recognized, recorded, and reported accurately and completely.

Our work was designed to provide reasonable, but not absolute assurance, that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered issues related to items not specifically selected for review.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments at BHS. We truly appreciate the time and efforts of the employees at BHS throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Audit Results

Revenue

Audit Objectives:

- Identify the sources of revenue for BHS.
- Determine if revenue was correctly reported to provide reasonable assurance that the financial statements fairly and accurately depict the financial condition of BHS.

Behavioral Health Services has three main sources of revenue:

1. Federal and State grant and contract revenues are administered through the Utah State Department of Human Services – Division of Substance Abuse and Mental Health. (Non-Medicaid Dollars)
2. Federal program revenues are administered and paid to BHS through the Utah State Department of Health. (Medicaid Dollars)
3. Salt Lake County funds are provided through the annual budget process.

Revenues provided to BHS from the State, have restrictions. The restrictions require funds be used for certain treatments/reasons. BHS uses State revenue dollars with the most restrictions first followed by dollars with less restrictions.

We determined that there were 480 revenue transactions in 2017: 388 transactions were generated as part of a batch depositing process and 92 transactions were generated as manual journal entries. We selected a judgmental sample of 30 out of the 480 revenue transactions to review. We determined that the sampled transactions included proper accounting, supporting documentation, and segregation of duties.

We also discovered that an account called the County Operational Reserve Account (CORA) is maintained by Optum, the contractor/coordinator of the Medicaid service providers, per contract with the County. The account is used to hold the monthly deposits of incentive fees and positive differences between payments to providers and payments received by Optum from the County.

While the funds in the account belong to the County, the County is not in control of the funds. For this reason, the Mayor's Office of Financial Administration ("Mayor's Finance" or "MFA") has instructed BHS to record offsetting balances in an unearned revenue account and prepaid grant expense account. We determined that the entries are properly recorded in the accounting system with supporting documentation, and proper segregation of duties are in place.

Findings and Recommendations

We noted no significant findings in the area of revenue.

Expenditures

Audit Objectives:

- Determine if purchasing card purchases were appropriate and complied with countywide policy.
- Determine if payments and journal entries had proper accounting, record keeping, and segregation of duties.
- Determine if correct rates were being applied to billed services from providers.
- Determine if only active provider contracts were being paid.
- Determine if the billing system matched the provider contract information.
- Determine if administrative fees were being properly calculated and retained.
- Determine if Access to Recovery program expenditures were appropriate.

Behavioral Health's largest expenditures are payments to subcontracted service providers. The two main types of program expenditures are for Substance Abuse Disorders and Mental Health. Both program types may be funded with Medicaid or non-Medicaid dollars. Other administrative expenses include Salaries and Benefits, indirect overhead costs, membership fees, rent, utilities, and other miscellaneous costs.

There was a total of 336 purchasing card ("p-card") transactions made during 2017. We selected a sample of 180 transactions for examination. We determined that the purchases in our sample were for a legitimate county business purpose, there were no duplicate or split purchases, and there was adequate segregation of duties between purchase requests, authorization, receiving, and reconciling the transactions.

There was a total of 1,441 (excluding p-card payments) accounts payable voucher payments made in 2017. We selected a sample of 304 entries to examine for completeness, supporting documentation, and proper authorization. We noted no major issues from the sample. We determined that internal controls over cash disbursements and payables at BHS were working effectively and as intended.

There were 790 expenditure journal entries made in 2017. We selected a random sample of 30 entries to examine for completeness, supporting documentation, and proper authorization. All 30 entries passed the tests we performed without any significant exceptions.

There were 3,605 active contract rates that were in effect for providers to charge for services during the 2017 year. We selected a sample of 351 contract rates to determine if the software billing system used by the providers matched the contract rates. We identified no major issues. Overall, BHS had effective controls over the entering of rates into the software system.

There were 31 service providers that were paid during the 2017 year. We determined that all 31 service providers had an active contract that could be associated with the payments they received. We concluded that no payments were made to service providers with expired contracts.

We determined there were 185,109 claims submitted by providers for payment. We examined all 185,109 claims using analytics software and computer assisted auditing techniques ("CAATs"). We were able to match the billing rates for all active contracts in the billing systems to all claims submitted.

We examined the payments made to Optum and adjusting entries in 2017 for the Medicaid funded Mental Health and Substance Use Disorder programs. Optum manages the providers who deliver the services to the clients. We determined that the monthly estimated payments are made to Optum based upon an estimated eligible (an individual who is qualified to participate) count at predetermined rates. The number of eligibles is updated to actual eligibles at the end of year, and the 2% administrative fee for BHS is calculated. A year-end adjusting entry is made to adjust the payments to the correct amount less the 2% administrative fee due to BHS. We determined the adjusting entry was properly calculated to expense the Medicaid dollars to Optum while retaining the 2% administrative fee for BHS.

Findings and Recommendations

Finding 2.1: The reasonableness tests conducted by BHS management to determine the accuracy of the State computations for the revenues collected for the FMAP Medicaid match and the County's share paid are not being documented or retained for future reference.

Behavioral Health makes monthly payments to UDOH. UDOH sends Behavioral Health a bill quarterly. The bill has a total estimated payment amount that needs to be paid by the end of the following quarter. This estimated payment amount ensures BHS receives a Federal Medicaid Assistance Percentage ("FMAP") funding match. Behavioral Health divides this quarterly estimate by three and makes monthly payments to UDOH. UDOH then performs a reconciliation at the end of each quarter (and often several revised reconciliations) to actual expenditures and then either requests an additional payment from BHS or issues BHS a refund.

The calculations to adjust the estimated Medicaid local match payments to actual amounts spent and to calculate the amount of funding match that is passed on to the primary Medicaid provider, can become very complex due to the following reasons:

- The rates paid for services for the Medicaid qualified participants ("eligibles") can change retroactively if the rates are not approved in a timely manner by the Center for Medicare and Medicaid Services ("CMS").
- The number of eligibles can change retroactively as once a qualified participant is identified, they can be covered up to one year prior.
- The Federal Government, Utah State Government, and Salt Lake County are all on different fiscal years.
- UDOH is on a cash accounting basis while the County is on an accrual basis.

Because of the complexity and retroactive nature of the adjustments made by UDOH, in order to be timely in financial reporting, BHS does not perform standard reconciliations. Instead, BHS performs reasonableness tests and engages in consultations with other counties in Utah to detect any possible calculation errors made by UDOH. While the methods used by BHS to reduce the risk of paying incorrect billing calculations by UDOH are appropriate, we found that BHS management does not record or retain documentation of the tests or consultations for future reference.

BHS management did not make it a priority to document the controls used to validate the UDOH calculations relating to Medicaid match payment on both the expenditure and revenue side. When

controls to substantiate that UDOH has correctly estimated the Medicaid local and FMAP match are not documented and retained, it makes it difficult for stakeholders and other interested parties to understand and verify that the payments made to UDOH were reasonable and verifiable.

Recommendation

Behavioral Health management should keep a record and retain reasonability tests that they perform on UDOH payments and document any consultations that they have with other Counties within the State regarding UDOH payment and billing computations.

Finding 2.2: A Valley Mental Health invoice was paid twice in the amount of \$94,675 in error but did not result in an over payment to the vendor.

We found an invoice from Valley Mental Health had been entered into the accounting system twice by BHS employees, and resulted in a double payment. However, it did not result in an over payment since the provider had gone over the contract limits by almost \$378,000.

There was not a procedure in place to prevent an invoice from being entered into the accounting system more than once. The result was that an invoice from a BHS service provider in the amount of \$94,675 was paid twice, although the over payment was caught in time to be corrected with deductions from future payments to the provider.

Recommendation

We recommend that BHS implement a new process for entering invoices into the accounting system that prevents double entry of invoices and ensures that BHS management monitors invoices received from service providers to determine if the invoices are correct according to contract payment terms.

Action Taken

During the audit period, BHS implemented a new process to mitigate the risk of a double payment occurring again. The previous method required the invoices generated by the separate billing system be manually entered into the accounting system. The billing system and accounting system were not interfaced at the time thus creating the opportunity that an invoice could be entered twice. Through a coordinated effort with Mayor's Finance, the billing system was directly interfaced with the accounting system and controls were defined within the system to prevent duplicate invoices.

Finding 2.3: Behavioral Health Services made payments to the right vendor, Utah State Department of Health, however, the payments were allocated to the wrong Department of Health contract.

Behavioral Health has multiple contracts with the same treatment and service providers. As payments are made for treatments or services, the payments should be allocated to the proper contract. We tested to ensure that Behavioral Health was not violating contract terms with providers. In our review of the contracts, we found that payments made to a contract with the Utah State Department of Health exceeded the allowable amount.

Behavioral Health has two different contracts with the Utah State Department of Health. One contract is for Medicaid funding and the other contract is to pay for refugee services that are provided. We found that payments meant for the Medicaid funding contract were allocated to the refugee services contract in error. The total amount money allocated erroneously was \$1,812,190. Although the payment was made to the right provider it was not allocated correctly in the financial system at that time. The maximum contract dollar limit for the refugee services contract was exceeded by \$1.1 million dollars.

The errors were made by an employee who incorrectly allocated payments to these two different contracts. Fiscal personnel at Behavioral Health caught the errors and coordinated with Salt Lake County's Contracts and Procurement Division ("Contracts and Procurement") to fix the contract allocation amounts. We determined that all the errors were fixed with help from Contracts and Procurement prior to the start of the audit.

We reviewed other service provider contracts and determined that they had not exceeded the contract limit as of October 2018. We were told that a BHS employee had started an informal review prior to her departure in September 2018 to determine if all other contract payments had been allocated appropriately to. From the initial stages of her review, we could determine that she had not found any additional issues. However, since her departure in late 2018, no additional contract payment reviews had taken place, and BHS management were unable to locate the details of her work.

The errors were made by an employee who incorrectly allocated payments to two different contracts. Fiscal personnel at Behavioral Health discovered the errors and coordinated with Contracts and Procurement to fix the contract allocation amounts. BHS should regularly review contract payment amounts to detect and correct any payment allocation errors in the future.

Recommendations

1. We recommend that Behavioral Health implement internal controls that will prevent erroneous payments to vendors with multiple contracts.
2. We recommend that Behavioral Health conduct an annual review of all payments to vendors with multiple contracts to detect and correct any service provider contract payment allocation errors.

Action Taken

Behavioral Health has created a reference guide that is used by personnel to ensure that payments are allocated to contracts correctly. Additionally, new features were added to the accounting software for the requesters to affirm that the correct contract is being selected for requisitions and the approvers can view what, if any, contract is linked to the transaction prior to approving.

Finding 2.4: Behavioral Health Services did not properly maintain documentation to track and monitor the delivery of Access to Recovery purchases.

The Access to Recovery ("ATR") program involves unique purchases made for specific ATR clients. Purchases can vary from a bus pass to a new suit for a client's job interview. Behavioral Health created an internal process to track and monitor ATR purchases from the initial request to the client's receipt of the goods and services.

In our audit, we reviewed all 177 ATR p-card purchases that were made in 2017. We tested to ensure that the BHS monitoring and tracking process worked as intended. We found that the tracking and monitoring process was not thoroughly implemented and followed all the time. Of the 177 purchases that we reviewed, we found that documentation to prove the purchased item(s) was delivered to the intended ATR client was either missing or incomplete for 36 (20%) of the purchases. Fifteen of the 36 purchases lacked any records to substantiate the purchase, and the remaining 21 purchases had incomplete documentation. Front desk staff at BHS normally deliver ATR purchases to clients. However, front desk staff did not always record the date and time that a client received the purchased item(s) or have the client sign for the item(s). Also, BHS management did not monitor this final part of the process sufficiently to ensure it was followed correctly.

Behavioral Health Services internal procedure as explained by the Fiscal Manager:

"When the client materials are handed out to the client, the client and the front desk staff sign a yellow slip that notes the materials were received. The receipts are stored in a file by date."

Although, BHS created a process to track and monitor ATR purchases, employees were not always following the procedures. In addition, there was no second-level review from management to ensure that employees followed standard operating procedures for delivery of items purchased for ATR program clients. Not keeping proper records or providing enough oversight over the purchase and delivery of items intended for ATR program participants lacks accountability and creates an opportunity for fraud or abuse.

Recommendations

1. We recommend that Behavioral Health obtain the client's signature and record the date and time as proof of receipt and delivery of the ATR purchase.
2. We recommend that Behavioral Health maintain signed receipts of the ATR purchases received by clients to ensure that all ATR purchases can be monitored and tracked.

Payroll

Audit Objectives:

- Determine whether payroll processes complied with Countywide policy.
- Determine whether paid employees were valid and were paid the correct amount.
- Determine whether payroll reflected actual work activity and was authorized by a supervisor.

Behavioral Health spent \$2,083,354 in 2017 on employee salaries and benefits. BHS follows Countywide policies and uses the County's payroll system to record employee time and pay employees. Employees enter their own time into the system and an authorized individual, usually in BHS or sometimes in the Mayor's Office of Financial Administration ("Mayor's Finance" or "MFA"), reviews and approves the time. Authorized BHS employees may enter other pre-approved pay items such as mileage reimbursements and bonuses for other employees.

Any changes in pay rates are requested by BHS administration and go through an approval process that includes the Salt Lake County Human Resources Division ("HR") prior to the rate being entered into the system by an authorized BHS employee. MFA processes all paychecks, payroll taxes, and employee benefits for all BHS employees.

We examined 2017 data provided by HR and verified that all BHS employees were currently working in BHS positions. We identified the Fair Labor Standards Act (FLSA) status of each BHS employee. Further, we determined all pay rate changes were reviewed and approved by at least two authorized BHS staff members and HR staff as well.

We examined 2017 payroll data to determine whether payroll coding reflected actual activity and was reviewed and authorized by supervisors and authorized BHS employees. We verified that time coding for hours worked, vacation, overtime, holiday, administrative leave, funeral, parental leave, personal preference day, sick, travel, training, and jury duty followed County policy and were approved by appropriate employees. We verified that any employee bonus payments received proper approval prior to being entered into the system and paid. Further, we verified that the required documentation was on file for any parental leave that was paid to BHS employees.

We also examined any manual adjusting journal entries recorded in the payroll system that related to payroll accounts. We determined all adjustments were entered by an authorized employee, were justified, and were approved by at least two other individuals in MFA.

Findings and Recommendations

Finding 3.1: Employee mileage reimbursement requests were not submitted in a timely manner as suggested by county policy.

Employees who use a personal vehicle for official county business use may seek reimbursement from the County at the established County mileage reimbursement rate. County employees seeking a mileage reimbursement must submit an Auto Mileage Report ("AMR") form to their organization's payroll coordinator. The form must be signed by the elected official, department director, or division director that supervises the person seeking the mileage reimbursement. The information is then submitted through the payroll system and the reimbursement is paid on the employee's next regular paycheck.

We determined that the total mileage reimbursements paid in 2017 to all BHS employees was approximately \$2,500 in total, or 4,576 miles @ 54.5 cents per mile. We discovered that the mileage reimbursement requests were not being submitted as regularly as suggested by county policy. Thirteen employees had requested mileage reimbursement in 2017. Only one of the thirteen employees had requested more than one reimbursement for the entire year. The other twelve employees had only one request and most of those requests covered mileage occurring over the entire year.

Countywide Policy 1350 "Vehicle Policy" Section 18.3.3 states:

"A request for mileage reimbursement should be submitted at least quarterly . . ."

We determined that management was using AMR forms from a county policy that had been replaced by a new policy in 2012. BHS management were not aware that the frequency for submitting mileage reimbursement requests had changed and that they should be submitted at least quarterly.

When requests for mileage reimbursements do not occur on a timely basis, it is difficult for the reviewers of the AMR forms to determine the accuracy of the requests for approval. Additionally, the mileage expense may not be recognized in the period in which it occurred.

Recommendation

We recommend that BHS management require that employees submit mileage reimbursement requests at least quarterly.

Finding 3.2: BHS management did not have written internal policies regarding compensatory time off for FLSA exempt employees.

We determined that in 2017, there were 12 BHS employees that earned and used compensatory ("comp") time off. Comp time is earned in the place of paid overtime in some county departments and divisions. An employee who earns comp time off may choose to use the comp time instead of regular paid leave such as vacation or sick leave. We found that 11 of the 12 BHS employees that had accrued comp time were classified as FLSA exempt employees. County policy specifies that FLSA exempt employees do not accrue comp time unless approved by their Department Director and written internal policies are adopted that allow these employees to do so.

Countywide Human Resources Policy 5-300 "Payroll" section II G, states:

"FLSA exempt employees do not accrue compensatory time unless approved by their Department Director or Elected Official . . . Each Department Director or Elected Official shall adopt written internal policies regarding compensatory time off for FLSA exempt employees."

BHS management was not aware that a comp time policy for FLSA exempt employees should be established in writing. A comp time policy is important to govern how and when comp time will be offered, so the benefit is applied fairly and consistently

Recommendation

We recommend that the BHS Department Director adopt written policies and standards regarding the accrual of comp time for FLSA exempt employees.

Assets

Audit Objective:

- Determine if appropriate accountability was established for capital and controlled assets.

Our audit included an examination of the management of County property and assets under BHS's control that are necessary to operate and achieve its organizational objectives. **CWP 1125,**

“Safeguarding Property/Assets,” establishes the policies and procedures for the proper management of county capital (“fixed”) and controlled (“expensed”) assets, including procedures for accounting for, safeguarding, and disposing of those assets.

We obtained the most recent annual Memorandum of Capital Assets submitted to MFA and verified by BHS on October 26, 2017. All fixed assets identified on the list were for software enhancements and were traced to the capital asset inventory report from the County’s financial accounting system.

CWP 1125, “Safeguarding Property/Assets,” defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets. Therefore, controlled assets require additional procedures to ensure that they are properly safeguarded against theft or misuse.

BHS management uses a database to manage their controlled assets within their organization. They provided Audit Services with signed copies of *Controlled Assets Inventory Form – Employee* forms for 2017 and 2018 indicating that an annual inventory had been conducted in accordance with county policy.

We obtained a controlled asset list of 317 items from the database from the BHS Fiscal Manager. We isolated 111 assets that had a retired date entered in the database, leaving 206 assets assumed active. We selected a sample of 30 assets from the 206 assets assumed active and were able to locate 26 of them. One asset had a Form PM-2, *Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form* completed, but the controlled asset list had not been updated to show that the asset had been disposed of or transferred out of BHS. For the remaining four assets, it was speculated by management that they had been disposed of, but a PM2 form had not been completed. We also selected a judgmental sample of six assets physically located and traced them to the controlled asset list.

We identified eight controlled assets purchased in 2017 with a p-card. We verified that seven computer monitors, and a copier were added to the controlled assets list.

We were provided with three PM-2 disposal forms for controlled assets for 2017 and early 2018. We were able to vouch one asset to the dated as retired on the controlled assets list. We vouched 10 assets to the controlled assets list, but they were not shown dated as retired. We were also provided with 7 Surplus Bill of Sales for 2017 as an alternate form of documentation to the PM2 forms. Countywide Policy does not require PM2 forms be used to document disposals of controlled assets. We were able to vouch four of the sales to assets dated as retired. We were unable to vouch three of the sales to either dated or undated as retired because of a lack of identifiable information. We concluded the poorly designed database as well as the lack of information included on the forms made tracking the disposal of controlled assets difficult.

Findings and Recommendations

Finding 4.1: The database that Behavioral Health used to manage its controlled assets was poorly designed and not being used effectively.

Most of the controlled assets used by Behavioral Health are Information Technology (“IT”) related. Because of this, the decision had been made a few years ago to have a designated BHS IT employee manage a database for tracking the Division’s controlled assets. In November of 2017, the designated IT employee was terminated, and the management of controlled assets was reassigned to the current BHS Property Manager. Both the Property Manager and Fiscal Manager at BHS identified issues with using the current controlled asset database and are actively engaged in correcting the database to be more effective and functional.

We received an electronic copy of the controlled asset database file for audit purposes. We found numerous issues with the database including the following:

- **There did not appear to be a data field dedicated to establishing whether an asset had been retired/disposed/transferred or was still active.** One data field was titled "Retired Date", but we found at least 10 controlled assets that had been disposed of, but this field had not been completed with a disposal date. There was another data field titled "Status" that had a variety of unrelated data entered like "surplus", "new", "not working", "okay", etc.
- **There was not a clear way of determining what employee had been assigned to an asset and/or the location of each controlled asset.** There were several data fields that the database had information entered that might indicate the employee and location including "location", "owner", "staff name", "notes", etcetera. Many of these data fields appeared to be utilized interchangeably and many fields were blank.
- **Several data fields for each asset often included a variety of unrelated or irrelevant information.** There were no clear guidelines to indicate what each data field in the database was to be used for, or confusion about what information should be logged and tracked for each controlled asset.

Because the database could not be easily or reliably sorted for active or retired assets, responsible employee, or asset location, BHS was not able to effectively manage its controlled assets in a manner that was consistent with county policy.

Countywide Policy 1125 "Safeguarding Property/Assets" Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures . . . '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. . . '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."

In this case, the controlled asset database did not meet the objective that it was designed for and made the tasks of managing and tracking controlled assets cumbersome and incomplete.

Recommendations

1. We recommend that the property manager update or redesign the controlled asset database to contain essentially the same information as suggested by Countywide Policy.
2. We recommend that the property manager ensure that the annual controlled asset inventory, assigned to the organization and employees, represents an accurate active list of controlled assets as of the inventory date.

Finding 4.2: Software enhancements were not categorized by project in the capital assets inventory list.

Behavioral Health contracts with a vendor to develop enhancements to the software application, Utah Web-based Infrastructure for Treatment Services (“UWITS”) that BHS uses. According to Mayor’s Finance fixed asset guidelines, enhancements to software that increase functionality and extend the useful life of the software should be capitalized and amortized over the period of their estimated useful life. The software enhancements to UWITS are requested, developed, and implemented on a project-by-project basis using a change control process. A useful life should be assigned to each software enhancement project based on contractual, legal, and other considerations influencing its estimated useful life by the BHS Property Manager as each enhancement project is completed and implemented.

Per the contract, each software enhancement project is to be paid for in three installments. We examined the last three capital asset additions for UWITS software enhancements in the County’s financial system. We looked at every invoice for the software enhancements that was paid and found that the enhancements had not been capitalized consistently based on the invoices received and payments that were made. Even though the software enhancements should have been capitalized based on the projects and the three payments associated with each project, we discovered that the invoices and payments had not been assigned to the separate capitalized projects correctly.

We noted the following about three separate capitalized software enhancement projects/assets on BHS’s capital asset list:

- The first capital asset (project) included a total of five invoices;
- The second capital asset (project) included a total of three invoices;
- And the third capital asset (project) included only one invoice.

According to the contract, each software enhancement project was to be paid for in three installments. In addition, we found that seven of the invoices from the vendor were for more than one project. The payments for the software enhancements were not being categorized by project as stipulated in the contract with the vendor.

Furthermore, we noted that two of the capitalized software enhancement assets had been assigned a five-year useful life, while the others had been assigned a three-year useful life. When we inquired about the basis for determining the estimated useful life for each capitalized project, BHS seemed unsure as to whether BHS or MFA had determined and assigned the useful life.

The Governmental Accounting Standards Board (GASB) Statement 51 Sections 15 and 16 states:

"Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized . . . if the modification results in any of the following:

- a. An increase in the functionality of the computer software, that is, the computer software is able to perform tasks that it was previously incapable of performing*
- b. An increase in the efficiency of the computer software, that is, an increase in the level of service provided by the computer software without the ability to perform additional tasks*
- c. An extension of the estimated useful life of the software*

The useful life of an intangible asset that arises from contractual or other legal rights should not exceed the period to which the service capacity of the asset is limited by contractual or legal provisions. Renewal periods related to such rights may be considered in determining the useful life of the intangible asset if there is evidence that the government will seek and be able to achieve renewal and that any anticipated outlays to be incurred as part of achieving the renewal are nominal in relation to the level of service capacity expected to be obtained through the renewal."

BHS management was confused about who was ultimately responsible for determining the proper methodology for capitalization of fixed assets and estimating the useful lives associated with the software enhancements. Capitalization of the software enhancement projects and determining the estimated useful life of the assets should be consistent with the contract terms and the payments made for each capitalized project. When fixed asset capitalization inconsistencies occur, county agencies should work to correct those inconsistencies as quickly as possible to ensure accurate and complete accounting information for the public and other stakeholders.

Recommendations

1. We recommend that BHS management develop processes to accurately identify payments made for each software enhancement project.
2. We recommend that BHS management review each software enhancement project upon completion and work with Mayor's Finance to determine and assign a reasonable estimated useful life based on contractual, legal, and other considerations.
3. We recommend that BHS management examine the Annual Capital Asset Inventory Memorandum closely to determine if it fairly represents each capitalized software enhancement project accurately and if each project has been assigned a reasonable estimated useful life.

Liabilities**Audit Objectives:**

- Determine if bills were being paid in a timely manner.
- Determine if appropriate accountability was established for accrued liabilities at year end.

BHS does not carry any liabilities except for some short-term liabilities at year end. These liabilities could be one of two types:

- Late billings from the prior year that could not be paid by January 31st, are accrued as liabilities.
- Amounts owed to the coordinator of Medicaid services when eligibility corrections are made up to 12 months retroactively.

We reviewed the payment of expenditures to providers and others. We determined the payees were being paid in a timely manner.

We also reviewed the journal entries to accrue year-end liabilities and the associated journal entry reversals in the next year for the years ended 2016 and 2017. We determined the entries were being properly recorded, documented, and reviewed.

Findings and Recommendations

We noted no significant findings in the area of liabilities.

Appendix A: Explanation of BHS Revenue and Expense Offset

The Medicaid program is administered under the direction of the Centers for Medicare and Medicaid Services (CMS) within the United States Department of Health and Human Services. CMS requires local matching funds be shown to be available by the Utah State Department of Health (UDOH) in order to receive the Federal Medicaid Assistance Percentage (FMAP) funding match. The federal government promises to match the current FMAP for every dollar spent on the Medicaid program by local funding.

The Utah State Department of Health (UDOH) bills County Behavioral Health Services quarterly for an estimated local funding match and County BHS pays it. It is later adjusted to actual Medicaid expenditures.

The exchange in funding causes Behavioral Health Services to expense the dollars twice (once to the State and a second time to the Medicaid service provider) and also record the same dollars as revenue twice (once from receiving the dollars in the county budget process and second when receiving them back from the State). We were able to determine an approximate amount of \$18.5 million dollars of overstatement of revenue and expenditures in equal offsetting amounts.

The circumstances have been discussed by BHS management with Mayor's Finance Administration personnel as well as the external auditors of the County Comprehensive Annual Financial Report (CAFR). Alternative methods of accounting for these payments have been discussed but ruled out. No footnotes to the CAFR have been deemed necessary.

Agency Response

Agency Response

Behavioral Health Services Division

Finding 2.1: The reasonableness test conducted by BHS management to determine the accuracy of the State computations for the revenues collected for the FMAP Medicaid match and the County’s share paid are not being documented or retained for future reference.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
We recommend that the reasonability tests and consultations with other Counties to determine if UDOH’s calculations are correct be documented and retained.	Agree	We agree with this finding that the reasonableness tests we've always performed on the State's computations of the Medicaid match have not been formally retained for future reference. Though we never understood this to be a formal matter that needed to be retained, we appreciate this valuable feedback and going forward we will formally retain the regular testing we perform.	5/1/2019

Finding 2.2: A Valley Mental Health invoice was paid twice in the amount of \$94,675 in error but did not result in an over payment to the vendor.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
We recommend that BHS implement a new process for entering invoices into the accounting system that prevents double entry of invoices to be paid and ensures that BHS management monitors invoices received from service providers to determine if the invoices are correct according to contract payment terms.	Agree	Action Taken: During the audit period, BHS implemented a new process to mitigate the risk of a double payment occurring again. The previous method required the invoices generated by the separate billing system be manually entered into the accounting system. The billing system and accounting system were not interfaced at the time thus creating the opportunity that an invoice could be entered twice. Through a coordinated effort with Mayor’s Finance, the billing system was directly interfaced with the accounting system and controls were defined within the system to prevent duplicate invoices.	Completed

Finding 2.3: Behavioral Health Services made payments to the right vendor, Utah State Department of Health, however, the payments were allocated to the wrong Department of Health contract.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
<p>1. We recommend that Behavioral Health implement internal controls that will prevent erroneous payments to vendors with multiple contracts.</p>	<p>Agree</p>	<p>Action Taken: Behavioral Health has created a reference guide that is used by personnel to ensure that payments are allocated to contracts correctly. Additionally, new features were added to the accounting software for the requesters to affirm that the correct contract is being selected for requisitions and the approvers can view what, if any, contract is linked to the transaction prior to approving.</p>	<p>Completed</p>
<p>2. We recommend that Behavioral Health conduct an annual review of all payments to vendors with multiple contracts to detect and correct any service provider contract payment allocation errors.</p>			

Finding 2.4: Behavioral Health Services did not properly maintain documentation to track and monitor the delivery of Access to Recovery purchases.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
<p>1. We recommend that Behavioral Health Services obtain the client's signature and the employee's signature as proof of receipt and delivery of the ATR purchase.</p>	<p>Agree</p>	<p>Our process has always been what the Auditor is recommending but we agree that we have come up short in consistently ensuring the process was completed correctly. To better ensure adherence to this procedure, we have added a spreadsheet that tracks every purchase from the time it is initially requested for approval all the way through the time the client picks up the items. Now, after a client receives their items and signs the receipt, all receipts go to the case manager supervisor, and she double checks the information on the receipt with the information on the spreadsheet. Thus, in addition to the receipts we also have all the information about orders in a second location (the spreadsheet) and the</p>	<p>1/1/2019</p>
<p>2. We recommend that Behavioral Health Services maintain signed receipts of the ATR purchases received by clients to ensure the ATR purchases were properly distributed.</p>			

supervisor provides oversight of the entire process.

Finding 3.1: Employee mileage reimbursement requests were not submitted in a timely manner as suggested by policy.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
We recommend that BHS management require that employees submit mileage reimbursement requests on at least a quarterly basis.	Agree	Though we believe that this is a policy recommendation and not a strict rule, we see the value in making this change and appreciate the feedback. We made the change beginning the first quarter of 2019.	3/1/2019

Finding 3.2: BHS management did not have written internal policies regarding compensatory time off for FLSA exempt employees.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
We recommend that the BHS Department Director adopt written policies regarding comp time off for FLSA exempt employees.	Agree	We agree with this finding and will write a formal policy regarding comp time off for FLSA exempt employees.	5/31/2019

Finding 4.1: The database used to manage controlled assets was not designed appropriately or being used effectively.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
1. We recommend that the property manager update or redesign the controlled asset database to contain essentially the same information as suggested by Countywide Policy.	Agree	We appreciate the Auditor's feedback on this matter. We have not formally documented our controlled asset tracking process and as responsibility has passed between employees, it has not been managed consistently, making it sloppy and difficult to follow. We will write a formal policy and procedure to address the steps that must be followed in tracking division-controlled assets and will make any necessary adjustments to our database to ensure all appropriate information is being consistently and correctly tracked. The fiscal manager will also audit the process each year to ensure the proper procedures are being followed.	6/30/2019
2. We recommend that the property manager ensure that the annual controlled asset inventory, assigned to the organization and employees, represents an accurate active list as of the inventory date.			

Finding 4.2: Software Enhancements were not categorized by project in the capital assets inventory.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
1. We recommend that BHS management develop processes to properly identify payments for each software enhancement project.	Agree	We agree with this finding and will review the status of all software enhancement projects. We will then develop a tracking process to ensure that the recommended steps are being followed. We will review the annual capital asset inventory memorandum closely as recommended.	6/30/2019
2. We recommend that BHS management review each software enhancement project upon the completion of each project and full payment has been made, to determine and assign a reasonable useful life based upon contractual, legal, and other considerations.			
3. We recommend that BHS management examine the Annual Capital Asset Inventory Memorandum closely to determine that it fairly represents each software management project and a reasonable useful life.			
