

AUDIT REPORT

A Financial Audit of the Salt Lake County Council

APRIL 2024



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AUDITOR'S LETTER

April 2024

I am pleased to present the results of our limited-scope financial audit of Salt Lake County Council for the period from January 1, 2021, to August 31, 2023. This audit was aimed at evaluating the adequacy and effectiveness of internal controls and compliance with fiscal ordinances, policies, and procedures within the Council.

Our audit revealed areas requiring attention to enhance operational efficiency and compliance with established standards. It highlighted a failure to comply with reporting a stolen asset, insufficient documentation of controlled assets, lack of capital asset tags and a lack of required documentation for meal purchases. The report also pointed out the need for the agency to retain source documentation for purchasing card purchases, per reconciliation procedures, and ensure management has access to documentation retained by employees who have since terminated. Additionally, the audit found an instance where sales tax was paid by the agency when reimbursing an employee who purchased a tablet and accessories. These issues indicate a need for enhanced internal controls and stricter adherence to existing procedures to mitigate potential risks to operational effectiveness and regulatory compliance.

We strongly recommend the County Council promptly review and implement the detailed recommendations in the attached audit report. Addressing these issues is crucial to safeguarding the operational and financial integrity of the county.

This audit was authorized under Utah Code Title 17, Chapter 19a, "County Auditor", Part 2, "Powers and Duties." We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

We appreciate the cooperation and assistance provided by the County Council and Council staff during this audit. For further information or clarification regarding this report, please feel free to contact me at 385-468-7200.

Chris Harding, CPA, CFE, CIA
Salt Lake County Auditor

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Financial Audit of the County Council

APRIL 2024

Objectives

The audit objectives were to examine the financial activities of the Salt Lake County Council, with several key objectives: first, to ensure that all financial transactions and business processes adhere to relevant standards, ordinances, policies, statutes, and laws; second, to confirm that County assets are adequately protected against fraud, waste, and abuse; and third, to assess the County Council's internal controls, verifying that financial transactions are accurately and completely recorded and are free of significant errors. Areas of audit focus included the processes and procedures for the following:

- Tracking of controlled and capital assets
- Sufficient document retention of expenditures
- Reconciliations of purchasing cards (PCard)

REPORT HIGHLIGHTS

Unreported theft of County laptop, resulted in a failure to comply with two Countywide Policies

While requesting photos of controlled assets assigned to Council members and Senior Policy Advisors, an employee notified us that the assigned laptop had been stolen during the summer of 2023. Laptops are considered a controlled asset and if suspected of theft, misuse, or wrongdoing, must be reported through the employee's chain of command and to Information Technology. Neither the supervisor nor Information Technology were notified when the incident occurred resulting in a failure to comply with Countywide Policy 1304 and 1400-4¹.

Non-compliance with Countywide Policy 1125 Safeguarding Property/ Assets

We identified three out of 29 (10%) qualifying controlled assets purchased with a PCard were missing from the "Controlled Asset Inventory-Organization" list or equivalent form. These purchases varied from a Monitor Dock to iPad accessories with costs ranging from \$150 to \$249. On-site testing revealed various items that qualified as controlled assets not being tracked, including monitors, docking stations, and desk risers used by the agency. Additionally, we found a tablet with a cost of \$279 and accessories ranging from \$129 to \$159 was reimbursed by the County that should be tracked as a controlled asset. Additionally, a "Controlled Assets Inventory - Employee" form was not in place and the "Controlled Asset Inventory-Organization" form was not certified by the Property Manager.

Meal Approval Forms not completed

We found that for 12 out of 18 (66%) total meal related transactions, the Meal Approval Form was not completed. Countywide Policy 1020: *County Meals (Non-Travel)* states all requests for payments shall be submitted with the Meal Approval Form and related documentation with each payment method. The required Meal Approval Form collects pertinent information, including the purpose of the meeting, anticipated number of attendees, and a certified approval by relevant personnel.

¹ Countywide Policy 1400-4 was in effect during the audit scope and at the time of testing. The policies found within 1400-4 were revised 10/26/2023 and are now found within the Countywide Information Technology Standard: Cyber Security Incident Reporting and Response.



Finding Risk Classifications

Classification	Description
<p>1 – Low Risk Finding</p>	<p>Low risk findings may have an effect on providing reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<p>2 – Moderate Risk Finding</p>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>3 – Significant Risk Finding</p>	<p>Significant risks are the result of one or more findings that may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>4 – Critical Risk Finding</p>	<p>Critical risks are the result of one or more findings that would have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p>

BACKGROUND

The Salt Lake County Auditor's Audit Services Division completed a limited-scope financial audit of Salt Lake County Council expenditures for the period of January 1, 2021, to August 31, 2023.

The County Council is the legislative body responsible for enacting County ordinances and regulations, adopting the annual budget, and authorizing various intergovernmental agreements among other duties.

The Council consists of nine members: Three "At-Large" members who are elected to represent the entire county for six-year terms, six "District" members who are elected to represent geographical districts within Salt Lake County for four-year terms.

The Council financial team processes financial transactions and management of assets for the County Council.

OBJECTIVES AND SCOPE

The audit objectives were to examine Salt Lake County Council's financials and provide reasonable assurance that:

- Financial transactions and business processes comply with applicable standards, ordinances, policies, statutes, and laws;
- County assets are safeguarded against the risk of fraud, waste, or abuse;
- and to evaluate internal controls at the County Council to ensure that financial transactions are recorded accurately and completely, and free from significant errors.

The original audit scope was from January 1, 2021, to December 31, 2022. Due to a fraud tip submitted through the Auditor's Fraud Tip hotline, the scope was expanded through August 31, 2023. The tip presented allegations of fraud related to travel and spending practices within the County Council office. Travel-related transactions were excluded for this limited-scope financial audit due to the investigation being performed under the Countywide Travel Expense Audit. Investigation of expenditures was performed within this audit.

AUDIT CRITERIA

Salt Lake County Countywide Policy 1125: Safeguarding Property/ Assets establishes a uniform policy that provides direction concerning who is responsible for managing property, defines the types of assets subject to various controls, and refers to various procedures concerning

the safeguarding of assets. Procedures and definitions include:

- Controlled assets are items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use.
- Property Manager maintains records to manage controlled assets using the appropriate forms.
- Report theft of property to appropriate authorities in accordance with Countywide Policy 1304

Salt Lake County Countywide Policy 1304: Discovery and Reporting of Wrongdoing or Criminal Activity, Part 1.0 Employee Responsibility to Report Wrongdoing, Section 1.4.1 states that the employee shall “Report the incident through their chain of command.”

Salt Lake County Countywide Policy 7035: Purchasing Cards Authorization and Use, establishes guidelines and procedures for the issuances, authorization, and use of the county purchasing card (PCard) by county agencies. Procedures include:

- Documentation is required for each transaction.
- Supporting documentation for each transaction shall be retained according to county retention schedule AR-001.
- Use of PCard for transactions permitted by Countywide Policy 1020.

Salt Lake County Countywide Policy 1020: County Meals (Non-Travel), Part 6.0 Processing Payment Requests, Section 6.1 states, “All requests for payment, including reimbursements from petty cash accounts, shall be submitted with the Meals Approval Form and related documentation with each payment method.”

METHODOLOGY

We used several methodologies to gather and analyze information related to our audit objectives. The methodologies included but were not limited to:

1. Met with agency personnel to gain an understanding of procedures and agency controls in place over expenditures and asset management. Processes observed and described were documented and agreed upon.
2. Where appropriate, performed statistical, judgmental, or random sampling to review expenditures and purchasing card (PCard) transactions within the County Council financial system.
3. Obtained and reviewed documentation from the County’s financial system, Contracts and Procurement’s SharePoint Document Search, the State of Utah contract search, and from agency contacts. The documents examined included financial statements, purchasing

- (PCard) cardholder statements, PCard transaction detail reports, County contracts, State contracts, controlled and capital asset lists, Imprest account documents and emails.
4. Performed both on-site testing of controlled and capital assets and obtained photo documentation of controlled assets located off-site from those working remotely.
 5. Performed unannounced on-site testing for controls over PCard security.
 6. Reviewed the U.S General Services Administration (GSA) rates for meals, Utah sales tax law, and relevant County policies and standards.

CONCLUSIONS

During the audit period, there were instances of a lack of compliance with the controls set forth within countywide policies in the areas of asset management, PCard documentation, and county meals. We found instances where purchases and reimbursements of qualified controlled assets were not properly added to the controlled asset inventory form. Sufficient documentation, such as invoices and Meal Approval forms were not retained or completed. We also observed that the lack of documentation uploaded to PCard Place for PCard transactions was most notable in 2021 but improved in 2022 and 2023 with new staff.

We identified several instances where procedures did not adhere to the internal controls mandated by County Policies:

- A County issued laptop was stolen and not reported to Information Technology and supervisor timely.
- The Property Manager does not maintain a certified and completed “Controlled Asset Inventory – Organization” form nor are there “Controlled Asset Inventory – Employee” forms completed and signed by employees.
- Payment of purchased meals on County PCards did not have Meal Approval Forms.
- Invoices were not uploaded consistently in 2021 to Pcard Place per reconciliation procedures.

As a result, there is a heightened risk of cybersecurity breaches and potential fraud, waste, and abuse related to untracked controlled assets, meal purchases, PCard transactions, and employee reimbursements. To mitigate these risks and improve overall operational effectiveness, it is crucial for Council staff to utilize the forms and adhere to the procedures as established within the countywide policies that address asset protection and financial transactions.

The fraud tip received by the Auditor's Office alleged concerns regarding potentially fraudulent expenditure practices within the County Council office. The tip referenced comments made in a County Council meeting of charges being allocated or expensed without knowledge of the Council member. Our investigation did not reveal any evidence of fraud in the sample of expenses we examined.

FINDING 1 AND RECOMMENDATIONS

Unreported Theft of County Issued Laptop

Risk Rating: **Critical Risk Finding**

While performing controlled asset testing, all Council Members and Senior Policy Advisors were asked to provide photos of assigned controlled assets that were not located within the Council office. An employee responded to the inquiry by reporting that their assigned County issued laptop had been stolen. The incident, which occurred during the summer of 2023, went unreported to the employee's supervisor and Information Technology due to an initial uncertainty of whether the laptop had been stolen or misplaced.

Salt Lake County Countywide Policy 1304: Discovery and Reporting of Wrongdoing or Criminal Activity, Part 1.0 Employee Responsibility to Report Wrongdoing, Section 1.4 states:

“Any employee having knowledge or reasonable suspicion of the theft, wrongful loss or misuse of County property, funds or services or that County personnel are engaged in conduct that is wrongful, illegal or violates County policy shall take the following steps as quickly as possible.

1.4.1 Report the incident through their chain of command.”

Salt Lake County Countywide Policy 1400-4¹ : Information Technology Security Incident Reporting, Part 4.0 Reporting an Information Technology Security Incident states:

“All information Technology security incidents shall be immediately reported to Information Services.

In addition to the above notification procedures, employees shall inform their County agency management and their respective department IT Security Advisory Committee representative. County agency management should also reference Countywide Policy 1304 “Discovery and Reporting of Wrongdoing or Criminal Activity.”

¹ Salt Lake County Countywide Policy 1400-4 was in effect during the audit scope and at the time of testing. The policies found within 1400-4 were revised 10/26/2023 and are now found within the Countywide Information Technology Standard: Cyber Security Incident Reporting and Response. Additionally, Information Services is now referred to as Information Technology.

The employee's failure to notify their supervisor and Information Technology, as required by Countywide policies, left Council and Council staff unaware that the controlled asset was stolen. Additionally, Council staff did not have procedures or training implemented to inform employees of Countywide Policies for reporting theft or loss of controlled assets and IT security incidents.

Failure to report the incident through the appropriate chain of command and Information Technology in a timely manner is highly concerning and leaves the County's system vulnerable to operational and reputational risks. It increases the cybersecurity risk of malicious attacks or sensitive information being exposed for the County. The absence of internal policies and procedures when issuing County controlled assets contributes to a general lack of awareness and understanding among employees regarding Countywide policies.

We recommend that Council implement an annual written acknowledgment form for Elected, Appointed, and Merit employees to read and certify their understanding of the reporting procedures for controlled assets, specifically related to the following Countywide policies:

- Countywide Information Technology Standard: Cyber Security Incident Reporting and Response.
- Countywide Policy 1304 Discovery and Reporting of Wrongdoing or Criminal Activity
- Countywide Policy 1125 Safeguarding Property/Assets

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE : DECEMBER 31, 2024

SEE PAGE 28 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Non-compliance with Countywide Policy 1125 Safeguarding Property/ Assets

Risk Rating: **Significant Risk Finding**

During inventory testing of assets, we found insufficient documentation and management of controlled assets, resulting in non-compliance with County policy. The following issues were found:

1. Qualifying controlled assets purchased on a PCard or reimbursed to employee were not added to the agency's equivalent of the "Controlled Asset Inventory Form – Organization".
2. The agency's equivalent to the "Controlled Asset Inventory Form – Organization" was not certified by the Property Manager.
3. The agency did not maintain a "Controlled Assets Inventory Form – Employee" or equivalent, nor did it obtain annual verification from employees.

Salt Lake County Countywide Policy 1125: Safeguarding Property/ Assets, Part 1.0 Definitions, Section 1.2 defines a controlled asset as:

"...personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use, thereby necessitating special provisions for safeguarding. ..."

We reviewed purchases made using a county purchasing card and processed through the county financial system, which encompassed a range of transactions from office supplies to subscriptions, meals, and other services. To assess whether the agency accurately tracked controlled assets purchased with P-cards, we judgmentally selected a sampled of PCard purchases over \$100 and verified that qualified controlled assets were being added to the agency's equivalent of the "Controlled Assets Inventory Form-Organization". We found that three out of 29 (10%) transactions were qualified controlled assets that were not added to the form. These items varied from a Monitor Dock to iPad accessories with costs ranging from \$150 to \$249. We also found a reimbursement for a tablet with a cost of \$279 and associated accessories that ranged from \$129 to \$169. The total cost was \$618, including \$41 in sales tax. Due to the employee being reimbursed by the County for the tablet and accessories these items qualified as a County controlled asset and should be tracked accordingly by Council.

During our onsite testing of controlled assets, we found several items meeting the criteria for controlled assets, such as computer monitors, docking stations, and desk risers that were not listed on the agency's controlled asset list.

While reviewing the Council's Computer Inventory form, the equivalent to the "Controlled Assets Inventory Form – Organization" used for tracking controlled assets, management maintained an annual inventory of controlled assets, but it lacked a line item for certification by the Property Manager, with a date and signature. The certification functions as a control to hold the property manager accountable for all property that is not assigned to individual employees and ensures a current inventory.

Additionally, we found that County Council neither utilized nor obtained annual verification from employees the "Controlled Asset Inventory Form – Employee" or similar documentation. Without this documentation, there is no certification that the employee with a controlled assets acknowledge their responsibility for the listed equipment in accordance with all the provisions of Countywide Policy 1125 Safeguarding Property/Assets, as reflected in Finding 1.

Salt Lake County Countywide Policy 1125: Safeguarding Property/Assets, Part 4.0 Procedures Controlled Assets, Section 4.3 states:

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

4.3.1 Exhibit 3 - "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.

4.3.2 Exhibit 4 - "Controlled Assets Inventory Form - Organization" is used for property not readily assignable to an individual employee or which is shared by more than one employee.

4.3.3 The "Certification" on Exhibits 3 and 4 states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them."

Salt Lake County Countywide Policy 1125: Safeguarding Property/Assets, Part 4.0 Procedures – General & Administrative, Section 2.3 states:

2.3.4 "Upon termination, transfer, or at least annually, employees assigned fixed or controlled assets shall review the list of assigned assets and provide verification by his /her signature to the Property Manager as to the accuracy and completeness of the list. "

Council staff stated they use their own modified organization spreadsheet and limit tracking controlled assets to computers and tablets, which is based on an asset spreadsheet provided to them by Information Technology. Additionally, Council staff confirmed that the “Controlled Assets Inventory Form – Employee” is not used. Per Council staff, these controlled asset tracking procedures were in place based on preceding Property Manager’s processes.

Failure to track all qualifying controlled assets using the established “Controlled Assets Inventory Form” for both the Organization and Employees poses a risk of fraud, waste, and abuse. This heightened risk stems from the lack of accountability and responsibility in maintaining these controlled assets, particularly when purchased via PCard or reimbursement. The absence of a certified form increases the risk that the Property Manager cannot confirm the accuracy of the inventory list on a specific date, and there is no acknowledgment of their responsibility for unassigned controlled assets. Furthermore, without a completed and certified form from employees, there is no acknowledgment of their responsibilities for the controlled assets in their possession. Lack of proper tracking and certification of the responsible individuals leads to an increased risk of non-compliance with Countywide policy in properly tracking controlled assets within the agency’s responsibility.

We recommend that Council assign either the Property manager or alternative designee to monitor purchases and update the “Controlled Asset Inventory Form – Organization” or equivalent form with controlled assets that meet the County’s definition per Countywide Policy 1125: Safeguarding Property/Assets.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE : JULY 1, 2024

SEE PAGE 29 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council either use Mayor’s Finance Administration “Controlled Assets Inventory Form - Organization” form or update Council’s existing Computer Inventory form to include “Certification” language, a signature line and date. The language should include but may not be limited to:

- Acknowledgement of:
 - o The Property Manager’s responsibility for all controlled assets not assigned to an individual employee.
 - o Current inventory list identified on the form.
 - o Review and agreement that the list is accurate and complete.
 - o Compliance with Countywide Policies and Procedures

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: JULY 1, 2024

SEE PAGE 29 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council implement and maintain a certified “Controlled Asset Inventory Form - Employee” for all employees responsible for one or more controlled assets. The form should be completed and verified by the assigned employee and submitted to the Property Manager at least annually, per Countywide Policy 1125: Safeguarding Property/Assets.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: DECEMBER 31, 2024

SEE PAGE 30 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council implement an internal policy to designate an employee responsible for reviewing transactions for qualified controlled assets and including them to the “Controlled Asset Inventory – Organization” form, and if applicable, the “Controlled Asset Inventory – Employee” form.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: JULY 1, 2024

SEE PAGE 30 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Lack of Meal Approval Forms for Meals Purchased on PCard

Risk Rating: **Significant Risk Finding**

Countywide Policy 1020: *County Meals (Non-Travel)* was implemented to ensure that permissible food and beverage expenditures are made when incurring food costs. It functions as a Countywide internal control with standard procedures, payment processing requirements and general exceptions.

We found that 12 of the 18 (66%) meal transactions from January 1, 2021, through August 31, 2023, should have included a Meal Approval Form, but did not have one on file. Meals ranged from \$158 to \$589 and were often documented within the County financial system as to the purpose of the meal, such as “45 boxed lunches for 2021 Inauguration Ceremony” with a copy of the receipt attached. Ten of the 12 meals were ordered on either a Monday or Tuesday and delivered before the Tuesday Council budget meetings. Two of the 12 fell outside of the budget meetings. One of these meals was for an inauguration ceremony and the other a retirement party. Eleven of the 12 did not state the approximate number of attendees at the lunches. Although details were recorded in the financial system, such as “Lunch for Council Meetings”, there was not sufficient details consistently recorded that could replace the documentation required in the Meal Approval Form, which includes certification for County business or approximate number of attendees. The remaining six transactions did not require a form since the items did not qualify as meals. These purchases were for snacks and hospitality items like candy, cookies, water, and coffee.

To process payment for meals, the required Meal Approval Form collects essential details such as: purpose of the meeting, anticipated number of attendees, and certified approval it is for County business. It also requires specifying the meal type and incorporates the GSA rate entry to ensure compliance with allowable meal prices. Additionally, it allows for approval if gratuity exceeds 20%.

Salt Lake County Countywide Policy 1020: County Meals, Part 6.0 Processing Payment Requests, Section 6.1 states:

“All requests for payment, including reimbursements from petty cash accounts, shall be submitted with the Meals Approval Form and related documentation with each payment method. The total cost of meals may include miscellaneous purchases such as cups, napkins, drinks, etc. and are subject to the limits indicated in

5.0. No taxes are to be paid with County purchases.”

Council Staff explained that the Meal Approval Forms are not used when meals for meetings or other County functions are provided.

The absence of the Meal Approval Form poses a risk of fraud, waste, and abuse, in addition to a lack of compliance with Countywide policy when processing meal payments. It increases the risk of unauthorized purchase for non-County business related items since there is no certification of approved County business, or for unqualified additional attendees. Furthermore, it reduces the ability to provide reasonable assurance that meals comply with the approved GSA rate since the lack of specified meal types creates uncertainty around allotting the appropriate GSA rate.

We recommend that Council assign the purchasing cardholder or alternative designee to complete and retain the Meal Approval Form with the receipt as supporting documentation within either PCard Place or other electronic storage.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: IMMEDIATELY

SEE PAGE 31 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 4 AND RECOMMENDATIONS

Capital Assets Not Tagged

Risk Rating: **Moderate Risk Finding**

We performed on-site observation testing of capital assets identified on the County's Fixed Asset Inventory report. We found that three out of three (100%) of the capital ("fixed") assets located in the offices of County Council did not have asset tags present. The capital assets include a large printer/copier and video conferencing equipment that range in cost from \$6,800 to \$14,226.

Per Mayor's Finance Accounting Procedures Manual, the organization's property manager is responsible for maintaining records as to the current physical location of all capital assets, being held accountable for and safeguarding all capital assets listed on the County's Capital Asset Inventory list and performing an annual inventory of all capital and controlled assets. The property manager was complying with these responsibilities for capital assets. However, the property manager may also establish internal protective controls that assist in maintaining supplementary records as to the existence of property, as necessary.

Asset tags assist in the identification of capital assets for both Mayor's Finance Administration (MFA) and the responsible agency. MFA is responsible for distributing tags to the organization in order for the Property Manager to place on the capital assets. In lieu of MFA not providing the appropriate tags, the Property Manager should have assigned their own organization tag to ensure the existence of the property listed as an internal protective control.

Mayor's Finance Accounting Procedures Manual, Section 4.1.3 Responsibilities of Fiscal Personnel Who Work With Capital Assets, Section Responsibilities of County Organization Property Managers, states:

"To ensure adequate accountability, Property Managers should establish internal protective controls appropriate for custody of the property assigned. Following are examples of various control measures which may be used, however controls are not limited to these measures (Property Managers should use their judgment based on the circumstances to ensure controls are adequate):

"[...] maintaining supplementary records to support location and existence of property as necessary;"

Section 4.4 Capital Assets Ordering & Tagging, Subsection 4.4.3 states:

“When the property manager receives the FA tag from Mayor Financial Administrations, the new tag needs to be placed on the asset.”

Council staff explained that asset tags were not provided by Mayor Financial Administrations and thus not placed on the assets.

Lack of asset tags increases the risk of fraud, waste, and abuse due to an increased risk of insufficient asset monitoring.

We recommend that Council communicate with Mayor Financial Administration to ensure that the proper asset tags are received and placed visibly on capital assets.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: JULY 1, 2024

SEE PAGE 31 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council develop their own internal organization tagging system for when circumstances arise where they do not receive tags from MFA within one month of receipt of a capital asset.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: JULY 1, 2024

SEE PAGE 31 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Sales Tax Paid on Reimbursement

Risk Rating: **Low Risk Finding**

As a governmental entity, the County is exempt from sales tax on purchases and should complete a TC-721G¹ "Exemption Certificate for Government & Schools".

We found in our testing that one out of 38 (3%) judgmentally sampled expenditures included sales tax. The transaction was a reimbursement to an employee for a tablet and accessories purchased on their personal credit card from an overseas company. The amount was \$618, which included \$41 of taxes, but did not itemize the amount of sales tax and duties. It was documented in the county's financial system that the taxes were paid due to an out of country purchase.

Salt Lake County Countywide Policy 1203: Petty Cash & Other Imprest Funds, Part 4.0 Internal Controls over Fund Operations, Section 4.5 Sales Tax Exemption states:

"4.5.3 If an employee does not follow these procedures [4.5.1-4.5.2], causing the County to pay unnecessary sales tax, the employee may be personally responsible for paying the sales tax."

Council staff explained the reimbursement of the sales tax was an oversight. The employee was reimbursed through a council member's discretionary fund since the employee purchased the items with their own credit card and demonstrated its usefulness for county-related tasks.

Without proper controls in place to ensure sales tax is not paid on reimbursements to employees, it lends itself to fraud, waste, and abuse due to an increased risk of County funds paying for tax-exempt purchases. When sales tax is paid for an item, the County pays more than its obligation. There is a failure to comply with Countywide policy by reimbursing the employee for sales tax.

¹ Salt Lake County Countywide Policy 1203 Petty Cash and Other Imprest Funds, Part 4.0 Sales Tax Exemption, refers to form TC-721, the correct version is TC-721G, "Exemption Certificate for Governments & Schools"

We recommend that Council ensure that the County is reimbursed for any sales tax paid, whether by the vendor or the purchaser. In cases where an employee is reimbursed for a purchase, sales tax, along with any associated duties and fees, should be excluded from the reimbursement amount.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: IMMEDIATELY

SEE PAGE 32 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council have the employee reimburse the County for the sales tax and duties paid by the County.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: IMMEDIATELY

SEE PAGE 32 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 6 AND RECOMMENDATIONS

Invoices not uploaded to PCard Place in 2021

Risk Rating: **Low Risk Finding**

Purchasing cardholders are responsible for uploading supporting documentation with adequate details regarding the purchase, quantity, and amount when reconciling transactions. If a cardholder cannot provide documentation, they must attempt to obtain a duplicate copy from the vendor.

While reviewing PCard purchases from January 1, 2021 through August 31, 2023, five out of 32 (16%) randomly sampled transactions in 2021 were missing an attached invoice in the County cardholder system (Pcard Place) per reconciliation procedures. Upon request, Council was able to provide invoices for four of those five transactions. The one missing invoice was from Office Depot for \$79 in 2021. We found all 29 randomly sampled PCard transactions for 2022 and all 23 randomly sampled PCard transactions for the period of January 1, 2023 through August 31, 2023, included sufficient supporting documentation.

For meal specific transactions, we reviewed all meal transactions from January 1, 2021, through August 31, 2023. One out of the 18 (5%) total meal transactions did not have an invoice attached in the County financial system. Council was able to provide the invoice upon request to corroborate the \$364 charge in June 2021. A comment was entered in PCard Place stating it was for the “June Budget meal.”

Salt Lake County Countywide Policy 7035: Purchasing Cards Authorization and Use, Part 7.0 Account Reconciliation and Records Retention, states:

‘7.1- Documentation is required for each transaction. Supporting documentation may include, but is not limited to; itemized receipts, invoices, proof of purchase, packing slips, Meal Authorization forms, Travel Authorization forms, and any written authorization permitting the transaction to be processed.

7.2 – Supporting documentation shall include details of the purchase, quantity, and amount.

7.3 - Supporting documentation shall be submitted electronically with the reconciliation of transactions unless otherwise authorized by the program administrator or designee.

7.4 - If supporting documentation is missing, the card holder or designee must attempt to obtain a duplicate copy from the vendor. If supporting documentation is unable to be duplicated, the Missing Receipt/Insufficient Documentation form is required to be completed and signed by agency management. Frequently missing documentation may result in the county PCard being suspended or rescinded.'

Per Salt Lake County Records Management, Accounting Records, Accounts Payable, Schedule # AR-001 states:

"These records are used to pay county bills. They include copies of checks, invoices, purchase orders, and receiving reports. May also include correspondence with vendors and supporting documentation." Retention period is "[Four] years and then destroy (UCA 70A-2-725 (1998))."

Council staff explained that the one missing invoice could not be located within their records. The transactions with missing documentation uploaded in Pcard Place were reconciled by a cardholder who left the County in 2021.

The absence of following proper reconciliation and document retention processes increases the potential for fraud, waste, and abuse. Without evidence of documentation uploaded during the reconciliation process, it becomes uncertain whether transactions align with legitimate County-related business activities and if fraud, waste, or abuse is caught at the agency level. Non-compliance with County policy and insufficient oversight facilitates a breakdown of County controls.

We recommend that Council verify that documentation is attached in PCard Place for each transaction. If the cardholder is unable to provide the original or duplicate copy of documentation provided by the vendor, a Missing Receipt/Insufficient documentation form should be completed and signed by an authorized representative.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: IMMEDIATELY

SEE PAGE 33 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Council ensure that invoices from PCard holders be maintained either electronically or as hard copies, in a shared folder that is accessible to all members of the Council Financial team, in accordance with the County Accounting retention policy AR- 001.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: IMMEDIATELY

SEE PAGE 33 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION



Laurie Stringham
At-Large A, Chair

Suzanne Harrison
At-Large B

Jim Bradley
At-Large C

Arlyn Bradshaw
District 1

David Alvord
District 2

Aimee Winder Newton
District 3

Ann Granato
District 4

Sheldon Stewart
District 5

Dea Theodore
District 6

March 27, 2024

Chris Harding, Salt Lake County Auditor
2001 S. State St., #N3-300
Salt Lake County, Utah 84190

Dear Auditor Harding,

The Salt Lake County Council acknowledges receipt of your draft financial audit and associated findings concerning the County Council office, which was initially provided to Councilmembers on March 11, 2024, subsequently reviewed in an agreement to the facts meeting held on March 14, 2024, and updated on March 22, 2024. Consistent with the Council's internal policy on audit responses, Council management has prepared specific responses to each of your findings and recommendations, copies of which are included with this correspondence and were circulated to my Council colleagues.

As you will see from the Council's management response, the County Council agrees with your audit recommendations and will immediately implement policies and procedures designed to enhance compliance with countywide policy and best management practices. We take seriously our role as the County's fiduciaries, including over our own internal budget.

In addition to the narrative response, I want to provide you and the County's residents with important context concerning each of the three main areas addressed by your audit's findings.

First, with respect to the management of the Council's assets, the Council will take steps as recommended by your audit to safeguard physical assets by improving record keeping and ensuring annual compliance checks. The Council takes seriously the loss of a county-issued laptop and the subsequent failure by of one its employees to timely report that loss. We are pleased to note that other Council controlled assets were accounted for and properly maintained. We also note that that the capital assets cited in finding 4 of your audit – a copier/printer that weighs in excess of 500 lbs, and two sets of videoconferencing equipment (one of which is not in the Council's internal offices, but rather a shared conference space in the County government center) – are not prone to instances of theft, personal conversion, or other loss due to their size, prominence, and fixed locations. However, Council management agrees to utilize asset tags for these items as suggested by the best practices that you recommend.

Second, while your audit notes certain limited deficiencies with the documentation and retention of records related to PCard use, particularly in calendar year 2021, we

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are pleased that you have noted enhanced records retention and perfect adherence to policy for transactions that you tested from 2022 and 2023. In addition to fulfilling the audit recommendations, Council management also intends to develop more robust internal policy controls, including a clearer organization of its receipts for PCard usage and other forms of expense reimbursement.

Finally, with respect to the reimbursement of county meal expenses, Council management recognizes the need for future transactions to include the required meal approval form. Council management notes that during the relevant time period of the audit, it was the practice of Council staff to obtain the permission of the Council Chair to authorize the reimbursement of meals provided to Councilmembers and county staff, which were almost always served during the Council's budget workshops, the purpose of which was to minimize the time needed for meal breaks and off-campus travel during long working meetings of the Council. Those meals were offered to the entire Council, and uniformly consisted of modestly priced food items that may be easily calculated or inferred to be within applicable GSA per diem rates, such as boxed sandwich lunches, pizza, or buffet-style tacos. The purpose of those meals was authorized by §§ 1.1 and 2.1 of Countywide Policy 1020, and the meals themselves were documented by receipts. The Council has neither authorized nor reimbursed payment of non-travel meals for individual hospitality or for any improper purpose under Countywide Policy 1020. In the future, this context will be more clearly communicated through consistent use of the meal approval form that you rightly recommend.

Your audit has been informative and useful, and we look forward to strengthening our internal financial controls in response to it. Thank you for your work on behalf of Salt Lake County and its residents.

Sincerely,



Laurie Stringham, Chair

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Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: Unreported Theft of County Issued Laptop

<p>RECOMMENDATION 1.1</p> <p>We recommend that Council implement an annual written acknowledgment form for Elected, Appointed, and Merit employees to read and certify their understanding of the reporting procedures for controlled assets, specifically related to the following Countywide policies:</p> <ul style="list-style-type: none"> • Countywide Information Technology Standard: Cyber Security Incident Reporting and Response. • Countywide Policy 1304 Discovery and Reporting of Wrongdoing or Criminal Activity • Countywide Policy 1125 Safeguarding Property/Assets 		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	December 31, 2024	County Council through its Executive Committee

The Council intends to require each Council employee responsible for a controlled asset to make these required acknowledgements as a part of the process for obtaining the annual verification required under recommendation 2.3. The member of Council staff designated in recommendation 2.1 will be primarily responsible for implementing this process.

AUDIT FINDING 2: Non-compliance with Countywide Policy 1125 Safeguarding Property/Assets

<p>RECOMMENDATION 2.1</p> <p>We recommend that Council assign either the Property manager or alternative designee to monitor purchases and update the "Controlled Asset Inventory Form – Organization" or equivalent form with controlled assets that meet the County's definition per Countywide Policy 1125: Safeguarding Property/Assets.</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation

Agree	July 1, 2024	County Council through its Executive Committee
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The Council intends to designate a member of the Council staff to serve as the property manager under Countywide Policy 1125, including updating job responsibilities and internal policies where appropriate. The property manager will review and update the Council's controlled assets as required by the policy and recommended by this audit, including recommendation 2.4, and will also be responsible for maintaining records and conducting an annual inventory of those controlled assets.

<p>RECOMMENDATION 2.2</p> <p>We recommend that Council either use Mayor's Finance Administration "Controlled Assets Inventory Form - Organization" form or update Council's existing Computer Inventory form to include "Certification" language, a signature line and date. The language should include but may not be limited to:</p> <ul style="list-style-type: none"> • Acknowledgement of: <ul style="list-style-type: none"> ○ The Property Manager's responsibility for all controlled assets not assigned to an individual employee. ○ Current inventory list identified on the form. ○ Review and agreement that the list is accurate and complete. ○ Compliance with Countywide Policies and Procedures 		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	July 1, 2024	County Council through its Executive Committee

The member of the Council staff designated under recommendation 2.1 will complete these records, acknowledgements, and any necessary forms, and will also maintain copies as required by Policy 1125 and best practices.

<p>RECOMMENDATION 2.3</p> <p>We recommend that Council implement and maintain a certified "Controlled Asset Inventory Form - Employee" for all employees responsible for one or more controlled assets. The form should be completed and verified by the assigned employee and submitted to the Property Manager at least annually, per Countywide Policy 1125: Safeguarding Property/Assets.</p>

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	December 31, 2024	County Council through its Executive Committee

The Council intends to require each Council employee responsible for a controlled asset to verify the accuracy and completeness of the controlled assets in their custody each year in December, or upon termination of Council employment, using a form that also includes the acknowledgements required by recommendation 1.1. The member of Council staff designated in recommendation 2.1 will be primarily responsible for implementing this process.

<p>RECOMMENDATION 2.4 We recommend that Council implement an internal policy to designate an employee responsible for reviewing transactions for qualified controlled assets and including them to the "Controlled Asset Inventory – Organization" form, and if applicable, the "Controlled Asset Inventory – Employee" form.</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	July 1, 2024	County Council through its Executive Committee

See the narrative response provided for recommendation 2.1.

AUDIT FINDING 3: Lack of Meal Approval Forms for Meals Purchased on PCard

<p>RECOMMENDATION 3.1 We recommend that Council assign the purchasing cardholder or alternative designee to complete and retain the Meal Approval Form with the receipt as supporting documentation within either PCard Place or other electronic storage.</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and Title of specific point of contact for implementation

	(Generally expected within 60 to 90 days)	
Agree	Immediately	County Council through its Executive Committee

The Council intends to require use of the meal approval form required by Countywide Policy 1020 as a condition of approving any meals that are paid for or reimbursed by the Council's budget and will retain copies of such forms as suggested by this recommendation.

AUDIT FINDING 4: Capital Assets Not Tagged

RECOMMENDATION 4.1		
We recommend that Council communicate with Mayor Financial Administration to ensure that the proper asset tags are received and placed visibly on capital assets.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	July 1, 2024	County Council through its Executive Committee

The Council intends to work with Mayor's finance to ensure that proper asset tags are received and placed visibly on capital assets. The member of Council staff designated in recommendation 2.1 will be primarily responsible for implementing this process.

RECOMMENDATION 4.2		
We recommend that Council develop their own internal organization tagging system for when circumstances arise where they do not receive tags from MFA within one month of receipt of a capital asset.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	July 1, 2024	County Council through its Executive Committee

If recommendation 4.1 proves insufficient, the Council would intend to develop an internal tagging system for capital assets. The member of Council staff designated in recommendation 2.1 would be primarily responsible for implementing this process.

AUDIT FINDING 5: Sales Tax Paid on Reimbursement

RECOMMENDATION 5.1		
We recommend that Council ensure that the County is reimbursed for any sales tax paid, whether by the vendor or the purchaser. In cases where an employee is reimbursed for a purchase, sales tax, along with any associated duties and fees, should be excluded from the reimbursement amount.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Immediately	County Council through its Executive Committee

The Council intends to continue ensuring that sales tax is not paid or reimbursed for Council office transactions as required by Countywide policy and best practices.

RECOMMENDATION 5.2		
We recommend that Council have the employee reimburse the County for the sales tax and duties paid by the County.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Immediately	County Council through its Executive Committee

The Council intends to ensure that \$41 in sales tax mistakenly paid for this single transaction will be reimbursed to the County.

AUDIT FINDING 6: Invoices not uploaded to PCard Place in 2021

RECOMMENDATION 6.1

We recommend that Council verify that documentation is attached in PCard Place for each transaction. If the cardholder is unable to provide the original or duplicate copy of documentation provided by the vendor, a Missing Receipt/Insufficient documentation form should be completed and signed by an authorized representative.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Immediately	County Council through its Executive Committee

The Council intends to continue requiring documentation retention for all P-Card transactions as required by Countywide policy and best practices.

RECOMMENDATION 6.2

We recommend that Council ensure that invoices from PCard holders be maintained either electronically or as hard copies, in a shared folder that is accessible to all members of the Council Financial team, in accordance with the County Accounting retention policy AR-001.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Immediately	County Council through its Executive Committee

In addition to continuing compliance as noted in the response to recommendation 6.1, the Council also intends to ensure that documentation of P-Card transactions are maintained in a folder on the Council's shared drive.