

**Salt Lake County Auditor's Office**  
Craig B. Sorensen, *AUDITOR*



David L. Beck  
*Chief Deputy*

February 28, 2003

*Salt Lake County*  
*Government Center*  
2001 S. State Street  
Suite N2200  
Salt Lake City  
Utah 84190-1100  
Tel (801) 468-3381  
Fax (801)-468-3296

Gary Ott  
Salt Lake County Recorder  
2001 South State Street Suite N1600  
Salt Lake City, Utah 84190-1150

Dear Gary:

We recently completed an unannounced count of collections in the Recorder's Office, and an audit of fixed and controlled assets, and the receipting, and depositing functions. We audited the office's petty cash fund, change fund, and imprest checking fund. We also reviewed the Data Services program, an Internet service for customers to access recorded information, as it relates to accounts receivable.

Our audit included examining all cash handling procedures and funds to determine whether Countywide Policies 1062 *Management of Public Funds*, and 1203 *Petty Cash and Other Imprest Funds*, are being followed. For our review of the fixed and controlled assets in your custody, we wanted to determine whether Countywide Policies 1125 *Safeguarding Property/Assets*, and 1100 *Surplus Property Disposition/Transfer/Internal Sale* are being adhered to.

We compliment you and your staff for the conscientious efforts you make in your cash handling process and the controls you have in place. Your petty cash, imprest checking account, and change funds were in balance, disbursements were made for valid purposes, and funds were properly secured in the safe. We were impressed with the reports you have developed for each of the funds, such as the petty cash daily balance report.

We reviewed a sample of deposit records for 36 days over a period of a year, and found no overs/shorts for any of the days. All of the reports and bank records balanced to the deposit slip copies. Employees are rotated to open the safe and other controls are in place.

## **FIXED AND CONTROLLED ASSETS**

Our purpose for this portion of the audit was to determine if the controls over County fixed and controlled assets were in compliance with Countywide Policy 1125 *Safeguarding Property/Assets*. For purposes of definition, a fixed asset is an item of real or personal property owned by the County, having an estimated life expectancy of more than two years, and meeting the criteria for capitalization. Currently, the capitalization threshold for individual personal property items is equal to or greater than \$5,000.

A controlled asset is a personal property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold. Personal communication equipment is considered to be a controlled asset regardless of the cost of the individual items. We found that:

- **An annual inventory of fixed and controlled assets was not available for review.**
- **Newly acquired controlled assets are not being promptly added to the controlled assets listing.**
- **The controlled asset list was not available for review or audit by the Auditor's Office upon request.**
- **Controlled asset accountability assigned individuals could be improved.**

### **An annual inventory of fixed and controlled assets was not available for review.**

We were unable to verify at the time of our audit that an annual inventory had been completed for fixed or controlled assets, because the property manager was on leave and the inventory listing was unavailable. However, we feel it important to note that County policy requires that a responsible person have these records available to provide that information when requested.

It should be pointed out that the Auditor's Office, for the year 2002, was not able to produce and forward to agencies the Fixed Asset Inventory by Organization Report AFIN0801. Thus the Auditor has not asked that the annual report of inventory be provided. However, this does not relieve agencies of the responsibility of following policy that an annual inventory be completed, that a PM-2 form be completed for all fixed assets needing to be sent to surplus and that all applicable functions be updated in a timely manner. We have provided your staff with a list of fixed and controlled assets we counted to assist them in updating your fixed asset list.

**RECOMMENDATION:**

*We recommend that policy requirements relating to fixed asset management be followed, including the completion of an annual fixed and controlled assets inventory.*

**Newly acquired controlled assets are not being promptly added to the controlled assets listing.** We found computer monitors still in boxes in the records vault, a new CPU in an office, and a boxed palm pilot in another office, none of which had been assigned or accounted for on any list. Staff told us that there are two individuals that keep records of controlled assets. One individual keeps a record of computer related equipment, and the designated property manager keeps a record of everything else that qualifies as controlled assets. We were unable to verify if the palm pilot had been accounted for, and the monitors and CPU were not recorded on the computer related equipment list.

Policy 1125 section 2.2.8 states that the property manager will “coordinate with the organization’s purchasing clerk to ensure all newly acquired property is identified and accountability is appropriately established.” A responsible person needs to be assigned to make certain that every newly purchased asset is added to the controlled assets list as soon as the item is physically received. When the property manager is on leave, there should be someone available as a back up that can have access to the records for updates. The best time to account for fixed and controlled assets is as they are received. Assets that are received and sit in storage without adequate recording are subject to loss or theft.

**RECOMMENDATION:**

*We recommend a centralized asset receipt and recording function be implemented and a responsible person assigned to ensure prompt recording of newly acquired controlled assets.*

**The controlled asset list was not available for review or audit by the Auditor’s Office upon request.** We were given a list of computer equipment; however, the property manager was on extended leave and no one in the office could provide the controlled asset list she maintains. Again we point to Policy 1125 section 4.3.5, “Controlled asset forms ... should be available for review or audit by the Auditor’s Office upon request.” The property management assignment can be shared under the supervision of the property manager, but there should be access to the records continually so they can be available and revised as necessary.

**RECOMMENDATION:**

*We recommend that someone in addition to the assigned property manager have access to controlled property records and lists so that they can be updated and available upon demand.*

**Controlled asset accountability assigned individuals could be improved.** The Recorder's Office has individually assigned laptop computers, cell phones, and palm pilots that meet the criteria of Policy 1125 Section 4.3 which states, "The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information)." Section 4.3.1 Exhibit 3 - states, "Controlled Assets Inventory Form - Employee is used for those assets which, due to their nature, are used by (and therefore readily assignable to) an individual." The Recorder's Office is currently not using this form.

#### **RECOMMENDATION:**

*We recommend that the Recorder's Office use the form "Controlled Assets Inventory Form - Employee" or similar form for their records of individually assigned controlled assets.*

#### **ACCOUNTS RECEIVABLE**

We briefly reviewed the Data Services program for a basic understanding of the services and information provided, the processes for billing and how receivables that arise from this system are controlled. Mortgage and title companies, other businesses and individuals use Data Services to research property deeds and other recorded documents. The original sign up processing fee is \$100, plus payment in advance for the first and last month's minimum usage charge of \$25 each, for a total initial charge of \$150. An invoice is computer generated monthly, with follow up letters if payments are not received timely.

The Recorder's Office uses Quicken software to generate customer billings and accounting reports. We obtained copies of the customer agreement, an invoice, and copies of delinquency letters. We asked for other reports that would track the growth of Data Services, but none could be produced. There is no Quicken manual available and the system manager has not been trained yet to the extent she could provide what we asked for. After our interview and review of the information provided we found that:

- **The user agreement, invoice and delinquency letters do not agree as to when payments are to be made.**
- **There is no written policy covering management of accounts receivable.**
- **Monthly reports of delinquent accounts are manually generated when they could be produced automatically using Quicken.**

- **Management of delinquent accounts needs improvement.**
- **The Recorder's Office does not receive timely bad check notification from the Treasurer's Office.**

**The user agreement, invoice and delinquency letters do not agree as to when payments are to be made.** The agreement states that invoices are payable upon receipt. However, the invoice has two dates, the date the debt was incurred, and the date the invoice was prepared.

The Recorder's Office feels payment is due 30 days from when the debt was incurred, but the party being billed feels it is 30 days from the date the invoice was prepared. The invoice should be modified to clarify exactly when payment is due. As a practical matter, it should be 30 days from the date the invoice was prepared and mailed. The agreement and invoice and subsequent delinquency letters should all agree as to when payment is due.

**RECOMMENDATION:**

*We recommend that the invoice prepared for users of the Data Services system specify a due date for payment, i.e., "30 - days from date of invoice."*

**There is no written policy covering management of accounts receivable.** Formulating policies and procedures establishes a standard against which decisions can be made and actions taken in the management of accounts receivable. It provides guidance, and allows for a common base of understanding between employees and customers, thereby creating a faster and easier process. In formulating written policies, common practice suggests that a provision for fair and friendly collection efforts be included. If a formal process for handling all collections is in writing, the organization is more likely to apply uniformity in its practices, and improve the timing and adequacy of collections.

**RECOMMENDATION:**

*We recommend that the Recorder establish a written policy on accounts receivable management.*

**Monthly reports of delinquent accounts are manually generated when they could be produced automatically using Quicken.** The program manager cannot produce a computer generated aging report, so she prepares it manually each month. She showed us the manually prepared list of 120 accounts that she considered delinquent for the current month.

We looked at the Quicken computer software capabilities to see if a computer generated aging report could be produced to replace the manually prepared report of delinquencies. We also wanted to see if there were other reports that would be helpful in financial forecasting and assisting with management of the Data Services program. Quicken has an index of available reports, but we could not determine which ones could produce a delinquency listing. No Quicken manual was on hand, so the manager was not familiar with its reporting capabilities. The software needs to be upgraded to meet reporting needs and personnel need additional training in its use.

Other reports could be generated from Quicken that would be helpful in determining if the Data Services user base is expanding, if receivables are being collected in a timely fashion, if revenues cover costs, or if more resources should be expended to enlarge or enhance the program.

**RECOMMENDATION:**

*We recommend that the Quicken software be upgraded if necessary, and employees sufficiently trained in its use, to produce necessary and useful accounting reports.*

**Management of delinquent accounts needs improvement.** We found that the Recorder's Office is sending delinquent accounts to the District Attorney's Office on companies that are no longer in business. A phone call by the Recorder's Office would determine if the entity was defunct. If the business is a corporation, there would be no need to forward the account for collection, since there would be no further recourse.

The Recorder's Office is not aging its receivables. There are accounts that have been delinquent for longer than 90 days or that have had no recent follow up. An aging report could be used to make certain that all accounts are worked consistently and forwarded to the Attorney's Office timely, no longer than the optimum 90 days.

Delinquent accounts considered no longer collectible by the Recorder, for reasonable cause, or by the District Attorney's Office, should be written off and not kept on the records indefinitely.

**RECOMMENDATION:**

1. *We recommend that the Recorder's Office screen delinquent accounts prior to referral to the District Attorney for companies no longer in business.*
2. *We recommend that provisions be included in a written policy covering the timing of delinquency referrals and the determination of write offs.*

Gary Ott, Recorder  
February 28, 2003  
Page 7

**The Recorder's Office does not receive timely bad check notification from the Treasurer's Office.** The Recorder told us that part of his delinquency problem is that he does not know soon enough when a check is denied for insufficient funds. The Treasurer's Office has been working on a program to make bad check information available on the Intranet for access by County agencies. However, the Recorder has not made inquiry as to whether they have access. If an agency can know a check is bad as soon as the delinquency is posted by the bank to the Treasurer's account, then the accounts can be terminated or customers can be prevented from further using the account until collections are satisfied.

**RECOMMENDATION:**

*We recommend that the Recorder contact the Treasurer, to determine if access to the Intranet is now available.*

We appreciate the cooperation and timely assistance we received at the Recorder's Office from you and your staff. We trust that our work will be of benefit to you as you endeavor to maintain and strengthen internal controls over these processes. If we can be of further assistance to you in this regard please feel free to call.

Sincerely,

James B. Wightman CPA  
Director, Internal Audit Division