



December 31, 2012

Ben McAdams, Mayor
2001 S. State Street # N2100
Salt Lake City, UT 84114-4575

Re: Audit of Salt Lake City Health Clinic

Dear Mayor McAdams,

We recently completed an analysis of the financial records of two bureaus within the Salt Lake City Health Clinic (Health Center), the STD Clinic, and the Immunization Clinic. The audit's primary focus was the period from June 01, 2011 to May 31, 2012. During our examination, we reviewed cash receipting and depositing, capital and controlled assets, and petty cash and change funds.

For each of these areas, we examined internal controls and procedures in place to determine compliance with Countywide Policies and Salt Lake Valley Health Department (SLVHD) cash handling standards. Our audit objectives were to determine compliance with the guidelines for cash handling and asset management found in Countywide Policies #1062, *Management of Public Funds*, #1203, *Petty Cash and Imprest Funds*, and #1125, *Safeguarding Property Assets*.

Our review of deposits was done on a sample basis; therefore, problems may have occurred in deposits that were not selected for review. However, a statistically significant random sample is designed to provide a degree of assurance that the complete nature of transactions and processes are examined. In addition, findings relating to non-compliance with Countywide Policies may be present in areas not examined. During our review, we noted some cash handling procedures, which could be improved. In addition, some improvements regarding management of controlled assets are recommended.

We have limited our comments to significant findings and recommendations, and have divided the report into the following sections: 1) Cash Handling and Depositing, and 2) Capital and Controlled Assets.

CASH HANDLING AND DEPOSITING

Our audit included counting all funds on the premises, including cash receipts not yet deposited, the Change Fund, Imprest Checking and the Petty Cash Fund. Collections balanced to the Cash Drawer Balance Listings. Petty Cash and Change Funds balanced to their authorized limits, as recorded on the Salt Lake County Petty Cash and Other Imprest Accounts Report. We also reviewed a sample of deposits from the past twelve months, and reconciled these deposits to bank statements on file.

To review cash handling and depositing, we selected a statistically-valid, random-sample of deposits from June 01, 2011 to May 31, 2012. We

GREGORY P. HAWKINS
Salt Lake County Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax

GHawkins@slco.org

LONN LITCHFIELD, JD, LLM
Chief Deputy Auditor

MICHAEL P. CHABRIES, PhD
Senior Advisor

BRAD A. ROGERS
Executive Assistant

discovered the following during our examination for which we have made recommendations.

- *The Custodian of Record for the STD Clinic's change fund did not match the assigned custodian on file.*
- *The amount on record for the STD Clinic's change fund did not match the amount on hand.*
- *Some deposits were made after the State-mandated deadline of no later than three days following collection.*
- *The reconciliation of the imprest checking/petty cash account is only performed quarterly.*

The Custodian of Record for the STD Clinic's change fund did not match the assigned custodian on file. The assigned custodian does not match the custodian of record with the Mayor's Accounting and Finance Office. Countywide Policy #1203, Section 1.5 states,

Custodian - An individual designated by Agency Management to be personally responsible for the operation and integrity of a Petty Cash or other Imprest Fund Account...

The custodian of record is personally responsible and accountable for the imprest funds. When the assigned custodian does not match the custodian of record, accountability is compromised.

Personnel changes occurred and the fund was re-assigned without the submission of MPF Form 2 "Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund" to the Mayor's Accounting and Finance Office.

Recommendation

We recommend that completed MPF Form 2 be submitted to the Mayor's Accounting and Finance Office to update the custodian of record.

The amount on record for the STD Clinic's change fund did not match the amount on hand. The change fund was kept in three separate cash drawers, each containing \$100, totaling \$300. The Mayor's Accounting and Finance Office's change fund record indicated the total balance should be \$150. Countywide Policy #1203, Section 3.1.1 and 3.1.2 states,

The requesting Agency shall complete MPF Form 2, "Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund...The requesting Agency shall provide detailed justification for establishing a new account, or when requesting a change (increase or decrease) in the imprest amount of an existing account.

Amounts that do not match the Mayor's Accounting and Finance recorded amount could indicate a lapse of management control of the fund. Further, it could result in abuse or fraud. The current custodian stated that the fund was \$300 when it was assigned two years ago and was unaware it was recorded on file for \$150.

RECOMMENDATION

We recommend that management determine the correct amount of the STD Clinic's change fund and submit a completed MPF Form 2 to the Mayor's Accounting and Finance Department to reflect the updated amount.

Some deposits were made after the State-mandated deadline of no later than three days following collection. In the sample of the 62 Immunization Clinic deposits tested, 21 (33.9%) deposits were found to be beyond the mandatory three-day allowance for deposits to be deposited into the bank account.

In the sample of the 62 STD Clinic deposits tested, 29 (46.8%) deposits were found to be beyond the mandatory three-day allowance for deposits to be deposited into the bank account. Potential deposit delays can occur due to late preparation of deposits, Monday holidays, and next day armored truck pick-up.

Countywide Policy #1062, *Management of Public Funds*, Section 4.1.2 states,

As required by S51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt.

A delay in depositing funds beyond the three-day mandate violates Utah State Code, Countywide Policy, and also has a negative impact on available funds.

RECOMMENDATION

We recommend that deposit preparation procedures be reviewed to ensure that deposits are made in accordance with Countywide Policy.

The reconciliation of the imprest checking account is only performed quarterly. The imprest checking account is reconciled quarterly, which violates Countywide Policy.

Countywide Policy #1062, *Management of Public Funds*, Section 4.7.2 states,

A Bank Reconciliation shall be performed at least monthly by an employee designated by Agency Management. Cashiers or employees who prepare deposits shall not perform the Bank Reconciliation.

Delays in monthly reconciliations allow outstanding charges or deposits to remain unresolved. However, SLVHD's fiscal management deemed the account activity insufficient for a monthly reconciliation, but allowable for a quarterly reconciliation.

Recommendation

We recommend that SLVHD update their reconciliation schedule to comply with Countywide Policy.

CAPITAL AND CONTROLLED ASSETS

A capital asset is an individual item owned by the County that meets the criteria for capitalization. Currently, the capitalization threshold is \$5,000. A controlled asset is an item having a cost of \$100 or greater, but less than the current capitalization threshold, and which is sensitive to conversion to personal use. However, personal communication equipment, such as a cell phone or PDA, is considered a controlled asset regardless of the cost of the individual item.

The property manager for the Health Center tracks and reports all capital and controlled assets for each of the SLVHD bureaus.

We examined a statistically-valid, random-sample of capital and controlled assets to verify their existence and location, and to determine if the Health Center complies with Countywide Policy #1125.

The sample consisted of 97 assets taken from the Health Center's asset inventory list maintained by the SLVHD computerized Health Asset Tracking System (HATS) records. During our review, we were able to locate and identify almost all of the assets contained in our sample. However, we discovered the following during our examination:

- ***Two desktop computers could not be located.***
-

Two desktop computers could not be located. In the sample, two desktop computers, tag #8437 and #4861, respectively, were not located. Countywide Policy #1125, Section 2.2.3, states that the Property Manager should:

Maintain records as to current physical location of all fixed [capital] assets and controlled assets within the organization's operational and/or physical custody.

Countywide Policy #1125, Section 4.3.6, states,

Property managers should use exact locations [of assets] whenever possible (and update them as needed) to establish better control.

Effective recordkeeping of County assets protects them from loss or conversion to personal use.

The property manager stated that many of the desktop systems had recently been upgraded to Windows 7, resulting in the rotation of the older computers into other areas of the clinic. This rotation resulted in an outdated inventory record, and two misplaced desktop systems.


RECOMMENDATION

We recommend that the two missing desktop computers be located and the inventory record be updated.

In closing, we express appreciation to the staff at the Health Center for their cooperation and assistance during our audit. Implementation of the recommendations in this letter will help to improve operations, ensure the security of County assets, and strengthen internal controls throughout the Health Center. We trust that our work will be of benefit to your staff. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By: 
James Fire, MBA/ACC
Deputy Auditor

cc: Gary Edwards
Debbie Dean
James Chlumsky
Matt Ferguson