

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY  
BEN McADAMS, MAYOR



An Audit of the Key Controls of  
South Main Public Health Center

March 07, 2013

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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March 07, 2013

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

Re: An Audit of the Key Controls of South Main Public Health Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of South Main Public Health Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at South Main Public Health Center and the cooperation from Jim Chlumsky, District Manager, Shauna Briggs, Office Supervisor, Qing Chong, Nursing Supervisor, Sharon Moon, Immunization Coordinator, Kayla Doud, Accounting and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to South Main Public Health Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins  
Salt Lake County Auditor

*Anita C. Kasal*

By Anita C. Kasal  
Deputy Auditor

cc: Jim Chlumsky, District Manager  
Shauna Briggs, Office Supervisor  
Sharon Moon, Immunization Coordinator  
Kayla Doud, Accounting





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of South Main Public Health Center (SMPHC). Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

## Conclusion

SMPHC has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over inventory, controlled assets, and petty cash have a higher likelihood of leading to loss of County property.

## Findings, Recommendations, and Management Responses

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***Finding # 1 - The private-pay flu vaccines were not always justified correctly on the monthly audit reports and reports were not signed.***

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**Risk Level: High**

Salt Lake Valley Health Department Operating Standard & Procedure #22 "Vaccine Inventory and Management," Section 2.5.3.1.5.2 states:

"Information needed to complete monthly audit includes the following...any discrepancies will require a justification noted on the monthly audit."

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.3.4 states:

"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 [Immunization Coordinator] as to the accuracy and completeness of the list."

SMPHC discrepancies on monthly audit report for private-pay flu vaccines were not justified or were justified incorrectly. The year-end audit report justification for flu vaccine was "multi-dose." Also, the justification "unknown" is not a valid justification. The monthly Vaccine Report (inventory audit report), including the year-end December 31, 2012 report, was not signed by the preparer or a supervisor.

Not having an accurate justification for the variances in the vaccine inventory audit report increases the risk of vaccines being lost, stolen, or diverted for personal use. Additionally, when employees assigned to perform inventory audits of vaccines do not sign to verify their Vaccine Report, again vaccines are at an increased risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the comments in the SMPHC monthly Vaccine Report (inventory audit report) are correctly justified when there are variances.

We recommend that the SMPHC monthly Vaccine Report (inventory audit report) be signed by the preparer and their supervisor.

***Management Response***

In Appendix A.

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***Finding # 2 - Monthly petty cash bank statement reconciliations were not completed.***

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**Risk Level: Moderate**

Countywide Policy #1203 "Petty Cash and Other Imprest Funds," Section 5.1.3 states:

"In the case of Imprest Checking/Operating Accounts, the account's bank statement balance shall be reconciled at least monthly by an employee designated by Agency Management, who is not the Custodian."

SMPHC had not performed bank reconciliations for September through December 2012. Prior bank reconciliations happened with several months grouped together, rather than by individual months.

Petty cash accounts are audited by the agency accountant who states: "We do them on a quarterly basis. In the past, they were rarely done. After I came on, it was determined quarterly was acceptable to do audits, especially since it was much more frequent than it was done in the past."

When monthly bank reconciliations are not properly executed by agency management, then funds are at a greater risk of being lost, stolen, or diverted to personal use.

***Recommendation***

We recommend that SMPHC management designate an employee (who is not the Custodian) to perform monthly bank reconciliations and that reconciliations be performed monthly.

***Management Response***

In Appendix A.

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***Finding # 3 - Inventory correction forms were used inconsistently.***

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**Risk Level: Moderate**

Salt Lake Valley Health Department Operating Standard & Procedure #22 "Vaccine Inventory and Management," Section 2.6.2.7.1 states:

"A wasted vaccine form should be used in all cases."

SMPHC showed transfers of vaccines without documentation. The Immunization Coordinator confirmed that documentation should be present in all movement of vaccines whether transferred, expired, or wasted.

When documentation for the transfer, waste, correction, and disposal of vaccines is inconsistent, it increases risk of vaccines being lost, stolen, or diverted for personal use.

### ***Recommendation***

We recommend that the SMPHC monthly Vaccine Report (inventory audit report) contain a copy of each order, transfer, waste, correction, and disposal of a vaccine.

We recommend Health Administration clarify OSP #22 to agree with the Immunization Coordination's requirement for documentation on transfers of vaccines.

### ***Management Response***

In Appendix A.

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***Finding # 4 - An annual Payment Card Industry Self-Assessment Questionnaire was not completed and on file.***

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**Risk Level: Low**

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.1.1 states:

"PCI-DSS compliance requires among other things that County agencies that accept, process, transmit or store cardholder data shall: Complete the appropriate annual SAQ [and/or AQC] for their merchant category."

SMPHC could not provide a copy of the annual Payment Card Industry Self-Assessment Questionnaire (SAQ).

Not completing this self-evaluating questionnaire for Payment Card Industry Data Security Standards (PCI-DSS) increases the risk of cardholder data being diverted for personal use.

### ***Recommendation***

We recommend that SMPHC complete the appropriate annual SAQ and retain a copy on file.

***Management Response***

In Appendix A.

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***Finding # 5 - There was no annual physical inventory of controlled assets signed and on file.***

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**Risk Level: Low**

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

SMPHC failed to have on file an annual physical inventory of controlled assets.

Failure to document and maintain a physical inventory increases the risk of assets being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that SMPHC document annual inventories of controlled assets and update the inventory list whenever assets are acquired or disposed.

***Management Response***

In Appendix A.

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***Finding # 6 - A capital asset that had been transferred, sold, stolen, or destroyed remained on the capital asset records.***

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**Risk Level: Low**

Countywide Policy #1100 "Surplus Property Disposition/Transfer/Internal Sale," Section 6.3.2 states:

"...a completed PM-2 form, listing items to be written off from the fixed asset records, is to be submitted for approval to the Mayor. A description of the circumstances explaining why the personal property is to be written off, and a description of the steps taken to locate the missing property should be attached."

The SMPHC capital asset record retained an item that had either been transferred, sold, destroyed, or had an unknown event on their capital asset record.



When capital asset records are not properly documented, assets are at a greater risk of being lost, stolen, or diverted to personal use.

***Recommendation***

We recommend that SMPHC use Form PM-2 to remove the capital asset not held, and maintain an accurate capital asset record.

***Management Response***

In Appendix A.

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***Finding # 7 - Internal controls over payments received in the mail were not adequate.***

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**Risk Level: Low**

Countywide Policy #1062 "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

A small number of checks received through the mail by SMPHC were only opened by one person and no log was kept of the amount or date payments were received.

When mail is not opened under dual control and included on a log, funds are at greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that mail be opened in the presence of two persons and checks received are included on a log.

***Management Response***

In Appendix A.



## **Additional Information**

### **Background**

SMPHC is a part of the Salt Lake Valley Health Department that provides health services including: immunizations, women, infants and children clinic (WIC), women's health clinic, women's cancer screening (BeWise program), pediatric and prenatal services, teen mother and child program, home visitation program, and nurse-family partnership program.

### **Scope**

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending December 31, 2012. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.





## Memorandum

**To:** Anita Kasal, Salt Lake County Auditor's Office

**CC:** Gary Edwards, Audrey Stevenson, James Chlumsky, Sharon Moon,  
Shauna Briggs, Kayla Doud, Kelly Nielson, Ricardo Flores, Lori Burk

**From:** Matt Ferguson, Fiscal Manager

**Thru:** Brian Bennion, Associate Director

**Date:** 2/22/2013

**Re:** South Main Public Health Center Audit

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Concerning the recently completed audit of key controls at the South Main Public Health Clinic, I wish to thank the Auditor's Office for the work performed. Here is a response to each of the seven findings. Please incorporate this into your letter before releasing it as a final report.

The first finding was, **"The private-pay flu vaccines were not always justified correctly on the monthly audit reports and reports were not signed."** Even though our vaccines are routinely audited by the State, we appreciate the Auditor's review of this process, as medications typically represent the single largest item in our operating budget. We accept the recommendation to justify variances in the monthly Vaccine Report and we will work to educate staff to record such justifications, effective immediately. However, we'd like to point out that it would be impossible to determine the exact number of doses remaining in a vial at the time of inventory, without physically removing the remaining vaccine/serum and measuring the remaining liquid. Therefore, Management reserves the right to continue to use the term "multi-dose" as a means to justify a plus (+) or minus (-) in inventory relating to multi-dose vials. In addition, we accept the recommendation that the Vaccine report should be signed by the preparer and his/her supervisor.

The second finding was, **“Monthly petty cash bank statement reconciliations were not completed.”** This wording is somewhat misleading because reconciliations *were* completed. The real issue is the frequency and we agree on the recommendation to perform them on a monthly basis. Because this was brought to our attention from previous audits elsewhere in the Division, we’ve already addressed the issue and instituted this change, with the exception of some small accounts that are used infrequently and carry a low balance. For these, we accept the minimal risk associated with performing the reconciliations slightly less regularly.

The third finding was, **“Inventory correction forms were used inconsistently.”** It seems like we’ve already talked about vaccines, but yes we can take the recommendation to include the documentation of transfers (including waste, disposals, and corrections) on the monthly vaccine reports. Likewise, we’ll immediately notify our Standards Committee to deliberate over internal policy #22. We’re confident that they’ll find a way to make that more clear.

The fourth finding was, **“An annual Payment Card Industry Self-Assessment Questionnaire was not completed and on file.”** This isn’t entirely true either, since our staff filled it out as best they could last spring—with help from the Auditor’s Office no less. It’s just that nobody could find it. You even said yourself that this finding could be waived. Notwithstanding the mixed signals we’ve received about the importance of even having such a document on file, we approve the recommendation to fill one out, but we accept the risk if for some reason, we still don’t complete the document every year.

The fifth finding was, **“There was no annual physical inventory of controlled assets signed and on file.”** As explained at the exit conference, a physical inventory *is* performed yearly. Due to employee turnover, there may be a need to train new staff members to update, document, sign, and file the inventory lists each year, as recommended. This will be done in time for the next audit.

The sixth finding was, **“A capital asset that had been transferred, sold, stolen, or destroyed remained on the capital asset records.”** First, this implies that all missing inventory has been transferred, sold, stolen, or destroyed, but this isn’t necessarily the case. On the contrary, it’s quite possible that a “missing” asset is still in our possession, but difficult to find. Accordingly, Management is comfortable with the risk of waiting for a reasonable amount of time before concluding that an asset truly is gone and needs to be taken off the records. In this *particular* case, the Health Department *was* found to be in possession of the asset, but simply needed to update the record of its location. Second, we would like to emphasize that this type of “transfer” (i.e. between clinics) isn’t really a “transfer” in the true sense, because it’s still within the Health Department. Therefore, our normal protocol of using the PM-2 form to transfer or otherwise dispose of assets, as you’ve recommended, doesn’t apply here. Instead, we will instruct our asset managers to update the appropriate records at the time such changes are made.

The seventh finding was, “**Internal controls over payments received in the mail were not adequate.**” At the exit conference, you indicated that this is a very minor finding, so we don’t feel it necessary to further belabor the fact that the South Main clinic typically doesn’t *receive* payments by mail (except maybe once a month for fifteen bucks or so). While we understand the need for dual control, we’ve tailored these procedures to our operational requirements, as allowed by the policy. In other words, Management deems it sufficient for just one person to be present when opening envelopes at South Main.

Incidentally, I understand that because the clinic shares space with University of Utah staff, most payments in the mail are meant for them anyway. Consequently, we are also changing the process by which University mail is routed and processed. This will result in even fewer chances for payments to get “lost, stolen, or diverted to personal use.”

In conclusion, I thank you once more for the services you’ve rendered in drawing attention to these areas where we can improve. What’s more, you’ve provided some good solutions. At a convenient time, I would like to meet again with the Auditor’s Office to review the audit process and to gain a better understanding of your expectations of the Health Department in future engagements.