

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



An Audit of the Key Controls of
Health Department Administration

September 17, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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September 17, 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 Health Department Administration

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Health Department Administration 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 Health Department Administration and the cooperation from Matt Ferguson, Fiscal Manager, Sharon Moon, Nursing Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Health Department Administration 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

By Anita C. Kasal
Deputy Auditor

cc: Gary Edwards, Executive Director
Brian Bennion, Associate Division Director
Audrey Stevenson, Director for Family Health Services
Dagmar Vitek, M.D., Director for Medical Services
Dan Kinnersley, Director for Community Services



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Health Department Administration. 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

The Health Department Administration 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 cash receipting have a higher likelihood of leading to loss of County property.

Findings and Recommendations

Finding # 1 - Checks were not restrictively endorsed upon receipt.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.6.1 states:

"All checks and negotiable instruments received by Cashiers shall be restrictively endorsed immediately upon receipt using the Agency's approved restrictive endorsement stamp. This procedure restricts the disposition of the check "for deposit only," to the Agency's authorized bank account."

Checks were not being restrictively endorsed upon receipt.

Not endorsing checks upon receipt places funds at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that checks be restrictively endorsed immediately upon receipt.

Finding # 2 - Gift cards and tokens used as incentives in a community services program were not inventoried or kept secured.

Risk Level: Low

Countywide Policy #1125 "Safeguarding Property/Assets," states in the Purpose:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed -- meaning, controlled, inventoried and protected."

An inventory of incentives, including gift cards, was not maintained. Additionally, envelopes holding the various incentives were not secured.

When an inventory of incentives is not maintained and easily converted assets are not properly secured, items are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that incentives be properly secured and that access to them be limited.

We recommend that an inventory of incentives be maintained.

Finding # 3 - A controlled asset, which was reported stolen to the authorities in 2011, remains on the Health Department inventory list.

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."

A police report was filed in 2011 on a missing Pentax Camera. An employee contacted police in June 2013 to check the status of the report and was told the case had never been assigned out.

When a controlled asset remains on an inventory list after it has been reported missing, complete accountability for all property cannot be ensured.

Recommendation

We recommend that the Health Department Administration remove the asset from its controlled asset inventory list.

Finding # 4 - Deposits were not always made within three days of receipt.

Risk Level: Low

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

"As required by §51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt."

We found that 20 deposits out of 30 days tested showed that the bank posting date was beyond the three-day policy.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft, and interest that might otherwise have accrued is lost.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Finding # 5 - An annual Payment Card Industry Self-Assessment Questionnaire (PCI-SAQ) was not completed and on file.

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 AOC] for their merchant category."

The Health Department could not provide a completed copy of the annual PCI-SAQ.

Not completing this self-evaluating questionnaire for Payment Card Industry Data Security Standards (PCI-SAQ) increases the risk of fines and an inability of accepting credit cards as payments.

Recommendation

We recommend that the Health Department complete and sign the appropriate annual PCI-SAQ and retain a copy on file.

Finding # 6 - The location code on four capital assets was incorrect.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states:

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

The location codes for 4 out of the 15 capital assets listed on their inventory were incorrect.

When the location of capital assets on inventory records is incorrect, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Health Department Administration update the location code for these four capital assets.

Finding # 7 - The monthly vaccine inventory audits were not always signed by one of the immunization staff.

Risk Level: Low

Salt Lake Valley Health Department Procedure #22, "Vaccine Inventory and Management," Section 2.5.3 states that:

"[A] Monthly Vaccine Inventory Audit will be completed by the immunization staff and documentation sent to the Immunization Coordinator by the second working day of the month."

In addition, Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.3.4 requires employees that are responsible for assets to:

"...provide verification by his/her signature to the Property Manager as to the accuracy and completeness of the list."

The monthly vaccine inventory audit was not signed and dated when the inventory was performed. Also, some monthly inventory reports sent from the clinics to the Immunization Coordinator were not signed by clinic immunization staff.

When the monthly vaccine audit report is not signed and dated, inventory accuracy and completeness is compromised.

Recommendation

We recommend that the Immunization Coordinator require that immunization staff follow procedure and complete the vaccine audits by signing and dating the report.

Additional Information

Background

The Health Department Administration Office's are located at 2001 S. State Street, Salt Lake City, Utah. All divisions have some functions that happen at this location. Health Department divisions cover the following: Administration, Environmental Health, Family Health Services, Medical Services, and Community Services.

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 May 31, 2013. 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.

Management response to findings in this report, when received, will be attached as Appendix A.



Memorandum

To: Anita Kasal, Salt Lake County Auditor's Office
CC: Gary Edwards, Audrey Stevenson, Dan Kinnersley, Dagmar Vitek,
Kelly Nielson, Ricardo Flores, Kathy Garrett, Sharon Moon, Rosalie Grip
From: Matt Ferguson, Fiscal Manager
Thru: Brian Bennion, Associate Director
Date: 9/12/2013
Re: Key Control Audit of the Health Department Administration

Thank you for providing the findings of the Health Department Administration Key Control Audit. Before finalizing your report, please include our official response to each of the findings below:

The first finding was, **“Checks were not restrictively endorsed upon receipt.”** Because it's not right for the Health Department to take ownership of checks that are meant to be delivered to a different individual or entity, we will continue our current practice of waiting to verify that the payments indeed *can* be applied before restrictively endorsing them for deposit. In addition, we respectfully disagree with the assessment that this finding constitutes a “Moderate” level of risk. Although immediately endorsing checks may prevent them from being stolen or diverted to personal use, it does *not* keep them from getting lost. Furthermore, there are compensating measures in place to secure the checks and there is a bona fide business purpose behind the practice of endorsing the checks at a future time. Therefore, it's a *low* risk at most, and taking the recommendation to restrictively endorse all checks upon receipt would not significantly reduce those risks. On the contrary, instituting such a change would only create another set of problems. For example, it would make it more difficult to return the checks that are later determined to have been sent in error.

The second finding was, **“Gift cards and tokens used as incentives in a community services program were not inventoried or kept secured.”** Since the audit, the Tobacco program purchased a safe so the gift cards and bus tokens are now behind two locks. We’ve implemented a system where two people must be present when signing cards and taking out tokens. The program manager will also use an excel spreadsheet to keep track of them. This document will be printed and kept with the cards/tokens for signature. Health Incentives purchased in other programs will be similarly secured.

The third claim was, **“A controlled asset, which was reported stolen to the authorities in 2011 remains on the Health Department inventory list.”** The camera in question was kept on the books in case it would be found by police or an employee, but we’ll take it off the list, as recommended.

The fourth finding was, **“Deposits were not always made within three days of receipt.”** In conformance with County policy, our deposits *are* made on a daily basis, “whenever practicable,” or on the following day. Hence, we’d like to offer a “counter” recommendation that the Auditors perform their tests based on the dates when deposits are *transferred to the security officers (or Brinks)* rather than the dates on which they are actually posted to the bank. Otherwise, the audits done in this area will continue to be useless to us, because the timing of bank postings is entirely beyond our control.

The fifth finding was, **“An annual Payment Card Industry Self-Assessment Questionnaire (PCI-SAQ) was not completed and on file.”** Because this subject has received so much attention from the Auditor’s Office recently, we officially filled out the form as best we could. It’s now on file and can be furnished upon request. Nevertheless, we question the assertion that not completing this form “increases the risk of fines and an inability [to accept] credit cards as payments.” If that were indeed the case, it seems that we would’ve been fined or blocked from accepting cards before now. So if you have documentation indicating that this is a certain or implied risk, we would like to see it. Perhaps County Policy #1400-7 is out-of-date in terms of PCI-DSS compliance.

The sixth finding was, **“The location code on four capital assets was incorrect.”** Although the Health Department cannot directly update the location code for these assets (as recommended), we did submit a request to Judy Stevens that such changes be made. While it *is* better for inventory records to be accurate, what’s more important is that the right agency (i.e. the Health Department) is in possession of the assets, and that the property can be accounted for. Large servers are *not* as likely to be lost, stolen, or diverted to personal use just because they were ordered at the Government Center but ended up being installed at the South Main clinic, for example. Because of the centralized nature of the capital assets function in the County, these types of assets are often classified based on where they are ordered from (in the broad sense)—not necessarily where they end up (specifically). Consequently, reconciliations and inventory changes are a matter of collaboration with the County Capital Assets team.

The seventh finding was, **“The monthly vaccine inventory audits were not always signed by one of the immunization staff.”** Health Department employees who count the vaccines have been instructed to sign and date the vaccine count (“756”) forms. Each District Manager is to sign and date the form as well, after verifying the accuracy of the count. This ensures that any vaccine discrepancies can be identified in the clinics. The same procedure has been instituted for the vaccine counts performed at the Government Center. With that said, the wording for this finding is misleading because it suggests that the auditors reviewed multiple inventory sheets and found incongruities on all (or many) of them. In reality, when we asked for more detail about the audit, we learned that, “Just the *most recent* one was tested.” The size of the sample alone is enough to put the validity and credibility of this finding into question (because this instance could be an outlier in the data). The Immunization Coordinator regularly reviews the reports and investigates differences in order to update the Vaccine Inventory system. If a rare and random variation from the normal procedures occurred, the employees responsible are sure to have received a reminder.

We were told that the eighth finding would be excluded from the audit report (based on email correspondence dated August 16, 2013). For this reason, we are refraining from providing a response, except to document that we will continue to make a good faith effort to comply with County Policy 1220 and seek workable solutions to improve our Accounts Receivable processes. This includes ensuring the proper segregation of duties and providing an adequate amount of managerial oversight.

In conclusion, thanks for including our responses to the Key Control Audit of the Health Department Administration.