

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



An Audit of the Key Controls of
Friendly Neighborhood Senior Center

March 28, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 28, 2014

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 Friendly Neighborhood Senior Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Friendly Neighborhood Senior 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 Friendly Neighborhood Senior Center and the cooperation from Rita Martin and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Friendly Neighborhood Senior 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

By Roger Larsen
Sr. Deputy Auditor

cc: Becky Kapp, Division Director
Jessica Montgomery, Administrative and Fiscal Manager
Traci Lee, Active Aging Program Manager
Rita Martin, FNCS Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Friendly Neighborhood Senior Center. 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 Friendly Neighborhood Senior Center has implemented several internal controls to safeguard County resources. Minor observations were discussed with management. Deficiencies in the management of controlled assets and a purchasing card purchase above the approved maximum for a single purchase are discussed in our findings. A report of the last audit of the Friendly Neighborhood Senior Center was released to the public in January 2013.

Findings and Recommendations

Finding # 1 - A purchasing card transaction exceeded the established single purchase limit.

Risk Level: Moderate

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 4.1.4 states that the following transaction is prohibited:

"Split Purchases. Splitting a single purchase into two or more small purchases to disguise the purchase of "related items" which would exceed the authorized limit for small purchases is not allowable. ("Related" items include, for example, items purchased for a related event, or purpose, or as an essential part or element of an item of equipment.)"

In a review of all 68 purchasing card transactions for 2013, we found 1 that was above the cardholder's \$1,000 single purchase limit. A \$1,228.68 purchase was paid in two payments, \$1,000 and \$228.68 respectively, over two statement cycle periods.

Unauthorized purchases above established limits violates Countywide policy that is in place to control budget expenditures by purchasing cardholders.

Recommendation

We recommend that no unauthorized purchases exceeding the approved single purchase limit of the purchasing cardholder be made with the purchasing card.

Finding # 2 - Accountability for controlled assets was not properly established.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that the property managers are required to:

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

A previous audit conducted in December 2012 found that no controlled asset inventory list existed. A retest showed that there was now a signed controlled asset list on file; however, the list was inaccurate. In a sample of 29 out of 144 assets listed, only 15 were found. In addition, we observed numerous assets that were not on the controlled asset inventory list.

Management stated that several conditions contribute to the inaccurate reporting: 1) The transition to WASP, a software system for asset inventory control, is not yet complete at the Friendly Neighborhood Senior Center. In the prior audit, management stated that WASP would be fully implemented by 31 March 2013. 2) Assets are continually moved from room to room and even floor to floor by patrons. The facilities are available to patrons 24 hours per day. Limited personnel at the Friendly Neighborhood Senior Center can not always be on site for observation. 3) Assets that are owned by the City and assets that are secured by the Advisory Council for use at the Friendly Neighborhood Senior Center can not be on the County controlled asset list. With the turnover of Friendly Neighborhood Senior Center management and staff, it is unclear what is owned by the County and what is on site from other resources.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that management and staff of the Friendly Neighborhood Senior Center properly maintain their controlled asset inventory list.

Additional Information

Background

Friendly Neighborhood Senior Center is a part of the Salt Lake County Aging and Adult Services Division. It is located at 1992 South 200 East, Salt Lake City. FNCS provides seniors with social and learning opportunities, including: meals, classes, computer access, and activities.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending December 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. Retesting of prior audit findings was also performed, where applicable.

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

Ben McAdams
Salt Lake County Mayor

Lori Bays
Human Services
Department Director

**AGING and ADULT
SERVICES**

Becky Kapp
Division Director
Aging and Adult Services

Information & Referral
385-468-3200

*"Promoting independence
through advocacy, engagement
and access to resources"*

March 27, 2014

Roger Larsen
Salt Lake County Auditor
2001 South State Street, N3300
PO Box 144575
Salt Lake City, Utah 84114-4575

Re: Audit of Friendly Neighborhood Senior Center

Dear Roger,

This letter outlines how the Friendly Neighborhood Senior Center will respond, train, and correct the deficiencies found in your letter dated March 19, 2014.

Finding #1 – A purchasing card transaction exceeded the established single purchase limit.

- A. The Active Aging Assistant Program Manager will meet with the Senior Center Manager and review Salt Lake County Policy 7035, Purchasing Cards by April 15th, 2014. The Active Aging Assistant Program Manager will review all purchasing card transactions at months end to see that proper purchasing procedures are followed.

Finding #2 – Accountability for controlled assets was not properly established.

- B. The Senior Center Manager will complete an accurate controlled asset inventory by April 15, 2014; this will be verified by the Active Aging Assistant Program Manager.

Thank you for your assistance and support. Please feel free to contact us with any questions or concerns.

Sincerely,



Becky Kapp
Director

cc: Jessica Montgomery, Fiscal Manager
Dwight Rasmussen, Associate Director
Traci Lee, Active Aging Program Manager
Emma Houston, Active Aging Assistant Program Manager
Rita Martin, Friendly Neighborhood Senior Center Manager