

A Compliance Audit of the
**Salt Lake County
Health Department**



Report Number 2016-01

March 2016



Office of the
Salt Lake County Auditor
Scott Tingley, CIA, CGAP

EXECUTIVE SUMMARY

The Salt Lake County Health Department (Health Department) has five divisions and each Division manages multiple programs. These include operating and managing the following health clinics: WIC (Women, Infants, and Children), immunizations, CHEC (Child Health Evaluations and Care), BeWise (women's cancer screening), health travel education, infectious disease testing and treatment, and HIV/STD testing and treatment. Environmental health provides a number of services in the areas of food safety and protection, air pollution monitoring and controls, sanitation and safety, water quality, and hazardous waste.

The Tobacco Prevention, Cessation, and Enforcement programs provide education and resources on how to quit smoking for smokers, tobacco use prevention, and enforcement of regulations for tobacco and electronic cigarette retailers. Vital Records provides birth and death certificates issued through the State of Utah. In order to facilitate this wide range of services and programs, seven of nine health service locations have the ability to collect cash from businesses and clients.

WHY WE AUDITED THE HEALTH DEPARTMENT

Our audit was aimed at providing reasonable assurance that the Health Department's internal controls over cash receipting and depositing, asset management, and imprest funds are in place and adequate for the level of services that the organization provides. In addition, our audit reviewed the Health Department's cash handling and asset management procedures and practices to determine if they complied with Countywide Policies and best business practices.

WHAT WE FOUND

The Health Department's Administrative Office refund account was not in balance despite a previous audit finding from May 2012 that found it out of balance. A previous Key Control Audit in May 2012 found that the Health Department's Administrative Office refund account did not balance to its authorized imprest amount. Despite the previous audit finding from over three years ago, the refund account was still not reconciled, and the account discrepancy had grown from an imbalance of \$1,586.39 on December 31, 2011 to \$2,331.95 on October 31, 2015.

The tobacco cessation and enforcement petty cash fund was not in compliance with Countywide policy due to the lack of numbered vouchers and inadequate receipt documentation. This fund is primarily used for undercover operations for enforcement of tobacco regulations against selling tobacco products to underage minors. We found that the only procedure used to document cash disbursements from the petty cash fund was a manual cash disbursement log. No receipt copies or any other supporting documentation were kept with the funds. Receipts were considered evidence and retained in an evidence bag.

A check received on July 29, 2015 in the amount of \$2,175 was not deposited within three days of receipt, and was still outstanding as of December 2015. While examining the daily deposit records for July 29, 2015, we discovered a check in the amount of \$2,175 dated July 23, 2015, which had never been deposited. The Health Department Accountant

stated that the deposit was prepared by someone other than the usual depositor. When the deposit was reviewed by the usual depositor, the check was missed and forgotten about. The check remained filed away for nearly six months. State law requires that all public funds must be deposited no later than three days after receipt.

WHAT WE RECOMMEND

To bring the Administrative Office's refund account into balance:

Health Department management should prepare a deposit for the overage amount of \$2,331.95 in the refund checking account, and deposit that amount as miscellaneous revenue. In addition, Health Department management should reconcile the refund checking account at least monthly, and immediately identify and correct any discrepancies in the account balance when they are discovered.

To improve accountability for the tobacco enforcement petty cash funds:

Health Department management should adopt the use of a numbered voucher for each petty cash disbursement from this petty cash fund. Furthermore, they should use a customized certification form for all cash disbursements from this fund, in-lieu of keeping copies of receipts to document the appropriate use of funds. The form should detail the date, amount of cash actually used, and provide a detailed description from the payee of how the cash was actually used. The form should be signed by the payee to certify that County funds were used appropriately.

To ensure that all collection receipts are deposited in a timely manner:

The Health Department should ensure that all collections receipts are deposited within three days as required by State law. If the appropriate revenue account cannot be determined in a timely manner, the funds should be deposited as miscellaneous revenue until the proper account can be identified and an adjustment made in the County's financial records.

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BACKGROUND

The Salt Lake County Health Department provides a number of health services to the general public. These include operating and managing the following health clinics: WIC (Women, Infants, and Children), immunizations, CHEC (Child Health Evaluations and Care), BeWise (women’s cancer screening), health travel education, infectious disease testing and treatment, and HIV/STD testing and treatment. Environmental health provides a number of services in the areas of food safety and protection, air pollution monitoring and controls, sanitation and safety, water quality, and hazardous waste.

The Tobacco Prevention, Cessation, and Enforcement programs provide education and resources on how to quit smoking for smokers, tobacco use prevention, and enforcement of regulations for tobacco and electronic cigarette retailers. Vital Records provides birth and death certificates issued through the State of Utah. In order to facilitate this wide range of services and programs, each health services location (except West Jordan and Tobacco on Morris Ave) has the ability to collect cash from businesses and clients.

SUMMARY OF FINDINGS

We audited nine health services locations (see Table 1, below) which typically included more than one type of health services program. We found non-compliance with Countywide cash and asset management policies in a few instances. To give the reader a brief overview and synopsis of our findings related to these divisions we provide the following summary:

- 1. The Government Center refund account was not in balance despite a previous audit finding from May 2012 that found it out of balance.**
- 2. The names of fund custodians and the imprest amounts of some funds did not match the listing obtained from the Mayor’s Office of Financial Administration.**
- 3. The tobacco cessation and enforcement petty cash fund was not in compliance with Countywide policy due to the lack of vouchers and receipt documentation.**
- 4. The imprest amount of the Environmental Health EPA petty cash fund was too high and therefore increased the risk for misappropriation and abuse of public funds.**
- 5. Cash overages and shortages were not recorded on the proper form for the Government Center administrative depository account prior to September 2015.**
- 6. A check received on July 29, 2015 in the amount of \$2,175 was not deposited within three days of receipt, and was still outstanding as of December 2015.**
- 7. There were issues involving transition from CDP software to ezEMRx software for medical billing including matching daily reports to funds received and the ability to generate month end and aging reports.**
- 8. The Government Center Family Health Services imprest checking account payment vouchers were not numbered and one disbursement included the payment of sales tax to the payee.**
- 9. Some controlled assets could not be found during our review of the capital and controlled asset tracking system.**

10. The International Travel Clinic failed to maintain a beginning and ending change fund transfer log.
11. The Vital Records Division’s accounts receivable system lacked a true aging schedule function, making it difficult to determine the timing of past due amounts.

Table 1: Salt Lake County Health Department Services Provided by Location

Table 1: Salt Lake County Health Dept Audited Locations and the Services They Provide												
Location	WIC	Immunizations	HIV/STD testing and treatment	Infectious Disease testing and treatment	Travel pre-education & Immunizations	Other Medical Services	Environmental Health	Tobacco Prevention and Cessation	Epidemiology	Emergency Management Services	Vital Records	Administration
Ellis Shipp	✓	✓				✓					✓	
Environmental Health							✓					
Government Center					✓	✓				✓		✓
Rose Park	✓	✓									✓	
Salt Lake City	✓	✓	✓	✓		✓			✓		✓	
South Main	✓	✓				✓						
Southeast	✓	✓				✓					✓	
Tobacco (Morris Ave)								✓				
West Jordan	✓											
Services highlighted in yellow have change funds and deposit procedures.												

In addition, we have graphically represented our findings to help the reader comprehend which locations audited had findings. Table 2, below, consolidates the 11 findings in our report by location. This table includes a calculated risk score for each location. The score is based on the number of findings and their severity. Severity was scored as follows: 1 is a **low**-risk; 2 is a **medium**-risk; and 3 is a **high**-risk.

Table 2: Location/Service Risk Matrix.

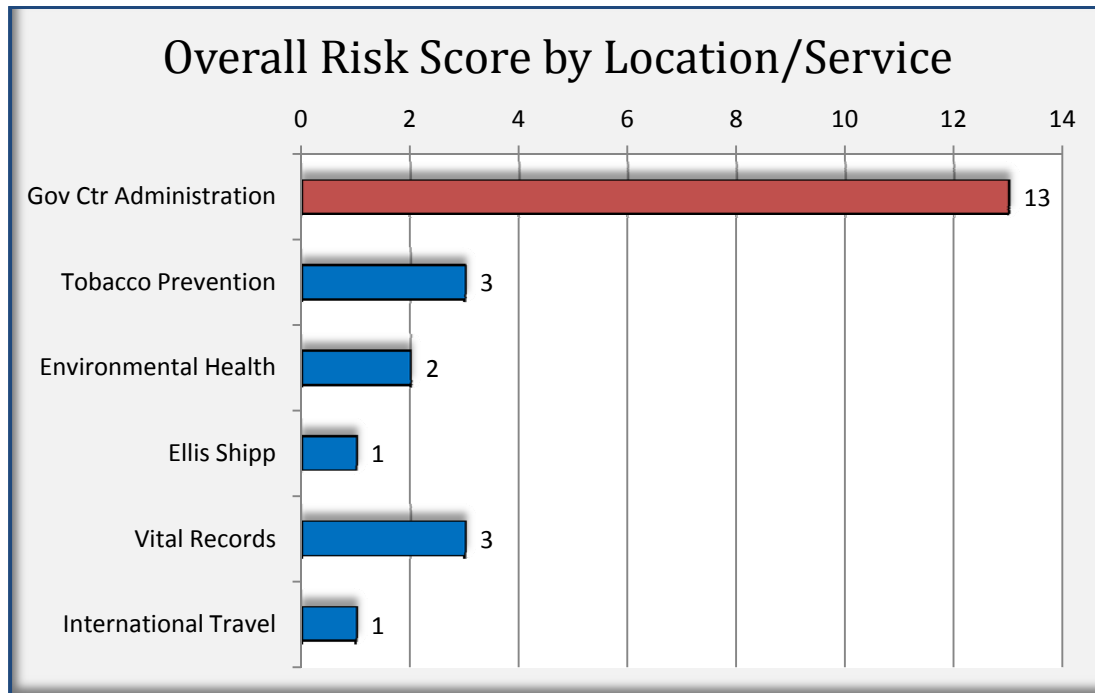
Table 2: Location/Service Risk Matrix													
Location/Service	Finding Reference*											Risk Score	
	1	2	3	4	5	6	7	8	9	10	11		
Gov Ctr Administration	■	■			■	■	■	■	■	■			13
Tobacco Prevention			■										3
Environmental Health				■									2
Ellis Shipp									■	■			1
Vital Records									■	■		■	3
International Travel											■		1

■ High-Risk (3)
 ■ Medium-Risk (2)
 ■ Low-Risk (1)

** Relates to the finding numbers listed in the executive summary.*

Figure 1, below, illustrates the overall risk score assigned to each location/service based on the risk score shown in Table 2.

Figure 1: Overall Risk Score by Location/Service.



AUDIT SCOPE, OBJECTIVE, AND METHODOLOGY

SCOPE

Our audit scope for each location included an analysis of: imprest funds, cash receipts, deposits, and controlled assets. We covered a 12-month time period from 2014 through 2015.

OBJECTIVE

Our audit objective was to determine if cash handling and asset management procedures and practices complied with Countywide Policies.

METHODOLOGY

To perform our audit work we selected a sample of deposits and examined balance sheets related to these deposits. As part of our review of depositing procedures, we examined 30 deposits at each location/facility (see Appendix A), but included less as circumstances warranted. We also identified and verified the location of a sample of controlled assets at each location/division as circumstances warranted.

AUDIT RESULTS

Finding 1: The Government Center refund account was not in balance despite a previous audit finding from May 2012 that found it out of balance.

The administration office of the Salt Lake County Health Department maintains an imprest checking account for the purpose of issuing refunds to patients of the health clinics who paid for medical services that are covered by insurance. Refunds are also issued to businesses and individuals for various permits and training cancellations through Environmental Health.

Upon examining the reconciliations of this account for the months August 2013 through October 2015, we found that the checking account register balance was overstated by an “unreconciled” amount of \$2,331.95. This overage was carried forward each month as an outstanding item. Looking back to a previous audit of this same refund account in May 2012, one of the audit findings was “Unresolved reconciling items were carried on the reconciliation.”

Delay in reconciling an account increases the risk of misstated financial results and fraudulent transactions could go undetected.

As stated in the audit conducted in May 2012, “Countywide Policy, Section 5.1.3 requires an account to be reconciled monthly. When issues are identified, the account is not reconciled until the issues are resolved. These types of issues should be resolved while memories are fresh and evidence is available.” The outstanding balance amount at December 31, 2011 was \$1,586.39.

As stated in the previous audit, “Delay in reconciling the account violates Countywide Policy and effective internal controls. A regularly performed reconciliation process identifies transactions that have been recorded on the bank statement and not on the check register or accounting system. Reconciling accounts on a less than monthly basis increases the risk that financial results will be misstated, delays the identification of fraudulent transactions, and sets a tone that allows unresolved transactions to be carried forward.”

The register balance has been overstated for several years now, increasing from \$1,586.39 on December 31, 2011 to \$2,331.95 on October 31, 2015.

Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 5.2.3, states:

“Overages are typically caused by either administrative error or by failure of a Payee to cash a check for which reimbursement has been requested. Overages shall be immediately investigated and resolved, if possible, by the Custodian. The amount of any unresolved overage shall be deposited as miscellaneous revenue, and a cash receipt obtained from ~~the Auditor~~ [Mayor’s Office of Financial Administration].”

RECOMMENDATIONS:

- 1. We recommend that Health Department management prepare a deposit for the overage amount of \$2,331.95 in the refund checking account, and deposit that amount as miscellaneous revenue.*
- 2. We recommend that Health Department management reconcile the refund checking account at least on a monthly basis, and immediately identify and correct any discrepancies in the account balance when they are discovered.*

Finding 2: The names of fund custodians and the imprest amounts of some funds did not match the listing obtained from the Mayor’s Office of Financial Administration.

During the audit, we discovered that the names of some of the fund custodians and the imprest amounts of some of the funds did not match the Mayor’s Financial Administration records of Petty Cash and Other Imprest Accounts as of October 23, 2015.

Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 8.3.2, states:

“Responsibility remains with the current Custodian until the final MPF Form 6 is completed and submitted with the signed MPF Form 2 to ~~the Auditor~~ [Mayor’s Finance]. Only when these steps are accomplished will responsibility transfer to the new Custodian.”

Additionally, **Countywide Policy #1203, “Petty Cash and Other Imprest Funds, Sections 3.1.1, and 3.1.2,** state:

“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.”

We found that all petty cash and other imprest funds of the Health Department balanced, with the exception of the Government Center refund account (see Finding 1, above). However, while verifying the fund balances, we observed that the stated locations, the purpose of the funds/accounts (for example, immunizations, vital records, etc.) and the names of the fund custodians did not always match the listing of **Health Department Petty Cash and Other Imprest Accounts** we obtained from the Mayor’s Office of Financial Administration (see Table 3, below).

Table 3: Health Department Petty Cash and Other Imprest Accounts.

Health Department Petty Cash and Other Imprest Accounts						
Fund Name per Mayor's Finance	Suggested Fund Name	Custodian as of Audit Date	Amount per Mayor's Finance	Amount @ Audit Date	Amount of Change	Type
Immunization - South East	Southeast Immunization	Terri Ledding	\$250.00	\$150.00	(100.00)	C
STD City	Salt Lake City STD	Allison Dodge	\$300.00	\$300.00	0.00	C
South Main	South Main Immunization	Erendira Izarraraz	\$400.00	\$400.00	0.00	C
Administration - Govt Center	Gov Ctr Admin Petty Cash	Beverly Cowling	\$2,000.00	\$2,000.00	0.00	I-Ck
Environmental Health	Environmental Health	Jamie Sceili	\$800.00	\$800.00	0.00	C
CCMAC 21st South	Gov Ctr Travel	Holly Birich	\$600.00	\$600.00	0.00	C
Vital Records - City	Salt Lake City Vital Records	Bonnie Francis	\$800.00	\$500.00	(300.00)	C
SHIPP Clinic	Ellis Ship Immunizations	Tammy Johnson	\$300.00	\$200.00	(100.00)	C
SHIPP Clinic	SHIPP CLINIC	Tammy Johnson/clsd 07/15	\$0.00	\$0.00	0.00	I-Ck
EPA Audits	Environmental EPA Audits	Tamarah Nelson	\$6,000.00	\$6,000.00	0.00	P
C.D. Bureau - F.H.S.	Salt Lake City Epidemiology	Michelle Dallon	\$1,500.00	\$1,500.00	0.00	I-Ck
Govt Center - F.H.S.	Gov Ctr FHS	Stephanie Hart	\$1,000.00	\$1,000.00	0.00	I-Ck
Govt Center - Refunds	Gov Ctr Refunds	Diane Okumura	\$10,000.00	\$10,000.00	0.00	I-Ck
South Main Clinic	South Main Petty Cash	Erendira Izarraraz	\$250.00	\$250.00	0.00	I-Ck
Tobacco Inspection	Tobacco Inspection - Morris Ave	Tiffany Brinton	\$800.00	\$800.00	0.00	P
Immunization Program	Southeast Petty Cash	Terri Ledding	\$200.00	\$200.00	0.00	I-Ck
City Immunization	Salt Lake City Immunization	Connie Ledding	\$300.00	\$300.00	0.00	C
City Immunization Clinic	City Immunization Clinic	Connie Allen/ clsd 03/15	\$0.00	\$0.00	0.00	I-Ck
Rose Park Immunization	Rose Park Immunization	Tammy Johnson	\$100.00	\$100.00	0.00	C
Environmental Health - AQ	Environmental Petty Cash	Ashley Hall	\$2,000.00	\$2,000.00	0.00	I-Ck
City Clinic	Salt Lake City Infectious Disease	Theresa Beesley	\$100.00	\$100.00	0.00	C
Admin Gov Ctr	Gov Ctr Admin	Rosalie Grip	\$150.00	\$150.00	0.00	C
	Southeast Vital Records	Terri Ledding		\$200.00	200.00	C
	Ellis Ship Vital Records	Tammy Johnson		\$200.00	200.00	C
	Rose Park Vital Records	Tammy Johnson		\$100.00	100.00	C
			\$27,850.00	\$27,850.00	\$0.00	
Yellow = Change of Custodian Pink = Suggested additional fund names Blue = Change in amounts netting to zero total						
			Total Petty Cash	6,800.00	6,800.00	
			Total Change Funds	4,100.00	4,100.00	
			Total Imprest Checking	16,950.00	16,950.00	
			\$ 27,850.00	\$ 27,850.00		
P = Petty Cash Fund						
C = Change Fund						
I-Ck = Imprest Checking						

Salt Lake County Health Department's Petty Cash and other Imprest Accounts per Mayor's Finance at the time of the audit.

RECOMMENDATIONS:

- 1. We recommend that Health Department management submit a MFP Form 2 to the Mayor's Office of Financial Administration each time that there is a change to a petty cash fund or other imprest account.*
- 2. We recommend that Health Department management obtain a current listing of petty cash and other imprest accounts from the Mayor's Office of Financial Administration at least annually, and verify that the names of fund custodians, location information, and the stated purpose of each fund/account is correct and up-to-date.*

Finding 3: The tobacco cessation and enforcement petty cash fund was not in compliance with Countywide policy due to the lack of vouchers and receipt documentation.

We audited the Tobacco cessation and enforcement petty cash fund. This fund is primarily used for undercover operations involving hiring underage (18 years old or younger) minors to attempt to purchase tobacco products from local merchants.

We found that the only procedure used to document cash disbursements from the petty cash fund was a **Petty Cash Transfer Log** with separate columns for the date, the employee's name, the petty cash disbursement amount, the employee's signature and initials, any petty cash returned, and the total petty cash amount spent. No individual petty cash vouchers, receipts, or other supporting documentation for petty cash disbursements are kept with the fund. When we questioned the fund custodian about this practice, it was explained that since this fund is used in undercover operations, any receipts obtained during an operation are immediately placed into an evidence bag.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 4.6, states:

"Petty cash vouchers (or other appropriate supporting documents for other types of Imprest Funds) are to be used for each disbursement from the Petty Cash Fund... Petty cash may be released prior to the purchase, or the employee/Payee may be reimbursed after the purchase. In either case, vouchers shall be filled in completely, prior to releasing any cash, indicating the amount released, date, item(s) description, and the reason for the expenditure. The voucher shall be signed by the employee/Payee and approved by the Custodian, as indicated by his/her signature...Sales receipts, invoices, etc., received at the time of the purchase are to be returned to the Custodian promptly after the use of petty cash, along with any change (unspent money) from the transaction. The Payee and the Custodian shall initial the voucher when the receipts and unspent money are returned. In the event a vendor receipt is not obtained or is lost, the employee/Payee shall provide a written

certification detailing the type of expenditure, the amount, and why the receipt was lost or not obtained. The Custodian shall initial all such certifications. The certification shall be attached to the voucher for supporting documentation. “

Although the use of the **Petty Cash Transfer Log** does document cash disbursements made from the fund, the use of such a log is not technically in compliance with the requirements of Countywide management of public funds policies. While we understand that the nature of this fund requires that receipts obtained and other documentation be placed into evidence, we could not verify the actual use of the cash funds due to the lack of receipts for purchases.

Health Department employees that receive cash disbursements from this fund are basically on the honor system, personally guaranteeing that funds were used appropriately for each undercover operation. In our opinion, the risk of misappropriation of County funds from this account is low, but the log system requires that the fund custodian be extra vigilant about documenting the transfers on the log. The use of the log in place of the voucher system places the use of these funds at greater risk for misuse of funds, without some form of receipt copies or other form of independent documentation for how the cash was actually used.

RECOMMENDATIONS:

- 1. We recommend that Health Department management adopt the use of a numbered voucher for each petty cash disbursement from this petty cash fund.*
- 2. We recommend that Health Department management implement a customized certification form for all cash disbursements from this fund, in-lieu of keeping copies of receipts to document the appropriate use of funds. The form should detail the date, amount of cash actually used, and provide a detailed description from the payee of how the cash was actually used. The form should be signed by the payee to certify that County funds were used appropriately.*
- 3. We recommend that Health Department management send a letter to the Mayor’s Office of Financial Administration requesting an exemption from the Countywide policy requiring copies of receipts for purchases made with cash disbursements from this petty cash fund, due to the nature and use of this fund.*

Finding 4: The imprest amount of the Environmental Health EPA petty cash fund was too high and therefore increased the risk for misappropriation and abuse of public funds.

During our review of the Environmental Health EPA undercover petty cash fund, we found the following as of November 19, 2015:

- **A balance of \$2,899.50 of cash on hand.**

- A check dated November 3, 2015 for \$1,694.02, payable to the fund custodian, which had not yet been cashed. This check was intended to replenish the petty cash fund for expenditures made from July 17, 2015 to October 5, 2015.
- Petty cash disbursement vouchers totaling \$1,406.48 dated from October 9, 2015 to November 17, 2015.

The petty cash fund balanced to the authorized imprest amount of \$6,000. However, the replenishment check dated November 3, 2015, for \$1,694.02, had not yet been cashed.

We found that over a four month period from July 17, 2015 to November 19, 2015, cash expenditures from the fund totaled just \$3,100.50. This was only slightly over half of the total authorized imprest amount of \$6,000 for the fund. During the audit, the fund custodian mentioned that this fund was not being used as much since the emission testing machines are now equipped with cameras. The assigned emissions testing auditors now spend most of their time reviewing camera footage from the emissions machines, rather than going out for undercover emissions tests.

A petty cash fund balance that is too high increases the risk of misappropriation and abuse of public funds.

Countywide management of public funds policy states that the imprest amount of any petty cash or imprest account should be adequate for two months of operations. Funds that are not replenished more frequently are at a greater risk of misuse of public funds. Furthermore, excess County funds sitting idle in an account could be put to better use elsewhere.

Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 3.1.4, states:

“The requested imprest amount should be sufficient to provide adequate operating funds for two months.”

RECOMMENDATIONS:

We recommend that Health Department management evaluate the future needs of this fund, and request that the imprest amount be reduced to an amount that would provide adequate operating funds for no more than two months of cash expenditures.

- *Based on our review of petty cash vouchers, we estimated that an imprest balance amount of approximately \$1,500 to \$2,000 would be adequate.*

Finding 5: Cash overages and shortages were not recorded on the proper form for the Government Center administrative depository account prior to September 2015.

A Government Center administrative depository account is maintained for the purpose of depositing funds from billed health services, billed environmental health permits, grant payments, rent payments, and other miscellaneous revenue.

Upon reviewing the monthly deposit reports for the Government Center Administration, we noticed monthly over/short logs were not maintained for the period October 2014 through August 2015.

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log... shall be signed by the Cashier's immediate supervisor. The MPF Form 11 and the Monthly Report of Cash Receipts shall be retained by the Agency and archived according to County Records Management guidelines."

Over/short logs for each cashier maintained and reviewed by their immediate supervisors are necessary to determine individual accountability and detect any trends which may indicate misstated financial results and/or fraud.

RECOMMENDATIONS:

We recommend that Health Department management ensure that each daily deposit overage or shortage is recorded on an MPF Form 11, Cash Over/Short Log, and that each over or short is reviewed and signed by the cashier's immediate supervisor.

Finding 6: A check received on July 29, 2015 in the amount of \$2,175 was not deposited within three days of receipt, and was still outstanding as of December 2015.

In December 2015, while examining the daily deposit records at the Government Center Administration for July 29, 2015, we discovered a check in the amount of \$2,175 dated July 23, 2015, which had never been deposited. Paperwork attached to the check indicated there was insufficient information to apply the money. In an email dated December 18, 2015, The Health Department Accountant stated the deposit was prepared by someone who does not usually prepare them. When the deposit was reviewed by the usual depositor, the check was missed and forgotten about. The check remained filed away for nearly six months.

Most banks will not accept a stale-dated check that is 180 days old. State law requires that all public funds must be deposited no later than three days after receipt.

Furthermore, **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."

Additionally, **Countywide Policy #1062, "Management of Public Funds," Section 3.4.2.4** states regarding examination of remittances:

"Any unusual circumstances should be referred to the Agency Fiscal Manager for resolution."

RECOMMENDATIONS:

We recommend that Health Department management deposit all collections within three days of receipt, as required by State statute. If the correct agency or division that a payment should be applied to cannot be determined immediately, the deposit should be accounted for as miscellaneous revenue until it can be determined where the payment should be applied. Any unusual circumstances should be referred to the Agency Fiscal Manager for resolution.

Finding 7: There were issues involving transition from CDP software to ezEMRx software for medical billing including matching daily reports to funds received and the ability to generate month end and aging reports.

The locations/entities providing medical services and receiving money for those services changed software on April 1, 2015. This change in software, from CDP to ezEMRx, was necessary due to the federally mandated change from ICD-9 to ICD-10. ICD is the abbreviation for International Classification of Diseases.

This change in software created a few problems at the clinics providing the services as well as the Health Administration office of Salt Lake County. The ezEMRx software is customized for the needs of the Salt Lake County Health Department as a governmental entity. That customization is an ongoing work in progress.

One of the issues created at the clinic level was the necessity to enter payment information for each service code provided to a patient. There were some instances early in the transition in April 2015 where the daily report of funds received per ezEMRx did not match the actual funds received. Some transactions were being closed on a date other than the date of the service. However, of the sampled deposits, it appears the over/short daily disparity was balanced over the long term. The Health Department Data Analyst is working with the software writers to create an easier payment process for the cashiers.

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1 states:

“All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit ... Cash balancing reports generated automatically, if reconciled to the cash count, should provide sufficient balancing documentation.”

At the Health Administration level, there were issues with the ability to print month end reports of total sales broken down by payment methods and to print aging reports. Again the Health Department Data Analyst is working with the software writers to be able to produce these reports.

Reports that correctly reflect the activity in a day, month, or any other period along with aging reports that correctly reflect the status on any given day are important in order to determine individual accountability and to detect any trends which may indicate misstated financial results and/or fraud.

RECOMMENDATIONS:

We recommend that Health Department management continue to work with the ezEMRx software to resolve report issues.

Finding 8: The Government Center Family Health Services imprest checking account payment vouchers were not numbered and one disbursement included the payment of sales tax.

During our audit of the Health Department’s Government Center Family Health Services (FHS) imprest checking account, we found that the payment vouchers were not numbered dating back to July 2015, even though the reimbursement checks had been issued to the payees. Also, one disbursement to WalMart included the payment of sales tax to the payee.

Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 4.6.2 states:

“Petty cash may be released prior to the purchase, or the employee/Payee may be reimbursed after the purchase. In either case, vouchers shall be filled in completely, prior to releasing any cash...”

In addition, **Countywide Policy 1203, Section 4.5 “Sales Tax Exemption,”** states:

“Prior to making a purchase, employees shall request from the Custodian a Utah State Tax Commission Form TC-721, “Exemption Certificate.” to avoid paying sales tax.”

Ensuring that payment vouchers are numbered sequentially with each disbursement prevents potential gaps and allows a designated person to audit and confirm the status of the account at any given time. In addition, as a governmental entity, the County is not required to pay State sales tax on purchases. It is important that County employees present a current Sales Tax Exemption Certificate for the County at the time of purchase, to avoid paying sales tax on all County purchases.

RECOMMENDATIONS:

1. *We recommend that the FHS imprest checking account custodian number each payment voucher sequentially as disbursement checks are issued to prevent any gaps in voucher sequence.*
 - a. *The fund custodian should ensure that all fields are completed on the payment voucher form prior to releasing funds for reimbursement or for making purchases.*
2. *We recommend that FHS employees present a current copy of Form TC-721, Sales Tax Exemption Certificate, prior to making a purchase or completing a sales transaction to avoid paying sales tax.*

Finding 9: Some controlled assets could not be found during our review of the controlled asset tracking system.

The Health Department uses a software program called the Health Asset Tracking System (HATS) to inventory and track all of the controlled assets at the various Health Department locations and divisions throughout the County.

We randomly selected a judgmental sample of 246 controlled assets from the HATS provided to us for the audit. We then verified the sample of controlled assets by trying to locate each asset at each facility. We were able to locate all but three controlled assets from the sample.

In addition, we randomly selected a judgmental sample of 73 controlled assets to trace back to the HATS, in reverse order of our first test. We were able to trace all but two of the controlled assets back to the HATS (see Table 4, below).

Table 4: Salt Lake County Health Department Randomly Selected Controlled Assets.

Salt Lake County Health Dept Randomly Selected Controlled Assets						
Location/Division	On HATS to be physically observed			Physically observed to be found on HATS		
	Number Selected	Number Located	Note	Number Selected	Number Located	Note number
Ellis Shipp	20	19	A	5	5	
Environmental Health	30	30		11	11	
Government Ctr Admin	25	24	B	6	5	D
Government Ctr FHS	15	15		5	5	
Government Ctr Travel	10	10		5	5	
Rose Park	10	10		2	2	
Salt Lake City Epidemiology	15	15		5	5	
Salt Lake City Immun & WIC	20	20		5	5	
Salt Lake City Infectious Disease	20	20		6	6	
Salt Lake City STD/HIV	20	20		6	6	
Salt Lake City Vital Records	10	9	C	3	2	E
South Main	21	21		5	5	
Southeast	20	20		5	5	
Tobacco	5	5		2	2	
West Jordan	5	5		2	2	
Total	246	243		73	71	

Note A - Tag 8181 Seiko printer not located - presumed disposed when replaced
 Note B - Tag 4130 Cholestech lipid analyzer not located - presumed traded in on new analyzer
 Note C - Tag 2965 Cannon Microfilm scanner - disposal request made not entered in HATS
 Note D - Tag 5881 Dell Optiplex 9020 computer - selected not found on HATS for unknown reason
 Note E - Tag 7886 Destroy It shredder - selected not found on HATS for unknown reason

Countywide Policy #1125 “Safeguarding Property Assets,” Section 2.2, states:

“Prepare a ‘Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form PM-2’ in advance for all fixed asset property transfers, disposal or sales between the Property Manager’s organization and any other organization ... Coordinate with the organization’s Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and fixed assets are tagged and capitalized.”

When controlled assets are insufficiently tracked, the County incurs a greater risk of loss due to assets becoming lost, stolen, or converted to personal use.

RECOMMENDATION

We recommend that Health Department management ensure that all newly acquired controlled assets are properly tagged and entered into the HATS.

Finding 10: The International Travel Clinic failed to maintain a beginning and ending change fund transfer log.

During the audit of the International Travel Clinic at the Government Center on December 3rd, it was discovered the beginning change fund log was not being used to indicate the receipt of change funds by the cashiers from the safe. When we questioned the cashiers as to why the fund transfer log was not being used, we were told that use of the fund transfer log had stopped during a period of high cashier employee turnover, and was never reinstated.

Countywide Policy #1062, “Management of Public Funds,” Section 2.7.3 states:

“Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox”.

We noted that upon discussing this finding with the International Travel Clinic cashiers that they agreed to immediately reestablish the daily use of the fund transfer log to document receiving and returning all change funds to and from the safe.

Documenting the transfer of change funds in and out of the safe is necessary to track and determine individual accountability.

ACTION TAKEN

The International Travel Clinic cashier employees agreed to begin using a daily fund transfer log to document all change funds received from and returned to the safe immediately.

Finding 11: The Vital Record’s accounts receivable system lacked a true aging schedule function, making it difficult to determine the timing of past due amounts.

The Vital Records Division (Vital Records) extends credit to local mortuaries for copies of death certificates provided. As pointed out in a prior audit in 2013 (see Appendix B), the procedures used to manage the Vital Records accounts receivable do not conform to Countywide Policy #1220.

Countywide Policy #1220, “Management of Accounts Receivable and Bad Debt Collection,” Sections 5.5, and 5.6, state:

“Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. An aged analysis of accounts receivable ledger balances (aging schedule) shall be prepared each month. The aging schedule shall be maintained in a manner that provides information as to which amounts are 30 days old or less at the beginning of a month, which are 31 to 60 days old, 61 to 90 days old, 91 to 120 days old, and over 120 days old. The aging will be based on the date of the

invoice. Depending on the adaptability of the software being used, individual accounts shall be listed on the aging schedule. Columns and rows shall be totaled...The aged listing of individual receivable balances will reflect the results of billing and collection follow-up activity. Management above the level responsible for supervising the billing and collection follow-up function will review old dated balances.”

Vital Records uses the State of Utah’s “Oliver” system to determine monthly billings for death certificates issued to local mortuaries.¹ The system does not have the capability to provide accounts receivable aging information required by Countywide Policy. We also found that Health Department management does not review any accounts receivable aging information for Vital Records. Without a true aging schedule function in the Vital Records accounts receivable system, Health Department management may have difficulty determining the seriousness of any past due accounts.

RECOMMENDATIONS

- 1. We recommend that Vital Records begin using the sample Salt Lake County Accounts Receivable Aging Schedule form (see Appendix C) to track its accounts receivable aging information.**
 - a. We would also recommend that Vital Records develop or create the form in an Excel spreadsheet, where accounts receivable aging information can be tracked electronically.**
- 2. We recommend that the Health Department’s Accountant or Administrative and Fiscal Manager review Vital Record’s aging schedule at least on a monthly basis to determine the seriousness of past due balances and assess the collection efforts made on past due accounts.**

¹ See Appendix B

APPENDIX A: NUMBER OF DAILY DEPOSITS EXAMINED

The following table shows the total number of (1) daily deposit dates we examined, (2) the total amount of change funds examined for each location and/or division, (3) whether or not the change funds balanced, and (4) whether or not each daily deposit balanced to an individual cashier's balance sheet.

Salt Lake County Health Dept change funds and deposits examined						
Location	Change funds	Amount	Balanced	Deposits Examined	Balanced	Notes
Ellis Shipp	Medical - 4 @ \$50	\$200	✓	30	✓	
	Vital Records - 2 @ \$100	\$200	✓			
Environmental Health	All - 8 @ \$100	\$800	✓	30	✓	
Government Center	Administration - 3 @ \$50	\$150	✓	30	✓	
Government Center	Travel - 4 @ \$150	\$600	✓	30	✓	
Rose Park	Vital Records - 1 @ \$100	\$100	✓	6	✓	Only open on Wednesdays for these services
	Immunizations - 1 @ \$100	\$100	✓			
Salt Lake City	Immunizations - 3 @ \$100	\$300	✓	30	✓	
Salt Lake City	Infectious Disease - 2 @ \$50	\$100	✓	5	✓	Fund became active in September 2015
Salt Lake City	STD/HIV - 3 @ \$100	\$300	✓	30	✓	
Salt Lake City	Vital Records - 5 @ \$100	\$500	✓	30	✓	
South Main	Medical - 4 @ \$100	\$400	✓	30	✓	
Southeast	Immunizations - 3 @ \$50	\$150	✓	30	✗	One deposit \$1 short
	Vital Records - 2 @ \$100	\$200	✓			
Total		\$4,100		281		

APPENDIX B: 2012 AUDIT REPORT FINDING

Finding # 2 - Accounts receivable did not conform to Countywide policy requirements.

Risk Level: Moderate

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," provides specific guidelines, controls, and example forms and reports for an effective accounts receivable system.

Vital Records uses the Utah State "Oliver" system to determine monthly billings for death certificates issued to local mortuaries. However, Oliver did not offer an accounts receivable system that met County policy guidelines.

Without items such as signed credit applications, legal remedies to collect outstanding billings are hindered. Additionally, management cannot determine follow-up collection activities without aging reports or determine missing or misapplied payments without monthly reconciliations.

Recommendation

We recommend an accounts receivable system be established that lists individual receivables, cross-references receipt numbers to payments received, provides an aging schedule, and a monthly reconciliation.

APPENDIX C: SAMPLE ACCOUNTS RECEIVABLE (A/R) AGING SCHEDULE

SAMPLE ACCOUNTS RECEIVABLE AGING SCHEDULE

Accounts Receivable Aging Schedule Salt Lake County Agency Name January 31, 2006						
<i>Customer Name</i>	<i>Total Accounts Receivable</i>	<i>Current</i>	<i>1 to 30 Days Past Due</i>	<i>31 to 60 Days Past Due</i>	<i>61 to 90 Days Past Due</i>	<i>Over 90 Days Past Due</i>
TOTAL						

RESPONSE TO THE AUDIT

Memorandum

To: Colleen Hilton, Salt Lake County Auditor's Office

CC: Gary Edwards

From: Zachary Stovall, Fiscal Manager

Thru: Dorothy Adams, Associate Director

Date: 3/11/16

Salt Lake County Health Department ("SLCoHD") response to the audit findings dated December 2015:

Finding #1- SLCoHD agrees with this finding. Under guidance from Mayor's Finance SLCoHD has permanently frozen this imprest account and will officially close it after all final checks have cleared or have been sent to unclaimed property. A new account has been established as of March 2016. SLCoHD will implement internal control practices to make sure the monthly reconciliation between the reimbursement request, the check register and the bank account balance will be conducted in a timely and accurate matter. This has already been completed as of 3/2016.

Finding #2- SLCoHD agrees with this finding. Corrective action has been taken to ensure the correct custodian is on file with Mayor's Finance. We expect this to be completed in the next two weeks. SLCoHD will also implement the yearly review as recommended.

Finding #3- SLCoHD agrees with this finding. Tobacco staff have already been trained on the use of a voucher system and will implement immediately. A revised certification form is being finalized and is expected to be implemented by 4/2016.

Finding #4- SLCoHD agrees with this finding. SLCoHD will gradually reduce the fund. The first reduction will bring the fund to \$4,000. This is expected to take place in March/April 2016. After this reduction, management will evaluate the fund over the next few months to ascertain if any further reductions will be necessary.

Finding #5- SLCoHD agrees with this finding. Over/Short logs are now being consistently used since 9/2015.

Finding #6- SLCoHD agrees with this finding. However, we believe this to be an isolated incident. Staff will be reminded to contact the Fiscal Manager for any unusual circumstances that might occur as per policy. This will be completed by 4/2016.

Finding #7- SLCoHD agrees with this finding. SLCoHD is continuing to work with its selected vendor to increase the reporting capabilities of ezEMRx. This is currently in process.

Finding #8- SLCoHD agrees with this finding. Follow up training has already been provided addressing the issues noted. This was completed 3/2016.

Finding #9- SLCoHD agrees with this finding in part (see last bullet). For those controlled assets listed, all have been accounted for or have been/will be updated in HATS. This will be completed by the end of 3/2016.

- Tag 8181 Seiko Printer- Located in IT Surplus area. HATS has been updated to reflect that the item is now in surplus.
- Tag 4130 Cholestech Lipid Analyzer- HATS will be updated to reflect that the item was traded in.
- Tag 2965 Cannon Microfilm Scanner- HATS will be updated to reflect item was sent to surplus.
- Tag 5881 Dell Optiplex 9020 Computer- Entered into HATS December 2015.
- Tag 7886 Destroy It Shredder- Item was entered into HATS on 3/5/2013 and last audited on 6/11/2015. We disagree with this part of the finding.

Finding #10- SLCoHD agrees with this finding. As noted in the audit report Travel Clinic employees will use the transfer log to document all change funds received. In addition the clinic supervisor will audit the change fund log and initial at the bottom that the log has been audited. This will occur at least quarterly. This was completed 3/2016.

Finding #11- SLCoHD disagrees with this finding. The existing reports from “OLIVER” provide the information requested by individual customer and indicates which customers have a past due balance. While the format is different than the example report provided in Appendix C all information is provided and broken out by individual accounts as requested in the policy. The report shows which customers have invoices that are current, 30 days past due, 60 days past due & 90+ days past due. In addition, vital records management uses the report to identify those that are past due and will notify them of their past due amounts. For those accounts not brought current by the 15th of the following month services will be withheld. Currently, there are two mortuaries that must make full payment prior to any services being rendered. SLCoHD management believes that the creation of another report by hand, in Excel, will be an inefficient use of staff time and duplicative of the existing report.