A Key Controls Audit of
Salt Lake County's
Office of Regional Development

2017

Key Controls Audit

Salt Lake County Government Center

Our Mission:

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.

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SALT LAKE COUNTY AUDITOR
SCOTT TINGLEY, CIA, CGAP
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Transmittal Letter

September 13, 2017

Transmitted herewith is our report, ***A Key Controls Audit of Salt Lake County's Office of Regional Development*** (Report Number 2017-04). An Executive Summary of the report can be found on page 1. The overall objectve of a key controls audit is to determine if critical internal controls related to Countywide Policies and business processes are adequate, properly implemented, and operating as they are intended to prevent fraud, waste, or abuse of County assets.

We reviewed the business processes at the Office of Regional Development, specifically in the areas of cash receipting and depositing, capital and controlled asset management, purchasing card transactions, and accounts receivable management. In our report, we identify findings and recommend actions to improve the efficiency and effectiveness of operations, ensure greater accountability, and better safeguard County assets.

We truly appreciate the time and efforts of the employees of the Office of Regional Development throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or to better facilitate the implementation of the recommendations.

Respectfully submitted,

Scott Tingley, CIA, CGAP
Salt Lake County Auditor

A Key Controls Audit of Salt Lake County's Office of Regional Development

Report Number 2017-04
September 2017

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Executive Summary

Background and Purpose

We recently completed a key controls audit of Salt Lake County's Office of Regional Development ("Regional Development" or "ORD"). A key controls audit provides reasonable, but not absolute assurance that key internal controls related to Countywide policies and business processes are adequate, properly implemented, and operating as intended.

ORD was created in 2013, and includes six County programs and divisions:

- Community Resources and Development
- Criminal Justice Advisory Board
- Economic and Business Development
- Emergency Services
- Planning and Transportation
- Special Projects and Grant Partnerships

The programs managed by ORD assist in providing affordable housing for qualified low-income recipients, public transportation planning, crime reduction and public safety, disaster recovery, grant partnership development, and incentives for business growth.

What We Found

Personal accountability was not established over the imprest fund reconciliation process. (p. 8).

We examined payments made from ORD's imprest checking account and reviewed management's reconciliation process. We discovered the employee performing the account reconciliation of the imprest fund did not sign the reconciliations as evidence of review. This increased the risk that unauthorized payments could occur without detection and failed to establish accountability for the accuracy of the reconciliations.

Management did not perform monthly reconciliations between the accounts receivable subsidiary ledger and the general ledger. (p. 11).

Performing a monthly reconciliation of the accounts receivable subsidiary ledger and the general ledger provides assurance that financial records are accurate and complete. We found that management was performing this reconciliation process on an annual basis rather than monthly. This increased the risk that the accounting system did not accurately reflect the true balance of accounts receivable.

Management did not appropriately account for controlled assets. (p. 14).

We physically examined a sample of controlled assets from ORD's controlled asset inventory list. We could not find four controlled assets during our search. Other assets did not have a controlled asset tag attached. We also found that the controlled asset inventory list was not complete or did not list important details that could be used to physically identify assets. This increased the risk that assets could be lost or stolen.

Employees did not submit Meal Reimbursement Forms to management for several food purchases. (p. 18).

Employees who purchase food with County funds are required to submit a Meal Reimbursement Form to their managers for approval. We found 34 cases where these forms were not submitted to management. This increased the risk that employees could make unauthorized purchases without detection.

An employee circumvented the County's authorized single purchase limit by splitting a single transaction into two transactions. (p. 20).

We found that one employee split a single purchase into two transactions to circumvent internal controls over purchases of $5,000 or more. Purchases above this dollar threshold are subject to the County's procurement process. Circumventing the procurement process creates an unfair competitive advantage for the vendor receiving payment and increases the risk that fraud could occur within the purchasing cycle.

What We Recommend

To create accountability over the imprest fund reconciliation process:

Management should actively review imprest account payments for unauthorized purchases and sign as evidence of review.

To substantiate the balance in the County general ledger's accounts receivable:

Management should perform monthly reconciliations of the subsidiary ledger to the County general ledger.

To properly account for controlled assets:

The Property Manager should tag newly acquired controlled assets and ensure that they are included on the controlled asset list upon purchase.

To ensure P-Cardholder's purchases are appropriate:

Management should actively review p-card transactions for unauthorized purchases.

To ensure that food purchases are authorized and appropriate:

Management should ensure that properly approved Meal Reimbursement Forms are submitted for all food purchases.

Please refer to the main sections in the report for more details about these and other findings and recommendations.

Summary of Agency Response

We received a response to the audit from the Office of Regional Development regarding 18 of the 19 recommendations given. An action plan was outlined that included the action management will take to remediate the issue, the person responsible for implementing the action plan, and a due date for the completion of the action plan. One finding was removed from the report due to an exception being granted to ORD by the Mayor's Financial Administration.

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Introduction

Background

Key Controls Audits

We recently completed a key controls audit of Salt Lake County's Office of Regional Development. A key controls audit provides reasonable, but not absolute assurance that key internal controls related to Countywide Policies and business processes were sufficient to prevent fraud, waste, and abuse, were properly implemented, and operated as intended.

The Office of Regional Development

ORD is an organization supporting local government and communities by addressing and facilitating problem solving in the following areas:

- Providing affordable housing for qualified low-income recipients
- Planning and transportation
- Reducing crime and promoting public safety
- Planning disaster recovery
- Developing grant partnerships
- Increasing jobs
- Attracting, retaining, and growing business

The following six programs are included in the Office of Regional Development:

Community Resources and Development (CRD): Aims to develop and strengthen families and neighborhoods by funding and partnering in community programs and services such as: Green and Healthy Homes Initiative, Homeless Services, Home Owner and Rental Assistance, Facility & Infrastructure Improvement, Community Services, and Economic Development.

Criminal Justice Advisory Council: Serves as an advisory committee to the Salt Lake County Mayor and works to collaboratively develop and shape criminal justice policy and County initiatives. The committee is made-up of law enforcement, prosecutors, defense counsel, corrections, courts, human services, and elected officials at the City, County, and State level.

Economic and Business Development: Aids Salt Lake County through the Economic Development Revolving Loan Fund (EDRLF). Originally started 25 years ago, it was used for traditional small business development. Now, the EDRLF is filling a gap in economic development by lending to high-tech and manufacturing businesses that would not otherwise be eligible for a traditional bank loan.

Emergency Services: Collaborates, innovates, and supports Salt Lake County regional resilience, disaster recovery programs, and leads the personal and organizational emergency preparedness of Salt Lake County Government.

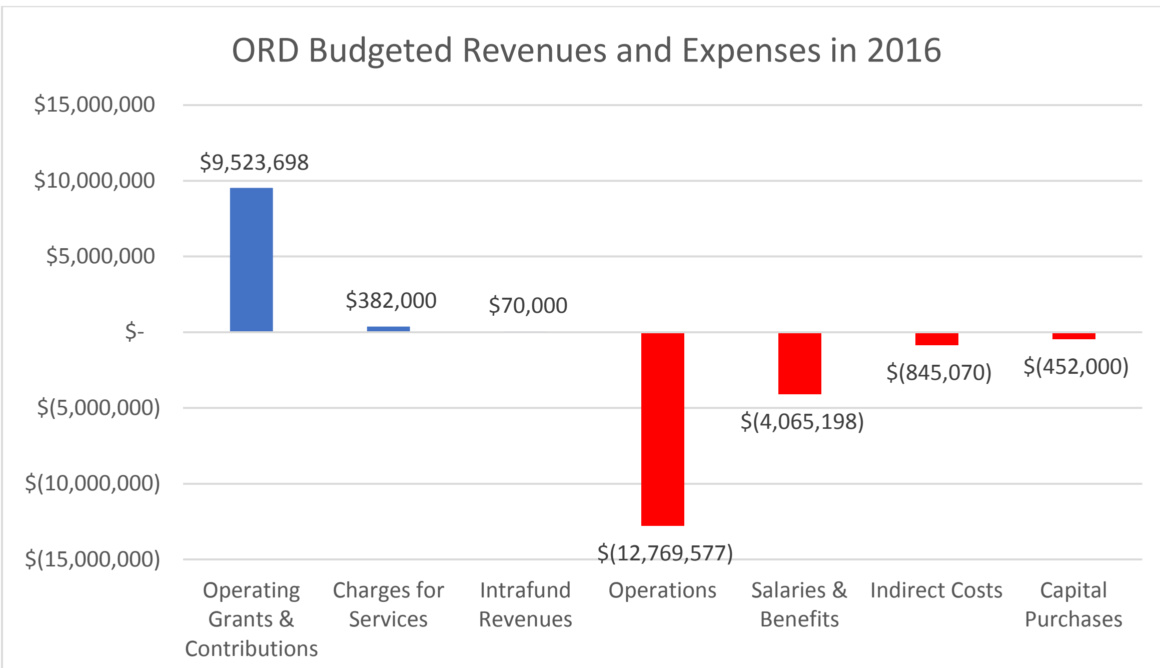
Planning and Transportation: Has four development plans: 1) to improve bicycle safety and accessibility for all residents; 2) to identify and prioritize specific routes and spot improvements throughout the valley that contribute to safe connections; 3) to recommend policies to preserve the mountain environment, enhance the quality of living and experience, and manage uses in the mountains; and 4) to integrate their land use and regional transportation plans by proactively addressing anticipated growth.

Special Projects and Grant Partnerships: Assists with strategic partnerships, special projects, funding efforts, and policy research and implementation initiatives that help develop collaborative solutions to regional challenges.

Budget and Financial Information

ORD had approved budgeted revenues of $9.97 million and budgeted total expenses of $18.13 million in 2016. Actual expenses related to operations totaled $16.83 million. That included the cost of salaries and all other costs directly related to the mission of ORD. The remaining budgeted expenses were associated with capital purchases and overhead costs. Figure 1 illustrates the amounts budgeted for different categories of revenues and expenses.

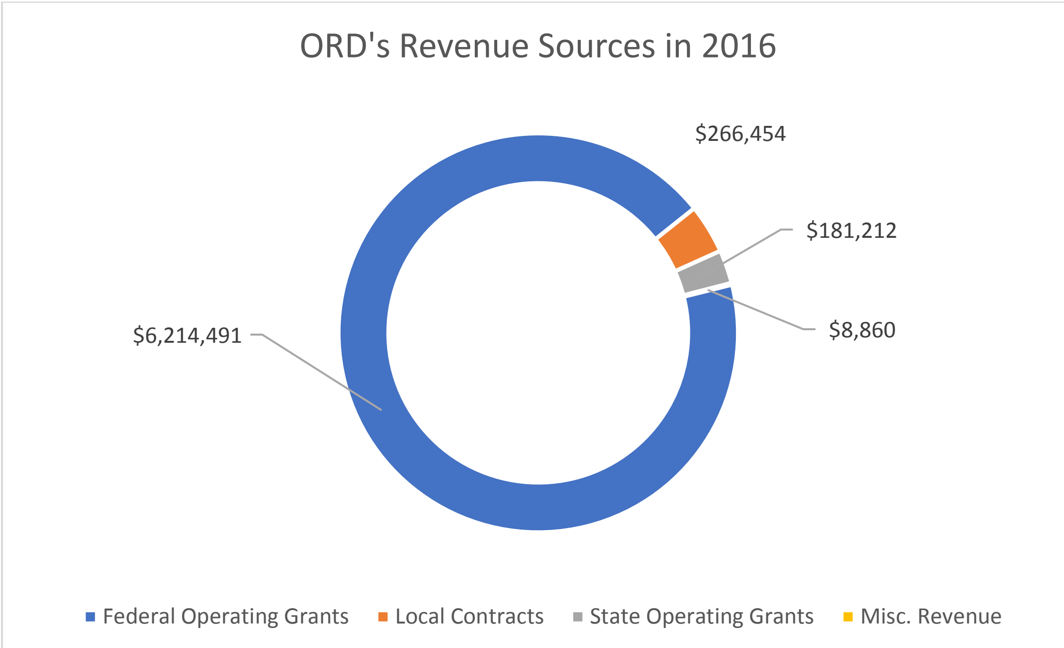
Figure 1. ORD Budgeted Revenues and Expenses in 2016



ORD's budgeted expenses significantly exceeded budgeted revenues in 2016.

ORD had total revenues of $6.67 million dollars in 2016. Most of these revenues were derived from federal operating grants. Figure 2 illustrates the amount of budgeted revenues by source.

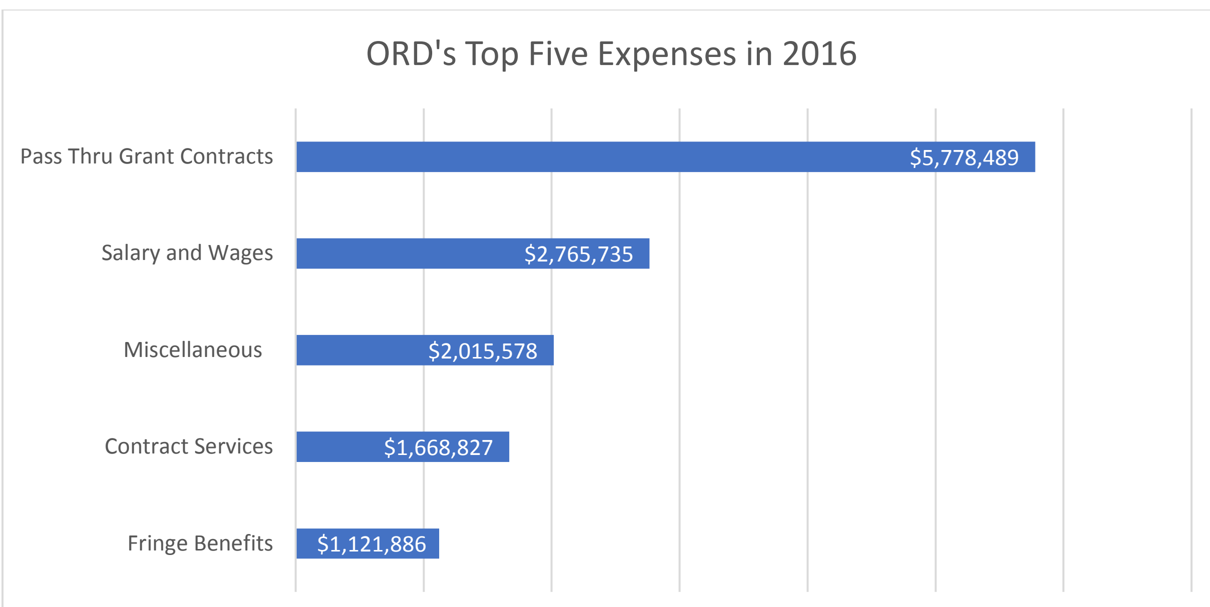
Figure 2. ORD's Revenue Sources in 2016



Federal operating grants were the most substantial source of ORD revenue in 2016.

ORD had total operating expenses of $15.5 million in 2016. This led to net revenues and expenses of -$8.86 million. The highest expense incurred by ORD was for pass thru grant contracts ($5.78 million). Figure 3 illustrates the top five actual expenses from 2016.

Figure 3. ORD's Top Five Expenses in 2016



The largest expenses incurred by ORD were from pass through grant contracts.

Objectives

Our audit objective was to determine whether ORD management had implemented key internal controls over their business processes in a manner sufficient to comply with Countywide Policy and to provide reasonable assurance against the risk of fraud, waste, and abuse.

Scope and Methodology

Our audit covered the period from April 1, 2014 through March 31, 2016. Our audit work included a formal examination of financial records related to the following operational areas:

- Petty Cash and Other Imprest Funds
- Cash Handling and Daily Deposits
- Accounts Receivable
- Capital and Controlled Assets
- Purchasing Card Activity

In addition to examining financial records, we observed business practices and tested the internal controls surrounding them. We examined daily cash deposits and monthly reconciliations, interviewed employees, physically examined capital and controlled assets, performed a count of petty cash, examined purchasing card (P-Card) transactions and daily cash collections.

Audit Results

Petty Cash and Other Imprest Funds

Audit Objectives:

- **Determine if the internal controls governing change funds, petty cash, and other imprest funds complied with Countywide Policy and were sufficient to prevent fraud, waste, and abuse.**

ORD has a petty cash fund totaling $1,600. It is used for small-cost purchases totaling less than $200. We performed a surprise cash count of the petty cash fund and noted that it was maintained at its authorized amount. We also reviewed purchase receipts and petty cash vouchers to determine if any unauthorized purchases had been made.

In addition to petty cash, ORD also uses a $6,000 imprest checking account for small cost purchases. We reviewed 8 *MPF 6 Forms* and 13 out of 24 months of bank reconciliations for evidence of the occurrence of reconciliations and the authorization of transactions.

Finding 1.1: The imprest checking account custodian disbursed three checks for payment without proper approval.

There is an increased risk that funds may be used for unauthorized purchases or stolen.

We examined a sample of 140 checks written to payees from the imprest checking account. ORD has an internal policy requiring that checks are not released for payment until the required number of authorization signatures are present on the instrument. We found the custodian disbursed 3 checks from our sample of 140 (2%) for payment without obtaining two authorized signatures from appropriate individuals.

CRD Cash Handling Operating Procedures, "Imprest Checking Account," Section 2, Item #5, states:

> *Checks must be signed by 2 authorized individuals, one of which must be an approved representative from the Fiscal Dept. The other signature can be the CD [Community Resources and Development] program manager, the Human Services program manager, or the Division Director.*

When checks are disbursed to payees without authorization from the appropriate level of authority, there is an increased risk that funds may be stolen or used to pay for unauthorized purchases.

Recommendation

> ***We recommend that the imprest checking account custodian obtain two signatures from authorized individuals on imprest checks before disbursing them to payees.***

Finding 1.2: Management did not sign petty cash or imprest fund reimbursement requests as evidence of review.

ORD management created their own form to submit when requesting reimbursements from the Mayor's Office of Financial Administration ("Mayor's Finance") for petty cash and the imprest checking account. This form is like the County's MPF Form 6, "Reimbursement Request and Control Listing" with the exception that ORD's form had no line for management to sign indicating evidence of review.

During our review of eight reimbursement requests, we noted that five of the requests were missing the proper signatures as required by Countywide Policy #1203.

CWP 1203, *"Petty Cash and Other Imprest Funds,"* Section 5.1.1, states:

> *Prior to submission of a reimbursement request from the Custodian to the Auditor's Office, the applicable Petty Cash or other Imprest Fund Account shall be reconciled by the Custodian. The reconciliation, documented on MPF Form 6, "Reimbursement Request and Control Listing," or similar form, … attested by the reconciling employee's signature. … The reconciliation shall be reviewed and signed by the Fiscal Manager or Agency Management.*

When members of management do not sign reimbursement requests there is no evidence that petty cash and imprest fund transactions have been reviewed. This increases the risk that employees will make unauthorized purchases without detection.

Recommendations

- ***We recommend that the custodian use the "Reimbursement Request and Control Listing" MPF Form 6, as shown in Countywide policy, or redesign the ORD form to include signature lines for management.***
- ***We recommend that management review petty cash and imprest fund transactions for authorized purchases and sign the reimbursement request as evidence of review.***

Finding 1.3: There was no record of who reconciled the imprest checking account bank statement.

We examined 13 monthly reconciliation spreadsheets and the imprest checking account bank statements. We found that none of the reconciliation spreadsheets were signed by an employee as evidence of review. Therefore, no personal accountability was assigned to the employee who performed the reconciliations.

CWP 1203, *"Petty Cash and Other Imprest Funds,"* Sections 5.1.3 and 5.3.1, state:

> *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. ... The operations and reconciliation of an Imprest Fund shall be reviewed by the Custodian's immediate supervisor, the Fiscal Manager, or someone designated by Agency Management.*

When the person who performs the bank reconciliation does not sign their name as evidence of review, personal accountability over the reconciliation process cannot be established. There is no way to determine if appropriate segregation of duties is maintained or if transactions were reviewed for legitimacy. This increases the risk that employees will make unauthorized purchases without detection.

Recommendation

We recommend that both the employee that performs the bank reconciliation and the designated reviewer sign the reconciliation spreadsheet as evidence of review.

Finding 1.4: The authorized amount of petty cash and change funds exceeded amounts required for funding two months of operations.

In our review of the petty cash and other imprest funds, we determined that the established amounts for the petty cash fund and the imprest checking account were excessive for providing sufficient operating funds for two months.

During the dates of our audit, we found the petty cash average reimbursement total for two months was only $350 of the authorized $1,600 (22%). Additionally, we found the imprest checking account average replenishment total for two months was $1,800 of the authorized $6,000 (30%). The use of purchasing cards has decreased the demand for large imprest fund and petty cash accounts. Management did not request that these amounts be adjusted as changes in operations occurred. Table 1 depicts the amount of excess funds.

Table 1. Excess Petty Cash and Imprest Fund Amounts

Excess Petty Cash and Imprest Fund Amounts			
Fund	**Two Month Avg. Reimbursement**	**Authorized Amount**	**% of Funds Required**
Imprest Fund	$ 1,800	$ 6,000	30%
Petty Cash	$ 350	$ 1,600	22%

Authorized fund amounts were significantly higher than required for two months of operations.

CWP 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 2 months."*

When management retains a level of funds in the petty cash account that are larger than necessary, expenses may not be reviewed for long periods of time. We found that petty cash purchases were reviewed every 6-8 months. This created an increased risk that errors or fraudulent transactions could go undetected. The longer fraud remains undetected, the larger the amounts at-risk. A fund balance that encompasses a two-month replenishment timeframe creates a timely review of expenses. In addition, excess cash from both accounts can be returned to the general fund for investment; creating additional income for the County.

Recommendation

> ***We recommend that the fund custodian reduce the authorized amounts for the petty cash and imprest checking account to provide adequate operating funds for a two-month period.***

Finding 1.5: The petty cash custodian did not always require employees to submit properly authorized purchase request forms prior to expensing petty cash funds.

In our review of petty cash transactions, we noted nine petty cash transactions, totaling $441, that did not include a copy of the agency's purchase request form.

Office of Regional Development, *"Purchase of Goods and/or Services,"* Section 1.0, states, *"Complete purchase request form checking the petty cash box at the top of the form and detailing the purchase(s) that will be made using petty cash. Email the form to Supervisor for approval."*

When the petty cash custodian disburses petty cash without a completed purchase request form there is an increased risk that employees will use funds for unauthorized expenses.

Recommendation

> ***We recommend that the petty cash custodian require and obtain a completed purchase request form for all petty cash disbursements.***

Cash Handling and Deposits

Audit Objectives:

- **Determine if the internal controls governing cash receipting and depositing complied with Countywide Policy and were sufficient to prevent fraud, waste, and abuse.**

Grant revenue averaged 95.6% of all revenues for the periods reviewed. Most of these payments are received by mail. Occasionally, a person will stop into the ORD office and make payment with check or cash. Receipts for these payments were issued in triplicate including the payor's copy, the agency's copy, and a receipt book copy. The funds received were placed in the mail box with other checks received via mail.

The mail box is opened by two people for security purposes. Once opened, the payments are recorded on a Daily Deposit Report. These reports are then forwarded to the accounts receivable manager who posts the payments from the report to the accounting system. Loan deposits were delivered to the Treasurer's Office and grant funds were transferred to Mayor's Financial Administration for deposit.

Finding 2.1: Employees did not restrictively endorse checks upon receipt.

In our review of cash handling and receipting, we noted that employees did not restrictively endorse grant checks immediately upon receipt. The checks would simply be prepared for deposit without any endorsement.

CWP 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.*

When a check is received, and is not immediately restrictively endorsed, employees have the ability to fraudulently endorse a negotiable instrument. This increases the risk that County funds will be stolen.

Recommendation

> ***We recommend that checks received at ORD are restrictively endorsed by employees immediately upon receipt.***

Accounts Receivable

Audit Objective:

- **Determine whether internal controls governing accounts receivable complied with Countywide policy and were sufficient to prevent fraud, waste, and abuse.**

ORD provides loans to low-income individuals and families to obtain housing as well as business loans. We requested reconciliations of balances between the loan servicing software and the general ledger for the audit period. We were provided one report showing a 2014 balance. We determined the 2015 balance by adjusting the 2014 balance for the amounts for new loans, payments on principal, and write-offs.

We compared the figures in the report with the balances in the general ledger and loan servicing software. We found the 2014 figures from the general ledger varied by $467,365 and the 2015 figures from the general ledger varied by $1,365 from the balances recorded in the loan servicing software. We could identify the reasons why the 2014 general ledger balance varied and we reconciled the two. However, we were unable to determine the reason for the 2015 discrepancy.

Loans to borrowers are either administered by the County or by a lending institution. The County contracts with a lending institution for management of loans to Hi-Tech growth companies. This institution manages the loans, collects payments, and forwards the monies, less the manager's fees, to the County.

CRD manages accounts receivable using a loan servicing software. The software provides two types of delinquency reports; however, reports are missing the typical component of aging accounts, such as providing a listing of accounts with 30, 60, 90, or 120-day balances. This is in large part due to the various terms and variety of loans made. Because borrowers are facing financial restraints, there are different loans that they may qualify for such as a typical monthly payment, a borrower "cash flow payment," a deferred until sale of the property payment, or a deferred until the death of the owner payment.

The mortgage accounts administered by CRD are exempt from the requirements in **Countywide Policy #1220, *"Management of Accounts Receivable and Bad Debt Collection,"*** regarding the recovery of debts. Amounts are written off when the sale of a mortgaged property at auction receives inadequate funds at the sale to pay off the full loan. Adjustments, which are like a write-off happen at the close of a project when expended funds are less than the value of the promissory note.

Finding 3.1: The fiscal manager did not perform monthly reconciliations between the subsidiary ledger balances and the general ledger balances.

We requested the monthly reconciliation reports between the loan servicing software and the general ledger from management. Although the scope of our audit was for 24 months, we were provided only one report. The report included annual balances for 2014 and 2015. Our review of the balances between the loan servicing software and the general ledger showed variances for each year end; a full reconciliation was not completed.

We compared the balances as of March 31, 2016, from the subsidiary ledger accounts with the corresponding general ledger accounts. These amounts did not balance. We were provided a trial balance created from the loan servicing software sorted by "loan code." We compared this with the general ledger accounts and determined they were also unreconciled.

Our comparison of this information showed a variance of $430,563. Upon a closer examination of the trial balance, we found a loan to Ogden City for $400,000 that was prematurely recorded in the subsidiary ledger balance. Standard posting for a loan happens after the disbursements are made on the project. The disbursements had not been made by the County, as of March 31, 2016.

In an interview with the accounts receivable manager, it was explained that the loan servicing software was posted only: 1) Once the project was closed; 2) All amounts expended were totaled; and 3) Closing documents were given to the accounts receivable manager to enter.

Even with the premature recording of the Ogden City loan, the subsidiary ledger and the general ledger remained out of balance and were never reconciled by management.

Countywide Policy #1220, *"Management of Accounts Receivable and Bad Debt Collection,"* Sections 5.3, 5.3.1, 5.3.2, and 5.3.3, state:

> *An accounts receivable ledger shall be used to record accounts receivable. The accounts receivable ledger is an account of each debtor's charges and payments. ... The ledger of accounts receivable shall include, at a minimum … a running total of individual account balances. ... The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step. ... The total of individual accounts receivable ledger account balances should always agree with the balance shown on the general ledger.*

When reconciliations are not performed, or documented, there is an increased risk that errors and fraud may occur without detection.

Recommendation

> ***We recommend that the Fiscal Manager perform a monthly reconciliation of the accounts receivable subsidiary ledger balances and the general ledger balances and that variances be reviewed and resolved in a timely manner.***

Finding 3.2: Management did not update the written operating procedures for servicing loans to reflect current processes.

While performing an audit in December 2013, the Auditor's Office acquired the agency procedures titled, "***Community Resources and Development Division Loan Servicing Area (LSA) - Operating Standards*.**"

The LSA standards show they were last updated, on August 17, 2004. In our interview with the accounts receivable manager, we inquired if these standards remained current or if a newer version was available. The accounts receivable manager stated that the procedures look correct for the most part. The accounts receivable manager also explained that there were a few changes currently in effect:

- Microsoft Access is used to record daily deposits instead of Excel.
- Borrowers are contacted before sending a collection letter, rather than subsequently.
- ORD takes no foreclosure action on borrowers until the primary mortgage holder acts. They could originally invoke an option of foreclosure.

CWP 1000, *"Department/Division and/or Section Policy Implementation Procedure,"* Sections 1.2 and 3.4, state:

> *Standard operating manuals encompass types of regulations that do not rise to the level of formal policies. Such manuals deal with and provide direction for day-to-day operations. ... Offices, departments, divisions and sections shall be responsible for ensuring that standard operating manuals are kept current and are made readily available to all employees affected thereby.*

When written procedures to provide guidance for day-to-day operations are not current, there is a higher likelihood that procedures will be performed incorrectly by employees. This leads to an increased risk of mismanaged loan payments.

Recommendation

> ***We recommend the Fiscal Manager and the Accounts Receivable Manager update the Loan Servicing Area - Operating Standards to reflect the current processes performed.***

Finding 3.3: The accounts receivable manager's loan files did not always contain a chronological history of interactions with the borrower, loan changes, or other important information.

From a list of individual/entity loans dated March 31, 2016, we selected a judgmental sample of 32 out of 361 loans for testing. These 32 loans totaled approximately $7.9 million (49%) out of the total

$16 million in Servicer3D loans. We found that 3 out of the 32 lacked a chronological history of interactions, contacts, or communications made with the borrower. All three loans were funded by the *HOME Investment Partnership Program* which has special federal guidelines.

Upon investigation, as to why no collections efforts were being made on some loans, we learned that the federal guidelines for the *HOME Investment Partnership Program* demand that the participating jurisdictions (i.e., the County) allow an "Affordability Period" to borrowers. This period requires the County ensure that the project remains “financially viable” and warns that aggressive collection efforts made by the County could jeopardize the County's investment in the HOME program. This information was not present in these mortgage files.

In addition, we noticed that County managers working with committees (e.g., the Partners) would occasionally make a change in the borrower's terms to facilitate keeping the loan financially viable. These changes were not always recorded or properly documented.

Finally, a document in the mortgage file that would alert employees about the federal guidelines of the "Affordability Period" would be a safeguard against typical County collection methods. This document could contain the action by managers and partners that show the County has met the guidelines of helping recipients remain “financially viable.”

CWP 1220*, "Management of Accounts Receivable and Bad Debt Collection,"* Section 4.5.2, states, *“Accurate records of correspondence, telephone calls, and personal contacts with debtors shall be maintained.”*

When the chronological history of interactions, contacts, applicable federal rules, notes about changes in terms, or other communications are not retained in the borrower's loan file, there is an increased risk of inaccurate loan balances or a misinformed employee taking collection actions against an exempt borrower. These actions could lead to disputes with borrowers, delays in payments, and/or result in the loss of the *HOME Investment Partnership Program*.

Recommendation

> ***We recommend that the Accounts Receivable Manager include a chronological history of all interactions, contacts, important information, and decisions surrounding a borrower's loan.***

Capital and Controlled Assets

Audit Objectives:

- **Determine if internal controls governing capital and controlled assets complied with Countywide Policy and were sufficient to prevent fraud, waste, and abuse.**

We obtained the most recent capital asset report sent to Mayor’s Finance. The report was signed by the division director and dated February 5, 2016. We also obtained the controlled asset list maintained by the property manager and his designee.

The audit included an examination of both capital and controlled assets maintained by ORD. **Countywide policy #1125, *"Safeguarding Property/Assets,"*** establishes the proper management of capital and controlled assets, including procedures for accounting for, protecting, and disposing of these assets.

Finding 4.1: The property manager did not remove three scanners from the capital asset list when they were transferred to another agency.

In our review of capital assets, we noted three ballot scanners placed into service on May 15, 2014. The ballot scanners had been transferred to the Salt Lake County Clerk's Office. However, the capital asset inventory list for ORD was not updated to reflect the transfer. Capital assets that are no longer used by the organization and are transferred to another organization should be listed on the capital asset report of the organization that is using the assets.

The division director, by signing the Annual Capital Asset Inventory, was verifying that the "listing of capital assets dated as of 12/31/2015 represents a complete and accurate record of all capital assets" and that, "procedures and controls are in place in our organization to keep this inventory of capital assets current."

CWP 1125, *"Safeguarding Property/Assets,"* Section 2.2.5, states:

> *Prepare '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.*

When the property manager transfers or relocates capital assets to another County agency and the property manager does not document the transfer using the proper County form, capital assets are at an increased risk of being lost or stolen.

Recommendation

> ***We recommend that the property manager prepare a PM-2 Form to transfer ownership for the ballot scanners to the Salt Lake County Clerk's Office.***

Finding 4.2: The property manager did not accurately account for controlled assets.

During our review of P-Card transactions, we noted that 26 controlled assets were purchased by P-Cardholders. We reviewed the controlled asset list maintained by ORD, to determine if these purchased assets were included on the list. We noted that 11 of the 26 controlled assets were not recorded on the controlled asset list.

The form used by ORD to track controlled assets was not designed to include critical information about the assets that would help identify specific controlled assets. For example, the form did not have a column to list the location of the assets. We noted the following discrepancies related to the unrecorded controlled assets:

- Four controlled assets could not be located.
- Four controlled assets did not have a County inventory tag.

- Two controlled assets were located and tagged but not on the inventory list.
- One controlled asset was held by the Utah Department of Public Safety (UPDS), an entity independent of the County. The cost of this asset was supposed to be split between the County and UPDS. We found that the County bore the full cost of this asset despite it being located at UPDS.

Table 2 illustrates the discrepancies related to the controlled assets identified in our audit work.

Table 2. Controlled Asset Discrepancies

Controlled Asset Discrepancies				
Vendor	**Purchase Date**	**Description**	**Amount**	**Status**
GovConnection Inc	10/23/2014	Smart UPS	$ 1,132	Not Located
GovConnection Inc	10/23/2014	Smart UPS	$ 1,132	Not Located
Microsoft Store	9/11/2014	Type Cover 2 - Backlit Keyboard	$ 130	Not Located
Amazon	3/2/2016	Microsoft Surface Dock	$ 159	Not Located
Amazon	1/7/2016	Microsoft Surface Dock	$ 173	Not Tagged or Recorded
Amazon	11/23/2015	TruBind Coil Binding Machine	$ 200	Not Tagged or Recorded
Amazon	1/15/2016	Surface Pro 4 Type Cover	$ 118	Not Tagged or Recorded
Amazon	3/25/2016	Parrot Wireless Headphone	$ 248	Not Tagged or Recorded
Amazon	11/23/2015	Microsoft Surface Pro 4	$ 1,299	Tagged but Not Recorded
Amazon	7/20/2015	Microsoft Surface Pro 3	$ 1,109	Tagged but Not Recorded
Palantir	5/19/2015	OEM PowerEdge Server	$ 4,456	Located at UPDS

11 controlled assets were not listed on the controlled asset inventory form.

Countywide Policy #1125, *"Safeguarding Property/Assets,"* Sections 2.2.8, and 2.2.12, state:

> *Property Manager's Duties … Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established … To ensure adequate accountability, Property Managers should establish internal protective controls appropriate for custody of the property assigned. The following are examples of various control measures which may be used:*
>
> *a. locking equipment storage areas;*

b. controlling access to areas where equipment is shared;

c. using a checkout system for shared property;

d. maintaining supplementary records to support location and existence of property as necessary; and

e. ensure proper receiving controls are in place so that property received is what was ordered, and that upon receipt all other property controls explained in the policy are followed.

When controlled assets are not accounted for properly, it increases the risk that assets will be lost or stolen without detection.

Recommendations

We recommend the property manager tag newly acquired controlled assets upon purchase and immediately update the controlled asset inventory list.

Finding 4.3: The property manager did not sign the controlled asset list as evidence of accountability over assets and completion of an annual inventory count.

We reviewed the controlled asset list for evidence that accountability had been established over assets and that a physical inventory of controlled assets was performed annually. We found that the property manager did not sign the controlled asset list to verify the annual inventory of controlled assets. We also located four assets: a computer, monitor, phone, and chair that were listed on a controlled assets inventory form that was labeled "Vacant Cubicle." However, no one signed the form taking personal responsibility for the assets.

CWP 1125, *"Safeguarding Property/Assets,"* Sections 4.3.2 and 4.3.3, state, *"Exhibit 4 – 'Controlled Assets Inventory Form – Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee."*

When the property manager does not sign the controlled assets list there is no indication that accountability over assets has been established or an annual inventory performed. 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 the property manager sign and date the controlled asset list to establish accountability and certify the completion of the annual controlled assets inventory.

Finding 4.4: The property manager did not list sufficient detail on the controlled asset list to identify assets.

The controlled assets form created by the property manager did not contain the necessary asset information to properly identify individual controlled assets. ***Countywide Policy #1125*** has exhibits of forms to use to manage controlled assets that include columns for description, make, model, serial number, location, cost, purchase date, etc. We found the controlled assets form used by ORD had eight of the columns described in ***Countywide Policy #1125***; however, the form did not include columns for location, purchase order number, and vendor. In addition, although there were columns on the form, the information was not recorded on the form regarding purchase date, cost, and status.

CWP 1125*, "Safeguarding Property/Assets,"* Sections 4.3 and 4.3.2, state:

> *The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... Exhibit 4 - Controlled Assets Inventory Form- Organization" is used for property not readily assignable to an individual employee or which is shared by more than one employee.*

When the controlled assets list does not include the necessary asset information it is difficult to identify specific assets. This increases the risk that assets will be lost or stolen without detection.

Recommendation

> ***We recommend the property manager maintain records to manage controlled assets that contains substantially the same information as the exhibit in Countywide Policy #1125.***

Purchasing Cards

Audit Objective

- **Determine if internal controls governing purchasing cards complied with Countywide Policy and were sufficient to prevent fraud, waste, and abuse.**

Prior to the organization of the Office of Regional Development (ORD), the four Executive Managers in the various divisions authorized the issuance of purchasing cards ("p-cards") to employees. The Division Director of ORD allowed the same employees to continue use their p-cards after the consolidation and formation of ORD. The division director has also authorized the use of additional p-cards as necessary.

During interviews with the Fiscal Manager, we learned that there were a total of 14 p-card holders. Of these 14 cards, there were nine active cards, and five inactive. We selected a judgmental sample for testing that included four active and three inactive cards.

Internal controls over p-cards are governed by the following Countywide Policies:

- **County Wide Policy #7035, *"Purchasing Cards Authorization and Use"***
- **County Wide Policy #1020, *"County Meals"***
- **County Wide Policy #7021. *"Small Cost Purchasing Procedures"***
- **County Wide Policy #1019, *"Authorization and Payment for Travel-Related Expenses"***

In addition, ORD has established the following internal policies:

- **ORD policy titled: REQUEST FOR TRAVEL ALLOWANCE PROCEDURE**
- **ORD policy titled: PURCHASES OF GOODS AND/OR SERVICE**

ORD has also implemented their own approval process for p-card purchases. The approval of the Supervisor of the person originating the form must always be on the Purchase Request Form unless the request is for Office Depot contracted items. The following Manager signatures are required in addition to the Supervisor's signatures when the purchase totals reach the increments shown in Table 3.

Table 3. Signatures Required on the Purchase Request Form

Signatures Required on the Purchase Request Form			
Limit	**1st Signor**	**2nd Signor**	**Different from County Policy**
Less than $500	Supervisor	Fiscal Coordinator	Yes
$501-$1,000	Supervisor	Executive Manager	Yes
$1,000 or greater	Supervisor	Division Director	Yes

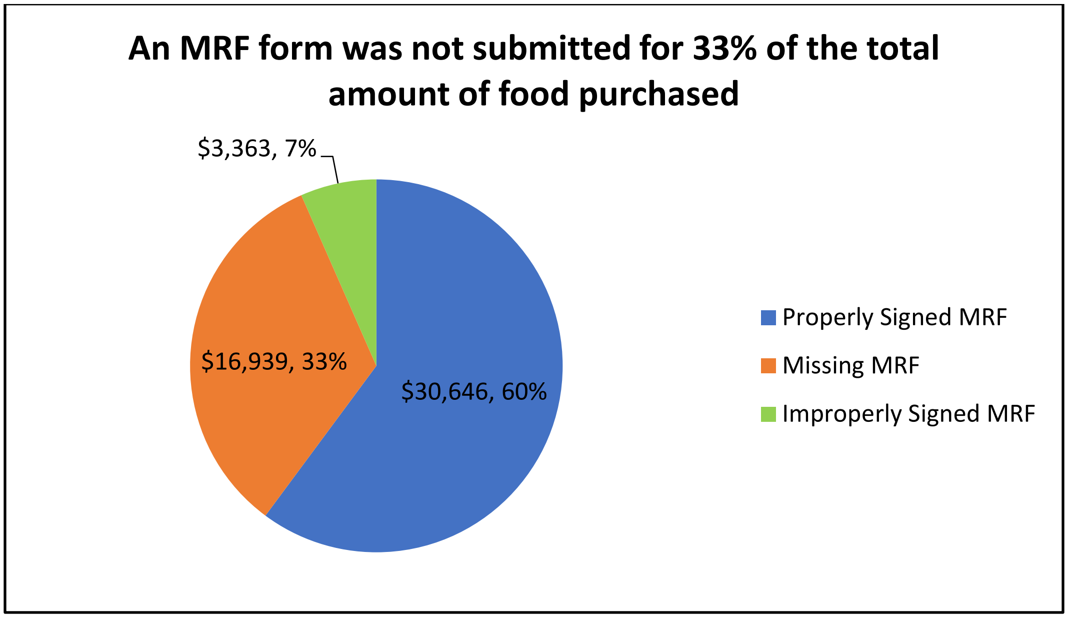
The second-level approval for purchases varies depending on the total amount of the purchase.

We examined a total of 573 transactions from the cardholders in our audit sample. This sample included 177 transactions for meals that required the use of a Meal Reimbursement Form (MRF) and 127 travel expenses that required a Request for Travel Allowance (RTA) form in addition to the Purchase Request (PR) form. The remaining 269 transactions were for purchases that only required a PR form.

Finding 5.1: Employees did not submit Meal Reimbursement Forms for management approval.

During our examination of p-card transactions, we reviewed 168 transactions where food was purchased for County events. We reviewed whether properly approved MRF's were submitted by employees for these transactions. We noted that 34 of the 168 transactions did not have a MRF attached with the receipts. As shown in Figure 4, the total amount spent for the 34 transactions missing an MRF was $16,939, or 33% of the total food purchases of $50,948 for the period.

Figure 4: An MRF form was not submitted for 33% of the total amount of food purchased



Thirty-four MRF forms were not submitted by employees for management approval.

CWP 1020, *"County Meals,"* Section 6.1, states:

> *All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form [Meal Reimbursement Form] which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to county business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt.*

When a properly approved MRF is not included for food purchases, we cannot verify that the purchases were authorized and approved, and an increased risk exists that public funds may be used inappropriately.

When employees do not submit an MRF for management review and approval it increases the risk that public funds will be stolen or used for an unauthorized purpose.

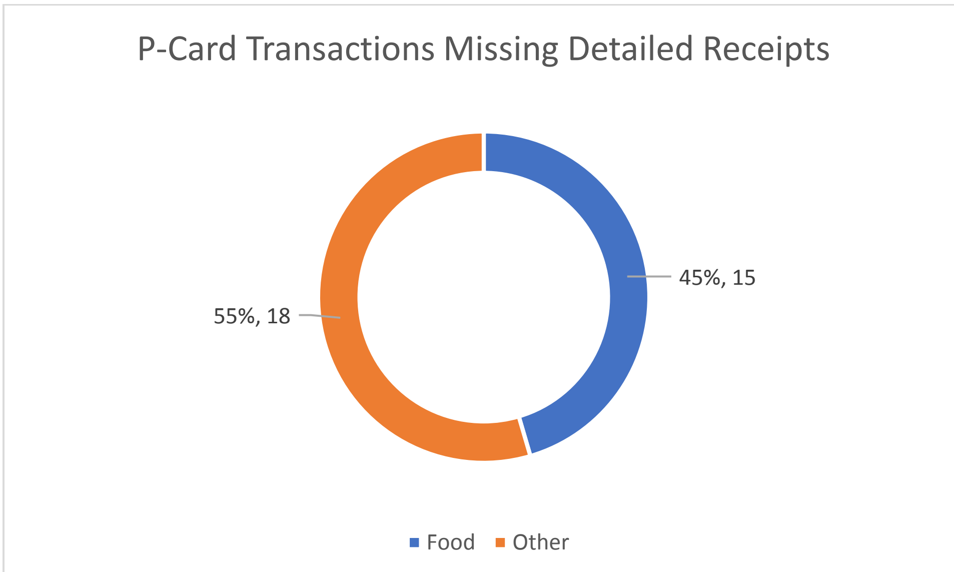
Recommendation

- ***We recommend that employees submit an MRF to management for all food purchases.***
- ***We recommend that management review and authorize all MRF's submitted by employees.***

Finding 5.2: Employees did not provide detailed receipts for p-card transactions.

We examined 573 p-card transactions during our audit. We found 33 purchases where employees did not provide a detailed receipt describing the transaction. Sales receipts, invoices, and other supporting documentation for purchases should be maintained with the transaction log. Figure 5 illustrates the number of transactions by type that did not have an accompanying detailed receipt or invoice for the purchase.

Figure 5. P-Card Transactions Missing Detailed Receipts



Thirty-three p-card transactions reviewed did not have a detailed receipt attached.

Countywide Policy 7035, *"Purchasing Cards Authorization and Use,"* Section 6.1, states, *"Original itemized receipts showing the detail of the goods or services purchased shall be retained and maintained by the agency."*

When appropriate supporting documentation is not included for transactions it increases the risk that employees will steal funds or make unauthorized purchases.

Recommendation

> ***We recommend management require employees to submit detailed supporting documentation for all p-card transactions.***

Finding 5.3: A p-card holder split a purchase to avoid exceeding the $5,000 single purchase limit.

During our review of purchases, we noted that a p-card holder split a single purchase into two transactions to stay within the authorized single purchase limit of $5,000. The cardholder split purchases from the same vendor by separating a total of $5,862.13 into a payment of $3,000 and $2,862.13.

CWP 7035, *"Purchasing Cards Authorization and Use,"* Section 4.1.4, states:

> *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.)*

The P-Cardholder circumvented Countywide Policy by separating a food purchase for the same event to not exceed the single purchase limit.

Recommendation

> ***We recommend that management train cardholders to follow Countywide Policy #7035 for small-cost purchasing and enforce disciplinary action when a cardholder circumvents their single purchase limit with a split transaction.***

Finding 5.4: Employees did not submit purchase request forms to management for approval.

We reviewed 446 p-card transactions that required a completed purchase request (PR) form. In 2014, ORD was using the Salt Lake County Requisition form. Starting in February 2015 ORD developed an in-house purchase request form. We noted the following:

- 175 (39%) transactions included purchase request forms that were improperly signed.
- 121 (27%) transactions were missing a purchase request form.

The *"Office of Regional Development Policy and Procedures for Purchase of Goods and/or Services"* states:

> *All non-contract and non-travel purchases made through the ORD Fiscal Office must be submitted on an ORD Purchase Request Form. Purchase Request Forms must have all required fields completed, which are outlined in red. Incomplete forms will be returned to the person who originated the form, consequently delaying processing and purchase of the goods or services.*

When p-card holders make purchases without using the agency authorized form or obtaining signatures from management, there is an increased risk that employees will make unauthorized purchases.

Recommendations

- ***We recommend that p-card holders submit a purchase request form for all non-contract and non-travel purchases.***
- ***We recommend that management enforce ORD policy and return improperly signed PR forms to the originating card holder for proper processing.***

Finding 5.5: Management authorized the purchase of gift cards that were later distributed to County employees.

In our review of p-card purchases, we found three separate transactions where a p-card holder purchased gift cards in various denominations online. We determined that the only record of the gift cards that were purchased was maintained in an email with a link to the 600 electronic $5 gift cards. When the gift card was distributed, the name of the recipient was included in the gift card records. These $5 gift cards had a "Thank You to survey participants," message written on them and we were told that the gift cards were purchased as an incentive for clients/customers to complete a survey.

However, in reviewing p-card transactions, we discovered that an additional 22 gift cards, for $20 each, were purchased and then distributed to County employees. These gift cards were tracked as follows:

- Two cards were given to employees that were identified by name.
- Twenty gift cards were given to other employees. These employees were not identified by name.

We were told that these gift cards were given to employees as a reward associated with the Salt Lake County Employee Day event held on September 13, 2016.

Contracts and Procurement's 2016 P-Card Training Manual, Section 4.2, under the heading ***"Examples of when the Purchasing Card may not be used,"*** *specifically* states, <u>*"Gift cards unless purchased for clients/customers." [Emphasis added.]*</u>

Countywide policy specifically states that p-cards may not be used to purchase employee rewards, or incentives. When p-card holders purchase gift cards, distribute them to employees, and do not maintain adequate records of the employees who received the gift cards, there is a significant risk that County funds could be misappropriated.

Recommendation

> ***We recommend that ORD management abide by the acceptable use of p-cards policy, and only authorize the purchase of gift cards for clients and/or customers.***

Agency Response

Agency Response from the Office of Regional Development			
Finding 1.1: The imprest checking account custodian disbursed three checks for payment without proper approval.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the custodian obtain two signatures from authorized individuals on imprest checks before disbursing them to payees.	Agree	The cash handling procedures (revised April 2017) require the custodian follow the following process: "Fiscal Checks must be signed by two authorized individuals, one of which must be an approved account signer from the Fiscal Team. The other signature must be from the approved account signers in Department of Regional Transportation, Housing and Economic Development management who is non-Fiscal, which is determined by the division is making the request.	04/2017
Finding 1.2: Management did not sign petty cash or imprest fund reimbursement requests as evidence of review.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the custodian use the "Reimbursement Request and Control Listing" MPF Form 6, as shown in Countywide policy, or redesign the ORD form to include signature lines for management. ***We recommend that management review petty cash and imprest fund transactions for authorized purchases and sign the reimbursement request as evidence of review.***	Agree	The current review process for both the Petty Cash fund and Imprest account includes a review by the accountant over the corresponding grant program and the Fiscal Manager, indicated by initials and the date. Beginning immediately, we will include a signature line for the Custodian, the Fiscal Manager, and the Department Director.	08/2017

Finding 1.3: There was no record of who reconciled the imprest checking account bank statement.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that both the employee that performs the bank reconciliation and the designated reviewer sign the reconciliation spreadsheet as evidence of review.	Agree	The cash handling procedures (revised April 2017) require the following process: • A monthly reconciliation will be conducted by the Assistant Fiscal Manager (or designee), and will be signed by that individual. Any discrepancies should be reported immediately to the Fiscal Manager, should there be detection of suspected fraudulent or unusual activities, in accordance with Countywide Policy 1304, the incident will be reported to the proper chain of command. • Monthly reconciliation will be reviewed and signed off by the imprest account custodian before submission to Mayor's Finance.	08/2017

Finding 1.4: The authorized amount of petty cash and change funds exceeded amounts required for funding two months of operations.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the fund custodian reduce the authorized amounts for the petty cash and imprest checking account to provide adequate operating funds for a two-month period.	Agree	Upon considering this recommendation, we will lower the amount fund in our petty cash fund by \$800, to a total amount of \$800. On the imprest account have considered the recommendation to lower the fund; however, we would like to conduct further analysis to determine the proper amount for this account. This analysis will be concluded by September 30, 2017.	09/2017

Finding 1.5: The petty cash custodian did not always require employees to submit properly authorized purchase request forms prior to expensing petty cash funds.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the petty cash custodian require and obtain a completed purchase request form for all petty cash disbursements.	Agree	We believe we have corrected the problem going forward and The Fiscal Office has enforced this procedure through training and internal processes, and will continue to mandate submission	08/2017

		of purchase request forms prior to all purchases.	
Finding 2.1: Employees did not restrictively endorse checks upon receipt.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that checks received at ORD are restrictively endorsed by employees immediately upon receipt.	Agree	Originally, we did not have an endorsement stamp from the Mayor's Finance Office. When this finding was brought to our attention at our Cash and Asset Management Audit meeting on 11-15-2016 (then labeled Finding F.1.3) we purchased an endorsement stamp with the Mayor's Finance account information and immediately started using it.	11/2016
Finding 3.1: The fiscal manager did not perform monthly reconciliations between the subsidiary ledger balances and the general ledger balances.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the Fiscal Manager perform a monthly reconciliation of the accounts receivable subsidiary ledger balances and the general ledger balances and that variances be reviewed and resolved in a timely manner.	Agree	To ensure the accuracy of the accounts receivable general ledger balances as of 12/31/2016 as part of year-end procedures, the fiscal office performed a detailed reconciliation between the subsidiary ledgers, which include Loan Base trial balance report for accounts 111055, 111060, 111070, 111075, 111080, and 111100 and the UMLF & WBI detailed borrower report for account 111065. Reconciliations noted one reconciling item for account 111060 for $1,365 related to a borrower payment mis-coded as interest rather than principal. This was corrected via JV in early 2017. One other difference was noted with account 111065 for write-offs completed by the EDRLF loan servicer, UMLF, as reported in the borrower report, which had not been recorded in the general ledger. This was corrected via JV in 2017. In response to the above, the Department instituted a procedure beginning January 2017 to reconcile the subsidiary ledgers to both the general ledger and the Access Deposit Database on a quarterly basis to identify outstanding items and enter correcting JV's as necessary on a more regular basis.	08/2017

		This has been carried out for the two completed quarters to date. Further, the Department will begin reconciling the accounts receivable general ledger balances to the accounts receivable subsidiary ledgers monthly to conform to County Policies 5.3, 5.3.1, 5.3.2, and 5.3.3. Monthly reconciliations will be documented via a standard form signed by the accounts receivable accountant and reviewed and approved by the fiscal manager.	
Finding 3.2: Management did not update the written operating procedures for servicing loans to reflect current processes.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend the Fiscal Manager and the Accounts Receivable Manager update the Loan Servicing Area - Operating Standards to reflect the current processes performed.	Agree	We are in the process of updating the loan servicing procedures and will be completed by December 31, 2017.	12/31/2017
Finding 3.3: The accounts receivable manager's loan files did not always contain a chronological history of interactions with the borrower, loan changes, or other important information.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the Accounts Receivable Manager include a chronological history of all interactions, contacts, important information, and decisions surrounding a borrower's loan.	Agree	The loan servicing software has a section to record comments. We will use this functionality to record these interactions with borrowers with recorded dates.	08/2017

Finding 4.1: The property manager did not remove three scanners from the capital asset list when they were transferred to another agency.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the property manager prepare a PM-2 Form to transfer ownership for the scanners to the Salt Lake County Clerk's Office.	Agree	The property manager completed a PM-2 form to transfer the three scanners to Salt Lake County Cerk's office as per Policy #1125.	12/2017
Finding 4.2: The property manager did not accurately account for controlled assets.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend the property manager tag newly acquired controlled assets upon purchase and immediately update the controlled asset inventory list.	Agree	As of the 2nd quarter of 2016 our department purchased a control asset software (Asset Manage) that tracks all controlled assets over $100.00. Newly purchased controlled asset's is tagged with a Salt Lake County property tag and keyed into this software. Employees are required to notify the property manager of newly purchased controlled assets to track these items in the software.	05/2016
Finding 4.3: The property manager did not sign the controlled asset list as evidence of accountability over assets and completion of an annual inventory count.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that the property manager sign and date the controlled asset list to establish accountability and certify the completion of the annual controlled assets inventory.	Agree	Starting September 2017, we will adopt this recommendation. We will have the Department or the Associate Department Director sign and date the controlled asset list that is unassigned. The property manager will then verify and sign all assigned and unassigned controlled assets list. We will update this process in our controlled inventory policies and procedures by December 31, 2017.	09/2017

Finding 4.4: The property manager did not list sufficient detail on the controlled asset list to identify assets.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend the property manager maintain records to manage controlled assets that contains substantially the same information as the exhibit in Countywide Policy #1125.	Agree	As of the 2nd quarter of 2016 our department purchased a control asset software (Asset Manage) that tracks all controlled assets over $100.00. The software tracks controlled assets by employee, office, serial number, control ID number, item description, make, model, serial number, location, cost, purchase date, etc.	05/2016
Finding 5.1: Employees did not submit Meal Reimbursement Forms for management approval.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that employees submit an MRF to management for all food purchases. ***We recommend that management review and authorize all MRF's submitted by employees.***	Agree	The Fiscal Office has enforced the procedure of submitting the MRF for meal purchases through training and internal processes, and will continue to mandate their submission prior to all meal purchases.	06/2016
Finding 5.2: Employees did not provide detailed receipts for p-card transactions.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend management require employees to submit detailed supporting documentation for all p-card transactions.	Agree	The RTHED purchasing procedures (revised May 2017) the purchasing card holders in Department of Regional Transportation, Housing and Economic Development must follow these procedures: *(For complete details, see full agency response.)*	05/2017
Finding 5.3: A p-card holder split a purchase to avoid exceeding the $5,000 single purchase limit.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that management train cardholders to follow Countywide Policy #7035 for small-cost purchasing and enforce disciplinary action when a cardholder	Agree	On May 8, 2017, the Fiscal Office conducted a purchasing training, during which Countywide Policy #7035 was discussed. It is also included in our purchasing procedures (revised May 2017). We will continue to have focused training for P-Card holders this fall (2017).	05/2017

circumvents their single purchase limit with a split transaction.			
Finding 5.4: Employees did not submit purchase request forms to management.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend that P-Cardholders submit a purchase request form for all non-contract and non-travel purchases. ***We recommend that management enforce ORD policy and return improperly signed PR forms to the originating person for proper processing.***	Agree	The Fiscal Office is enforcing this procedure, and has conducted training on May 8, 2017, on the proper completion of the purchase request form (revised June 2016). In addition, the purchase requests are returned to the originator if the required signatures or billing information is missing.	05/2017
FINDING 5.5: Management authorized the purchase of gift cards that were later distributed to County employees.			
RECOMMENDATION(S)	**AGREE/ DISAGREE**	**ACTION PLAN**	**TARGET DATE**
We recommend management authorize the purchase of gift cards for only clients/customers.	Agree	We will follow this recommendation immediately, as per the Contracts and Procurement's 2016 P-Card Training Manual, Section 4.2	08/2017

SALT LAKE COUNTY
REGIONAL DEVELOPMENT

Ben McAdams
Salt Lake County Mayor

Regional Transportation, Housing & Economic Development

Carlton J. Christensen
Department Director

8/11/2017

Scott Tingley, CIA, CGAP
Salt Lake County Auditor
Audit Services Division
Office of the Salt Lake County Auditor
2001 S State Street, Suite N3-300
Salt Lake City, UT 84190

Dear Mr. Tingley,
Please find below the Department of Regional Transportation, Housing, & Economic Development's response to "A Key Controls Audit of the Salt Lake County Office of Regional Development," Report Number AU-07-03.

Carlton J. Christensen

Salt Lake County Regional Transportation, Housing & Economic Development
2001 South State Street, Suite S2-100 | P.O. Box 144575 | Salt Lake City, UT 84114-4575
TTY 7-1-1 | www.slco.org/regional-development

FINDING 1.1: The imprest checking account custodian released some checks from the account without proper approval.

RECOMMENDATION

We recommend that the custodian obtain the required number of signatures on imprest checks before releasing them to the payees.

DTHED Response:

What remediating action taken:

The cash handling procedures (revised April 2017) require the custodian follow the following process: "Fiscal Checks must be signed by two authorized individuals, one of which must be an approved account signer from the Fiscal Team. The other signature must be from the approved account signers in Department of Regional Transportation, Housing and Economic Development management who is non-Fiscal, which is determined by the division is making the request.

When that action will be in place (date): April 2017

The individuals that will be responsible for implementing the changes.

Carlton Christensen and Robert Trujillo

FINDING 1.2: The custodian issued 19 out of 140 imprest checks that exceeded the $200 limit.

RECOMMENDATION

We recommend that management open an operating checking account with the Treasurer's Office to provide an account to write checks for the Lead Safe Housing Program.

DTHED Response:

This finding was removed due to further information discovery and finding 1.2 was removed from this report.

FINDING 1.3: Some reimbursement requests were not signed by the fiscal manager or agency management, as evidence of review.

RECOMMENDATIONS

We recommend that the custodian use the *"Reimbursement Request and Control Listing" MPF Form 6* as shown in Countywide policy, or redesign the ORD form to include signature lines.
We recommend that agency forms are properly signed before submitting them for replenishment of an imprest account.

DTHED Response:

What remediating action is planned.

The current review process for both the Petty Cash fund and Imprest account includes a review by the accountant over the corresponding grant program and the Fiscal Manager, indicated by initials and the date. Beginning immediately, we will include a signature line for the Custodian, the Fiscal Manager, and the Department Director.

When that action will be in place (date). August 2017

The individuals that will be responsible for implementing the changes.

Robert Trujillo Sharon Hansen and Carlton Christensen

FINDING 1.4: There was no record of who reconciled or reviewed the imprest checking account bank statement.

RECOMMENDATION

We recommend that both the employee that performs the bank reconciliations and the one that reviews the reconciliations sign the imprest checking account bank statements.

DTHED Response:

What remediating action is planned.

The cash handling procedures (revised April 2017) require the following process:

- A monthly reconciliation will be conducted by the Assistant Fiscal Manager (or designee), and will be signed by that individual. Any discrepancies should be reported immediately to the Fiscal Manager, should there be detection of suspected fraudulent or unusual activities, in accordance with Countywide Policy 1304, the incident will be reported to the proper chain of command.
- Monthly reconciliation will be reviewed and signed off by the Imprest Account custodian before submission to the Mayor's Finance Office.

When that action will be in place (date). August 2017

The individuals that will be responsible for implementing the changes. Robert Trujillo, Matt Castillo

FINDING 1.5: The established amounts for the petty cash fund and the imprest checking account should be reduced.

RECOMMENDATION

We recommend that the fund custodian reduce the authorized amounts for the petty cash and impress checking account to provide adequate operating funds for a two-month period.

DTHED Response:

What remediating action is planned.
Upon considering this recommendation, we will lower the amount fund in our petty cash fund by $800, to a total amount of $800. On the imprest account have considered the recommendation to lower the fund; however, we would like to conduct further analysis to determine the proper amount for this account. This analysis will be concluded by September 30, 2017.

When that action will be in place (date). September 2017

The individuals that will be responsible for implementing the changes.

Robert Trujillo and Sharon Hansen

FINDING 1.6: The petty cash custodian was not always requiring employees to submit properly authorized purchase request forms prior to releasing petty cash funds.

RECOMMENDATION

We recommend that the petty cash custodian require a completed and approved purchase request form for all petty cash disbursements.

DTHED Response:

What remediating action is planned.

We believe we have corrected the problem going forward and The Fiscal Office has enforced this procedure through training and internal processes, and will continue to mandate submission of purchase request forms prior to all purchases.

When that action will be in place (date). August 2017

The individuals that will be responsible for implementing the changes. Robert Trujillo

FINDING 2.1: Checks received were not restrictively endorsed upon receipt.

RECOMMENDATION

We recommend that checks received at ORD are restrictively endorsed immediately upon receipt.

DTHED Response:

What remediating action is planned.

Originally, we did not have an endorsement stamp from the Mayor's Finance Office. When this finding was brought to our attention at our Cash and Asset Management Audit meeting on 11-15-

2016 (then labeled Finding F.1.3) we purchased an endorsement stamp with the Mayor's Finance account information and immediately started using it.

When that action will be in place (date). November 2016

The individuals that will be responsible for implementing the changes. Sharon Hansen

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FINDING 3.1: The fiscal manager was not performing monthly reconciliations between the subsidiary ledger balances and the general ledger balances.

RECOMMENDATION

We recommend that the Fiscal Manager perform a monthly reconciliation of the subsidiary ledger balances and the general ledger balances and that variances be reviewed and resolved in a timely manner.

DTHED Response:

What remediating action is planned.

> To ensure the accuracy of the accounts receivable general ledger balances as of 12/31/2016 as part of year-end procedures, the fiscal office performed a detailed reconciliation between the subsidiary ledgers, which include Loan Base trial balance report for accounts 111055, 111060, 111070, 111075, 111080, and 111100 and the UMLF & WBI detailed borrower report for account 111065. Reconciliations noted one reconciling item for account 111060 for $1,365 related to a borrower payment mis-coded as interest rather than principal. This was corrected via JV in early 2017. One other difference was noted with account 111065 for write-offs completed by the EDRLF loan servicer, UMLF, as reported in the borrower report, which had not been recorded in the general ledger. This was corrected via JV in 2017.
>
> In response to the above, the Department instituted a procedure beginning January 2017 to reconcile the subsidiary ledgers to both the general ledger and the Access Deposit Database on a quarterly basis to identify outstanding items and enter correcting JV's as necessary on a more regular basis. This has been carried out for the two completed quarters to date.
> Further, the Department will begin reconciling the accounts receivable general ledger balances to the accounts receivable subsidiary ledgers on a monthly basis in order to conform to County Policies 5.3, 5.3.1, 5.3.2, and 5.3.3. Monthly reconciliations will be documented via a standard form signed by the accounts receivable accountant and reviewed and approved by the fiscal manager.

When that action will be in place (date). August 2017

The individuals that will be responsible for implementing the changes. Robert Trujillo, Matt Castillo

FINDING 3.2 Standard operating procedures for the loan servicing function need to be updated.

RECOMMENDATION

We recommend the Fiscal Manager and the Accounts Receivable Manager update the Loan Servicing Area - Operating Standards.

DTHED Response:

What remediating action is planned.

> We are in the process of updating the loan servicing procedures and will be completed by December 31, 2017.

When that action will be in place (date).

> Start August 2017 and finalized updating loan servicing procedures on December 31,2017

The individuals that will be responsible for implementing the changes.

> Robert Whitehead, Randy Jepperson

FINDING 3.3 The accounts receivable manager's loan files did not always contain a chronological history of interactions with the borrower, loan changes, or other important information.

RECOMMENDATION

We recommend that the Accounts Receivable Manager include a chronological history of all interactions, contacts, important information, and decisions surrounding a borrower's loan.

DTHED Response:

What remediating action is planned.

The loan servicing software has a section to record comments. We will use this functionality to record these interactions with borrows with recorded dates.

When that action will be in place (date). August 2017

The individuals that will be responsible for implementing the changes. Robert Whitehead

FINDING 4.1 The property manager did not update the capital asset inventory for three scanners.

RECOMMENDATION

We recommend that the property manager prepare either a PM-2 Form to transfer ownership or a PM-3 Form to transfer accountability for the scanners to the Salt Lake County Clerk's Office.

DTHED Response:

What remediating action is planned.

The property manager completed a PM-2 form to transfer the three scanners to Salt Lake County Clerk's office as to Policy #1125.

When that action will be in place (date). December 2016

The individuals that will be responsible for implementing the changes. Tiffany Marquez

FINDING 4.2: The property manager was not following Countywide policy for safeguarding controlled assets.

RECOMMENDATIONS:

We recommend the property manager tag newly acquired controlled assets and ensure that they are included on the controlled asset list as soon as possible.

We recommend the property manager maintain records with information on controlled assets that will identify the asset.

DTHED Response:

What remediating action is planned.

As of the 2nd quarter of 2016 our department purchased a control asset software (Asset Manage) that tracks all controlled assets over $100.00. Newly purchased controlled asset's is tagged with a Salt Lake County property tag and keyed into this software. Employees are required to notify the property manager if newly purchased controlled assets to track these items in the software.

When that action will be in place (date). May 2016

The individuals that will be responsible for implementing the changes.

Robert Trujillo, Tiffany Marquez

FINDING 4.3: The controlled assets list was not signed by the property manager as evidence of accountability for assets not assigned to individual employees and to verify the completion of the annual inventory.

RECOMMENDATION:

We recommend that the property manager sign and date the controlled assets list to certify the assets not assigned to an individual employee and to certify the completion of the annual controlled assets inventory.

DTHED Response:

What remediating action is planned.

Starting September 2017, we will adopt this recommendation. We will have the Department or the Associate Department Director sign and date the controlled asset list that is unassigned. The property manager will then verify and sign all assigned and unassigned controlled assets list. We will update this process in our controlled inventory policies and procedures by December 31, 2017.

When that action will be in place (date). September 2017

The individuals that will be responsible for implementing the changes.
Robert Trujillo, Tiffany Marquez

FINDING 4.4: The property manager's controlled assets list was missing asset information to help identify assets.

RECOMMENDATION:

We recommend the property manager maintain records to manage controlled assets not readily assigned to an individual using a form that contains substantially the same information as the exhibit in Countywide Policy #1125.

DTHED Response:

What remediating action is planned.

As of the 2nd quarter of 2016 our department purchased a control asset software (Asset Manage) that tracks all controlled assets over $100.00. The software tracks controlled assets by employee, office, serial number, control ID number, item description, make, model, serial number, location, cost, purchase date, etc.

When that action will be in place (date). May 2016

The individuals that will be responsible for implementing the changes. Robert Trujillo, Tiffany Marquez

FINDING 5.1: Meal Reimbursement Forms were either not submitted or not properly approved for some food purchases.

RECOMMENDATION

We recommend that a properly approved Meal Reimbursement Form is submitted for all food purchases.

DTHED Response:

What remediating action is planned.

The Fiscal Office has enforced the procedure of submitting the MRF for meal purchases through training and internal processes, and will continue to mandate their submission prior to all meal purchases.

When that action will be in place (date). June 2016

The individuals that will be responsible for implementing the changes. Robert Trujillo

FINDING 5.2: Detailed receipts were not always included with the P-Card documentation.

We recommend management ensure that appropriate supporting documentation be retained for all P-Card transactions.

DTHED Response:

What remediating action is planned.

The RTHED purchasing procedures (revised May 2017) the purchasing card holders in Department of Regional Transportation, Housing and Economic Development must follow these procedures:

1. Complete a RTHED Purchase Request Form, including all billing information, and attach appropriate backup documentation (e.g. invoice or quote). Submit for approval ***before*** purchase.
2. Maintain original itemized receipts for all P-Card purchases, and scan backup for each transaction into an electronic folder organized by billing cycle.
3. All meal purchases also have a County Form 1020 Meal Reimbursement Form completed after the event, usually by the person who requested the meal purchase, and signed by the Division Director or Department Director. See section 2.1 for detailed meal procedures.
4. At the end of each monthly P-Card billing cycle, all P-Card holders must finalize their billing transactions for the cycle:
5. In the US Bank website, reallocate each P-Card transaction to the appropriate program billing codes listed on corresponding Purchase Request Form, and input detailed descriptions.
6. Once reallocated in US Bank, send transaction to the appropriate Fiscal Staff for review and final approval.
7. After all transactions are allocated, approved and routed to the appropriate Fiscal Staff member, print and sign the US Bank *Activity Report*, then scan to the electronic folder for that billing cycle.

8. Combine all PDF P-Card transactions for that billing cycle, including the signed Activity Report, into one PDF "Binder", automatically bookmarking individual PDF transactions in the new documents. Save with name and billing cycle date.
9. Send the combined P-Card Backup documentation via email to the appropriate Fiscal Staff member to be reviewed along with the US Bank transactions.
10. P-Card holders can access the County P-Card Training Manual as needed for additional information, or contact the County P-Card Administrator in Contracts & Procurement for specific questions.
11. Warning: Misuse of the County P-Card in any way may result in disciplinary action.

When that action will be in place (date). May 2017

The individuals that will be responsible for implementing the changes. Robert Trujillo

FINDING 5.3 A P-Cardholder split a purchase to avoid exceeding the $5,000 single purchase limit.

RECOMMENDATION

We recommend that management train cardholders to follow Countywide Policy #7035 for small-cost purchasing and enforce disciplinary action when a cardholder circumvents their single purchase limit with a split transaction.

DTHED Response:

What remediating action is planned.

On May 8, 2017, the Fiscal Office conducted a purchasing training, during which Countywide Policy #7035 was discussed. It is also included in our purchasing procedures (revised May 2017). We will continue to have focused training for P-Card holders this fall (2017).

When that action will be in place (date). May 2017

The individual that will be responsible for implementing the changes. Robert Trujillo

FINDING 5.4 Purchase request forms were either not used or not properly signed for some purchases.

RECOMMENDATION

We recommend that P-Cardholders submit a purchase request form for all non-contract and non-travel purchases.

We recommend that management enforce ORD policy and return improperly signed PR forms to the originating person for proper processing.

DTHED Response:

What remediating action is planned.

The Fiscal Office is enforcing this procedure, and has conducted training on May 8, 2017, on the proper completion of the purchase request form (revised June 2016). In addition, the purchase requests are returned to the originator if the required signatures or billing information is missing.

When that action will be in place (date). May 2017

The individuals that will be responsible for implementing the changes.

Robert Trujillo, Carlton Christensen

FINDING 5.5: Management authorized the purchase of gift cards that were later distributed to County employees.

RECOMMENDATION

We recommend management authorize the purchase of gift cards to be distributed only to clients/customers.

THED Response:

What remediating action is planned.

We will follow this recommendation immediately, as per the Contracts and Procurement's 2016 P-Card Training Manual, Section 4.2.

When that action will be in place (date). August 2017

The individuals that will be responsible for implementing the changes. Carlton Christensen