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A Report to the  
Citizens of Salt Lake County  
The County Mayor and the  
County Council

An Audit of Key Controls  
at the Tenth East Senior  
Center



OFFICE OF THE  
SALT LAKE COUNTY  
AUDITOR

SCOTT TINGLEY  
COUNTY AUDITOR

August 2018  
Report Number 2018-MLR20

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# An Audit of Key Controls at the Tenth East Senior Center

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Scott Tingley, CIA, CGAP  
SALT LAKE COUNTY AUDITOR

Cherylann Johnson, MBA, CIA, CFE, CRMA  
CHIEF DEPUTY AUDITOR

AUDIT MANAGER:  
Larry Decker, CPA, CIA

AUDIT STAFF:  
Anita Kasal, CPA, CFE  
David Lewis, CPA, CIA, CFE, CMA



OFFICE OF THE SALT LAKE COUNTY AUDITOR  
AUDIT SERVICES DIVISION

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**SCOTT TINGLEY**  
CIA, CGAP

Salt Lake County Auditor

[STingley@slco.org](mailto:STingley@slco.org)

**CHERYLANN JOHNSON**  
MBA, CIA, CFE

Chief Deputy Auditor

[CAJohnson@slco.org](mailto:CAJohnson@slco.org)

**ROSWELL ROGERS**

Senior Advisor

[RRogers@slco.org](mailto:RRogers@slco.org)

**STUART TSAI**  
JD, MPA

Property Tax

Division Administrator

[STsai@slco.org](mailto:STsai@slco.org)

**OFFICE OF THE  
SALT LAKE COUNTY  
AUDITOR**

2001 S State Street, N3-300  
PO Box 144575

Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711

1-866-498-4955 / fax

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

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**An Audit of Key Controls at the  
Tenth East Senior Center**

We recently completed an audit of key controls at the Tenth East Senior Center (“Tenth East”). The purpose of the audit was to examine financial transactions and business processes at Redwood to determine if internal controls related to cash receipts, receivables, capital and controlled assets, purchasing cards, and inventory were properly implemented and functioning as intended. We performed tests of those key controls to provide assurance that accounting records were complete and accurate, financial transactions and processes complied with established policies, procedures, laws and regulations, and that county assets were adequately safeguarded against the risk of loss, theft, waste, or abuse.

Our work was designed to provide reasonable, but not absolute assurance that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included Countywide Policies such as **Countywide Policy 1203, “Petty Cash and Other Imprest Funds,”** **Countywide Policy 1062, “Management of Public Funds,”** **Countywide Policy 1125, “Safeguarding Property/Assets,”** **Countywide Policy 7035, “Purchasing Card Authorization and Use,”** and Aging and Adult Services Division internal policies and procedures.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of the Tenth East Senior Center throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

## Objectives

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The objectives of the audit were to identify and perform tests of key controls at Tenth East to:

- Determine if internal controls are designed properly and functioning as intended to ensure that county financial transactions are recorded and reported accurately and completely, and free from significant error;
- Determine if financial transactions and business processes comply with applicable laws, regulations, policies, procedures, and contracts;
- Determine if county management provides adequate fiscal oversight, including monitoring the control environment, over financial transactions and business operations to ensure that transactions are valid and appropriate;
- Provide assurance that county assets are properly safeguarded against loss, theft, waste, or abuse.

## Scope and Methodology

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Our audit covered the period from January 1, 2017 to December 31, 2017. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, records, and transactions in the following areas:

- Change Funds
- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Purchasing Card Transactions and Use

In addition to examining financial records, we observed business activities and procedures, and tested internal controls surrounding them. We examined daily cash collections and deposits, interviewed Tenth East employees, conducted a physical inventory of capital (“fixed”) and controlled (“expensed”) assets, performed a count of change funds, and examined purchasing card (“p-card”) transactions.

## Audit Results

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### 1.0 Change Funds

We performed a surprise count on the \$100 change fund at Tenth East and found that it was intact and maintained at its authorized amount as recorded by the Mayor’s Office of Financial Administration (“Mayor’s Finance”). We also interviewed the staff at Tenth East and observed the change fund balancing procedures, operations, and physical security. Tenth East uses the change fund as a convenience for patrons to change large bills into smaller denominations.

Tenth East serves lunches to seniors, and the center staff collects donations for the meals that are served to patrons over the age of 60. At the end of each day, the staff exchanges large bills in the

change fund for smaller denominations and coins collected from donations. The change fund is then counted and returned to the authorized amount, and the daily deposit is prepared. We noted that the center staff did not have a control log to record the transfer of the change fund to and from the safe each day, as required by Countywide Policy. Cashiers at Tenth East did not document the daily count of the change fund or document the transfer of the change fund at the beginning and end of their shifts.

## Findings and Recommendations

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### **Finding 1.1: Tenth East employees were not using the *MPF Form 7 – Fund Transfer Ledger* to document the transfer of the change fund to and from the safe.**

We found that management did not keep an *MPF Form 7, Fund Transfer Ledger*, or similar form for center employees to sign when retrieving the change fund from and returning it to the safe each day.

**CWP 1062, “Management of Public Funds,”** states that,

*“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; and return the fund to the safe or lockbox.”* (CWP 1062, 2.7.3, p. 7)

The purpose of the *Fund Transfer Ledger*, or similar log, is to document that the change fund is at the authorized amount each time that the fund is removed from, and returned to the safe. In addition, the *Funds Transfer Ledger* establishes personal accountability for the change fund, while the fund is in use. By signing the *Fund Transfer Ledger*, an employee is verifying that all funds are accounted for and that proper custody of the change fund was maintained while the funds are not stored in the safe or lockbox.

A *Fund Transfer Ledger* is a key internal control that helps minimize the risk of theft or misuse of the change fund. By not signing the *Fund Transfer ledger* each time that funds are returned to the safe, personal accountability for the change fund is not established, and the risk of theft or misuse is increased. Tenth East management should ensure that the *Fund Transfer Ledger* is used properly, and that employees at Tenth East abide by Countywide Policy when retrieving and returning the change fund to and from the safe each day.

A *Fund Transfer Ledger* is a key internal control that helps minimize the risk of theft of loss of funds due to misuse. Without a *Fund Transfer Ledger*, personal accountability for the change fund is not established, and the risk of theft or misuse of the change fund is increased. When we discussed this with management at Tenth East, they were not aware of the need to document retrieval and return of funds to and from the safe using the *MPF Form 7*, or similar form, as required in Countywide Policy.

### **Recommendation 1.1:**

We recommend that Tenth East Senior Center staff count the change fund and sign and date the *MPF Form 7, Fund Transfer Ledger*, or similar log, each time the change fund is retrieved from or returned to the safe.

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**Finding 1.2: The combination to the safe was not being changed annually, or at other times as required.**

We interviewed the manager and staff at Tenth East and found that the safe combination was not being changed annually. In addition, we noted that there had been staff changes at Tenth East; however, we found no evidence that the safe combination had been changed when those employee changes occurred.

**CWP 1062, "Management of Public Funds,"** states that,

*"The combination to a safe, cashbox, or vault shall be changed immediately after any one of these has been opened using a duplicate combination in emergency situations. Otherwise, a combination should be changed at least once a year, and/or any time a Cashier or Cashier Supervisor with knowledge of or access to a combination is assigned new duties, transfers to another County Agency, or leaves County employment." (CWP 1062, 2.3.5, p. 5)*

When the combination of the safe is not changed at least annually, or when a change in personnel occurs, County funds are at greater risk of being stolen by someone who knows the combination and, thereby, has unauthorized access to the contents of the safe. When we discussed this issue with management at Tenth East, they were not aware of this policy and the need to update the combination of the safe at least once a year, or when employee changes make it necessary.

**Recommendation 1.2:**

We recommend that the combination of the safe be changed at least annually or when necessary due to changes in personnel.

**2.0 Cash Handling and Daily Deposits**

Our audit examined whether daily collections, cash handling, and depositing procedures at Tenth East complied with **CWP 1062, "Management of Public Funds."** We observed that locked donation boxes were used, manual receipts were issued mainly for the sale of Chuck-A-Rama discount tickets, and donations were collected, counted, and deposited by at least two people.

We tested a sample of 30 days of cash and check deposits by examining the "*Deposits Reconciliation Form,*" which serves as Tenth East's Daily Cash Balance Sheet. We observed the separation of donations from other collections such as under-age-60 meals, transportation, coffee donations, and Chuck-A-Rama discount tickets, and found proper separation of duties in Tenth East's daily cash balancing procedures. We also noted that deposits were made in a timely manner as required by Countywide Policy, and that deposits were properly safeguarded against theft or misuse.

## Findings and Recommendations

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### Finding 2.1: Personnel did not use manual receipts in sequential order.

Tenth East uses a manual receipt book for giving receipts to customers that purchase under-age-60 meals, transportation, and Chuck-A-Rama discount Tickets. We reviewed the manual receipt book and noted that Senior Center staff skipped 14 receipts. Management and staff issuing receipts were not always checking the last receipt issued and frequently skipped entire pages of receipts. Of the 14 blank receipts, 11 were voided and 3 were not voided.

**CWP 1062, "Management of Public Funds,"** states that,

*"If a County Agency uses manual receipts, they shall be pre-numbered and used in numerical order. All remittances shall be receipted in the manner indicated on the prescribed form of pre-numbered receipts. Each receipt shall be filled out completely." (CWP 1062, 3.5.3 p. 9)*

When management does not use receipts in numerical order, older receipts may be issued out of sequential order to conceal theft.

#### Recommendation 2.1:

We recommend that manual receipts be issued in numerical order for collections received from customers.

## 3.0 Capital and Controlled Assets

Our audit included an examination of capital and controlled asset management at Tenth East. **CWP 1125, "Safeguarding Property/Assets,"** establishes the policies and procedures for the proper management of County capital and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

We obtained a copy of the capital assets report for 2016 stating that an inventory of capital assets was conducted, naming the Agency's Property Manager, and the signature of the Division Director. Tenth East has two assets that meet the criteria of a capital asset. Both were tagged with the proper asset number and were identifiable from the report of capital assets.

We also reviewed a sample of 40 controlled assets at Tenth East. As opposed to a capital asset, Countywide Policy 1125 defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets, and require extra diligence on the part of each County agency to properly safeguarded them from theft, loss, or misappropriation.

The Property Manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody. In addition, **CWP 1125, "Safeguarding**

**Property/Assets,**” defines an employee’s duties and responsibilities when controlled assets are provided for their use.

## Findings and Recommendations

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### **Finding 3.1: The controlled assets inventory list did not include seven assets found onsite and lacked enough information to be able to identify all controlled assets on the list.**

During our review of controlled assets purchased using P-Cards, we noted seven assets that were not included on the controlled assets list. We also noted that purchase or acquisition dates, item costs, and locations of the assets were not included on the controlled assets inventory list.

**CWP 1125, “Safeguarding Property/Assets,”** states that,

*“The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... ‘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.” (CWP 1062, 4.3 and 4.3.2 p. 6)*

Assets that are not accurately recorded on a controlled assets inventory list are at a greater risk of loss or theft. Incomplete or inconsistent information on the controlled assets inventory list creates difficulties in tracking and managing controlled assets, making it easier for loss or theft to occur. The various types of asset information, including unique tag numbers, purchase dates, and accurate descriptions all aid in the asset management process, and help prevent the risk of loss or theft.

#### **Recommendation 3.1:**

- A. We recommend that all controlled assets be listed on the controlled assets inventory list.
- B. We recommend that the Property Manager include information on the controlled assets inventory list that helps track and manage County assets, including tag numbers, accurate descriptions, purchase dates, and asset locations.

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### **Finding 3.2: Employees assigned controlled assets had not accepted responsibility for them by signing a *Controlled Assets Inventory Form – Employee*.**

We noted that management at Tenth East were not using the ***“Controlled Assets Inventory Form - Employee”*** to identify and track controlled assets that had been assigned to specific employees.

**CWP 1125, “Safeguarding Property/Assets,”** stated that,

*“The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... ‘Controlled*



*Assets Inventory Form – Employee’ is used for those assets that due to their nature, are used by and therefore readily assignable to an individual.” (CWP 1125, 4.3 and 4.3.1, p. 3 & 6)*

Incomplete or inaccurate controlled asset records increase the risk that those assets could be lost, stolen, or converted to personal use without being detected by the Property Manager or the staff at Tenth East. When we discussed this issue with management, they did not place a high priority on using the proper forms to track controlled assets or indicate an understanding for the importance of using a form that lists controlled assets assigned to specific employees.

**Recommendation 3.2:**

We recommend that management at Tenth East ensure that all assets assigned to specific employees are listed on individual “Controlled Assets Inventory Form - Employee,” forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.

**4.0 Purchasing Card Transactions and Use**

During our review, we identified the employees that used purchasing cards (P-cards) and verified if they had received the P-card training and if their P-cards were secured and signed. We noted that during 2016 two center managers and one program coordinator used P-cards.

We examined all transactions made during 2016 and verified that all p-card transactions had been properly reviewed and approved by Tenth East management.

**Findings and Recommendations**

*We noted no significant findings in the area of purchasing card transactions and use.*

**Conclusion**

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We appreciate the time spent by the staff at Tenth East Senior Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Cc: Paul Leggett, Division Director, Aging and Adult Services Division  
Jessica Montgomery, Administrative and Fiscal Manager, Aging and Adult Services Division  
Cheryl Leach, Tenth East Senior Center Facility Manager

Attachment A: Agency Response

Attachment A: Agency Response

<b>Agency Response Tenth East Senior Center</b>			
<b>Finding 1.1: Employees were not signing a fund transfer log to document removal of the change fund from and return to the safe.</b>			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that Tenth East Senior Center staff count the change fund and sign and date the MPF Form 7, Fund Transfer Ledger, or similar log, each time the change fund is retrieved from or returned to the safe.</i>	Agree	Tenth East staff will sign the MPF Form 7, Fund Transfer Ledger, each time we retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox.	7/23/2018
<b>Finding 1.2: The combination to the safe was not being changed annually, or at other times as required.</b>			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the combination to the safe be changed at least annually or when necessary due to changes in personnel.</i>	Agree	This is as issue at all of the centers. Active Aging will work on internal processes that will correct this finding.	12/31/2018
<b>Finding 2.1: Personnel did not use manual receipts in sequential order.</b>			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that manual receipts be issued in numerical order for collections received from customers.</i>	Agree	Tenth East staff will use the manual receipt book, in sequential order, for giving receipts to customers that purchase under-age-60 meals, transportation, and Chuck-A-Rama discount coupons. Management and staff, when issuing receipts will check the last receipt issued so we do not skip receipts. If a receipt is skipped, receipt will be voided by Center Manager.	7/23/2018

**Finding 3.1: The controlled assets list did not include seven assets found onsite, and lacked sufficient information to be able to identify all controlled assets on the list.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that all controlled assets be listed on the controlled assets list.</i></p> <p><i>We recommend that the property manage include information on the controlled assets list that helps track and manage assets, including purchase dates, purchase costs, and asset locations.</i></p>	<p>Agree</p>	<p>Controlled assets will be reviewed, and missing assets added to Tenth East inventory.</p> <p>Tenth East inventory will be reviewed and sufficient information (tag numbers, description and location) added so controlled assets can be tracked.</p>	<p>8/15/2018</p>

**Finding 3.2: Employees assigned controlled assets had not accepted responsibility for them by signing a “Controlled Assets Inventory Form – Employee.”**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that all assets assigned to a specific employee are listed on individual “Controlled Assets Inventory Form – Employee,” forms, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.</i></p>	<p>Agree</p>	<p>This is as issue at all of the centers. Active Aging will work on internal processes that will correct this finding.</p>	<p>12/31/2018</p>