



April 19, 2012

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Re: A Limited Examination of the Clerk's Office

Dear Sherrie:

We recently completed a limited examination of the Clerk's Office that included a review of depositing, capital and controlled assets, and IT security. Larry Decker and James Fire performed this examination.

The overall objective of the examination was to identify areas of risk in the internal controls currently in place. To make this assessment we examined whether:

- Receipting and depositing were performed according to Countywide Policy #1062, *Management of Public Funds*, and best business practice.
- Capital and controlled assets were managed according to Countywide Policy #1162, *Safeguarding Property/Assets*, to guard against theft.
- Computer security was in place according to Countywide Policy #1400-1, *Information Technology Security: Acceptable Use Policy*, to prevent unauthorized access to data.

Our work was designed to provide only limited assurances that the system of internal controls was adequate, records current, and daily transactions valid. We reviewed only a few transactions, so there is a risk that we would not have discovered misuse or theft of County assets because these may have occurred with respect to assets or transactions not selected for review.

Due to this limited approach, the extent of transaction testing was significantly reduced from normal methods. Beginning with this examination, we used a newly formulated checklist designed as an efficient approach that provides a brief overview of compliance. We completed the checklist based on responses from Clerk's Office and Election personnel, and reviewed a few transactions or items as judged appropriate. Statistically random samples were not drawn for use in transaction testing.

The Clerk's Office is separated into 2 primary divisions; Clerk (Clerk) and Clerk Elections (Elections).

The Clerk reviews marriage and passport applications for compliance with current laws, issues marriage licenses, performs marriage ceremonies and provides passport services. The Council clerk administration prepares and retains all minutes, agendas, and correspondence for the County Council, zoning, redevelopment agency, municipal building authority and redistricting commission meetings. They also maintain records, receive and retain files of notices of legal action, and other official documents for the County.

Elections maintains voter registration records, voting precincts, and identifies polling locations for registered voters throughout Salt Lake County. They also are responsible for administration of Countywide elections on even-numbered years and contracts with cities for municipal odd-numbered election years. They provide election services for special elections, special districts, bond elections, and other questions put to voters in Salt Lake County.

Our findings are divided into two areas: 1) Cash Handling and Depositing, and 2) Capital and Controlled Assets.

### **CASH HANDLING AND DEPOSITING**

Our findings in the area of Cash Handling and Depositing are as follows:

- ***The current custodians for the funds were different than the custodian on file.***
- ***The balance sheet did not include the Z-tape total.***
- ***The Z-tape summary did not differentiate totals by type of payment.***
- ***The credit card summary statement included full 16-digit credit card numbers.***

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***The current custodians for the funds were different than the custodians on file.*** During our examination we confirmed the custodians on record with the Mayor's Office. They differed from the employees who were identified as the current custodians.

Countywide Policy #1203, *Petty Cash and other Imprest Funds*, Section 8.3.2, states:

*Responsibility remains with the current Custodian until final MPF Form 6 is completed and submitted with the signed [and notarized] MPF Form 2 to the Auditor (now Mayor). Only when these steps are accomplished will responsibility transfer to the new Custodian. In the absence of the current Custodian, Agency Management designee or the Fiscal Manager shall be responsible, as determined by Agency Management.*

Of the four Clerk change funds, two had new custodians and one needed a name update.

### **RECOMMENDATION:**

***The change fund custodians should be changed on Mayor's Office records to reflect the current custodians.***

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***The balance sheet did not include the Z-tape total.*** Balance sheets used in both Clerk and Elections Divisions did not include the Z-tape total. By definition, a Z-tape shows daily collection totals from the electronic cashiering system.

Without this total, balancing is not documented. The Clerk balance sheet did include a line for "Cash Receipts per Register," but the line ordinarily was left blank and not used. A line was also included for "overage/shortage" but generally left blank as well.

Unlike the Clerk, the Elections Division balance sheet did not include a line for a Z-tape total but did require entering any overage or shortage in the change fund. Both Divisions maintained over/short logs.

Since most payments from patrons are consistently the same amounts by type of service, and mostly by check or credit card, overages and shortages are small and infrequent. Balancing can occur by visually comparing Z-tape totals to cash counts. Nevertheless, without Z-tape totals, balancing status is not documented.

Countywide Policy #1062, *Management of Public Funds*, Section 3.8.1.4, states:

*An "over/short" or "no-difference" amount between the cash count (cash and checks only, not payment card amounts), and recorded receipt totals shall be generated by the software applications or manually entered on the designated line of the MPF Form 3A (or similar balancing sheet).*

Also, we noted that the Clerk balance sheet was not designed to show a cash count total less the change fund, or the amount in cash actually deposited. Without this collections total on the balance sheet, ready cross-referencing does not occur with the deposit slip amount.

**RECOMMENDATIONS:**

- 1. Z-tape totals from the cashiering system should be entered onto balance sheets, and the overage or shortage line should have an amount entered, even if it is "0."**
- 2. Balance sheet format should be modified, as needed, to allow for entering Z-tape totals.**
- 3. Balance sheets should be redesigned to indicate the amount of cash collected minus the change fund to match the cash amount deposited per deposit slip.**

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***The Z-tape summary did not differentiate totals by type of payment.*** A daily report in the Elections Division summarizing collections for all cash registers, the "Payment Class Report," showed total collections without differentiating by cash, check, or credit card. Credit card and check totals were handwritten on the document based on the sum of individual collections totals for each cash register produced by the automated cashiering system.

The system had not been programmed to produce sum totals by payment type for all cashiers. However, entering these totals by hand unnecessarily adds to time in completing tasks that should be automated.

**RECOMMENDATION:**

The Z-tape report, "Payment Class Report," should be re-programmed to allow differentiation of collections by cash, check, or credit card, without the need to hand enter these amounts.

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**The credit card summary report included full 16-digit credit card numbers.** A daily report detailing all credit card transactions includes full credit card numbers in the detail. The statements are stored in a locked filing cabinet apart from the deposit documentation to comply with Payment Card Industry Data Security Standards (PCI DSS).

Despite this compliance, the constant attention and stress from securing these documents could be avoided by re-programming the Pin Entry Device (PED) to print only the last four digits. The employee who maintains these documents stated that an anticipated firmware update on the PED should solve this problem and truncate the number to four digits.

**RECOMMENDATION:**

The credit card summary report should be modified to prevent printing the full credit card number, and only the last four digits of the number should be shown.

**CAPITAL AND CONTROLLED ASSETS**

Our finding in the area of Capital and Controlled Assets is as follows:

- ***Some laptops hard drives do not have whole disk encryption.***
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***Some laptop hard drives do not have whole disk encryption.*** Laptops are mobile devices that have a higher theft risk, especially when taken outside of County-controlled environments. To protect installed programs, data, and network access, hard drives are required to have whole disk encryption.

Countywide Policy #1400-5, *Mobile Device Protection*, Sections 31.1, states:

*All hard drives in County issued laptop computers shall employ whole disk encryption.*

It was stated by the Clerk's IT Manager that three of the laptop hard drives are encrypted. However, the remaining laptops have not been encrypted due to re-evaluation of encryption software by County Information Services. As of this writing, it is unknown which encryption software will be used.

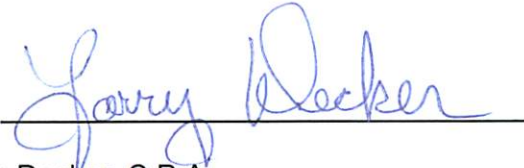
**RECOMMENDATION:**

All laptop hard drives should be encrypted according to Countywide policy.

We appreciate the cooperation of the Clerk's Office and staff during this examination in answering our questions and providing materials. We trust that implementation of recommendations made in this letter will create greater efficiency in operations. Please feel free to call me with any further questions you might have.

Sincerely,

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By: 

Larry Decker, C.P.A.  
Senior Deputy Auditor, Compliance and Performance Assessment

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