

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



An Audit of the Key Controls of
Southeast Public Health Center

October 21, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 21, 2014

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Southeast Public Health Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Southeast Public Health Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Southeast Public Health Center and the cooperation from Lisa Nokes, Terri Ledding, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Southeast Public Health Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Todd Livingston
Deputy Auditor

cc: Gary Edwards, Executive Director
Matthew Ferguson, Fiscal Manager
Lisa Nokes, District Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Southeast Public Health Center. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

The Southeast Public Health Center has put into place several key controls for managing public funds. Most risks identified were minor and not expected to result in material loss. Deficiencies in internal controls over cash handling and controlled assets have a higher likelihood of being a liability to the County. A report of the last audit of the Southeast Public Health Center was released to the public in May 2013.

Findings and Recommendations

Finding # 1 - The "Controlled Assets Inventory Form-Employee" was not completed for each employee.

Risk Level: Low

Countywide Policy #1125 "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 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. ... [The] '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."

Of the 14 "Controlled Asset Inventory Forms - Employee" reviewed, 11 were not updated and signed prior to the 2014 audit.

A controlled assets inventory was conducted in February 2014, but the "Controlled Assets Inventory Form - Employee" was not signed by each employee.

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 "Controlled Asset Inventory Form - Employee" be signed by each employee assigned assets.

Action Taken: All of the "Controlled Asset Inventory Form - Employee" were signed by each employee as of August 28, 2014.

Finding # 2 - The imprest checking account was not reconciled monthly.

Risk Level: Low

"Countywide Policy #1203, "Petty Cash and other Imprest Funds," Section 5.1.3 states:

"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."

A previous audit conducted in 2013 found that the imprest checking account at the Southeast Public Health Center was reconciled quarterly instead of monthly. A retest showed that the imprest account in like manner was reconciled quarterly instead of monthly.

Fiscal management of the Salt Lake Valley Health Department (SLVHD) previously deemed the account activity insufficient for a monthly reconciliation, but allowable for a quarterly reconciliation.

When imprest checking accounts are not reconciled monthly, it could indicate a lapse of proper management control of the fund.

Recommendation

We recommend that the imprest checking account at the Southeast Public Health Center be reconciled monthly by an employee who is not the custodian.

We recommend that if SLVHD management deems the prior recommendation unnecessary, that they seek an exception to this policy from the County Council.

Finding # 3 - On-line cash drawers were not used.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 2.4.1.3 and 2.4.1.3.1 state:

"If total receipts per day exceeds \$1,000, or the number of transactions processed is 100 or more, then Agency Management shall provide an on-line register with the following features: A cash drawer for each terminal that automatically opens when a sale or transaction is completed."

An average of \$2,269.81 was receipted per day in a sample of 30 days of deposits from August 2013 to July 2014. Receipting stations at the Southeast Public Health Center used lockable cashboxes instead of on-line cash drawers that open automatically when sales or transactions are completed.

When an on-line cash drawer is not used when required, there is an increased risk of inaccurate receipting, recording, accounting, and improper safekeeping of public money.

Recommendation

We recommend that SLVHD management provide the Southeast Public Health Center with an on-line cash drawer, for each terminal, that automatically opens when a sale or transaction is completed.

Additional Information

Background

The mission of the Salt Lake Valley Health Department is to promote and protect community and environmental health.

The precursor to the Salt Lake Valley Health Department (Deseret Public Health, eventually Salt Lake City Health Department) was founded in 1857. The Salt Lake County Board of Health was created in 1899. Salt Lake City and Salt Lake County operated separate health departments until 1969, when they combined to form the Salt Lake City-County Health Department. The department's name was changed to Salt Lake Valley Health Department in 2000.

There are seven healthcare clinics located throughout Salt Lake County. Services offered include the Women, Infants and Children (WIC) program, Immunizations, Child Health Evaluations and Care (CHEC), Medicaid Eligibility, Prenatal Care, Birth and Death Certificates, Pre-travel Education, Medication Recommendations, HIV and STD Testing and Treatment, Public Health Nursing Home Visitation, Women's precancer screening (BeWise Program), Teen Mother and Child Program, and the Nurse-Family Partnership Program.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending July 31, 2014. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices. Retesting of prior audit findings was also performed, where applicable.

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



Memorandum

To: Todd Livingston, Salt Lake County Auditor's Office

CC: Gary Edwards, Audrey Stevenson, Lisa Nokes, Kayla Doud

From: Matt Ferguson, Fiscal Manager

Thru: Dorothy Adams, Associate Director

Date: 10/20/2014

Re: Audit of the Southeast Public Health Clinic

Concerning the recently completed audit of the Southeast Public Health Center, all three findings have already been brought to our attention through the recent audits of other clinics. So these issues are already currently being addressed throughout the Health Department. Here is a short summary of what we are doing.

The first finding was, **“The Controlled Assets Inventory Form-Employee was not completed for each employee.”** To ensure that these forms are completed by all employees, we will add the procedure to our recently developed “new-hire checklist,” and we will remind asset managers to collect the individually signed forms each year.

The second finding was, **“The imprest checking account was not reconciled monthly.”** Because the Southeast Clinic account is so small and is rarely used, the cost in time, travel, and pay to reconcile it every month is more than the resulting benefit or reduction in risk. Therefore, we do not plan to implement the recommendation to reconcile the account monthly. Furthermore, we don't plan to “seek an exception to this policy from the County Council,” as recommended. Rather, we will continue to develop and rely on compensating measures to reduce and mitigate the risk of fraud. This includes regularly monitoring the account activity, lowering the amount even further, and/or closing out the account altogether.

The third finding was, **“On-line cash drawers were not used.”** As with the second finding, the cost to comply with the letter of this policy is likewise greater than the resulting benefits. In addition, the Health Department would like to avoid the perception that the clinic is a retail operation. Therefore, we have compensating measures in place to safeguard cash and maintain adequate accountability.

In conclusion, thank you and please add this response to your report.