

Salt Lake County Auditor's Office

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RE: West Valley Acord Ice Center Cash Audit

Dear Glen:

We recently completed an unannounced count of petty cash and change funds at the West Valley Acord Ice Center (Acord). We also audited cash collections, depositing, accounts receivable, pro shop inventory procedures, and fixed and controlled assets. Acord also operates the adjacent Centennial Pool and maintains all cash receipting and depositing documentation for this operation. Cash handling and fixed and controlled assets management are generally adequate but we found some areas where improvements are needed. Major findings and recommendations are discussed below.

CASH COLLECTIONS AND DEPOSITING

During our review of the cash receipting and depositing process, we found several items that could be improved.

- **Checks are not restrictively endorsed upon receipt.**
- **Adequate check guarantee procedures are not used when accepting personal checks.**
- **Safes are not bolted to the floor as an added security measure.**
- **Petty cash vouchers are not numbered as a way of referencing the disbursement of funds.**
- **The change fund custodian listed on the Auditor's Petty Cash Report does not coincide with the employee currently assigned as the custodian.**
- **Each cashier is not completing a daily cash activity summary.**

- **An \$8.20 shortage in the change fund has not been replenished to restore the fund to its authorized limit.**
- **Some overages and shortages had not been recorded on the over/short logs.**
- **A manual receipting system is used even though cash collections exceed \$250 per day.**

Checks are not restrictively endorsed upon receipt. When we performed the unannounced cash count, checks in the cash register drawer had not been restrictively endorsed, in other words, stamped on the back with the language, "Pay to the order of the Salt Lake County Treasurer." Countywide Policy #1062, Management of Public Funds, Section 3.6.1, states, "*As a rule, all checks and other negotiable instruments received by cashiers will be made nonnegotiable as soon as possible after receipt.*" Also, Section 3.7.3 of the same policy states, "*When accepting checks for payment, immediately stamp the back of the check with a 'deposit only' stamp.*" Checks that are not immediately stamped can more easily be diverted to personal or unauthorized use.

RECOMMENDATION:

We recommend that all checks be restrictively endorsed upon receipt to prevent diversion of funds to personal use.

Adequate check guarantee procedures are not used when accepting personal checks. Cashiers at the Acord Ice Center do not ask for a valid form of identification when receiving personal checks. Countywide Policy #1301, Acceptance of Checks, Section 2.0, states "*It is the policy of Salt Lake County, when receipting payments for user fees and other revenues, to require that over-the-counter receipts in the form of a personal check be accompanied by a valid form of identification.*"

The following forms of identification are acceptable with a current expiration date: driver's license, Utah identification card, or a check guarantee card. These forms of identification are necessary in cases when checks are returned as a result of insufficient funds. The information obtained from recording the identification will assist in the collection effort, giving the Treasurer the necessary information to contact the individual and request payment. When identification is not requested, there is no way to verify that the check is written by the individual on the account.

RECOMMENDATION:

We recommend that cashiers ask for identification when personal checks are accepted from patrons.

Safes are not bolted to the floor as an added security measure. Countywide Policy #1062, Management of Public Funds, Section 2.3.1 states, “A combination cashbox, safe, or vault which will afford adequate protection should be used to safeguard public funds.” During our audit, we discovered that the two safes at Acord were not bolted to the floor. One is used to secure the change fund and the other—a drop safe—is used as a receptacle for daily cash receipts prior to deposit. The safes are located in a small room near the front desk. The door is usually kept locked, and there is limited access to the room. Nevertheless, safes can be carried away, thus securing them to the floor provides added security against theft or tampering.

RECOMMENDATION:

We recommend that each safe be bolted to the floor to ensure adequate safeguarding of funds.

Petty cash vouchers are not numbered as a way of referencing the disbursement of funds. Countywide Policy #1203, Petty Cash and Other Imprest Funds, Section 3.1.3, states, “A control listing is to be kept, identifying in **numerical order** the voucher number, the date of each disbursement, the name of the vendor from whom purchased, the payee, and the amount spent.” Vouchers that are not sequentially numbered do not provide a reference point by which all transactions can be identified.

RECOMMENDATION:

We recommend that all petty cash vouchers be numbered prior to funds being released to ensure adequate referencing for transactions.

The change fund custodian listed on the Auditor’s Petty Cash Report does not coincide with the employee currently assigned as the custodian. In 2002, Parks and Recreation administration assigned the director of the Acord Ice Center as the custodian for Centennial Pool’s change fund, thereby replacing the prior custodian. The Auditor’s Office Petty Cash Report does not accurately reflect this change in custodian. Acord management indicated they had completed and submitted an MPF Form 2, Request for Change, at the time Parks and Recreation administration designated the director as the new custodian. However, the petty cash report has not been updated, and resubmitting this form may be necessary.

RECOMMENDATION:

We recommend that Acord management complete and re-submit an MPF Form 2, Request for Change, to the Auditor’s Office to ensure the Petty Cash Report will be updated.

Each cashier is not completing a daily cash activity summary. While reviewing the deposits, we found that each cashier was not completing a daily cash summary (individual balance sheet). One

instance involved the bookkeeper at Acord, who occasionally acts as a cashier, but did not complete a *Daily Cash Activity Summary Sheet* for any of the days we examined. As a result, the sum of collections reflected on individual balance sheets never matched the total indicated on the daily deposit slip because one or more cashiers had not completed a balance sheet. Although we could not compare individual balance sheet totals to deposit totals, we were able to compare the same deposit totals to McBee receipt summaries.

By requiring each cashier to complete a balance sheet, management receives a statement of accountability from individual cashiers for cash transactions they completed. Individual summaries (balance sheets) also provide early detection for any depository problems.

RECOMMENDATION:

We recommend that each cashier complete a Daily Summary of Cashiering Activity (individual balance sheet).

An \$8.20 shortage in the change fund had not been replenished to restore the fund to its authorized limit. When we performed our unannounced cash count at Acord, the \$1,200 authorized change fund was short \$8.20. As a matter of procedure, the \$1,200 change fund is divided into eight bags—skate rental #1: \$100, skate rental #2: \$50, front desk #1: \$150, front desk #2: \$150, concessions #1: \$100, concessions #2: \$100, skate admission bag: \$100, and change fund bag: \$450. The \$8.20 shortage was found in concessions bag #1, which contained only \$91.80 of its normally designated \$100 amount.

Countywide Policy #1203, Petty Cash and Other Imprest Funds, Section 3.9, states, “Any unaccounted-for funds (shortages) shall be investigated immediately...If the shortage appears to relate to a theft, it shall be reported in accordance with Countywide Policy #1304, Discovery and Reporting of Thefts. Any shortages not resolved immediately shall be explained in a letter to the Mayor. The Auditor will reimburse requests to replenish accounts resulting from shortages if authorized by the Mayor through this process.” The shortage could not be explained by management, but it should be replenished through a written request to the County Mayor’s Office.

RECOMMENDATION:

We recommend that per Countywide Policy #1203, Acord take action to have the change fund replenished to the original amount.

Some overages and shortages had not been recorded on the over/short logs. An overage or shortage occurs when a cashier collects more or less than the amount of the transaction or gives

incorrect change. Excessive overs and shorts need to be monitored and investigated because they could be a sign of theft.

During our audit we examined a random sample of deposits for 37 days, and noted four instances where discrepancies between deposit slip totals and daily cash receipt totals (McBees) had occurred, but they were not reflected on Acord's over/short log. Of the four instances, we found two shortages, one for \$5 and the other for \$24; and two overages, one for \$40 and the other for \$62.55.

Furthermore, we examined Acord's over/short logs for the period September 2001 to August 2002. We noted an overage or shortage on 22 of the 37 days examined (59 percent). One shortage reached \$18; the remaining were \$2 or less. One overage of \$20.40 was the most significant. Others ranged from \$.01 to \$2.92. Overages and shortages that amount to a few cents are likely to occur on occasion. However, larger amounts, particularly in regard to shortages, create greater concern because of the loss of funds and a greater likelihood of theft.

In addition, daily deposit amounts were not adjusted to reflect the daily over/short amount. Instead, these amounts were accumulated on the over/short log and the corresponding funds were placed in a bag. Additions and deletions to the bag from the cash drawer were made as overs and shorts occurred. The net difference at the end of the month, either over or short, was then reflected in the deposit. This procedure was not in accordance with Countywide Policy #1062, Management of Public Funds, nor was it a sound bookkeeping practice.

Countywide Policy #1062, Management of Public Funds, Section 5.2, states, "*Any overages will be deposited into the agency's depository account and reported on MPF Form 3, DAILY CASH BALANCE, MPF Form 10, CASH OVER/SHORT LOG and on the Monthly Report of Cash Receipts. Shortages will be withheld from the deposit to maintain the change fund at the authorized level and will be reported on the MPF Form 3, and MPF Form 10.*" Since October 2002, Acord has discontinued this practice of accumulating overages and shortages and adjusting the deposit at the end of month. They now adjust deposits each day as overages and shortages occur.

Internal controls that can help reduce the occurrence of overs and shorts include maintenance of an over/short log and supervisory review of these logs. Cashiers incurring excessive overages and shortages should be given additional training in better cash handling techniques.

We also noted, during our audit, that supervisors do not consistently review monthly over/short logs. Acord consistently uses the MPF Form 10, Cash Over/Short Log, on a monthly basis to record cash outages. However, we observed that not all over/short logs are reviewed and signed by a supervisor. Six of the eleven over/short logs that we examined were missing a supervisor's signature. Countywide Policy #1062, Management of Public Funds, Section 5.2, states, "*MPF Form 10 must be maintained*

*and a copy **signed** by the immediate supervisor and shall be attached to the Monthly Report of Cash Receipts that is sent to the Auditor's Office."*

Furthermore, we found that some cashiers were having difficulty properly completing individual balance sheets. We noted arithmetic errors, misplaced numbers, and omitted numbers on the cashiers individual balance sheets. However, Acord's bookkeeper reviews and corrects the individual balance sheet errors when they come to her attention. Many cashiers are young, seasonal employees who may lack the focus necessary in handling cash. Nevertheless, all Acord cashiers must make the effort necessary to ensure a correct record of each days activity.

RECOMMENDATION:

- 1. We recommend that all overages and shortages be recorded on over/short logs and reflected in the daily deposit.*
- 2. We recommend that Acord supervisors review and sign all MPF Form 10, Cash Over/Short Logs.*

A manual receipting system is used even though cash collections exceed \$250 per day. All pro-shop customers are issued handwritten receipts for their purchases. In fact, all customers paying for services at the front desk are issued handwritten receipts.

Countywide Policy #1062, Management of Public Funds, Sections 2.3.1.2.2 and 2.3.1.2.3, state, *"If total cash receipts are from \$250 to \$1000 per day, an off-line register with a locking cash drawer that produces a detail tape and double receipt tape is recommended...If total cash receipts exceed \$1000 per day, an on-line register...is recommended."* Average deposit totals for our random sample of 37 days were \$1,463.

The on-line cashiering and inventory management "Sportsman" program has been installed at Acord. However, it is not operational because employees have not been trained on how to properly use it. Despite large dollar cash transactions each day, Acord is one of the few Parks and Recreation facilities that does not use the "Sportsman" system for receiving and receipting cash transactions. The magnitude and variety of cash transactions, including admissions and concessions sales, requires an automated cash receipting system.

RECOMMENDATION:

We recommend that the Acord Ice Center eliminate the use of handwritten receipts and use the Sportsman software program for cash receipting and inventory management.

ACCOUNTS RECEIVABLE/MERCHANDISE INVENTORY

During the course of our audit we reviewed Acord's accounts receivable and pro shop inventory procedures and noted the following:

- **One client has an outstanding balance more than two years old.**
- **Acord does not perform an inventory reconciliation for pro shop items.**

One client has an outstanding balance more than two years old. Acord currently has 31 active accounts for clients that they bill on a monthly basis for use of the ice rink. A majority of Acord's clients consist of assorted youth and adult hockey leagues throughout the Salt Lake Valley. These clients use the ice rink on a contractual basis. Acord management negotiates client contracts annually. Ice time, rate, and payment provisions are stipulated in each client contract.

One client, the Salt Lake Amateur Hockey Association (SLAHA), currently has an outstanding balance of \$4,656 that is substantially overdue. On January 1, 2001 SLAHA had an outstanding balance of \$5,072—carried over from year 2000—for their use of the ice rink. They were charged a rate of \$135 per hour for ice time.

In January, March and April of 2001, SLAHA made 11 payments in an effort to satisfy the debt. SLAHA made its last payment on April 4, 2001 that reduced their outstanding balance to \$3,099. Since then, a two percent monthly interest charge has accrued, resulting in the current balance of \$4,656. In August 2001, a collections warning letter was sent to SLAHA; but they did not respond. Acord has not referred the account to the District Attorney's Office, a procedure that should have occurred by now.

Acord management has since learned that SLAHA is no longer a going concern. In January 2003, Acord contacted a former SLAHA board member about the outstanding balance. He requested that he be sent a detailed summary of all outstanding invoices so that he could review them. However, no additional payments have been made. Acord has had no further contact with the now defunct SLAHA or any of its former officers or board members.

The SLAHA account should have received earlier, more consistent follow-up in collection efforts by Acord staff, including referral to the District Attorney's Office for collection. In addition, Acord does not have any written policies and procedures relating to the handling of accounts receivable. Written policies and procedures provide the basis for actions taken by management, actions which otherwise may be haphazard or inconsistent. In the case of receivables at Acord, no formal structure is in place to address the collection of excessively overdue accounts.

RECOMMENDATION:

1. *We recommend that the SLAHA account be turned over to the District Attorney's Office for additional collection effort.*
2. *We recommend that Acord management formulate written policies and procedures that address accounts receivable.*

Acord does not perform an inventory reconciliation for pro shop items. Acord management stated that a count of pro shop inventory is conducted every quarter. However, a reconciliation of inventoried items is not performed. Acord does not show any analysis of pro shop sales to beginning and ending inventory items that would indicate whether all collections and goods are properly accounted for. Beginning pro shop inventory plus any additions less ending inventory should equal the number of goods sold. Multiplying the number of these goods by their sales price should equal what is reported as pro shop revenue. Therefore, no mechanism exists to verify the accuracy of pro shop collections. Consequently, pro shop merchandise items could be diverted to unauthorized use without detection.

The Sportsman software package, which is not yet in use at Acord, has the capability of reporting specific items being sold and deducting them from inventory. The utilization of this software would be a valuable tool in managing Acord's pro shop inventories.

RECOMMENDATION:

1. *We recommend that pro shop sales be verified periodically by documenting a comparison of beginning and ending item counts, and additions, to total pro shop sales.*
2. *We recommend that Sportsman software be utilized to assist in the adequate monitoring of pro shop inventories.*

FIXED AND CONTROLLED ASSETS

As defined in Countywide Policy #1125, Safeguarding Property/Assets, Section 1, fixed assets are items having a value greater than or equal to the capitalization rate—currently \$5,000—while controlled assets are items valued between \$100 and \$4,999, and considered as convertible to personal use. We conducted an inventory of Acord's fixed and controlled assets and found their controls regarding assets adhered to policy #1125. We commend them for their efforts in this area.

Acord had recently completed an inventory of all their controlled assets. Each item was tagged and recorded on the controlled assets list. Tag number, serial number, description, location, purchase date, and cost of each item were indicated on the list. Listed items that had been surplus were

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distinctively marked. Acord maintained all Salt Lake County Personal Property Transfer/Disposal/Internal Sale PM-2 Forms as proof of transfer to surplus. Acord maintains few fixed assets—four in total. All four fixed assets recorded on the Auditor’s Office Fixed Asset Inventory report were located.

In closing, we express appreciation to the staff at the West Valley Acord Ice Center for the cooperation and assistance they gave to us during our audit. The staff was both friendly and helpful in completing this project. We are confident that our work will be of benefit to you and help you strengthen internal controls throughout Acord. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit

cc: Paul Ross
Brad Pitcher