



## SALT LAKE COUNTY AUDITOR'S OFFICE

**SEAN THOMAS**

*Auditor*

November 5, 2004

Seth Jarvis  
Director of Clark Planetarium  
110 South 400 West  
Salt Lake City, Utah 84101

**Re: Audit of Clark Planetarium**

Dear Seth:

We recently completed an audit at Clark Planetarium. The timing of the audit was meant to coincide roughly after one full year of operations in the new facility at the Gateway. Because of the location change and redevelopment of the Planetarium, its management systems, and operations, the facility is functionally just over one year old. These findings should be viewed with that concept in mind. Our audit report will be released as two documents, this letter being the first release. This letter includes a review of the following areas:

- Cash receipting and depositing
- Accounts receivable
- Building rental contracts
- Petty cash and change funds
- Fixed and controlled assets
- Science Store merchandise inventory

In each of these areas, we evaluated the effectiveness of the internal control environment. Our work was designed to provide a reasonable, but not absolute, assurance that daily transactions were valid, accurate, and appropriate according to prescribed management policies.

We found many internal control procedures in place and functioning properly. However, deficient internal controls in various operational areas create opportunity for undetected theft(s) of funds to occur. This opportunity will continue to exist until planetarium management establishes proper controls, either by implementing our recommendations or some equivalent control measures.

In addition, we have limited our comments to significant findings and recommendations. They are not all-inclusive of the scope of the work performed. Other areas of concern have been discussed with the planetarium fiscal manager. *The reader, therefore, should not assume that processes not discussed here are in compliance with countywide policy.*

The second document that will be released regarding this audit will include a review of revenue trends at the planetarium since its opening in April 2003. The revenue trends are compared to the revenue projections that were presented by the Mayor's Planetarium Planning Committee in September 2001, when the move of the planetarium was under consideration by the County. Additionally, the analysis of revenue and expenditures was expanded to include all sources and uses of cash to provide a more comprehensive overview of operations. The second document will also include the findings of our review of the planetarium's contract with R&R Advertising and Cinema Group.

### **CASH RECEIPTING AND DEPOSITING**

During our review of cash handling procedures, we found some areas where improvements can be made. Our findings include the following:

- **Daily collection receipts were being used to issue refunds.**
- **Signatures required on the Refund/Exchange/Void Form were not always present.**
- **Deposits were not being made in a timely manner.**
- **The MPF Form 11, Cash Over/Short Log, was not used at the planetarium.**
- **The cash/check/credit card composition on the deposit log was not always consistent with the computer-generated Income Summary Report.**
- **Adequate procedures were not in place to ensure the safeguarding of mailed-in receipts at the planetarium.**
- **Promotion documentation for coupons or fee waivers was not always turned in by cashiers.**
- **Credit card collections were deposited into a University of Utah bank account.**

**Daily collection receipts were being used to issue refunds.** Currently, cashiers are issuing refunds out of cash register revenue receipts. We reviewed 36 days of transaction records, and for those days there were 148 refund transactions. Of the 148 transactions 62, or 42%, were for patrons' personal reasons (missed show, late for show, bought too many tickets, etc).

Countywide Policy #1062, "Management of Public Funds," Section 3.12.1, states, "*No refunds are to be issued out of depository accounts. These accounts are strictly for depositing of revenue and are not imprest funds.*" Policy #1062, Section 3.12.1.1, goes on to state, "*As a general rule, refunds should be issued through the established procedures as outlined in Countywide Policies #1202, 1203, and 1205.*" In addition, Policy #1062, Section 3.12.1.2, states, "*Requests to establish Special Refund accounts must be referred to the Auditor for his/her review and recommendations...*"

There are times when a refund is necessary, such as when there is equipment failure, cashier error, or other reason beyond the control of the planetarium. At those times, it seems logical that a timely refund is in order and the cash registers are the logical place for the customer to come for the refund source. However, the planetarium has a written policy printed on their tickets and website stating that "There are no refunds for ticket purchases."

The current procedure the planetarium uses to issue refunds is in violation of Countywide Policy. However, due to the nature of the operation and the demands for immediate refunds, there is a need for a refund account that is readily available. Short of establishing a refund account, planetarium management should request an exemption to Countywide Policy #1062 and issue refunds through cash register collections. We recommend the first alternative.

#### **RECOMMENDATIONS:**

- 1. We recommend that planetarium management establish a special refund account, or obtain an exemption to Countywide Policy #1062 for issuing refunds from cash register receipts.***
- 2. We recommend that planetarium personnel follow the County's established refund policy, until an alternative procedure is adopted.***

**Signatures required on the Refund/Exchange/Void Form were not always present.** During our examination of depositing, we also looked at the refunds, exchanges, and voids that occurred on the days in the sample. We examined 148 refunds, 108 exchanges, 6 voids, and 46 transactions that were not specified as either a void, a refund or an exchange.

Planetarium management has created a form that is used for refunds, exchanges, and voids. The form requires that the customer, cashier, and supervisor sign the form. Of the 308 refund, exchange, and void transactions in the sample, 55 (18%) had one or more of the signatures missing on the form. When the required signatures are not on the form, especially the customer and manager signature, it is possible that funds could be diverted to personal use.

Policy #1062, Section 3.5.2.2, states, "*When it is necessary to void a receipt, all copies will be marked "void", including the original (customer) copy, if available. The cashier who initiated the void will document on the front of the voided receipt the cause of the voided*

*transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void. The voided receipts will be filed in proper numerical sequence and kept for audit purposes."* This is a necessary control not only for voids, but also for exchanges and refunds.

**RECOMMENDATION:**

***We recommend that management proactively review all Refund/Exchange/Void forms to ensure that cashiers obtain all three required signatures.***

**Deposits were not being made in a timely manner.** We traced a sample of 36 deposits to the bank statement. We found that the average number of days from the time the funds were receipted to the time the deposits cleared the bank was 5.6 days. The longest time for deposits to arrive at and clear the bank was 10 days after receipt and the shortest time was 2 days after receipt.

Policy #1062, Section 3.7.2, states, "*As required by Section 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practical but not later than three days after receipt.*"

The planetarium uses an armored car service to deliver deposits to the bank. The 5 day average, and especially 10 days, is excessive since the service comes every day, except weekends.

The part-time clerk who prepares the deposits works Monday, Wednesday, and Friday. If the clerk is not available for some reason, (vacation, sick, etc.) deposits are not prepared until she returns. In addition, when the weekend receipts are voluminous, or a reconciliation problem occurs, the deposit preparation can be delayed.

The current procedure often results in too much money being accumulated on the premises, which is an invitation to theft/loss. By designating another accounting individual to assist the part-time clerk in preparing deposits, the deposits will be processed more timely.

**RECOMMENDATIONS:**

- 1. We recommend that daily collections be deposited no later than three days after receipt, in accordance with policy.***
- 2. We recommend that another individual be assigned to assist the part-time clerk prepare deposits as needed.***

**The MPF Form 11, Cash Over/Short Log, was not used at the planetarium.** Planetarium management keeps a monthly log of the over/shorts for each County employee who is a cashier at the planetarium. The log lists each cashier and their over/short amount on a

daily basis. Cinema Group, the contractor who operates the concession area, had initially been providing an over/short log in the same format. However, they have not provided one for several months.

Policy #1062, Section 2.5.3, states, “*All overages and shortages, regardless of the amount must be recorded and reported daily by the agency on MPF Form 11 CASH OVER/SHORT LOG.*” The policy does not suggest an alternative or substitute to this form.

MPF Form 11 provides a standard method for each cashier to record their over/shorts, initial their entries daily, and submit the form monthly for review by a manager. The benefit of consistent use is that the cashier is reminded daily of any over/short problems and problems are reviewed by a supervisor. The neglect of use of the MPF Form 11 is a violation of County policy, and puts the employee and planetarium management at risk.

**RECOMMENDATION:**

*We recommend that the planetarium use MPF Form 11, Cash Over/Short Log, as required by policy.*

**The cash/check/credit card composition on the deposit log was not always consistent with the computer-generated Income Summary Report.** For the sample days that we reviewed for collection and deposit accuracy, we found that the composition did not always match between the cashier booth reports, the deposit log sheet, and the computer-generated income summary report. Policy #1062, Section 3.7.3.1, states, “*Each day, all county agencies should balance collections to register totals and prepare a deposit.*”

Part of the problem was that, when late shows were scheduled, the computer would cut off the income summary report before the ticket booths were closed. This problem has been corrected. Another finding was that cashiers enter checks as cash, and vice versa. Inconsistency in this area can be an indicator of possible theft of funds.

**RECOMMENDATION:**

*We recommend that cashiers and managers work to record collections accurately.*

**Adequate procedures were not in place to ensure the safeguarding of mailed-in receipts at the planetarium.** When the mail was opened, no log was prepared detailing the amounts received. The mail was opened, most of the time, by one individual and then any payments received were given to the part-time clerk to include in the deposit.

The introduction to Policy #1062 states, “*Internal control is a system designed to prevent a single employee from exclusively controlling a monetary transaction...The duties of individuals should be so divided as to maximize employee protection and minimize the*

*potential for collusion, perpetration of inequities and falsification of accounts. The objective is to provide the maximum safeguards practicable..."*

Internal control best practices suggest that two persons be present when mail is opened, that a mail log be prepared, that checks be restrictively endorsed, and that receipts be prepared. The log should be reviewed by a manager and made a permanent part of the daily deposit records. This is a protection for the employee and provides an audit trail for identifying the persons involved at each step of cash handling.

#### **RECOMMENDATIONS:**

- 1. We recommend that two individuals jointly open the mail.*
- 2. We recommend that a log of mail-in payments be prepared, and a copy of the log accompany the funds for review that then becomes a permanent part of the daily deposit record.*

**Promotion documentation for coupons or fee waivers was not always turned in by cashiers.** Planetarium management requires cashiers to keep documentation for any fees that are waived. If a customer uses a coupon, the cashier keeps the coupon and turns it in at the end of the shift along with the change fund and the revenue they collect. If the promotion does not require a physical sheet of paper, the cashier completes a fee waiver form and turns it in at the end of the shift.

We examined the promotion documentation for each day in our deposit sample to ensure that all the fees that were waived had either the coupon or fee waiver form included with the deposit detail. We found that out of the 36 days we examined, approximately 11, or one-third, of the days did not have adequate documentation for the fees that were waived. Requiring cashiers to turn in this documentation is an important control and reduces the likelihood of funds being diverted to personal use.

At the end of each day, the computer generates a promotion report that summarizes the coupons redeemed and any fee waivers that occurred. The part-time clerk, who prepares the deposit, examines the promotion report and the documentation that cashiers turn in to support the waivers and notes any differences. However, if there is a discrepancy, it does not appear that any further investigation is done as to the reason for the waivers. Management needs to be proactively involved in reviewing any discrepancies and question cashiers about fee waivers that do not have adequate documentation.

#### **RECOMMENDATION:**

*We recommend that the part-time clerk report any discrepancy between the promotion report and the coupons/fee waivers turned in by the cashiers to the fiscal manager who can then question cashiers as to the reason for the difference.*

**Credit card collections were deposited into a University of Utah bank account.**

During our examination we traced credit card revenue collected by the planetarium to the bank statement. There were four days in our sample that the American Express (AMEX) portion of the deposit did not post to the bank statement. The individual, who reconciles the planetarium bank statement in the Auditor's Office, explained that the AMEX revenue was deposited into an account at the University of Utah (U of U). We also discussed this with the fiscal manager at the planetarium and she stated that this was indeed what happened. One of the credit card machines connected to a cash register at the planetarium was inadvertently programmed to deposit funds into the old University of Utah account that was in place when it managed the planetarium. As a result, revenues that were earned by the planetarium were delayed in being deposited into their account.

This problem in misdirected deposits, which occurred in July and August 2003, has since been resolved by the U of U issuing a check to the planetarium for \$3,536.74, the amount that should have been deposited in the planetarium's account, but instead was deposited into a U of U bank account. The U of U issued another check on September 30, 2003, for \$22.78, to reimburse the planetarium for yet another misdirected deposit that occurred in September. The two checks were due billed by the Auditor's Office and credited to the planetarium.

Countywide Policy #1062, Section 3.7.2, states, "As required by Section 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practical but not later than three days after receipt."

**RECOMMENDATION:**

*We recommend that the fiscal manager continue to work with the Auditor's Office to ensure that all funds collected are accounted for and deposited into the planetarium bank account.*

**ACCOUNTS RECEIVABLE**

The planetarium sends invoices to agencies for a variety of purposes. The main sources for billing include the following:

- Selling productions developed by planetarium staff to other agencies
- Charging schools and other government agencies for show attendance
- Charging Cinema Group for parking fees for their employees

As of May 27, 2004, \$10,652 was due to the planetarium. Of this amount, two invoices totaling \$1,290 were 90 days past due. The remaining balance of \$9,362 was under 30 days old.

Management at the planetarium has implemented some of our recommendations from the September 12, 2003, audit in managing their accounts receivable. The office coordinator

now prepares a monthly aging schedule. In addition, the accounts receivable duties are now separated and performed by the office coordinator and part-time clerk. The duties of billing and depositing are assigned to the part-time clerk, and the duties of receipting and posting are performed by the office coordinator. We commend planetarium management for implementing the recommendations and increasing internal controls. However, we did find the following areas of weakness regarding accounts receivable:

- **Clark Planetarium does not have a written accounts receivable policy.**
- **Some invoices were prepared up to 20 days after the transaction occurred.**
- **A second notice has not been sent to an account 120 days past due with a balance of \$1,200.**

**Clark Planetarium does not have a written accounts receivable policy.** The planetarium's fiscal manager is in the process of writing an official division policy for accounts receivable. Written policies and procedures will help ensure adequate management of accounts receivable.

Planetarium management should consider the following aspects in an effective accounts receivable policy:

- A requirement that a monthly aging schedule be prepared and reviewed by management.
- The time frame in which further collection action will be taken when an account becomes past due, including turning accounts over to the District Attorney's Office.
- A procedure to assess finance charges on past due accounts.

#### **RECOMMENDATION:**

***We recommend that Clark Planetarium management develop and implement written policies and procedures to manage accounts receivable.***

**One invoice was prepared 20 days after the transaction occurred.** We examined accounts receivable invoices that were generated between January and May 2004. The average number of days that it took to bill a group who attended a show at the planetarium or IMAX was about five business days. However, there was one instance we found in which a group attended a show and was sent an invoice 20 business days later. In addition, there were eight instances in which the group was billed either the same day they attended or the next business day. The longer it takes to bill a group who attends a show at the planetarium/IMAX, the more likely that the account may become uncollectible. When developing a division

accounts receivable policy, management should develop a time frame for when invoices are to be prepared and sent to patrons. Billing and collecting on the day of attendance is the best practice, where possible.

**RECOMMENDATION:**

*We recommend that planetarium management decide on a standard number of days in which invoices should be sent to patrons, where it is not possible to collect on the day of attendance, and include this requirement in the written accounts receivable policy.*

**A second notice has not been sent to an account 120 days past due with a balance of \$1,200.** During our examination we found that most of the accounts receivable are paid within 30 days. However, we found one account with a balance of \$1,200 that was 90 days past due, and no follow up notices had been sent. The invoice on this account was for a *Secret of the Cardboard Rocket* show kit. The office coordinator indicated that an employee at the planetarium coordinated selling the show kit. She had not sent a second notice because the employee who sold the show was going to contact the account holder by phone to arrange for payment. As mentioned before, the longer accounts go without being paid and without further notice sent that the payment is due, the more likely the account becomes uncollectible.

We found two other invoices, totaling \$416, where second notices were not sent once the accounts became 30 days past due. However, these two accounts have been collected.

**RECOMMENDATION:**

*We recommend that, if an account becomes past due, a notice be sent on a monthly basis until payment is received.*

**BUILDING RENTAL CONTRACTS**

The planetarium allows patrons to rent the Hansen Star Theatre, IMAX Theater, exhibit space, and classroom. During our audit we reviewed the building rental process and the internal controls in place. We also traced payments for rental deposits and final payments to the planetarium deposit for the time period April 2003 to December 2003. During our examination we found the following weaknesses:

- **Approximately \$750 in fees collected for rental of the classroom for birthday parties could not be traced to a deposit.**
- **Separation of duties was not present in the handling of building rentals.**
- **The reason for building rental fee waivers was not documented for some events at the planetarium.**

- **The “Building Rental and Event Contract” and the “Rental Terms and Conditions” document was not always on file for each event, and sometimes not signed by the contractor.**
- **The written and verbal instructions given to patrons regarding a reservation deposit and final payment requirements for building rental are not consistent.**
- **The full amount of a reservation deposit was refunded to the patron even though the “Rental Terms and Conditions” document only allows for a 50 percent refund if cancellation occurs 30 days prior to the scheduled event.**

**Approximately \$750 in fees collected for rental of the classroom for birthday parties could not be traced to a deposit.** As patrons call to reserve the classroom for birthday parties, the marketing specialist indicates the name, date, and time for the event in the computerized reservation system. The marketing specialist also keeps a spreadsheet (Event List) that indicates the date of the party, the amount charged, and shows the patrons will attend while at the planetarium, and the number of patrons that plan to attend. In addition, she uses a manual calendar to keep track of when each event will occur.

Currently, the event staff collects the rental fee from the patron at the time of the birthday party and the payment is usually left on the marketing specialist’s desk. The marketing specialist gives the payment to the office coordinator to place in the deposit. The payment is not in a secure location between the time the marketing specialist receives it and the funds are given to the office coordinator because it is left on top of the marketing specialist’s desk. This situation leaves the funds vulnerable to theft. One way to rectify the situation would be for a MPF Form 7A, “Transfer of Receipts” to be completed each time the funds pass between employees. One option would be for the event staff to transfer the funds to the planetarium floor manager to place in the safe, in a separate envelope labeled “Rental Payments,” and then the part-time clerk would retrieve the funds at the time the deposit is prepared. The part-time clerk could keep a log of these payments and notify the marketing specialist that a payment had been made so the specialist could post the payment to the Event List.

We examined the Event List and calendar and found that some events listed on the calendar were not on the Event List and vice versa. For each birthday party during 2003, we traced the amount charged on the Event List to the planetarium deposit detail. For the events that were not on the Event List, but on the calendar, we also tried to trace the payments for them to the deposit detail. We were unable to find any deposit detail to verify that deposits had been made for 13 birthday parties, as scheduled on the calendar. The approximately \$750 in expected collections for these parties could not be found in deposit records.

While discussing this issue with the fiscal manager and the marketing specialist, they stated that with the start-up of the new facility it could have been possible for the event staff to

forget to collect the payment from the patrons at the time of the party. Or, some of the birthday parties may have been cancelled without being noted on the Event List.

In addition, it was difficult to trace the payments to the deposit detail because the Event List did not indicate the name associated with the birthday party, the type of payment, or the date the payment was submitted to the office coordinator to be deposited. The first few months that the planetarium was open, the birthday party payments were submitted to the fiscal manager and she submitted them to the Auditor's Office for due billing. It was difficult to match the payments to a specific birthday party because the detail of the information submitted with the due bill only listed the number of checks submitted and their amounts.

### **RECOMMENDATIONS:**

- 1. We recommend that the marketing specialist keep track of the following information regarding birthday parties on the Event List: the date of the event, name of patron, rental fee amount, number of individuals attending, date payment was made, payment type, deposit date, and any other information deemed appropriate by management.*
- 2. We recommend that the employee who collects the funds from the patron for the classroom rental fee complete a MPF Form 7, "Fund Transfer Receipt," and give the funds to the planetarium floor supervisor to place in the safe in a separate envelope labeled "Rental Payments."*
- 3. We recommend that the part-time clerk who retrieves the funds from the safe prepare a log to track payments for building rental and notify the marketing specialist of the payment.*
- 4. We recommend that the marketing specialist post payments to her records to ensure that fees for all building rental events have been submitted.*

**Separation of duties was not present in the handling of building rentals.** The marketing specialist at the planetarium records events in the reservation system, collects fees for building rentals, waives fees, and posts payments into a spreadsheet.

As mentioned above, for birthday parties, the event staff collects the rental fee for rental of the classroom at the time of the party and then places the payment on the marketing specialist's desk. No transfer forms are completed. The marketing specialist gives the payments to the office coordinator who gives the payments to the part-time clerk to place in the deposit.

Two other methods of payment occur. Either the patron goes to the planetarium and pays the fee directly to the marketing specialist, or the payment is received in the mail. If a building rental payment is received in the mail, the office coordinator receives it first, since she retrieves the mail. She then gives these funds to the marketing specialist to record the payment. The funds are then given back to the office coordinator to give to the part-time clerk

to place in the deposit. No transfer forms are completed in this situation either. Instead of the marketing specialist receiving the payment and then transferring it back to the office coordinator, a log could be kept by the office coordinator, who opens the mail, and then the building rental payment information could be forwarded to the marketing specialist, absolving the same individual from booking the reservation, receiving payment, and posting the payment.

In the introductory paragraph to Policy #1062, it states, "*Through the Management of Public Funds program, functions and responsibilities will be defined to establish internal control. Internal control is a system designed to prevent a single employee from exclusively controlling a monetary transaction...The duties of individuals should be so divided as to maximize employee protection and minimize the potential for collusion, perpetration of inequities and falsification of accounts. The objective is to provide the maximum safeguards practicable, giving due consideration to the risks involved and the cost of maintaining controls.*"

Where proper separation of duties is lacking, the opportunity exists that funds could be diverted to personal use. Additionally, mistakes may be less likely to be identified. However, if separation of duties is not possible, additional supervisory reviews can mitigate the risk. The fiscal manager could perform an independent review of the Event List and reservation system to verify that fees for all events have been collected and deposited.

#### **RECOMMENDATIONS:**

- 1. We recommend that the office coordinator record building rental payments that arrive in the mail on a payment log and notify the marketing specialist of the payment.*
- 2. We recommend that the employee who collects the funds from the patron for the classroom rental fee complete a MPF Form 7, "Fund Transfer Receipt," and give the funds to the planetarium floor supervisor to place in the safe in a separate envelope labeled "Rental Payments."*
- 3. We recommend that the fiscal manager perform an independent review of the Event List and reservation system to verify that fees for all events have been collected and deposited.*

**The reason for building rental fee waivers was not documented for some events at the planetarium.** We found several events in which fees were not charged to rent space at the planetarium. These events included the Digistar Users Group & Western Alliance Conference, member previews, KSL, Hartman Lecture, and Rocky Mountain NASA Space Grant Consortium (RMNSGC) Annual Director's Meeting. Documentation did not exist to explain the reason for fees waivers on these events. The marketing specialist explained that KSL was not charged rent for the event they held at the planetarium because they traded several thousands of dollars of advertising for the planetarium. The planetarium does not charge rental fees for member events since they pay a membership fee.

The planetarium "Rental Terms and Conditions" document states in #3, "*The Contractor wishing to rent Clark Planetarium must fill out this contract and submit a reservation deposit amounting to 25% of the total rental fee; this deposit will be applied to the final balance. When the Planetarium approves the contract and accepts the reservation deposit, the date and time of the event will be reserved for the Contractor renting the Planetarium. The rest of the rental fee is due no later than 14 days after the event.*"

The "Rental Terms and Conditions" document does not address the issue of not charging for rental of the planetarium. However, best business practice suggests that approval of fee waivers be documented and approved by management. With revenue projections not being met at the planetarium, management needs to closely consider which events will not be charged a rental fee.

In addition, a Planetarium Board event occurred on November 20, 2003, sponsored by the Friends of the Planetarium. The "Building Rental and Event Contract" indicated that the rental fee charged was \$1,600. The contract did not have any signatures, only the amount that was to be charged for the rental. The rental fees had not been paid at the time of our audit. The marketing specialist indicated that she was waiting to have the invoice prepared for this event because the concessions area was open for the event and the concessions manager had not given her the amount that needed to be billed for the event. Moreover, in our discussion of this issue with the fiscal manager, she questioned whether the Board should have been charged at all for holding fund raising events. Planetarium management needs to discuss this issue and decide on a policy.

#### **RECOMMENDATIONS:**

- 1. We recommend that management at the planetarium approve and document all building rental fee waivers.*
- 2. We recommend that an invoice be prepared and sent to the Friends of Planetarium for the building rental that occurred in November 2003.*

**The "Building Rental and Event Contract" and the "Rental Terms and Conditions" document was not always on file for each event and sometimes not signed by the contractor.** The "Building Rental and Event Contract" indicates the planetarium area that the contractor will be renting, the rate that will be charged, and any additional staff or equipment that will be needed. The contract, in addition to a line requiring the contractor's signature, states the amount of the 25 percent deposit and the date it is due, along with the amount and date the balance of the rental fee is to be paid.

The "Rental Terms and Conditions" document also summarizes payment terms for a rental deposit and the balance due, cancellation requirements, and general information on liability, damage, insurance, and indemnification. In addition to the contractor, a planetarium

representative signs and dates the form. This document was not used by the planetarium until August, 7, 2003, the date the District Attorney's Office approved it.

During our examination of contracts between April 2003 and December 2003, we found that three events out of 30 did not have a "Building Rental and Event Contract" on file. We also noted that seven of the contracts that were on file did not have the signature of the contractor. For the "Rental Terms and Condition" documents we noted that seven events that occurred after the August 7, 2003, did not have this form on file.

The marketing specialist stated that the policy, although not written, for renting space at the planetarium requires that a "Building Rental and Event Contract" be completed and signed by the contractor. The contractor is also required to sign a "Rental Terms and Conditions" document. If a "Building Rental and Event Contract" is not completed and signed by the contractor for each event, disagreements may arise between planetarium staff and the contractor as to fee amounts and when the fees are due. If the "Rental Terms and Conditions" document is not on file and signed by each contractor, the contractor may not be aware of payment due dates, cancellation policies, and liability, damage, insurance, and indemnification information. It is important that contractors that do not pay a rental fee also sign a "Rental Terms and Conditions Form" because they need to agree with the liability, damage, insurance, and indemnification portion of the document.

#### **RECOMMENDATIONS:**

- 1. We recommend that planetarium management develop a written policy for building rental events.*
- 2. We recommend that a "Building Rental and Event Contract" and "Rental Terms and Conditions" document be completed for each rental event that occurs at the planetarium.*

**The written and verbal instructions given to patrons regarding a reservation deposit and final payment requirements for building rental are not consistent.** The marketing specialist stated that contractors who rent space in the planetarium are advised that they are required to submit a 25 percent deposit one month before the event. The balance of the rental fee is due one week before the event. However, the "Rental Terms and Conditions" document, that is given to the contractor to sign, states in #3 that, "*The Contractor wishing to rent Clark Planetarium must fill out this contract and submit a reservation deposit amounting to 25% of the total rental fee; this deposit will be applied to the final balance. When the Planetarium approves the contract and accepts the reservation deposit, the date and time of the event will be reserved for the Contractor renting the Planetarium. The rest of the rental fee is due no later than 14 days after the event.*"

During our examination we found that 11 of 24 contractors who paid for the building rental did not pay the balance due on the rental until after the event. Of the 11 events, payments were made from one to 43 days after the event occurred. We also found that many

contractors were not required to pay a deposit. Of the 25 paying events, only 6 contractors paid a deposit.

The verbal policy communicated to patrons is an efficient way to require contractors to pay for the rental and prevents accounts receivable from occurring. However, if this policy is not enforced by the planetarium, collecting the fees due for building rental may become more difficult and some fees may become uncollectible.

**RECOMMENDATION:**

*We recommend that the “Rental Term and Conditions” document be revised to be consistent with the verbal policy communicated to contractors who rent space in the planetarium.*

**The full amount of a reservation deposit was refunded to the patron even though the “Rental Terms and Conditions” document only allows for a 50 percent refund if cancellation occurs 30 days prior to the scheduled event.** During 2003 there was one building rental event that was cancelled. The “Building Rental and Event Contract” for the cancelled event was signed July 22, 2003, and a deposit was paid on November 14, 2003. At the time the contract was signed, the “Rental Terms and Condition” document had not been approved by the District Attorney's Office so there was not a written policy for deposits for cancelled events. However, the “Rental Terms and Condition” document was approved on August 7, 2003, and would have been available when the deposit was made by the company on November 14, 2003. We did not find a signed “Rental Terms and Conditions” document on file for this event that was to occur on December 12, 2003. The marketing specialist stated that the deposit was returned to the company because at the time they reserved the Star Theater, the “Rental Terms and Conditions” document did not exist so the planetarium could not enforce the current policy.

The current “Rental Terms and Conditions” document states in #4 that *"If the Contractor cancels their scheduled rental 30 days or more prior to the event, an administrative fee of 50% of the Contractor's deposit will be charged. A notification of cancellation of less than 30 days will result in forfeiture of the deposit."* If a contractor cancels their event and the deposit is returned, the planetarium loses out on rental fees it could have collected if that date were still available to rent the building to another contractor. If a portion of the deposit is non-refundable, at least some rental fees are collected for reserving that date that otherwise could have been rented to another contractor.

**RECOMMENDATION:**

*We recommend that the policy in the “Rental Terms and Conditions” document regarding rental deposits be followed if an event is cancelled.*

## **PETTY CASH ACCOUNTS AND CHANGE FUND**

The planetarium has a \$2,100 change fund that is divided into seven smaller funds, \$300 each, for use at the cash register terminals. There are three terminals in the ticketing area, two in the Science Store, and two in the concessions area. The planetarium has two petty cash/imprest accounts. One account is used to reimburse employees for expenses that travel to school districts throughout the state. The second account is an imprest checking account that is used for small miscellaneous purchases. During our examination we found the following weaknesses:

- **Checks issued by the planetarium that have not been cashed need to be considered for transfer to the Utah State Division of Unclaimed Property.**
- **The concessions change fund was short \$1.57.**
- **At the time of the unannounced cash count, a cashier working in the Science Store was short \$1.20.**
- **The Travel Expenditure Report was not being completed for planetarium education travel.**

**Checks issued by the planetarium that have not been cashed need to be considered for transfer to the Utah State Division of Unclaimed Property.** The planetarium issued two checks from the imprest checking account during the past year that remained outstanding at the time of our audit. One check, issued in the amount of \$16 to a junior high school, was dated September 9, 2003. The other check was issued to a vendor on May 23, 2003, for \$165. The office coordinator at the planetarium added the funds back into the bank account balance since the checks had not been cashed for six months.

Utah State Code Annotated Title 67 Chapter 4a, "Unclaimed Property Act," defines and includes as unclaimed property, "*un-cashed checks issued by Government agencies... That remain outstanding for more than one year after it became payable...*" After some efforts are made by the agency to locate the payee the funds being held should be transferred to the Utah State Division of Unclaimed Property. The County Treasurer's Office accepts stale funds annually from the various County agencies and then forwards these funds to the State.

Failure to follow State law with regard to unclaimed property rules places the planetarium in a potential penalty situation. Utah Code Section 67-4a-703 (2) (a) states, "A person who willfully fails to file any report, or perform a duty required by this chapter, or pay or deliver property to the administrator as required by this chapter shall pay a civil penalty equal to 20 percent of the value of the property that should have been paid or delivered." We have provided reference information to the office coordinator summarizing the requirements for handling any unclaimed property that the agency may acquire.

The office coordinator stated that the two payees, as identified above, have been contacted and payments sent again, to satisfy the requirements of the Unclaimed Property Act.

**RECOMMENDATION:**

***We recommend that the planetarium personnel become familiar with the Utah State Unclaimed Property Act requirements and comply with the law as required.***

**The concessions change fund was short \$1.57.** As mentioned before, the concessions area is assigned two \$300 change funds. At the time of the unannounced cash count, one of the concessions bags that was not in use for that day was short \$1.57. The cashiers in the concession area, who are employees of Cinema Group, complete a MPF Form 7A "Fund Transfer Receipt" to transfer funds collected from sales at the end of their shift to the planetarium floor manager. However, they do not complete a transfer form for their change fund amount when returning the bag to the planetarium floor manager.

Policy #1062, Section 2.4.3, states, "*Each cashier will verify accountability for their cash advance daily. This will enable the cashiers to quickly detect and identify any discrepancies and promotes appropriate attention to control over and accountability for county funds.*" In addition, Section 2.6.1, states, "*The agency Cashier may advance funds to a Cashier...and must use MPF Form 7A...*" Section 2.7.1, states, "*...The funds will be transferred back to the Agency Cashier using the procedures outlined above.*"

Some agencies use the MPF Form 7 "Fund Transfer Ledger" to avoid the inconvenience of using the individual form each time a transfer is made. However, as a result of the failure to use transfer forms, the change fund amount is at risk because there is no evidence the floor manager counts the fund upon receipt and the chain of responsibility is not complete.

**RECOMMENDATIONS:**

- 1. We recommend that MPF Form 7A or 7 be used to transfer the change fund between concessions cashiers and the planetarium floor manager.***
- 2. We recommend that the planetarium floor manager count the change fund before signing the transfer form.***

**At the time of the unannounced cash count, a cashier working in the Science Store was short \$1.20.** As stated before, each cashier receives a \$300 change fund at the start of their shift. They do not sign an MPF Form 7A or 7, as required by Policy #1062, to verify they have received and counted the fund. At the end of the shift the cashier's physical count of the fund is supposed to match the computer generated booth report. Policy #1062, Section 2.4.3, as quoted above, requires each cashier to daily verify their advances.

As mentioned before, each cashier's portion of the total change fund is supposed to amount to \$300, which is divided into several denominations of bills and coin. For example, there are bundles of \$1 bills in groups of \$25, secured by elastic bands. At the time of our count, we found one bundle of dollar bills in the cashier's drawer that totaled \$24. The cashier either miscounted when the change fund was received or did not count the bundle and just assumed the bundle had \$25. The .20¢ was a shortage from collections. A risk exists when a fund is not counted at the beginning and end of each shift and a MPF Form 7A or 7 is not used.

**RECOMMENDATION:**

- 1. We recommend that each cashier be trained to verify their change fund before and after their shift.*
- 2. We recommend that MPF Form 7A or 7, be used by County cashiers when receiving and returning their change fund to the planetarium floor manager.*

**The Travel Expenditure Report was not being completed for planetarium education travel.** In a program of educational outreach, funded by the State of Utah, the planetarium sends groups of employees to schools across the State to teach and give presentations about scientific topics. Those employees who travel submit their receipts to claim reimbursement for related expenses, but do not complete a Travel Expenditure Report.

Countywide Policy #1019, "Travel Allowance and Reimbursement," Section 3.0, states, "*The Travel Expenditure Report (TER) and the related documentation should be processed in a timely manner. Processing means the following: (1) The traveler must complete and submit an itemized expenditure report. (2) It shall be the responsibility of the traveler's organization to review the itemized expenditure report and verify the propriety of each receipt, i.e., to determine the receipt is for the amount claimed, it is an authorized expenditure, it is reasonable in amount and nature, and it does not violate provisions of this procedure or other County policies and procedures. (3) Authorized signature(s) from the organization (as indicated on the form) will signify review and acceptance of the itemized report.*"

The submission of the report would be an asset in providing an audit trail, especially if the State needs documentation to support the travel expenditures. As the audit continued, the office coordinator indicated that employees have started to complete and submit the Travel Expenditure Reports.

**ACTION TAKEN:**

**Employees have started submitting Travel Expenditure Reports to the office coordinator to keep on file with the education petty cash documentation.**

## **FIXED AND CONTROLLED ASSETS**

Our purpose for this portion of the audit was to determine if the controls over County fixed and controlled assets were in compliance with Countywide Policy #1125, "Safeguarding Property/Assets." As defined, a fixed asset is an individual item owned by the County, having an estimated life expectancy of more than one year, and meeting the criteria for capitalization. Currently, the capitalization threshold for an individual item is equal to or greater than \$5,000.

A controlled asset is a personal property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold amount. Personal communication equipment is considered to be controlled assets regardless of the cost of individual items.

**The Clark Planetarium property manager is to be congratulated for his conscientious efforts in attempting to comply with County policy in that he has accomplished an annual inventory of both fixed and controlled assets for the 2004 year and made a written record of that inventory for an audit trail. He is aware of most of the policy requirements and has been judicious in his efforts to keep the lists of assets current and correct.** We will comment on only three areas that need improvement. We found that:

- **The Controlled Assets Inventory Form – Employee, was not being used.**
- **The Controlled Assets Inventory Form – Organization, was in use but lacked the necessary documentation.**
- **Some recently purchased assets could not be traced to the planetarium's controlled asset list.**

**The Controlled Assets Inventory Form – Employee, was not being used.** Currently, assets such as cameras, cell phones and laptop computers are shown as being located in the employee's office they are assigned to on the organization controlled assets list. However, management at the planetarium has not required employees to sign the Controlled Assets Inventory Form – Employee to acknowledge that they are responsible for the assets in their possession. The lack of proper controls puts the employee and planetarium at risk, in that the employee is not fully aware of their responsibility for safeguarding and caring for assets assigned to them.

Policy #1125, Section 4.3, states, "*The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. Section 4.3.1 states, "Exhibit 3 – 'Controlled Assets Inventory Form – Employee' is used for those assets which, due to their nature, are used by (and therefore readily assignable to) an individual."*

Employees assigned individual assets are required by Policy #1125, Sections 2.3.1 through 2.3.4 to notify the property manager of any change in asset status, coordinate the recording of new assets purchased for their use, dispose of any assets with the assistance of the property manager, and annually review the list of assigned assets and provide their signature to indicate accuracy and completeness.

The inventory forms can be used as a reliable source for tracking assets if they are maintained on an ongoing basis. Items should be added to the organization/employee controlled asset inventory forms as purchases occur. As assets are transferred or disposed of, the planetarium will have a record of the asset location.

**RECOMMENDATION:**

*We recommend that all employees that have individually assigned assets complete the Controlled Assets Inventory Form - Employee and review them annually.*

**The Controlled Assets Inventory Form – Organization, was in use but lacked necessary documentation.** The asset list format in use at the planetarium was missing purchase information, such as date of purchase and cost of the asset. Purchase information is useful in tracking assets for the annual inventory and at the time replacement is needed. Policy #1125, Section 4.3.2, requires the use of the “Controlled Assets Inventory Form – Organization” (or form that contains substantially the same information).

**RECOMMENDATION:**

*We recommend that the agency Controlled Assets Inventory Form – Organization, contain the required information and format.*

**Some recently purchased assets could not be traced to the planetarium’s controlled assets list.** Based on our review of purchases for the period January 2003 through April 2004, we found that some of the assets purchased had not been recorded on the controlled assets list. For example, two ice machines purchased on February 10, 2003, did not appear on the controlled list. In addition, a 24 foot fiber glass ladder purchased on August 8, 2003, and four VHF radios purchased on June 18, 2003, were not on the list. Nineteen Dell computers were purchased during the period, but the controlled asset list showed only 16.

Invoices were so general in format, that we could not determine if the assets purchased were those on the controlled assets list. The invoices did not show enough identifying information to tie them to any assets on the list and no notations were made on the invoices by planetarium personnel to be able to trace the item to the controlled list. Several other items were not described adequately enough to determine if they were on the list.

Policy #1125, Sections 2.2 and 2.2.8, state, “*Property Manager’s duties- Property Managers assigned by their Administrators are responsible for the following... Coordinate*

*with the organization's Purchasing Clerk to ensure all newly acquired property is **identified** and accountability is appropriately established..."*

Policy # 1125, Sections 2.3 and 2.3.2, state, "*Employee's Duties – All employees assigned ...controlled assets for their use are responsible for the following...When initiating purchases of property for their use, employees should coordinate with the Property Manager to ensure such assets are properly assigned and accounted for.*"

Without identifying the asset conclusively and tying it to the invoice at the time of purchase, the evidence of its purchase is obscured, with the potential of loss. There needs to be enough information either attached to the invoice or noted on the asset list to definitively tie the asset between the asset list and the invoice.

#### **RECOMMENDATIONS:**

- 1. We recommend that the office coordinator and property manager work together to ensure that all newly acquired property is added to asset list.*
- 2. We recommend that asset identification information be included on both the purchase invoice and asset list to be able to tie the documentation together.*

#### **SCIENCE STORE MERCHANDISE INVENTORY**

The planetarium uses the ARMS (Advanced Retail Management System) point-of-sale and inventory control software system to assign SKU (stock keeping unit) numbers to track inventory. We obtained a copy of an ARMS Inventory Class Report, from the store manager, which lists the inventory by class and then breaks down the individual items within the class by SKU numbers. From that list we selected a sample of items to physically count.

Accompanied by the store manager, we counted our selected items located both in the store and the various locations where inventory is kept in storage. We then accounted for purchases and sales of those items that occurred after the date of the report, to verify any differences. We found the following weakness:

- **ARMS inventory numbers did not match the actual inventory count.**

**ARMS inventory numbers did not match the actual inventory count.** While performing the physical inventory count of 29 items we found discrepancies with nine of them, or 31 percent. For three items, we counted more than the inventory report indicated. For the telescopes that we counted, six models had one less telescope on hand than the report indicated. In addition, the inventory report showed some negative numbers in stock in the categories of items we reviewed. At a later date the store manager provided us with a documented explanation correcting the discrepancy in the telescope count.

The store manager pointed out some problems that can account for inventory differences. The manager indicated that with small items the SKU labels can come off and the cashier guesses the item SKU when entering the sale into the cash register. In addition, the wrong SKU label could be affixed at the time the item is added to the inventory. However, when the physical count of inventory does not match the inventory system, possible shrinkage due to theft or diversion of funds received for merchandise not entered into the cash register could have occurred.

Physical inventory counts done on a more frequent basis, if performed on a small percentage of pre-selected sampling of items, could help. This method of counting inventory items is termed "Cycle Counting" by Dave Piasecki of Inventory Operations Consulting, LLC. He describes the process as performing a regularly scheduled count of a portion of the entire inventory. After the smaller count occurs, the organization takes the time to make adjustments to the system, without the burden of attempting to rectify problems in a time consuming physical count of an entire inventory done all at once.

One of the advantages to performing cycle counts is that where there are a small numbers of employees, those employees have the opportunity to develop into specialists who are efficient and effective in achieving quality counts and reconciling differences. Also, those employees can be excellent resources for finding solutions to inventory errors.

Counting inventory periodically, where it is difficult to control input/output to a computer system, is necessary to continue to optimize business operations and achieve high levels of customer service. The planetarium also needs to have correct inventory information to determine the turnover of inventory items. Lack of attention to inventory can lead to increasingly compounded problems, the longer the problems are left unaddressed.

In addition, for small items or items difficult to label, a SKU label could be placed on the shelf or box containing the items, so that the cashier can refer to it in case the label becomes unattached to the individual item. The cashier could then refer to the item box or shelf rather than have to guess the SKU.

Furthermore, until the planetarium has more room to store inventory items, we advise that a reduction in some items may be appropriate so that inventory is secured in a locked closet and does not cramp the employee work area in the basement.

#### **RECOMMENDATIONS:**

- 1. We recommend that a physical inventory conducted on a "Cycle Counting" basis be considered as an optional inventory method.*
- 2. We recommend that the SKU labels also be placed on the item box or shelf to assist cashiers when the labels are not attached to the item.*

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***3. We recommend that inventory items be stored in a secure area away from employee workstations.***

We appreciate the cooperation and assistance received from the planetarium staff during our audit. We are confident our work will be of benefit to you as you endeavor to make changes to strengthen internal controls. If we can be of further assistance to you, please contact us.

Sincerely,

James B. Wightman, CPA  
Director, Audit Division

Cc: David Marshall  
Chris Crowley  
Carol Decaria