



## **SALT LAKE COUNTY AUDITOR'S OFFICE**

**SEAN THOMAS**

*Auditor*

September 13, 2004

Glen Lu, Director  
Parks and Recreation Division  
2001 South State Street, Suite S4400  
Salt Lake City, Utah 84190

Dear Glen:

The Audit Division recently completed an audit of the Centennial Outdoor Swimming Pool (Centennial). We reviewed cash receipting and depositing, change funds, pool concessions, and fixed and controlled assets.

For each of these areas, we addressed the effectiveness of internal controls and the processes employed by Centennial personnel, to determine compliance with Countywide policies. Our work was designed to provide reasonable, but not absolute, assurance that controls were adequate, records current and daily transactions valid.

### **CASH RECEIPTING AND DEPOSITING**

We found controls in place that minimize possible theft of County funds. Each cashier counts funds received at the end of their shift, completes a balance sheet, and separates the change fund from daily receipts. A supervisor counts the money again and signs deposit documentation as evidence of having reviewed the count. A person, in addition to the cashier, observes the drop of the day's receipts into the safe and the drop of the change fund into another safe. The cashier and the observer then sign documentation that the drop has been made.

The bag containing the daily receipts is counted again the next day when the bookkeeper prepares the deposit, and she notes in red pen the amounts as she has counted them. Additionally, the change fund is counted and signed for at the beginning of each shift. We found that required identifying information was entered on checks received and that checks were restrictively endorsed upon receipt. Although the receipting and depositing process is well organized and documented, during our review we observed the following:

- **No individual over/short logs were kept.**
- **Cash receipts were not deposited in a timely manner.**

**No individual over/short logs were kept.** The bookkeeper prepared a log with all the cashiers' names listed and maintained it every day, recording each cashier's overs/shorts. However, the cashiers did not look at or sign this sheet, acknowledging their overs/shorts.

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 it could be a sign of theft. 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." The form provides that for each month a daily listing of overs/shorts be noted and initialed by a cashier and approved at the end of the month by the agent cashier and reviewed by an agency supervisor. The log currently in place allows the bookkeeper to observe excessive overs/shorts or trends, but the individual cashier would not be aware of it. By becoming aware of their individual record, the cashiers may be more diligent in receiving money so that their tills match exactly to their Z tape totals.

### **RECOMMENDATION:**

***We recommend that individual over/short logs be maintained at Centennial and that cashiers sign their individual logs.***

**Cash receipts were not deposited in a timely manner.** We examined a sample of 33 days of cash receipts between May 31, 2004 and July 30, 2004. We found eight deposits made from four to eight days after receipt. Receipt totals ranged from \$1,181.85 to \$3,649.86 and averaged \$1,910.38. For example, we found five daily deposits made on July 8, 2004 that together totaled \$8,702.00.

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 practicable but not later than three days after receipt." Failure to deposit timely delays the opportunity for the revenue to be put to use to earn interest, and it increases the potential loss should a theft or other unpredicted event occur.

### **RECOMMENDATION:**

***We recommend that deposits be made daily or at least every three days.***

### **FIXED AND CONTROLLED ASSETS**

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County fixed and controlled assets, including compliance with Countywide Policy #1125, "Safeguarding Property/Assets." A fixed asset is an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year and a cost equal or greater than \$5,000. A controlled asset is a property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization rate.

Because of the small number of controlled assets at Centennial, we performed a complete audit of controlled assets. We found that the controlled assets list was maintained, containing a description of each item, the tag number, as well as the model and serial numbers. We readily found all of the assets, except one back board, which we later learned was switched with a backboard at the ice rink and which we found there. The Property Manager said he would make the location switch on the controlled assets list. Additionally, we found three items where the tags had fallen off, most likely due to use of the item in water. It was suggested to the Property Manager that the tag number could be engraved into the item or marked with a permanent pen and he said that would be done. We observed the following:

- **One asset was found that was not on the controlled asset list.**

**One asset was found that was not on the controlled asset list.** A new lane-divider reel was found that was not on the controlled assets list. Policy #1125, Section 2.2, states, *“Property Managers assigned by their administrators are responsible for... accounting for all controlled assets within the organization’s operational and/or physical custody.”* Section 2.2.8 states the Property Manager should, *“Coordinate with the organization’s Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established.”* Controlled assets, including newly purchased assets, are sensitive to conversion to personal use if they are not closely tracked by management and included on the controlled assets list. Items should be added to the controlled assets list upon receipt.

In closing, we thank you and your staff for your prompt and courteous attention in gathering documents for our audit team and answering their questions. We appreciate the overall concern for sound financial practices displayed by Centennial employees, and the initiative they have taken to implement effective accounting procedures. The recommendations made in this letter will help improve operations and make Centennial aware of matters that might not have ordinarily come to your attention. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman CPA  
Director, Internal Audit Division

cc: Paul Ross  
Brad Pitcher