



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH
Auditor

March 29, 2007

Bruce Henderson, Acting Director
Parks and Recreation Division
2001 South State Street S4400
Salt Lake City, Utah 84190

RE: Gene Fullmer Recreation Center Audit

Dear Bruce:

The Internal Audit Division recently completed an audit of the Gene Fullmer Recreation Center (Center). We reviewed the following: cash receipting and depositing, capital and controlled assets, petty cash and vending. We also conducted an unannounced count of all funds at the Center and a payroll audit.

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

We found that documentation for monetary transactions, such as Z-tapes and daily balance sheets, was filed in an orderly manner. Internal controls were in place to ensure the integrity and accuracy of transactions. These controls included separation of duties and dual review and verification of crucial steps in the cash handling process.

We have limited our comments, which are not all-inclusive of the scope of the work performed, to major findings and recommendations. Other areas of concern have been discussed with management at the Center. The reader should not assume that processes not discussed here are in compliance with Countywide policy.

CASH RECEIPTING AND DEPOSITING

Our audit included examining cash handling procedures to determine whether Countywide Policy #1062, "Management of Public Funds," was being followed. We counted all funds on the premises, including cash receipts not yet deposited, the change fund and the petty cash fund. We reviewed a sample of deposits from the last twelve months, and reconciled these deposits to bank statements on file.

In conjunction with this audit, we performed a payroll verification audit. We distributed paychecks to 150 employees individually and required each employee to present a picture ID to receive the check. All but four of the checks were distributed in this manner. The checks remaining were for a nominal amount and we have confidence that these individuals do exist and did work for Gene Fullmer over the Christmas holidays, the time frame for issuance of the checks distributed on January 19, 2007.

We discovered the following findings during our examination for which we have made recommendations.

- **Over/Short Logs were not prepared for each over/short occurrence.**
- **Cashiers did not consistently sign MPF Form 11, "Cash Over/Short Log."**
- **Balance sheets were not prepared for all till reports.**

Over/Short Logs were not prepared for each over/short occurrence. Countywide Policy #1062, Section 5.2 states, "*Shortages...will be reported on the MPF Form 3 and MPF Form 11. MPF Form 11 must be maintained and a copy signed by the immediate supervisor shall be attached to the Monthly Report of Cash Receipts that is sent to the Auditor's Office.*" The MPF Form 11 is designed to be an individual form, used to record and track the over and shorts for each employee and includes separate lines for the employee's and the Supervisor's signature. Review of the deposits revealed several overs and shorts that were not recorded on the appropriate form. Because the Center did not track all outages on the over/short logs, we could not determine if the overages and/or shortages were excessive, although the outages we did observe were generally less than \$5.00. Additionally, patterns of overs and shorts could not be determined.

RECOMMENDATION:

We recommend that an MPF Form 11, "Cash Over/Short Log" be prepared and maintained to record outages during the month.

Cashiers did not consistently sign MPF Form 11, "Cash Over/Short Log." Each cashier recorded his or her daily over/short amounts on their daily balance sheet. The office coordinator recorded the over/shorts on MPF Form 11 and signed her name on the log, but in most instances, that form was not signed by the cashier responsible for the over/short. Of the 56 over/short logs on file, only 18 were signed by the cashier who produced those overs/shorts. Without a signature, we cannot be sure that the cashiers were contacted regarding the outages. However, the office manager stated that she reviewed the overs/shorts and spoke with each employee with an over/short more than \$5.00 to determine the cause.

RECOMMENDATION:

We recommend that the office manager ensure that each employee with an outage during the month sign the Over/Short Log acknowledging the outage and the reason for that outage.

Balance sheets were not prepared for all till reports. The balance sheet is used to document the count of coins, currency and checks in the cash drawer, and to compare this count to Z-tape summary totals, to determine if the cashier balanced, or was over or short in his daily collections.

Policy #1062 Section 3.7.3.1, states, “*Each day, all county agencies should balance collections to register (or receipt log) totals and prepare a deposit, using MPF Form 3 or a facsimile developed for the specific agency.*” While the Z-tape summary report is one step in the cash handling process, it does not provide evidence that a physical count of coins, currency and checks in the drawer has been made and compared to summary totals to reveal any overs or shorts and discrepancies in cash/check composition.

RECOMMENDATION:

We recommend that cashiers balance collections in their drawer every day using County-approved MPF Form 3 or a similar form.

CAPITAL AND CONTROLLED ASSETS

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County capital and controlled assets, including compliance with Countywide Policy #1125, “Safeguarding Property/Assets.” A capital 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 to 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. We took a statistically significant random sample of the controlled assets at the Center and were able to locate all of the assets located at the Gene Fullmer Recreation Center.

The physical locations of some controlled assets listed on the Controlled Assets List need to be updated. We found that some of the controlled assets on the list did not have the correct location listed on the log. Asset control is compromised when assets are moved or transferred to different locations without changing the Controlled Assets List. Countywide Policy #1125, Section 4.3.6 states, “*Although it may be impractical to define exact locations on the forms in circumstances where property is used by more than one employee, or where it is frequently moved or re-assigned, property managers should use exact locations whenever possible (and update them as needed) to establish better control.*” The Controlled Assets inventory list should be continually updated as new items are purchased or items are surplus. They should also be updated when the location of an asset has changed even if it is within the same Center itself. Procedures and controls should be in place at the Center to keep the inventory lists of controlled assets current. Employees should be reminded that if assets are moved or transferred, they should inform the property manager of the new location to enable the Controlled Assets list to be updated.

Bruce Henderson, Acting Director

3/29/2007

Page 4 of 4

RECOMMENDATION:

We recommend that the property manager ensure the timely updating of the controlled assets list.

We appreciate the cooperation and assistance we received from the Gene Fullmer Recreation Center staff during our audit and trust that the work we have performed will lead to better and more efficient operations. If we can be of further assistance, please contact me.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit division

Cc: Paul Ross
Thora Bell
Sue Kocher