



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH

AUDITOR

October 7, 2010

Michele K. Nekota, Director
Parks and Recreation Division
2001 South State Street, #S4400
Salt Lake City, UT 84190

RE: Equestrian Park Imprest Funds Audit

Dear Michele:

Our office recently completed an internal control and compliance audit of the following two Salt Lake County Equestrian Park imprest checking accounts:

- 1) \$75,000 Special Events (Fair) Account
- 2) \$25,000 Barrel Racing Account

Equestrian Park also has a \$500 petty cash fund which we counted and balanced to its authorized limit, but we performed no further work. We focused entirely on the other two imprest checking accounts due to their size, transaction volume, and amount. Any single check issued from the Fair account may reach into the thousands of dollars.

We examined the Fair account activity back to 2007, and the Barrel Racing account activity to 2009, the year it was established. Auditor's office documentation gives the date of origin for the Fair account as 2000, though a previously existing account is also referred to in the same documentation.

Our audit objectives were to determine whether:

- The accounts balanced to their authorized limits of \$75,000 and \$25,000, respectively.
- The book balance reconciled to the bank balance without any unusual or un-reconciled items.
- Backup documentation was sufficient to support payments from the accounts, and payments made were for purposes for which these accounts were established.

We examined supporting documentation for most checks issued in 2009 and 2010, and we verified deposits and checks that cleared the Fair account back to 2007.

We reconciled both accounts to their authorized limits of \$75,000 and \$25,000. We also reconciled the book balance to the bank statement balance as of July 31, 2010 for the Barrel Racing account and August 15, 2010 for the Fair account. We verified that all reimbursements to the accounts, from January 2007 through August 2010, were

deposited intact, and that all checks recorded as “cleared” in Quicken were actually processed through the bank account, according to the bank statement. We noted no exceptions. Also, no voided checks subsequently cleared the bank.

A Parks and Recreation staff member, who is not one of the custodians, performs monthly bank reconciliations. This separation of duties is commendable and helps ensure integrity by having a second set of eyes review the records for errors or unusual transactions. This staff member began performing reconciliations in January 2009. Prior to that, no reconciliations were prepared because the employee assigned failed to perform them. This resulted in re-assignment of the duties to the current staff member. Despite long periods of time without reconciliations, book and bank balances nearly agreed on the first reconciliation in January, 2009. Only a \$53.87 difference was found. This difference is discussed later.

Our work was designed to provide reasonable, but not absolute, assurance that the system of internal controls was adequate, records current, and transactions valid. The lead auditor on the engagement was Larry Decker, the manager was Jim Wightman.

MAINTAINANCE OF ACCOUNT BALANCE

Account activity and balances for both the \$75,000 Fair account and the \$25,000 Barrel Racing account are, for the most part, maintained electronically using Quicken cash management and bookkeeping system. Software for this system was installed at Equestrian Park in January, 2009. Prior to that, the custodian recorded all checks issued in an Excel spreadsheet, but did not maintain a running account balance. The spreadsheet recorded the dates of issuance, check numbers, and transaction descriptions. Check number entries in the spreadsheet were highlighted in yellow as checks cleared the bank.

Despite the improvements introduced with the Quicken application and re-assignment of bank reconciliations to Parks and Recreation fiscal staff, we found areas where internal controls and processes could be further improved. Our findings are as follows:

- ***An un-reconciled item for \$53.87 was discovered in the Fair account books, representing checks outstanding for more than a year, which had not been sent to the State Treasurer as unclaimed property.***
- ***The Quicken system was not linked to the bank account to provide for easier and faster updates to the Quicken ledger online.***
- ***Quicken book balances were not updated for the most recent account reimbursements, checks were handwritten out of the Barrel Racing account, and neither custodian had received training in other useful functions and features of Quicken.***

An un-reconciled item for \$53.87 was discovered in the Fair account books, representing checks outstanding for more than a year, which had not been sent to the State Treasurer as unclaimed property. On February 16, 2010, an adjustment

was made in Quicken to reduce the account balance by \$53.87. This “Adjustment to Bring into Balance” served to reverse an entry for this same amount recorded as “Interest through 1/16/09,” when account maintenance moved to Quicken. In fact, the \$53.87 “interest” was the first entry recorded in Quicken in January 2009 after posting the beginning \$75,000 balance. Once made, this entry served to match the book balance with the \$75,053.87 bank statement balance as of January 2009.

Therefore, the next reimbursement check predictably brought the account balance to \$75,053.87, instead of the authorized \$75,000. To correct this problem, \$53.87 was subtracted as an adjusting entry, effectively balancing the account to its authorized \$75,000 limit, but creating a perpetual difference with the bank balance.

Additionally, the representation of the adjustment as “interest” was incorrect. The adjustment actually represented the total of outstanding checks issued prior to January 2009, as well as one minor un-accounted for difference. Table 1 below shows checks issued and still outstanding between January 1, 2007 and December 31, 2008, and the unaccounted for difference.

Outstanding Checks from 2007 and 2008 and Unaccounted for Difference			
Date	Check Number	Purpose	Amount
8/28/2007	225	Cavies Premiums	\$12.00
8/28/2007	235	Pigeon Premiums	\$8.00
8/28/2007	244	Poultry Premiums	\$2.00
8/28/2007	245	Poultry Premiums	\$10.00
8/18/2008	365	Small Stock Premiums	\$7.00
8/18/2008	371	Small Stock Premiums	\$1.00
8/18/2008	379	Small Stock Premiums	\$3.00
	Unaccounted for	Difference	\$10.87
TOTAL			\$53.87

Table 1. Outstanding checks form the basis of most of the \$53.87 difference.

The unaccounted for difference of \$10.87 could represent un-cleared checks, or a combination of un-cleared checks and unrecorded interest, prior to 2007. Bank statements for 2006 and prior years were not readily available during the audit. Moreover, prior to 2007 the account custodian did not indicate or otherwise record which checks cleared the bank.

The above outstanding checks relate to prize money (premiums) paid Fair contestants. Contestants pay an entry fee, and are then eligible for small premiums based on their entries of small stock, poultry, or other animals. In prior years, the person overseeing premium distributions cashed a check issued to him which he used to distribute premiums to contestants. However, this practice has been discontinued and individual checks are issued to each contestant. In 2009, the total of premium checks issued was \$155.

These individual premium checks create additional administrative work because some of them are never cashed. Because of their small amount, the payee may forget about or lose them, creating outstanding checks that need to be accounted for. These un-cashed checks, though recorded on the books, never cleared the bank. Even though never cashed, these checks were part of a reimbursement warrant issued to the custodian by the Auditor’s office.

However, once the custodian deems these checks “lost,” a reimbursement request should be “shorted” by \$53.87 to bring the imprest amount to the authorized amount, \$75,000. Finally, the adjusting \$53.87 book entry in Quicken should be reversed, to bring the check register into balance with the bank, while maintaining the account at its authorized \$75,000 limit.

For the unaccounted amount of \$10.87, further research could be done, or the custodian could merely adjust a reimbursement request for this immaterial amount.

As an additional finding, outstanding checks prior to 2009 were not reported to the State Treasurer’s Unclaimed Property Division. While the custodian was aware of the need to do so, she was not familiar with the correct procedure.

Utah Code annotated, Chapter 4a, “Unclaimed Property Act,” § 67-4a-210, Paragraph (1) states, in part:

“ A person holding tangible or intangible property that is considered abandoned and subject to the state’s custody as abandoned or unclaimed property under this chapter shall file a report concerning the property with the administrator before November 1 of each year as of the preceding June 30...”

Utah Code annotated, § 67-4a-210, Paragraph (1), states:

“Any intangible property held by...a county...that remains unclaimed for more than one year after it became payable or distributable is considered abandoned.”

The State Treasurer’s Office provides various ways of completing this process. Any entity with outstanding checks totaling under \$50 should send a check for the total outstanding checks, accompanied by Form ST-2 to the State Treasurer’s Unclaimed Property Division. A listing of the individuals, and related amounts of the outstanding (unclaimed) checks must be attached. Forms and information can be found on the State website, www.up.utah.gov. A copy of Form ST-2 is attached at Appendix 1.

Equestrian Park custodians also have the option of going through the Salt Lake County Treasurer’s Office. As in the first option, a check would be issued by the custodian to the County Treasurer in the total amount of outstanding checks, accompanied by Form ST-2, and the listing described above. The Treasurer would then forward payment to the State.

As a related note, according to the State Treasurer’s Unclaimed Property Division, any un-cashed check issued to a payee in an amount under \$50 does not require “due diligence” on the part of the custodian, i.e., trying to contact the individual before referring the matter to the State.

RECOMMENDATIONS:

- 1. The \$53.87 reconciling difference with the bank should be eliminated by doing the following:**
 - a. Reverse the \$53.87 adjusting entry made in Quicken on February 16, 2010.**

- b. Adjust the amount, of the next reimbursement request, by -\$53.87 on the line "Other." Attach a list of the seven outstanding checks comprising \$43 of this amount, and show the remaining \$10.87 as an "un-accounted for difference."**
- 2. Outstanding checks older than one year should be reported and a check issued to the State Treasurer's Unclaimed Property Division. Therefore, a check for \$43 representing the seven outstanding checks noted in #1 above should be issued to the State Treasurer's Unclaimed Property Division, together with a listing of individual check amounts and payees supporting the \$43 total. This \$43 check should be included in a reimbursement request just like any other check issued from the imprest account.**
 - 3. Small checks, i.e. under \$10, issued as premiums for contestants, should be eliminated, and a single check should be issued to Agency management's designated employee responsible for making premium distributions.**
 - 4. The Agency designee should provide documentation to the custodian of premiums paid to contestants to support reimbursement.**
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The Quicken system was not linked to the bank account to provide for easier and faster updates to the Quicken ledger online. The online banking feature provided by Quicken allows for bank transactions to be viewed and downloaded, and for checks to be matched and cleared without the need to do so manually, thus saving time and posting errors.

The Fair account custodian had concerns that implementing online banking would compromise security by potentially allowing unauthorized access to the imprest account to withdraw money. She noted that Parks and Recreation administration does not allow transmission of IRS I-9 forms via secure email due to similar security concerns.

However, institutions offering online banking services are required to transmit data using 128-bit encryption and Hypertext Transmission Protocol Secure (HTTPS) to secure transmission and prevent hacking. There is an issue with transmission of IRS I-9 forms, which has to do with scanning the forms in a copier/scanner. These devices retain a copy of the form, with the social security numbers, in the devices' hard drive "cache."

Effective and proven technology such as online banking creates efficiencies and provides almost "real-time" access to transactions posting to the bank account. Using this tool would result in faster, less error prone bank account reconciliations to the Quicken register balance.

RECOMMENDATION:

- 1. Equestrian Park should work to link Fair and Barrel Racing account maintenance in Quicken to online banking services.**
 - 2. The custodian should review security concerns with the County IS, Manager of IT Security.**
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Quicken book balances were not updated for the most recent account reimbursements, checks were handwritten out of the Barrel Racing account, and neither custodian had received training in other useful functions and features of Quicken. A Fair account reimbursement check for \$3,113.12 from the Auditor's Office, dated May 21, 2010, had not been posted to the Quicken book balance even though it had cleared the bank account. The same lag in posting occurred in the Barrel Racing Account, where a check for \$19,358.33, dated January 27, 2010, was not posted in the Quicken book balance.

The Fair account custodian felt that posting deposits was the duty of the Parks and Recreation fiscal employee who reconciled the account. However, the fiscal employee stated just the opposite; it was the custodian's duty. The custodian's duties include updating the Quicken account balance for all transactions, including deposits. These updates would be facilitated by the online banking arrangement previously discussed.

Unrecorded deposits create an incorrect picture of funds on hand in the Quicken ledger, which could affect decisions in the short run. As previously stated, these unrecorded checks were deposited timely, cleared the bank account, and appeared on the bank statements.

Another finding related to efficiency was that checks issued from the Barrel Racing account were hand written, even though Quicken provides an automatic check-printing function. The Barrel Racing account custodian was advised that automatic check printing was not efficient. The Fair account custodian pointed out her counterpart's need to issue checks to racers immediately after the event ended. This left him no time to automatically print checks. However, system-generated checks present less risk of an error occurring between the issuance of the check and the posting to the Quicken register, because payee information entered into Quicken can automatically update the book balance. The need for training in Quicken functionality is underscored by the custodian continuing the familiar routine of issuing manually written checks.

The account custodians' ability to learn the system is hindered because Quicken is used only sporadically throughout the year, especially the Barrel Racing account. Otherwise, the system remains dormant. However, during the less busy times of the year both formal training and practice with Quicken could be a good way to develop skills needed in busy times.

RECOMMENDATIONS:

- 1. Account custodians should update their Quicken book balances for reimbursement checks as soon as they are received and deposited.**
- 2. The account custodians should use the automatic check-printing feature in Quicken to issue checks.**
- 3. Parks and Recreation management should seek assistance from the Employee University in training account custodians in Quicken functionality and use.**

TRANSACTION DOCUMENTATION

Account custodians retain numbered check stubs to which they attach documentation, such as invoices, as support for reimbursement requests sent to the

Auditor's Office. The total of amounts on check stubs submitted, minus bank interest, should equal the requested amount.

Together with this documentation, the custodian submits a reimbursement request form similar to MPF Form 6, "Petty Cash and Other Imprest Fund Reimbursement Request and Control Listing." (A copy of MPF Form 6 is attached as Appendix 2 for your reference). The reimbursement request form provides information essentially the same as the following in Section II of MPF Form 6:

- 1) Total Reimbursement on This Request – The total of all check stubs submitted.
- 2) Cash on Hand (from Quicken book balance) – The account custodians also attach a Quicken printout of the running book balance, with checks to be reimbursed, as supporting documentation. This commendable practice should continue.
- 3) Outstanding Vouchers (not included in the request) – This would include uncashed checks issued from the account. (This applies only to a petty cash account.)
- 4) Other – This would include miscellaneous adjustments.
- 5) Fund Balance – The total of numbers 1 through 4 above should equal the Fund Balance of the Imprest Funds at their authorized limits: \$75,000 for the Fair account, and \$25,000 for the Barrel Racing account.

The custodians sign, date, and submit the reimbursement request form, with supporting documentation, to the Parks office for review by the Management System Coordinator and Associate Director. Both individuals sign and date the reimbursement request form before forwarding it to the Auditor's Office. We commend the Parks section management for this supervisory review prior to submission.

We noted that all checks from the Barrel Racing account and a significant number of checks from the Fair account are issued to individuals in the community as named payees. In the Fair account, these payees worked as judges, security personnel, or in some other capacity at the Fair. To document these payments, a signed form titled "Competitive Services Agreement" is typically included. Recorded on this Agreement is a description of the services to be performed and amount to be paid. A completed and signed W-9 form is also enclosed to meet IRS requirements.

Our findings are as follows:

- ***Sufficient documentation to support the Fair account disbursements was lacking in a few isolated instances.***
- ***A list of contestants awarded Barrel Racing prize money was not certified by signatures of race officials.***
- ***Use of Barrel Racing fees and sponsorships was not accounted for in a formal document.***

Sufficient documentation to support the Fair account disbursements was lacking in a few isolated instances. While we were able to find sufficient

documentation for nearly all transactions, we found one poorly documented disbursement for \$3,000 to a 4-H representative that was cashed and distributed among various 4-H entrants at the Fair. Supporting documentation comprised a half-page letter from the 4-H Extension agent to Parks and Recreation Administration, with a copy to Community Resources and Development, thanking the County for its continued support and requesting \$3,000.

While the letter provides some transactional support, distribution of the \$3,000 to individual contestants was not attested to or proven, though an employee in Community Resources and Development stated he had a list of people to whom premiums were awarded. We were able to obtain this list after the close of our audit work. Since the \$3,000 check represents a grant or donation to the 4-H Extension it was agreed that obtaining an invoice from 4-H Extension would suffice as documentation.

As another finding, we noted instances where a "Meal Reimbursement Form" was not submitted with a reimbursement request for a restaurant meal. We found two out of three instances where the form was not attached. One was a catered meal for judges, the other was a volunteer's luncheon where groceries were purchased at a supermarket.

Countywide Policy #1020, "County Meals," Section 6.1, states:

"All requests for payment...shall be submitted with the attached form which contains: the date of the meeting...whether a breakfast, lunch or dinner...the signature of the person submitting the request...the signature of the Division or Department Director...approving the request..."

For the one Meal Reimbursement Form we found on file, the Division or Department Director signature was missing. While Equestrian Park's distance from Parks and Recreation offices makes some processes difficult to perform, a Division Director's approval could be obtained via email. The fund custodian is aware of the need for use of these forms and required approvals. The failure to obtain forms with approval signatures was an oversight.

Also, tuition payments were made to Miss Salt Lake County Scholarship Contest winners, generally three individuals. Disbursements went to colleges or universities on behalf of these individuals. However, we found no documentation in the reimbursement request to verify that persons on whose behalf these payments were made were indeed contest winners. Nor was there documentation to support the amount paid.

While a college or university invoice did accompany each disbursement, it did not match the amount disbursed. In two of the three instances reviewed, the contestant's tuition invoice from the institution, provided as documentation, exceeded the check amount, but the invoice amount matched the check in the third instance. This led us to conclude that the documentation was provided merely as proof of enrollment in a college or university by the contestant.

The fund custodian explained that she was directed by the Program Manager to make the tuition payments for the amounts reflected on each disbursement. Although the payments were understood and verbally authorized by Program Manager, supporting documentation should be requested and obtained. Inadequate documentation could

mask a misuse of funds through payments to unauthorized payees or for unrelated purposes.

We note, however, that tuition payments will no longer occur due to discontinuance of the Miss Salt Lake County Scholarship Contest in 2010.

RECOMMENDATIONS:

- 1. The annual \$3,000 payment to 4-H to fund premiums for Fair competitors should be supported with an invoice from 4-H Extension.**
- 2. An exception to the County meals policy should be applied for as provided under Section 7.1 of Countywide Policy #1020, "County Meals," that will eliminate completing the Meal Reimbursement Form for meals or food to volunteers or judges as part of training or instruction.**
- 3. All disbursements should be supported with documentation and/or an explanation of the amount paid, payee name, and the purpose.**

A list of contestants awarded Barrel Racing prize money was not certified by signatures of race officials. Though we were given a document listing race contestants and amounts awarded, it was not titled or signed by the account custodian, the Equestrian Park program manager, or the individual that recorded race times, all of whom served in an official race capacity.

In the Barrel Racing imprest account ledger, it was difficult to determine whether the payee was a contestant. Therefore, an unauthorized payee would be indistinguishable from a certified race contestant.

Race contestants are categorized in five divisions, 1D through 5D, depending on race times, with prize money awarded to between 10 and 13 contestants in each division. The winner of each subsequent level after 1D receives \$50 to \$100 less than the winner of the previous division level. The payment of prize money is designed to ensure that everyone, not just the fastest racers, has a shot at prize money. This encourages continued contestant participation.

In the reimbursement request, a pre-printed voucher for each check, signed by the custodian, and copies of cancelled checks were included. Individuals receiving prize money signed a "Request for Taxpayer Identification Number (TIN)" form, which was kept on file at Equestrian Park. The TIN should have been sent in with the reimbursement request. Submitting a copy of the form, signed by the contestant, provides an audit trail of payments, but does not provide certification that the person was a race contestant.

RECOMMENDATIONS:

- 1. The list of Barrel Racing contestants with the amount paid to each contestant should be signed by Barrel Racing officials, typically the Equestrian Park program manager, the account custodian, and the person that tracks race times, and lines should be provided on the form for these signatures.**

2. ***The contestant list should be titled "Certified" followed by wording such as, "List of Contestants Awarded Prize Money," and the list should be kept on file at the Equestrian Park Office and a copy included with the reimbursement request.***
3. ***The "Request for Taxpayer Identification Number (TIN)," substitute W-9 forms, signed by individuals receiving prize money, should be included with the reimbursement request. Neither the original nor copies of the W-9 forms should be kept on file at the Equestrian Park.***

Use of Barrel Racing fees and sponsorships was not accounted for in a formal document. Barrel-racing contestants pay a \$65 entry fee, of which 30% is allocated to Salt Lake County for office and administrative fees, and 70% to Barrel Racing to award prize money to racing contestants.

The account custodian and Equestrian Park management determine the prize-money award allocations based on a pool of money from entry fees and sponsorships, of about \$6,000 for this year's racing. The custodian collects all entry fees and sponsorships, and then turns them over to Equestrian Park cashier for depositing to the Equestrian Park depository account, in a category annotated for Barrel Racing.

Based on our analysis, we determined that fees and sponsorships were more than sufficient to cover prize money awarded, as well as the County's administrative allocation in 2009. Revenues exceeded disbursements by about \$3,700.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," and governmental accounting standards, prohibit entry fees and sponsorships from being deposited into any imprest fund account. These receipts must be deposited into a depository account. Therefore, prize-money awards disbursed from the imprest fund account are not directly drawn from fees and sponsorships collected. This arrangement made the determination more difficult as to whether sufficient fees and sponsorships were collected to cover prize money and administrative costs. A well-organized and documented summary of Barrel Racing entry fees and sponsorships, offset by prize money awarded, would provide an audit trail and improved internal control and fiscal oversight.

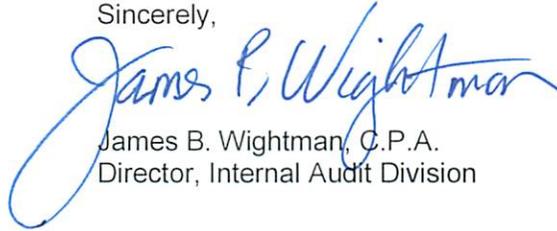
RECOMMENDATIONS:

1. ***A detailed analysis of yearly Barrel-racing entry fees and sponsorships, reduced by disbursements for prize-money awards and administration, should be documented and retained on file. This exercise would provide a year-to-year and cumulative summary of the net cash inflows or outflows from this activity.***
2. ***A list of race contestants, recorded in Sportsman, should be generated, filed, and included with the reimbursement request.***

We thank Equestrian Park imprest fund custodians for their cooperation in completing this audit, for making their files and materials available to us, and answering our questions. The Program Manager and two individuals in the Recreation Office who reconcile the accounts also provided valuable information. The recommendations made

in this letter should help streamline account operations and provide better internal controls over these activities.

Sincerely,



James B. Wightman, C.P.A.
Director, Internal Audit Division

Cc: Paul Ross
Corey Bullock
Sarah Dibble
Art Lovato
Cheryl Crook
Nancy Albiston
Wayne Johnson
Nilsa Carter

**UTAH STATE TREASURER
UNCLAIMED PROPERTY DIVISION**

PO Box 140530
Salt Lake City, Utah 84114-0530
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Email: holders@utah.gov

REPORT OF UNCLAIMED PROPERTY – VERIFICATION AND CHECKLIST

To be filed as part of your Annual Report of Unclaimed Property. Verification for Period Ending June 30,

Federal Tax Identification Number _____

State of Incorporation _____

Date of Incorporation _____

Number of Utah Employees _____

Primary business activity _____

Please make correction to label if address or company name has changed.

Person completing report _____ Phone: () _____ Email _____

Address, if different than above _____

Claims Contact Person _____ Phone: () _____ Email _____

Did you file a report of unclaimed property last year? _____yes _____no (if no, date of last report) _____

If you are a successor to a previous holder of the property, or if you have changed your name, please list prior name below and show the year in which the change became effective.

If your report includes property held by subsidiary companies, list the name(s) of those companies.

Every person, corporation, business association, banking or financial organization, life insurance corporation, utility, court or public authority must complete the Verification and Checklist before filing their Utah Unclaimed Property Report. The list includes (by way of illustration, but not limitation) those items which are covered by UCA, Section 67-4a-101 et.seq. (2007).

Under penalty of perjury, I, _____state that I have examined this report having a value totaling \$ _____and _____shares as to property presumed abandoned under the Utah Unclaimed Property Law for the year ending as stated, that I am duly authorized to execute the Verification and Checklist of the Annual Report and that I believe that the said report is true, correct and complete to the best of my knowledge.

Signature: _____

Title: _____

Dated: _____

Checklist must be completed

YOUR REMITTANCE MUST ACCOMPANY REPORT

Mail report To: **Utah State Treasurer
Unclaimed Property Division
PO Box 140530
Salt Lake City, Utah 84114-0530**

Verification and Checklist Form ST-2

