

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of the
Salt Lake County Equestrian Center

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 31, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of the Salt Lake County Equestrian Center

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Salt Lake County Equestrian Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at the Salt Lake County Equestrian Center and the cooperation from Art Lovato, Facility Manager, Susan Carhart, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Salt Lake County Equestrian Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Scott Ball
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director
Art Lovato, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Salt Lake County Equestrian Center. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

The Salt Lake County Equestrian Center has put into place several key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over cash receipting and depositing, controlled assets, and purchasing card controls have a higher likelihood of leading to a loss of County property.

Findings and Recommendations

Finding # 1 - Receipts could be re-printed for prior transactions.

Risk Level: Moderate

Standard business practice is that cashiers should not be able to reprint receipts from prior transactions.

During the course of our review we found that receipts for prior transactions could be re-printed. The reprinted receipt was identical to the original receipt.

When receipts can be reprinted, the accuracy of transactions cannot be ensured and the risk of errors and misappropriation of funds is increased.

Recommendation

We recommend that the ability for cashiers to reprint a receipt for an existing transaction be disabled.

Finding # 2 - The Controlled Assets Inventory Form-Employee was not being used.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property and Assets," 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. 4.3.1 Exhibit 3 - 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

Within the Equestrian Center, some assets, such as computers and printers, were assigned to specific employees. The controlled asset list provided during our fieldwork did not indicate which employee the assets were assigned to. In addition, the "Controlled Assets Inventory Form-Employee" was not in use.

When accountability for assets is not fully established, assets are at a greater risk of being lost or stolen.

Recommendation

We recommend that assets readily assignable to one employee be included on the "Controlled Assets Inventory Form-Employee" and that each employee signs a new form each year.

Finding # 3 - Deposits were not always made in a timely manner.

Risk Level: Moderate

Countywide Policy #1062, Management of Public Funds, 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."

We found that 8 out of 23 deposits examined were deposited more than three days after receipt. This is based on the deposit slip date compared to the bank posting date.

Funds that are not deposited on a timely basis are more susceptible to loss or theft, and interest that might otherwise have accrued is lost.

Recommendation

We recommend that funds be deposited on the same day whenever practicable, but no later than three days after receipt.

Finding # 4 - An SAQ representing the Equestrian Center's compliance with PCI-DSS had not been completed and was not on file.

Risk Level: Moderate

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing Parks and Recreation Agency management's compliance with PCI-DSS had not been completed and was not on file.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and the inability to accept credit cards as payment.

Recommendation

We recommend that Parks and Recreation Agency management complete and sign an annual SAQ and that the Equestrian Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Finding # 5 - "No sales" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.

Risk Level: Low

Salt Lake County Parks & Recreation Division, "Policies & Procedure for Cash Handling," Section 1.1 states that:

"Agent Cashiers for the Parks & Recreation Division are defined as Program Managers, Assistant Section Supervisors, Director of Recreation..."

In addition, Section 4.17 states:

"The agent cashier shall independently review all transactions for the day and report all inconsistencies, errors, or questionable transactions to the facilities program manager."

The Equestrian Center did not document or have supervisory review of "no-sale" or "no money taken" transactions.

When cashiers can open their cash drawers without documenting the reason and without review by a supervisor, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.

Additional Information

Background

The Salt Lake County Equestrian Center sits on approximately 120 acres, amid mountain landscapes in South Jordan, Utah. The center piece of the Park is the state-of-the-art Event Center. This Event Center is among the largest in the western states, boasting a 45,000 square foot arena. Additional amenities include the Laurel Brown Racetrack that is the proud host of world-class Quarter Horse racing. The races feature many of the industry's top horses, trainers and jockeys. The Polo field is a large and stately lawn, surrounded by a white rail fence and mature trees. The Park also includes several arenas, boarding facilities, and it hosts the annual Salt Lake County Fair.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending August 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



2013 Summary of Audit of Key Control Findings and Recommendations

Equestrian Park

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	<i>Finding # 1 - Receipts could be re-printed for prior transactions.</i>	We recommend that the ability for cashiers to reprint a receipt for an existing transaction be disabled.	The ability to reprint duplicate receipts was disabled.
2.	<i>Finding # 2 - The Controlled Assets Inventory Form-Employee was not being used.</i>	We recommend that assets readily assignable to one employee be included on the "Controlled Assets Inventory Form-Employee" and that each employee signs a new form each year.	The transfer of management of Equestrian Park to a private vendor and the subsequent termination of staff eliminates this recommendation at this location.
3.	<i>Finding # 3 - Deposits were not always made in a timely manner.</i>	We recommend that funds be deposited on the same day whenever practicable, but no later than three days after receipt.	We agree deposits need to comply with County policy. After the initial on site audit was conducted, staff redoubled their efforts to make deposits according to policy. Private management began operation of the facility on January 1, 2014.
4.	<i>Finding # 4 - An SAQ representing the Equestrian Center's compliance with PCI-DSS had not been completed and was not on file.</i>	We recommend that Parks and Recreation Agency management complete and sign an annual SAQ and that the Equestrian Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.	An SAQ representing Parks and Recreation's compliance with PCI has not been completed and is not on file. The Payment Card Industry's Data Security Standard (PCI-DSS) was established approximately thirteen years ago, and the Parks and Recreation Division began practices at that time to safeguard data as information became available. As information was obtained from the Payment Card Industry throughout the years practices were changed to accommodate securing cardholder data as much as possible within the division. In early 2010 - 2011, the Auditor's Office began looking at this standard for the entire county as much of these standards that had been identified were beyond the knowledge of the county's departments and division's on determining merchant levels and

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
			<p>completing the SAQ's. Committees were set up, audits were conducted at each location, and the County was proceeding smoothly in determining policy and procedures, Information Services responsibilities, along with what each division's SAQ status would be. It was determined at that time that Attestation of Compliance needed to be signed off by the County as a whole once a letter was received by the Mayor from Chase Paymentech regarding our responsibilities to complete the SAQ's and completing the Attestation of Compliance, along with scans of the systems (A company has one year to complete the SAQ and Attestation of compliance from the date the letter is received). The Auditors were pulled from this development of policy and procedures for data security so each department/division was thrust into working on this again individually. The Parks and Recreation Division has continued working with Information Services in trying to establish what type of SAQ to complete, update and reinforce our firewall system, and make every effort to strengthen our compliance with the industry's standards as the majority of questions are to be determined/completed by Information Services. In 2011 it was determined that the division would complete the SAQ –D form, however, making changes to cardholder data not being stored on the computer system has moved the division from a D to a possible C or C-Virtual.</p> <p>In 2012, the golf courses were moved to a new accounting program and service provider with the expectation that the SAQ C and Attestation of Compliance will be completed, signed, and submitted by the end of April 2013. What is being done with the golf courses will become the standard for all other departments and division within the county. The recreation centers will be next for Information Services and the division to work together to complete SAQ's and establish more practices and procedures to provide complete and ongoing compliance for the division. And, this facility is now operated by SMG, a private management firm.</p>

5	<p><i>Finding # 5 - "No sales" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.</i></p>	<p>We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.</p>	<p>The cashier and manager were instructed to follow the recommendation.</p>

NAME AND TITLE OF PERSON RESPONDING:
Wayne Johnson- Associate Division Director
Art Lovato- Interim Program Manager (during audit)

DATE PREPARED: 2-7-14