

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



An Audit of the Key Controls of
Kearns Recreation Center

December 20, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 20, 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 Kearns Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Kearns Recreation 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 Kearns Recreation Center and the cooperation from Monica Lamprecht, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Kearns Recreation 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 James Fire MBA/Acc
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director and Fiscal Manager
David Young, Facility Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Kearns Recreation 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

Kearns Recreation Center has implemented several key controls for the management of public funds. Risks examined were not anticipated to result in material loss. However, deficiencies were discovered with internal controls dealing with the petty cash fund, accounts receivable, and PCI-DSS compliance.

Findings and Recommendations

Finding # 1 - A signature stamp was used instead of an original signature.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

A stamp with the facility manager's signature was used to indicate that deposit transmittal forms were verified by the facility manager. The same stamp was used to approve credit card refunds.

Without an original signature, deposit transmittal forms could be stamped as verified without review by the facility manager. The Credit Card Refund Form could also be submitted as approved without the facility manager's knowledge.

Recommendation

We recommend that the facility manager personally sign forms as they are reviewed and/or approved.

Finding # 2 - The monthly aging report was not signed by management as reviewed.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.6 states:

"The aged listing of individual receivable balances will reflect the results of billing and collection follow-up activity. Management above the level responsible for supervising the billing and collection follow-up function will review old dated balances."

Monthly aging reports prepared for management were not signed and dated to indicate they had been reviewed.

A signed and dated aging report provides verification that management was actively involved in monitoring accounts receivable.

Recommendation

We recommend that management sign and date monthly accounts receivable aging reports as evidence of review.

Finding # 3 - An SAQ representing Parks and Recreation's compliance with PCI-DSS had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy," States in the Policy Statement that:

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

When an agency is not compliant with PCI-DSS, there is an increased risk of cardholder data breaches, fines, and the inability to accept credit cards as payments.

Recommendation

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

Finding # 4 - A monthly reconciliation of the accounts receivable ledger was not performed.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Other Bad Debt Collection," Section 5.3.2 states:

"The ledger of accounts receivable shall be reconciled to invoices and payment at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step."

The accounts receivable ledger for Kearns Recreation Center was not reconciled each month.

When accounts receivable are not reconciled and reviewed on a monthly basis, misappropriation and errors are more likely to occur and remain undetected.

Recommendation

We recommend that a monthly accounts receivable reconciliation be prepared for management review and signed by the person who prepared it.

Additional Information

Background

The Kearns Recreation Center is located at 5670 South 4800 West in Kearns. It is located adjacent to the Utah Olympic Oval and the Kearns Oquirrh Park Fitness Center and is a popular destination for active people. It offers a full-time child care, adult men's basketball, youth sports, classes such as dance and karate, and community events.

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 06, 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.



**Parks & Recreation Division Response to
An Audit of the Key Controls of
KEARNS RECREATION CENTER
Dated December 16, 2013**

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	A signature stamp was used instead of an original signature	We recommend that the facility manager personally sign forms as they are reviewed and/or approved	The facility manager has been using a signature stamp as authorized by our Division administration more than eight years ago. No inquiry was made about the location or security of said signature stamp which is kept under lock & key in the facility manager's desk. However, based on the recommendation the facility manager will comply and personally sign forms to be reviewed and/or approved.
2.	The monthly aging report was not signed by management as reviewed	We recommend that management sign and date monthly accounts receivable aging reports as evidence of review	Management will immediately begin reviewing and signing monthly accounts receivable aging reports.
3.	An SAQ representing Parks and Recreation's compliance with PCI-DSS had not been completed and was not on file	We recommend that Parks and Recreation management complete and sign an annual SAQ and that the Kearns Recreation Center keep a copy of the SAQ on file to show they are aware and compliant with PCI requirements	Administration is aware of the situation and our taking steps to resolve the issue. Reference response by Nancy Albiston.
4.	A monthly reconciliation of the accounts receivable ledger was not performed	We recommend that a monthly accounts receivable reconciliation be prepared for management review and signed by the person who prepared it	We have created a monthly reconciliation report that will reconcile ledger card totals with Sportsman cash register totals. This report will be compiled and signed by the office manager and reviewed and signed by the facility manager.

NAME AND TITLE OF PERSON RESPONDING: David L. Young

DATE PREPARED: 12/18/13