

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



An Audit of the Key Controls of
Steiner West Aquatic 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 Steiner West Aquatic Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Steiner West Aquatic 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 Steiner West Aquatic Center and the cooperation from Brandy Hess and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Steiner West Aquatic 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 Director and Fiscal Manager
Thora Bell, Assistant Fiscal Manager
Brandy Hess, Facility Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Steiner West Aquatic 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

Risks associated with the collection of revenues and their subsequent deposits were addressed through the consistent use of controls found in Countywide policies. The findings from this audit were primarily in areas of accounts receivable, and merchandise inventory.

Findings and Recommendations

Finding # 1 - Promotional passes were not voided when used.

Risk Level: Low

Salt Lake Countywide Policy #1062, "Management of Public Funds," Purpose states:

"The objective of this policy is to provide effective safeguards, while weighing both the risks to be mitigated and the cost of maintaining controls. Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and policies and errors, irregularities, and omissions are effectively minimized or detected."

Salt Lake County Parks and Recreation gave promotional 1-day passes to the public for free admission into fitness facilities. Promotional passes were included in the deposit documentation to support promotional entrance transactions. However, the passes were not voided to prevent their reuse.

When promotional passes were not voided as they were redeemed, they could be used again, resulting in lost admission revenues.

Recommendation

We recommend that cashiers mark promotional passes as "VOID" when redeemed.

Finding # 2 - Merchandise inventory management was inadequate.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," states in the purpose that:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed -- meaning, controlled, inventoried and protected."

A hand written log was used by cashiers to record the quantity of merchandise inventory counted. However, the list did not include purchases of replacement inventory, adjustments, sales, dollar values, or comparisons to counts.

When merchandise inventory is not properly tracked and reconciled, revenue and inventory on hand are at greater risk of being lost, stolen, or diverted to personal use.

Recommendation

We recommend that processes are established to accurately report merchandise inventory quantities, dates of transactions, item values, and adjustments.

Finding # 3 - Promotional passes were not recorded as transactions.

Risk Level: Low

Salt Lake Countywide Policy #1062, "Management of Public Funds," Section 2.4.1 states:

"Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

Section 3.1.1.2 continues:

"All persons remitting payments in the form of currency, check, money order or other negotiable instrument; or by payment card to Salt Lake County, in person "over-the-counter," shall be issued a receipt documenting the payment."

When promotional passes were used by patrons, the redemption was not recorded as a transaction in the point of sale system. Since the transaction was not recorded, it also was not receipted.

Recommendation

Finding # 4 - Accounts receivable did not conform to Countywide policy requirements.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," provides specific guidelines, controls, and example forms and reports for an effective accounts receivable system.

An accounts receivable for room and swimming pool lane rentals was established to accommodate swim clubs and other groups. The Manager of each program was responsible to grant credit and manage collections for their own area. This resulted in inconsistent and noncompliant accounts receivable. The accounts receivable lacked necessary elements such as signed credit applications, monthly aging reports, and monthly reconciliations.

Without signed credit applications, legal remedies to collect outstanding billings are hindered. Additionally, management cannot determine follow-up collection activities without aging reports or determine missing or misapplied payments without monthly reconciliations.

Recommendation

We recommend the accounts receivable system be updated by listing individual receivables, cross-referencing receipt numbers for payments received, maintaining an aging schedule, and reconciling activities to the account balances each month.

Finding # 5 - An SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy" Section 3.0, under Policy Statement 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's compliance with PCI had not been completed and was not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

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

Additional Information

Background

Steiner West Aquatic Center is located within the Sorenson Multicultural and Unity Fitness Center. The center is a collaboration of organizations with Salt Lake County Parks and Recreation, Salt Lake City Corporation, Salt Lake Community College, and Salt Lake Donated Dental Services.

Services include a cardio workout room, an aerobic studio, drop-in child care (for patrons using the facilities), a Salt Lake Donated Dental Services clinic, a skills center, a computer center, a theater, gallery space, and wireless internet. Sports programs at the center include tennis, t-ball, basketball, boxing, and Taekwondo. Sports leagues, teams, and camps are also offered. The Unity Center also houses an IHC Neighborhood Clinic offering health care to the public living within the 84104 zip code area. The indoor pool offers lap swimming, open plunge, diving, water aerobics, swimming lessons, water safety instruction, and lifeguard training.

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 July 30, 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.



Summary of Audit of Key Control Findings and Recommendations Steiner West/ Sorenson Multicultural and Unity

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Promotional passes were not voided when used.	Recommended that Cashiers mark promotional passes as "VOID" when redeemed.	While promotional passes were kept on file for reference, cashiers did not always "VOID" the pass during collection. ACTION TAKEN: All promotional passes will be marked "VOID." This has been added to our training protocol and verified weekly by our office coordinator.
2.	Merchandise inventory management was inadequate.	Recommended that processes are established to accurately report merchandise inventory quantities, dates of transactions, item values, and adjustments	While purchasing records and sales reports were available, we could incorporate a better system to make retail sales more profitable and traceable. ACTION TAKEN: Obtained an excel spreadsheet from the auditor to keep track of inventory and sales, as well as profit/loss statistics. This report will be reconciled monthly and given to the Facility Manager.
3.	Promotional passes were not recorded as transactions.	N/A	A "Free day pass" button is available on our cash register screen. ACTION TAKEN: Our training protocol now makes staff aware that promotional passes are to be treated like cash and are inputted correctly. All transactions will be given a receipt.
4.	Accounts receivable did not conform to Countywide policy requirements.	Recommended that the accounts receivable system be updated by listing individual receivables, cross-referencing receipt numbers for payments received, maintaining an aging schedule, and reconciling activities to the account balances each month.	We generated invoices on account receivables and followed up as necessary, however we didn't reconcile these monthly per county policy. ACTION TAKEN: A master spreadsheet has been created so that individual coordinators may add their outstanding balances to the monthly reconciliation log. This will ensure payments are collected in a timely manner. Monthly logs will be given to Facility Manager for verification.
5.	An SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.	Recommended that Parks and Recreation Management complete and sign an annual SAQ and that Steiner Aquatic Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.	SMCC & Parks & Recreation Management is aware of this issue, and is working with Nancy Albiston the Auditor's Office to resolve it.

NAME AND TITLE OF PERSON RESPONDING:

Brandy Hess, Facility Manager

DATE PREPARED: 12/13/13