

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



An Audit of the Key Controls of
Dimple Dell Fitness & Recreation Center

April 16, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

Audit reports are available at
<http://www.saltlakecountyauditor.org/site/audit/>



GREGORY P. HAWKINS
Salt Lake County Auditor

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

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org

April 16, 2014

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 Dimple Dell Fitness & Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Dimple Dell Fitness & 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 Dimple Dell Fitness & Recreation Center and the cooperation from Larry McKinney, Jordan Jones, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Dimple Dell Fitness & 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 Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Andrew Keddington, Parks & Recreation Associate Director
Larry McKinney, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Dimple Dell Fitness & Recreation Center (Dimple Dell Fitness 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

In the audit of the Dimple Dell Fitness Center we found that bank deposits were not made in a timely manner, and deposits always included two or more days worth of collections. A contractor was overpaid for Spring break ski lessons in a program administered by Dimple Dell Fitness Center. A few voided transactions were not documented or signed. The Controlled Assets Form - Employee was not used. Our last audit of Dimple Dell Fitness Center was released to the public in April 2013. In that audit we found, just as we did in our current audit, that bank deposits were not timely. The April 2013 audit also showed that a capital asset was sent to surplus but not removed from the capital asset list. Our revisit of the capital asset revealed that it had still not been removed from the Capital Asset list.

Findings and Recommendations

Finding # 1 - A contractor was overpaid for services rendered.

Risk Level: Low

A contract between the County and a local ski resort to offer ski lessons to Dimple Dell patrons states the price "Per Day Per person...plus hot lunch and lift pass" at \$50.

We examined three Dimple Dell Fitness Center contracts from February 2013 through March 2014. On one of these contracts we found that the County had overpaid the contractor by \$280, based on our review of a related invoice. The contract provided ski lessons and lunch to participants in the ski program offered through Dimple Dell. Instead of being charged \$50, as contracted, the ski resort charged Dimple Dell \$52 for each of the 140 participants. The payment was authorized and made in March 2013.

Management stated that a separate Parks and Recreation employee had negotiated this deal with the ski resort, unaware that a contract was in place. Management also stated that they asked the ski resort for their opinion. The ski resort viewed the program offered in this case, a 3-day student Spring break ski event, as beyond the scope of original contract terms. Nevertheless, payment authorization was made under the contract, which required a \$50 per person rate.

When contract terms are not reviewed prior to authorizing payment, an overpayment may be made to the County's detriment, as happened in this case.

Recommendation

We recommend that contract terms be reviewed prior to authorizing invoice payment.

Finding # 2 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

A previous audit conducted in April 2013, found that bank deposits were not made in a timely manner. In the current audit, we found this same issue occurring again. 28 out of 30 deposits examined were deposited more than three days after receipt of collections. The largest period of time between collection of funds and bank deposit was 15 days. Also, we found that 30 out of 30 deposits examined represented two or more days worth of collections. Collections were never deposited on a daily basis.

Although this was reported in the prior report, management stated that they were aware of excessive delays in depositing funds. They attributed the delay, in part, to the bookkeeper position being in transition last Fall.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

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

Finding # 3 - Voids were not always handled in accordance with Countywide policy.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

"... The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution ... A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

We reviewed 74 voids during our examination of deposits from January 2013 through February 2014, and found 5 that did not have a documented explanation. Also, they did not have cashier or supervisor's signatures as evidence of review.

Management stated that the infrequent occurrence of undocumented voided transactions indicates a simple oversight.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a void slip be completed for all voided transactions that includes an explanation, and cashier and supervisor signatures as evidence of review.

Finding # 4 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures ... [the] '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."

The "Controlled Assets Inventory Form-Employee" was not used to manage controlled assets that were assigned to employees.

Management stated that they were not aware of the "Controlled Assets Inventory Form-Employee," or its usage in tracking assets.

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

Recommendation

We recommend that Dimple Dell Fitness Center use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

Finding # 5 - A capital asset sent to surplus was not removed from the capital asset list.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that the property managers are required to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

A previous audit conducted in April 2013 found that a Sharp copy machine, property number 97624, had been sent to surplus but was not removed from the capital asset list. During a retest of this finding, the copy machine still had not been removed from the capital asset list.

Management stated that they thought the list had been updated for the copy machine. A Form PM-2 is on file showing that it had been sent to surplus.

When the capital asset list is not correct, equipment is not effectively tracked and is therefore more likely to be stolen.

Recommendation

We recommend that Dimple Dell Fitness Center management follow-up with surplus personnel in determining whether the copy machine should be removed from the capital asset list.

Additional Information

Background

The Dimple Dell Fitness Center and Pool in Sandy opened on June 2, 2000. One of the larger County recreation facilities, it features an indoor swimming pool, gym, fitness room with cardiovascular and weight machines, 35-foot tall climbing wall, and a recreation room frequently rented out for birthday parties. On the second floor is a running/walking track. Two high school swim teams use the pool for practice and swim meets under a contractual arrangement between Dimple Dell and the Canyons School District. The Center offers a number of classes, clinics, and sports camps, including Junior Jazz, youth basketball super league, and ski lessons. There are 7 merit employees, and anywhere from 40 to 200 seasonal employees. The Center's 2013 budget is \$2.06 million.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending February 28, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

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



2014 Summary of Audit of Key Control

Findings and Recommendations

DIMPLE DELL FITNESS & RECREATION CENTER

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	A Contractor was overpaid for services rendered.	Recommend that contract terms be reviewed prior to authorizing invoice payments	The contractor in question was Brighton Ski Resort, and while we did have a contract with Brighton for providing ski lessons, this program in particular, Brighton contended, fell outside of the scope of the contract, thus allowing them to slightly alter their pricing. The coordinator overseeing this program at the time was not even aware of a contract in place that set the price, and therefore did not question the pricing. The Facility Manager was unaware that any price change had occurred. The current coordinator overseeing this program is aware that a contract exists between all of our Ski Program vendors, and is also aware that price negotiation should never be necessary with this program.
2.	Deposits were not always made in a timely manner.	Recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt	Part of the deposits checked were during the period when the previous Office Manager had left Dimple Dell for another job, and before her replacement had been hired. That said, the new Office Manager has been instructed to perform daily deposits when practicable.
3.	Voids were not always handled in accordance with Countywide Policy.	Recommend that a void slip be completed for all voided transactions, to include an explanation and cashier and supervisor signatures as evidence of review.	As part of the ongoing Customer Service Attendants' training, our Office Manager will make certain through instruction and also by reviewing tills weekly that all voids are accompanied by the required slips/explanations/signatures.
4.	The "Controlled Assets Inventory Form – Employee" was not used.	Recommend that Dimple Dell use this form to manage controlled assets readily assignable to an individual.	The Auditor provided Dimple Dell with a copy of this form, and it will be utilized moving forward.
5.	A capital asset sent to Surplus was not removed from the capital asset list.	Recommend that Dimple Dell management follow-up with Surplus personnel in determining whether the copy machine should be removed from the capital asset list.	Dimple Dell does not believe there was ever a question whether this item was actually removed from our facility and sent to Surplus; it was. The problem has been that the capital asset inventory list has not been consistently updated. The capital asset list for Parks & Recreation has always been updated and maintained by the Administration Office located at the Government Center. We believe that for the past unknown period of time this list was not always updated when PM2 Forms were sent there. Admin has recently assigned a new person to update the list, and as part of that update we will make certain any old items from Dimple Dell that were surplus are removed from the current inventory list, including the copier in question.

NAME AND TITLE OF PERSON RESPONDING: Larry McKinney, Facility Manager

DATE PREPARED: April 15, 2014