

A Key Controls Audit of the
Salt Lake County
Center for the Arts

2016

Key Controls Audit



George S. and Dolores Dore Eccles Theater



Office of the
Salt Lake County Auditor
Scott Tingley, CIA, CGAP

Audit Services Division
slco.org/auditor/audit-reports/

Our Mission:

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.

Report Number 2016-04

September 2016



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September 15, 2016

To: The Salt Lake County Council,
County Mayor Ben McAdams, and the
Citizens of Salt Lake County

From: Scott Tingley, CIA, CGAP
Salt Lake County Auditor

Re: A Key Controls Audit of the
Salt Lake County Center for the Arts



Scott Tingley, CIA, CGAP
Salt Lake County Auditor

Transmitted herewith is our report, ***A Key Controls Audit of the Salt Lake County Center for the Arts*** (Report Number 2016-04). An Executive Summary of the report can be found on page one. The overall objective of a key controls audit is to determine if internal controls related to Countywide Policies are adequate, and implemented and operating as they are intended.

Our audit was initiated after the Salt Lake County Auditor's Office received a complaint from a patron of the Center for the Arts, which alleged suspicious activity during a concessions sales transaction at a performance. In order to address those concerns, we reviewed the key internal controls over a variety of areas within the Center for the Arts operations.

Overall, we found the key internal controls at the Center for the Arts to be adequate and functioning as intended. In our report, we identify findings and recommend actions to improve the efficiency and effectiveness of operations, ensure greater accountability, and better safeguard County assets at all three Center for the Arts facilities.

We truly appreciate the time and efforts of the employees of the Center for the Arts throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or in order to facilitate the implementation of the recommendations.

Sincerely,

Scott Tingley, CIA, CGAP
Salt Lake County Auditor



A Key Controls Audit of the Salt Lake County Center for the Arts

Audit Highlights

The Salt Lake County Center for the Arts provides a cultural outlet for the public. It currently operates four venues in downtown Salt Lake. The Capitol Theatre is the oldest venue; operating since 1913. It is the home of Ballet West and several other theatrical productions. The Rose-Wagner Performing Arts Center offers unique performances in theatre, dance, and concert. Abravanel Hall is the premier venue for symphony music. Finally, a new venue, the George S. and Dolores Dore Eccles Theatre, begins its first fall season this year. Each venue provides a unique entertainment experience to its patrons.

Why We Audited the Center for the Arts

In an effort to address public concerns about the possibility of fraudulent activity occurring at the Rose-Wagner theatre. An anonymous tip was reported to the Auditor's Office regarding the inability of concessionaire's to accept credit card payments. We focused our Key Controls Audit in four operational areas that posed a risk for fraudulent activity to occur:

- **Change Funds and Petty Cash**
- **Cash Receipting and Depositing**
- **Capital and Controlled Assets**
- **Concessionaire Operations**

What We Found

- **The Center for the Arts did not implement or enforce effective internal controls to safeguard controlled assets.**

During the audit, we took a judgmental sample of controlled assets at each venue. We found several controlled assets were missing and no documentation could be produced by CFA management to ascertain their current location. In addition, controlled asset inventories were not being performed annually by each venues technical director.

- **Internet outages at the Rose Wagner Performing Arts Center were not addressed by management leading to a potential loss of concession revenue and an increased risk of employee theft.**

The concessions at each CFA venue are operated by a 3rd party vendor. We interviewed the owner of the concessions operations in response to credit card down-time allegations. We found that the Rose-Wagner theatre had consistent internet outages that directly affected the ability of the concessionaire to receive credit card payments.

The concessionaire remits commission to the County monthly based on gross sales. The inability to take credit card payments had a direct potential impact on the sales revenue of the concessionaire, and thus potentially reduced the amount of concession commission payments realized by the County.

What We Recommend

To improve the internal controls over controlled assets.

- Technical directors perform an annual inventory of all controlled assets at their respective venue.
- Missing assets be immediately reported to management and investigated by the technical directors.
- Property managers maintain PM-2 forms or similar for assets that have been removed from CFA custody.
- Individual employees who have custody of assets use the "Controlled Asset Inventory Form-Employee" to establish personal responsibility for assets.

To reduce internet down-time at Rose Wagner:

The internet issue be investigated by the Rose Wagner director and a plan implemented to improve the internet connection.

Office of the
Salt Lake County Auditor
Scott Tingley, CIA, CGAP

Audit Services Division
slco.org/auditor/audit-report

A Key Controls Audit of the
Salt Lake County
Center for the Arts

**Report Number 2016-04
September 2016**

**Scott Tingley, CIA, CGAP
Salt Lake County Auditor**

**Cherylann Johnson, MBA, CIA, CFE, CRMA
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Executive Summary

Background

Key Controls Audits

The mission of the Audit Services Division is to foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness, for Salt Lake County, through independent and objective audits, analysis, communication, and training. To this end we performed a key controls audit of the Salt Lake County Center for the Arts. A key controls audit focuses on whether internal controls related to Countywide Policies are adequate and implemented and operating as they are intended. It allows management to become aware of which areas of the organization are not complying with Countywide Policy, the risks posed to the County, and provides recommendations to correct the problems identified.

Our key controls audit of the Center for the Arts was initiated when we received a complaint from a patron who visited the Rose Wagner Performing Arts Center in January of 2016. The complainant described what he thought was suspicious activity of one of the cashiers during a transaction. Although we determined that the complaint did not rise to the level of an allegation of fraud, we initiated a key controls audit of all three Center for the Arts facilities to address this concern.

The Salt Lake County Center for the Arts

The Salt Lake County Center for the Arts is a diverse operation that focuses on supporting and promoting Salt Lake County's continuing appreciation of art and culture. Center operations are currently conducted at three facilities: the Abravanel Hall, the Rose Wagner Performing Arts Center, and the Capitol Theatre. A fourth facility, the George S. and Dolores Doré Eccles Theater is currently under construction and is expected to open in the fall of 2016.

Abravanel Hall was designed with the vision of creating a world-class concert hall with architecture that creates acoustical perfection. It first opened its doors to the public in September 1979 as Symphony Hall. In 1993 it was renamed after Maurice Abravanel, a long-time conductor of the Utah Symphony. To this day it is still the home of the Utah Symphony and hosts numerous musical performances each year.

The Rose Wagner Performing Arts Center opened in 1997. It is a large three-venue theater that hosts shows throughout the year that range from concerts and symphonies to dance, theatrical performances, and musicals.

The Capitol Theatre has been one of Salt Lake County's most recognized landmarks since 1913, starting as a playhouse and for many years functioning as a movie theater. Since its original opening, the building has been remodeled several times and was purchased by Salt Lake County in 1976. The Capitol Theatre now serves as a venue for Utah Ballet, Opera, and various stage productions, plays, and musicals. The building was expanded in 2013 to include a larger lobby and improved facilities.

Glossary of Key Terms Used in the Report

Capital Asset: An asset purchased by the County with an initial cost greater than \$5,000. Capital assets are capitalized and depreciated on the County's financial statements. These assets are required to be inventoried on an annual basis by the agency that maintains custody of them.

Change Funds: Cash funds maintained at a facility that are used by cashiers to give change back to customers or patrons during a sales transaction.

CFA: Abbreviation for the *Salt Lake County Center for the Arts*.

Controlled Asset: An asset purchased by the County with an initial cost greater than \$100 but not exceeding the \$5,000 threshold for capitalization. These assets are expensed immediately on County financial statements but are required to be properly safeguarded and inventoried at least annually by the agency maintaining custody of them.

Judgmental Sampling: A type of non-statistical audit sampling where sample items are selected using substantial auditor judgment rather than other conventional methods such as a random sample number generator.

Internal Controls: A process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies.

Petty Cash: Cash funds used for the purchase of incidental items (items that cost less than \$200) as required by a facility for operating purposes. Petty cash funds are depleted and replenished periodically.

Audit Objective

Our audit objective was to determine if key internal controls were implemented and functioning in a manner sufficient to provide reasonable assurance against the risk of loss and fraud in the Center for the Arts cash handling cycle, management of capital and controlled assets, and concessionaire operations.

Audit Scope and Methodology

The purpose of a key controls audit is to determine whether internal controls within different functional areas of an agency have been implemented and are functioning in a manner that is effective in preventing loss to the County due to theft or error.

The scope of our audit focused on the cash handling cycle, controlled and capital asset management, and concessionaire operations. In order to meet our audit objectives we performed an unannounced count of cash on hand, an analysis of cash receipting and depositing procedures, an analysis of commission payments made to the County by contracted vendors, and a physical examination of controlled assets. Our audit covered the period from January 1, 2015 to December 31, 2015. However, the time period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

To perform our audit work we selected a sample of deposits prepared by cashiers and examined balance sheets related to these deposits. We matched the amounts deposited to the general ledger of the Center for the Arts as well as to the bank statements of their depository account. We performed an unannounced count of change funds and petty cash to ensure they were kept at authorized amounts. We also searched for capital and controlled assets at each facility to determine if they were still on-site. Finally, we reviewed sales documentation provided to us by Western Foods, who is the contractor used to operate the concessions stand at each CFA facility, to determine if they remitted the correct amount of commission to the County as required by the contract.

Summary of Findings and Recommendations

We determined that the internal controls implemented by the Center for the Arts are effective in reducing the likelihood of loss to the County. However, during our audit we noted some minor compliance issues related to capital and controlled assets and concession sales. To give the reader a brief overview and synopsis of our findings we provide the following summary in Table 1, below.

Table 1. Summary of Findings and Recommendations from the CFA audit.

Finding No.	Finding	Recommendation
F.1.1	Controlled assets were missing at each CFA facility and no documentation could be provided to verify their current location.	We recommend that the property managers at each CFA location perform an inventory of both capital and controlled assets at least annually and immediately report any missing assets to the CFA Fiscal Manager
		We recommend that any assets reported missing be immediately investigated by CFA Fiscal Manager and that documentation be maintained that shows the results of that investigation; including the cause of asset loss, the current known location of the asset, and any parties responsible for custody of the asset.
		We recommend that the CFA Fiscal Manager maintain PM-2 forms or similar for any assets that have been removed from CFA custody. For convenience, we have included a copy of Form PM-2 in Appendix C.
F.1.2	The designated property managers at all three CFA facilities were not conducting an annual inventory of Controlled Assets, as required by Countywide Policy.	We recommend that a complete controlled asset inventory be performed at least annually by each CFA facility's property manager and an updated asset list be maintained by the CFA fiscal manager.

F.1.3	We found that the “Controlled Assets Inventory Form – Employee” was not used consistently at any of the three CFA’s facilities, as required by Countywide Policy.	We recommend that the technical directors at each facility oversee the implementation of the “Controlled Assets Inventory Form-Employee” by the end of 2016.
		We recommend that the technical directors at each facility require each employee to perform an inventory of the controlled assets in their custody at least annually and immediately report any discrepancies to them for further investigation.
F.2.1	A persistent internet connectivity problem at the Rose Wagner Performing Arts Center potentially led to a loss of commission revenue for the County.	We recommend that the internet issue at the Rose Wagner Center be investigated by the Rose Wagner director and resolved as soon as possible in order to prevent further potential commission loss.

Audit Results

Change Funds

Audit Objectives:

- **Determine if change funds are accounted for and maintained at the authorized amount.**
- **Determine if change funds are properly safeguarded both while in-use and when stored away.**

Each facility managed by the Center for the Arts maintains a cash change fund in order to provide cashiers with the funds required to perform day-to-day sales operations. These funds are maintained in a locked safe at night and are provided to cashiers when they begin their shift. Cashiers are required to sign for custody of these funds when receiving and returning them to the safe. The funds are kept at a static amount for balancing purposes. An overall change fund amount of \$6,000 is divided evenly between the Rose Wagner Performing Arts Center, the Capitol Theatre, and Abravanel Hall.

We performed a surprise cash count of these change funds, subtracted any collections that had occurred during the day, and compared that amount to the authorized change fund amount. We found that the change funds were maintained at the authorized amounts at all three CFA locations. In addition, we interviewed the staff at each facility to determine if they understood the policies and procedures related to handling the change fund. We found that all of the employees interviewed were knowledgeable about the required Countywide Policies and practices related to the change fund.

Petty Cash and Other Imprest Accounts

Audit Objectives:

- **Determine if petty cash is accounted for and maintained at the authorized amount.**
- **Determine if petty cash is properly safeguarded.**
- **Determine if petty cash purchases are appropriate and comply with Countywide Policy.**

In addition to the change funds, each CFA facility maintains a petty cash fund for the purchase of incidental items as needed. Countywide Policy requires that these purchases be authorized, in amounts less than \$200, and that sufficient documentation is maintained with the funds for review purposes. *Countywide Policy #1203, "Petty Cash and Other Imprest Funds,"* outlines the proper management of, and the limitations on using petty cash funds.

We performed a surprise cash count of the \$1,000 petty cash fund maintained by CFA administration, plus the total amount of disbursements to arrive at the authorized amount. We also reviewed the individual purchases made with petty cash to see if any unauthorized purchases were made, or if any sales tax was paid. We found that petty cash balanced to its authorized amount and no unauthorized purchases were made during the period we reviewed.

Sales Collections and Depositing

Audit Objectives:

- **Determine if sales collections and depositing procedures comply with County Wide Policy.**
- **Determine if daily cash collections and deposits are properly safeguarded.**

Each facility within the CFA collects cash as part of its day-to-day sales operations. **Countywide Policy #1062, “Management of Public Funds,”** establishes procedures for receiving, recording, depositing, and disbursing public funds and defines functions and responsibilities to establish and strengthen internal controls over these procedures.

During our audit we observed cash receipting procedures at each facility and reviewed those procedures with staff members. We found that cash collection procedures were well understood by the staff and that the daily cash collections were properly safeguarded.

We reviewed the cash depositing procedures at each CFA facility. We selected a statistical-random sample of deposit dates to analyze at each facility. We compared the total amounts collected as reported on each cashier’s *“Individual Balance Sheets”* to what the point-of-sale system reported. Any overages/shortages were compared to each cashier’s over/short log to ensure they were properly recorded. The amounts collected by each cashier were then compared to a *“Master Balance Sheet”* that aggregates the total of the cash collections for the day. This amount was then compared to the bank deposit slip to ensure the same amount that was collected during the day was deposited in the bank. We also reviewed any voided transactions discovered in our sample for evidence of supervisory review.

We found a few minor instances at each facility of cashier’s filling out their *“Individual Balance Sheets”* forms incorrectly. This generally consisted of a count being performed incorrectly or the wrong amount being put in the over/short section. We also found on instance of a cashier not signing their *“Individual Balance Sheet”* at the end of their shift. These discrepancies were not material in nature and thus have not been included as findings in this report.

Capital and Controlled Assets

Audit Objectives:

- **Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.**
- **Determine if capital and controlled assets are properly safeguarded.**
- **Determine if asset management practices comply with Countywide Policy**

The audit included an examination of both the Capital and Controlled assets maintained at each CFA location. **Countywide Policy #1125, “Safeguarding Property/Assets,”** establishes the proper management of County capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of these assets.

We selected a statistical-random sample of 31 controlled assets and a haphazard sample of 5 capital assets at each CFA facility. We performed a physical search for the sample assets

selected on each locations controlled and capital asset inventory list. If an asset could not be located we reviewed any "PM-2 Transfer Forms" held by CFA administration for evidence of the asset being sent to surplus for subsequent storage and sale. We were unable to locate assets at each facility and could not find evidence of each missing assets current location.

Each agency throughout the County is required to comply with *Countywide Policy #1125, "Safeguarding Property/Assets"* regarding the custody, recording, and disposal of both Capital and Controlled assets. This policy states that somebody, labeled a "property manager," accept personal accountability for the safeguarding of these assets. This includes maintaining a current list of the assets held at their facility, performing periodic physical verification that the asset is still on-site, and ensuring that the disposal of assets is well documented and all documents maintained for review.

As part of our audit we selected a statistical-random sample of controlled assets and a judgmental sample of capital assets listed on each technical director's asset inventory list. We physically searched for the sample assets at each of the CFA facilities to verify their existence and condition. We also reviewed any available documentation related to the assets that could not be physically located.

Finding F.1.1

- **Controlled assets were missing at each CFA facility and no documentation could be provided to verify their current location.**

Countywide Policy #1125, "Safeguarding Property/Assets, "Sections 2.2.3 and 2.2.11 discuss the responsibilities of property managers and the need to conduct annual inventories:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody ... At least annually, conduct a physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

During our audit we performed a physical examination of 31 controlled assets and 5 capital assets at Abravanel Hall, the Capitol Theatre, and Rose Wagner Theatre. All of the selected capital assets were found at each facility. However, we discovered controlled assets on the inventory list that could not be physically located on-site at all three locations. Abravanel Hall was missing three items: a graphic equalizer, a chair, and a battery charger. The Rose Wagner Performing Arts Center was missing four items: an electric multimeter, a video camera, a multi-master tool, and an audio speaker. The Capitol Theatre was missing five items: a Samsung HDTV television, a Lenovo Thinkpad tablet, a vacuum, a TTY Machine, and a right angle drill.

We found that most of the missing items were of the type that put them at risk of being more susceptible to becoming lost or diverted for personal use. This was especially apparent with the missing audio/visual equipment, and the items that could easily be used as household items, such as the video camera and the HD television.

In addition, some missing assets in our sample were stated as having been sent to surplus or destroyed. CFA administration was unable to provide any documentation that showed the current location of those assets. Table 2 shows the number of controlled assets missing or stated as removed at each facility. When assets cannot be located on-site and no documentation exists to show the assets current location and condition it indicates the internal controls over the asset cycle are not providing sufficient assurance that County assets will not be lost or stolen. It is management’s responsibility to ensure that the agency’s assets are safeguarded against theft or loss.

Table 2: Results of a Capital and Controlled asset physical search.

Center for the Arts Missing Capital and Controlled Assets by Facility					
Location	Assets Not Found	Assets Stated Removed	Form PM-2 on File	Sample Size	% Not Found
Abravanel Hall	3	3	0	31	19%
Capitol Theatre	5	1	0	31	19%
Rose Wagner	4	0	0	31	13%

Controlled assets were missing and no documentation could be provided to determine their current location.

Recommendation

- **We recommend that the property managers at each CFA location perform an inventory of both capital and controlled assets at least annually and immediately report any missing assets to the CFA Fiscal Manager.**
- **We recommend that any assets reported missing be immediately investigated by CFA Fiscal Manager and that documentation be maintained that shows the results of that investigation; including the cause of asset loss, the current known location of the asset, and any parties responsible for custody of the asset.**
- **We recommend that the CFA Fiscal Manager maintain PM-2 forms or similar for any assets that have been removed from CFA custody. For convenience, we have included a copy of Form PM-2 in Appendix C.**

Finding F.1.2

- **The designated property managers at all three CFA facilities were not conducting an annual inventory of Controlled Assets, as required by County Wide Policy.**

Performing a periodic physical count of asset inventory is one of the most common best practices used to prevent the loss of assets due to theft. The inventory quantities listed in the organization’s system are matched against a physical examination of the inventory to determine if any assets are missing.

Countywide Policy #1125, “Safeguarding Property/Assets,” Sections 2.2.3 and 2.2.11 discuss the responsibilities of property managers and the need to conduct annual inventories:

“Maintain records as to current physical location of all fixed assets and controlled assets within the organization’s operational and/or physical custody ... At least annually,

conduct a physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization.”

During our audit we noted that controlled assets were not being searched for and counted in an annual inventory process by each facilities property manager. The controlled asset list provided by the Center for the Arts shows that some assets have not been verified in inventory since 2009. This indicates that internal controls currently in place for each property manager is ineffective, thus increasing the risk that the County will suffer losses from asset theft.

Recommendation

- ***We recommend that a complete controlled asset inventory be performed at least annually by each CFA facility’s property manager and an updated asset list be maintained by the CFA fiscal manager.***

Finding F.1.3

- **We found that the “Controlled Assets Inventory Form – Employee” was not used consistently at any of the three CFA’s facilities, as required by Countywide Policy.**

During our audit we discovered that employees who have custody over controlled assets were not using the “Controlled Assets Inventory Form – Employee.” The purpose of this form is to add another layer of monitoring by creating personal accountability for controlled assets. In addition, it carries the added benefit of simplifying annual inventory counts.

Countywide Policy #1125, “Safeguarding Property/Assets,” Section 4.3.1 states:

“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.”

We noted during our audit that controlled assets were often difficult to find due to the size of each facility, the number of assets maintained, and how often the assets are moved from one area of the building to another. Currently, the technical directors of each facility are the employees responsible for tracking and maintaining controlled asset inventories. Having only one or two employees performing inventories on such a large list of controlled assets increases the risk that the assets will be lost or stolen. Table 3 shows the total number of controlled assets currently shown on the Center for the Arts inventory listing.

Table 3: Controlled Assets Inventory Listing

Total Controlled Assets Inventory			
Location	In Service	Surplus	Removed
Abravanel Hall	457	27	15
Capitol Theatre	678	222	6
Rose Wagner	377	54	46

Each facility has a large number of controlled assets to track.

A more effective method of inventory control would involve more personnel than the one or two people currently maintaining custody over all controlled assets. For instance, if a controlled

asset tends to move around the facility, the supervisor of the crew that uses the asset most frequently should maintain custody of the asset. This would simplify the annual controlled asset inventory by allowing multiple people to count a smaller amount of inventory, rather than a small number of people counting a large amount of inventory.

Recommendation

- ***We recommend that the technical directors at each facility oversee the implementation of the “Controlled Assets Inventory Form-Employee” by the end of 2016.***
- ***We recommend that the technical directors at each facility require each employee to perform an inventory of the controlled assets in their custody at least annually and immediately report any discrepancies to them for further investigation.***

Concessions Operations

Audit Objectives:

- **Determine if the amounts remitted by Western Foods as a commission payment to the County were accurate.**
- **Determine if controls over cash receipting procedures used by Western Foods were sufficient to prevent monetary loss to the County.**

Western Foods is a third party company that has contracted with the County to be the exclusive concessions vendor at each CFA facility. In exchange for this consideration, Western Foods is required to remit 30% of its gross cash receipts to the County by the 15th of the month following the month of sale. These terms can be found in County Contract #BI06350C. During our audit, we reviewed four months of register tapes maintained by Western Foods and recalculated the amount of commission that was due to the County. We found that all commission payments were accurate and timely.

We interviewed the owner of Western Foods to determine her level of knowledge related to the credit card machine down-time. We found that Western Foods has had persistent trouble with their internet connection at the Rose Wagner Performing Arts Center, causing the credit card machines to stop working as well.

We also reviewed the likelihood that the down-time posed a financial risk to the County through either theft or lost concessions sales. We determined that there was a risk of financial loss due to lost sales. Since Western Foods remits their payment based upon their gross sales, employee theft would only pose a risk to the County if the sale were never entered into the cashiering system.

Finding F.2.1

- **A persistent internet connectivity problem at the Rose Wagner Performing Arts Center potentially led to a loss of commission revenue for the County.**

Our audit was initiated when the Auditor received a complaint from a patron, after attending a performance at the Rose Wagner Performing Arts Center. The patron described how he attempted to purchase a bottle of water from the concessions stand using his credit card, but

after the cashier attempted to run his credit card, he was told that the credit card reader was not working and that he would have to pay for the item with cash. The complaint alleged that it would have been very easy for the cashier to ring up the credit card transaction in the cash register, and then tell patrons that they would have to pay in cash, pocketing the cash after the transaction was completed. This complaint and the reports of credit card machine down-time, caused us to question the risk of theft and the potential for lost revenue due to the persistent internet connectivity issues.

Credit cards frequently cannot be used as a form of payment for food, beverage, and other concession sales at the Rose Wagner Performing Arts Center (Rose Wagner Center) because of the unreliable internet connection. The concessions operator told us that the internet at the Rose Wagner Performing Arts Center has been an ongoing problem for quite some time, causing inoperability of the credit card machines.

Due to the increased risk of identity theft, the option of keeping a machine that can store credit card information for processing at a later time is not used. While we could not substantiate an actual loss of concessions sales revenue from the internet connectivity issue, credit card machine down-time could reduce concessions sales, thus leading to a potential loss of commission revenue for the County from Western Foods. In addition, it could provide an opportunity for concessions cashiers to misappropriate funds as noted above.

Recommendation

- ***We recommend that the internet connectivity issue at the Rose Wagner Center be investigated by the Rose Wagner Center director and resolved as soon as possible in order to prevent further potential commission loss.***

Conclusion

During our audit, we performed a surprise count of cash at each facility as well as looked at a random sample of deposits. We determined that the procedures used in the cash receipting and depositing cycle complied with, and in some cases, exceeded steps required by Countywide policies.

We physically examined a random sample of controlled assets at each facility. We found that the procedures related to the tracking of controlled assets needs to be improved.

We examined the concessions operations at The Center for the Arts. The contract between Salt Lake County and Western Foods requires Western Foods to remit a quarterly commission payment based on gross sales to the Center for the Arts. Based on our audit evidence we determined that all commission payments were correctly remitted to the Center for the Arts.

We also inquired about the controls over cash handling and the credit card machine down-time with the owner of Western Foods. She stated that each cashier's cash box and sales documentation is routinely reviewed by management. Any risk for potential loss, related to overages or shortages, is incurred by Western Foods since they pay commission based off of gross sales, not on net profit.

We appreciate the time and efforts of the employees of the Center for the Arts and Western Foods throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests. We trust that the implementation of the recommendations offered in this report will improve operational efficiency and effectiveness, better safeguard County assets, and help to ensure the CFA's compliance with Countywide policies.

Appendices

Appendix A: CFA Key Controls Risk Matrix

In addition to our audit report, we have graphically represented the location of our findings to help the reader understand and comprehend how they relate to each facility. In this table we have calculated a risk score for each facility based on the percentage or number of exceptions noted multiplied by a risk factor of either 1, a low-risk; 2, a medium-risk; or 3, a high-risk. The finding reference in the table corresponds to the finding numbers listed in the audit report. The scores were calculated based on a comparable scale that takes into account the uniqueness of each type of finding. For instance, percentage based findings will be translated into a whole number (50% would equal 50) and added to the total risk score. This method is a subjective attempt to assign a comparable risk score across facilities based on multiple parameters. It is intended to be a reference for the reader only.

Parameters:

- **Finding F.1.1: Percentage of assets missing.**
- **Finding F.1.2: 1 if finding was present, 0 if not-present.**
- **Finding F.1.3: 1 if finding was present, 0 if not-present.**
- **Finding F.2.1: 1 if finding was present, 0 if not-present.**

Appendix A, Table 1: Center for the Arts Key Controls Risk Matrix by Facility

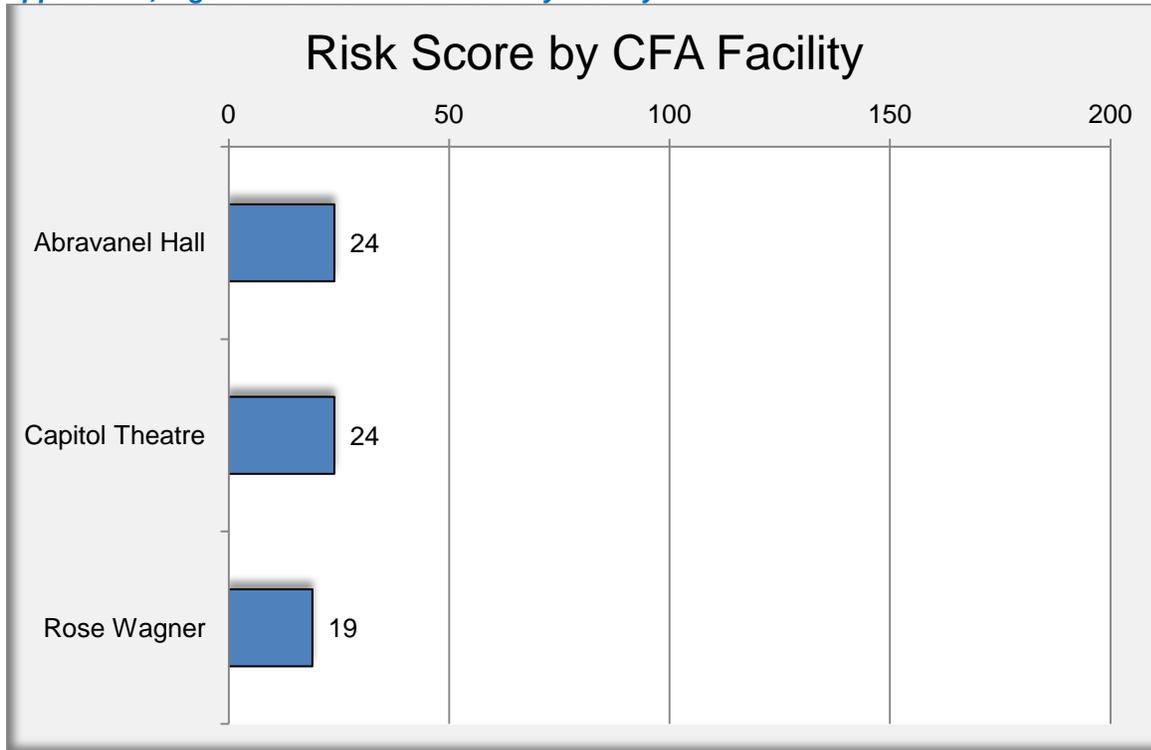
Audit Risk Matrix					
Facility	Finding Reference				Risk Score
	F.1.1	F.1.2	F.1.3	F.2.1	
Abravanel Hall					24
Capitol Theatre					24
Rose-Wagner					19
Key	 Low-Risk (1 pt X Occurrence)  Medium-Risk (2 pt X Occurrence)  High-Risk (3 pt X Occurrence)				

Missing controlled assets provided the highest risk among our findings.

Appendix B: Risk Score by CFA Facility

Figure 1, below, illustrates the overall risk score assigned to each facility based on the risk score shown in Table 1. All three facilities operated by the Center for the Arts achieved a low level risk score, defined as a score not exceeding 100 points.

Appendix B, Figure 1: Overall Risk Score by Facility



Comparative Risk Scores for each facility used to draw conclusions about the effectiveness of internal control.

Appendix C: Form PM-2

SALT LAKE COUNTY PERSONAL PROPERTY TRANSFER/DISPOSAL/INTERNAL SALE FORM PM-2

TRANSFERRING FUND # _____ ORGANIZATION # _____ ORGANIZATION NAME _____ TRANSFER TYPE _____ TRANSFER DATE _____

RECEIVING FUND # _____ ORGANIZATION # _____ ORGANIZATION NAME _____

FIXED ASSET/PROPERTY ID #	PERSONAL PROPERTY DESCRIPTION	VEHICLE VIN NUMBER/SERIAL #	CONDITION OF ITEM	NEW LOCATION #	BID/AUCTION & SALE AMOUNT

FIXED ASSET TRANSFER/DISPOSAL/INTERNAL SALE CODES

- A) TRANSFER TO OTHER ORGANIZATION
- B) INTERNAL SALE TO/FROM PROPRIETARY FUND
- C) TRADE-IN TO VENDOR/NEW EQUIPMENT PURCHASE (EXPLANATION ATTACHED)
- D) CONSIGNED TO SURPLUS FOR TRANSFER, DISPOSAL OR SALE
- E) UNACCOUNTED FOR/DESTROYED/LOST (COUNCIL LETTER REQUIRED)
- F) STOLEN (REFER TO COUNTYWIDE POLICY 1125 PARAGRAPH 2.2.10)

INSTRUCTIONS FOR INTERNAL SERVICE & ENTERPRISE FUNDS

- 1) ITEMS TRANSFERRED TO OR FROM PROPRIETARY FUNDS WITH AN ORIGINAL COST OF \$10,000 OR MORE MUST HAVE AN AGREED UPON PRICE *BEFORE* THE TRANSFER.
- 2) IF YOUR ORGANIZATION INTENDS TO RESERVE SURPLUS EQUIPMENT FOR THE NEXT AVAILABLE SALE, YOU MUST MAKE STORAGE ARRANGEMENTS WITH PURCHASING'S PROPERTY AGENT *BEFORE* ITEMS ARE DELIVERED.

TRANSFERRING AGENT (AUTHORIZED) (PRINT): _____

(SIGNATURE): _____

RECEIVING AGENT (AUTHORIZED) (PRINT): _____

(SIGNATURE): _____

SURPLUS PROPERTY AGENT (AS CONSIGNOR OR AGENT) (SIGNATURE): _____

AUDITOR (SIGNATURE): _____

PM-2'S NOT PROPERLY SIGNED BY BOTH THE TRANSFERRING AND RECEIVING ORGANIZATION AND/OR SURPLUS PROPERTY AGENT WILL BE RETURNED AND DELIVERY OF SURPLUS ITEM REFUSED.

Appendix D: Response to the Audit



ERIN LITVACK
Department Director
Community Services

MARTIN JENSEN
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September 6, 2016

Dear Larry Decker:

Thank you for the time you spent with our organization during the audit and for the recommendations made and advice given to us to improve our operations.

Here are the responses to the audit findings:

Finding # 1 – Some controlled assets could not be found on-site and no documentation could be found to verify their current location.

CFA Response

An investigation is currently under way to find the missing assets and or to provide PM2 forms for those claimed to be surplus. We have planned to purchase software that will be updated to facilitate our tracking of assets. This software has not been purchased previously but is budgeted in 2017 which will allow us to print tags for each controlled asset and utilizes hand scanners for taking a physical inventory. We will also work with building staff to find better ways to track movement of assets between buildings and assets that are not specifically assigned to an individual employee.

Finding # 2 – Controlled Assets were not being inventoried annually.

CFA Response

We have planned to purchase software that will be updated to facilitate our annual inventory tracking of assets. As stated above this software has not been purchased previously but is budgeted in 2017 which will allow us to print tags for each controlled asset and it utilizes hand scanners for taking a physical inventory. We will use this new software to carry out an annual inventory of controlled assets.



Finding # 3 – The “Controlled Asset Inventory Form – Employee: form was not used.

CFA Response

We will begin using the Employee form assigning responsibility for assets to our Production Managers who oversees the Technical Directors in each building. We will address this issue by assigning each Technical Director a particular set of assets or particular parts of the building to track and maintain inventories.

Finding # 4 – Western Foods reported they have frequent problems with the internet connection at the Rose-Wagner Performing Arts Center.

CFA Response

As part of our 2017 budget we will implement additional internet bandwidth and therefore connectivity to accommodate the usage in all of our buildings. In particular Rose Wagner Performing Arts Center will be the first to receive this upgrade.





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