

Salt Lake County Auditor's Office

Craig B. Sorensen, *AUDITOR*



August 12, 2002

David L. Beck
Chief Deputy

Glen Lu
Director, Parks and Recreation Division
2001 South State Street #S4400
Salt Lake City, Utah 84190

*Salt Lake County
Government Center
2001 S. State Street
Suite N2200
Salt Lake City
Utah 84190-1100
Tel (801) 468-3381
Fax (801)-468-3296*

Re: Audit of the Salt Lake City Sports Complex.

Dear Glen:

On Monday July 15, 2002, our office received notice from Paul Ross, about a theft of funds at the Salt Lake City Sports Complex located at 645 Guardsman Way. In response to the notice of missing funds we completed an unannounced count of all the funds at the complex. On the day of the count, we examined receipts for the weekend, the change fund, counted operations funds from the front desk registers, concession stands and the petty cash fund.

We met the following day with the complex director and the secretary, who discovered the theft. They confirmed that the theft involved a front desk start up bag (change fund). The bag and contents of \$100 were missing. The start up bag is routinely issued and returned on a daily basis to be placed in a safe over night via the drop mechanism. Also, \$80 was missing from a change fund box kept in a second safe. Both safes are located in the administration office.

The director told us that a police report had been filed and new combinations had been requested. Some changes have been implemented to prevent future thefts. Supervisors will check the start up bags and verify they get dropped into the safe and a log has been set up for both the cashiers and supervisors to sign when funds are taken and returned to the safe.

We also audited the cash receipting and depositing. We looked at a random sample of the deposit records for the period April through the first two weeks of July 2002. We reviewed all the documents relative to collections and depositing for each day audited, including but not limited to Z tapes, cash balancing forms prepared by each cashier, the reconciliation prepared by the secretary, daily register totals, adjustments due to over/short results, deposit records prepared for bank receipt, voids, and refunds.

FINDINGS:

We found that:

- ! The change fund custodian as shown on the Auditor's records indicates the previous director.**
- ! The petty cash fund reflects the previously approved amount.**
- ! Some of the check endorsement stamps are broken.**
- ! There are no over/short logs kept.**
- ! There are questions as to how travelers checks, money orders and requests for refunds through the County system are handled by the Sportsman receiving program.**
- ! The environment in which the secretary has to prepare the prior day's deposit needs to be reviewed.**

Change Fund and Petty Cash Fund: We reviewed the change fund records and found that the custodian record has not been formally changed from the previous director to Clark Littleton. This is a requirement of Countywide Policy #1203 *Petty Cash and Other Imprest Funds*, Section 4.0. The Petty Cash Fund has been increased from \$600 to \$1000 and also has not been formally changed.

RECOMMENDATIONS:

- 1. We recommend that the change in custodian be formalized as required by County Policy.**
- 2. We recommend that the Petty Cash Fund be formally increased.**

Endorsement stamps: Some of the endorsement stamps used by the cashiers were broken, so that checks received in payment for services could not be immediately endorsed. Per Countywide Policy #1062 *Management of Public Funds*, Section 3.6 "All checks....should be restrictively endorsed immediately upon receipt...."

RECOMMENDATION:

We recommend that new stamps be secured expeditiously.

Over/ Short logs: These logs are not maintained at the complex. Countywide policy #1062 *Management of Public funds*, sections 2.5, 3.7.3, and 5.0 discuss keeping logs and the reasons for doing so.

RECOMMENDATION:

We recommend that over/ short logs be kept by each shift cashier for the reasons stated in the policy.

Questions relating to the Sportsman receipting program: At the present time the cashiers at the complex are treating traveler's checks and money orders as cash when receipting them. This is in line with County wide Policy #1301 *Acceptance of Checks*, Section 2.1 "...cash equivalent (cashiers's check, money order, etc.). The question is how to treat them on the deposit slip so that the cash/check composition matches between the balance forms and bank deposit form.

As of the present time, the secretary that prepares the bank deposits has to review the cash balance forms for each shift. If there has been a request for a refund through the County system, the cashier requests the refund through the register and it is reflected as a credit against checks. This also affects the cash/check composition at the time deposits are prepared. Even though no refund is issued out of the receipts, the reduction in check amounts has to be adjusted back to ensure the check total is correct.

RECOMMENDATIONS:

- 1. We recommend that the bank be contacted to see if they can receive the traveler's checks and or money orders as cash.**
- 2. We recommend that the Sportsman software developer be contacted so that the refund issue can be resolved.**

Deposit preparation environment: The secretary assigned to preparing the bank deposit and overseeing the cash handling process verifies change balances daily, reviews shift cashiers cash balancing forms and prepares the deposits. She performs all of these tasks while at her front desk by herself, taking phone calls, dealing with cashiers, other employees and patrons, who are constantly coming and going. At times she has to leave the area while the receipts remain in the open on her desk. Per Countywide Policy #1062 *Management of Public Funds* Section 2.3.1 "The Agency Cashier will

be assigned such office space as will afford protection and permit the duties to be performed without funds or valuable documents being made accessible to other employees...”

RECOMMENDATION:

We recommend that this process be conducted in a secure area and that two persons be assigned to accomplish these activities.

Finally, to determine if controlled assets are adequately safeguarded and accounted for, we evaluated compliance with Countywide Policy #1125, *Safeguarding Property/Assets*. We obtained a copy of the controlled assets list provided by the complex property manager and prepared a sample list of 30 separate items of the 113 shown on the list to verify the status by physically locating each of those assets. In addition, in reviewing the sample list of items we were also able to review purchases over the last seven months to ascertain whether they had been added to the controlled asset list.

Controlled assets are personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use. The personal communication equipment category is considered to be controlled assets regardless of cost.

FINDINGS:

We found that:

- ! Some assets purchased over the last six months had not been added to the controlled assets list.**
- ! There were some assets on the list that are missing.**
- ! There was a fixed asset on the list.**
- ! There were some assets on the list that should be surplus.**
- ! There was no check out system for shared assets.**
- ! There were no “Controlled Assets Inventory Form - Organization” in use.**
- ! There were no “Controlled Assets Inventory Form - Employee” in use.**

Some assets purchased over the last six months had not been added to the controlled assets list. Purchase request forms revealed that two microphones for a sound system, one bar code reader and 6 logo carpets had been purchased, but were not added to the controlled assets list.

There were some assets on the list that are missing. On our sample list there was a Sony video camera and a Motorola 2-way radio, which we were unable to locate.

There was a fixed asset on the list. A Sharp copier purchased at \$12,000 was on the list.

There were some assets on the list that should be surplus. There was a hot dog cooker and snow cone machine in storage that had no purchase date and obviously so old and worn they should be surplus. We reviewed the use of the Salt Lake County personal property transfer/disposal/internal sale form pm-2 with the property manager and gave him a copy.

There was no check out system for shared assets. The complex has a shared tool crib and at the administration office and another location there are 2-way radios that are used by employees on an as needed basis. There are no control logs for check out of those items.

There were no "Controlled Assets Inventory Form - Organization" in use. At the tool crib or at the 2-way radio sites no forms are in use.

There were no "Controlled Assets Inventory Form - Employee" in use. There are no forms used for tools, radios, computers etc. assigned to individuals.

RECOMMENDATIONS:

1. **We recommend that all controlled asset purchases be added to the list as they are received.**
2. **We recommend that all missing assets be reported on the Form PM-2.**
3. **We recommend that the controlled asset be purged of fixed assets.**
4. **We recommend that all old and/or unusable controlled assets be disposed of.**
5. **We recommend that a checkout system be used for shared property.**
6. **We recommend that the "Controlled Assets Inventory Form - Organization" be used.**

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7. **We recommend that the “Controlled Assets Inventory Form - Employee” be used.**

In closing, we would like to express appreciation to the Sports Complex staff for the cooperation and timely assistance which they gave our auditors. We trust that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over these processes. If we can be of further assistance to you in this regard please feel free to call.

Sincerely,

James B. Wightman
Director, Internal Audit Division

cc: Paul Ross
Pamela Boyles
Clark Littleton
Thora Bell