



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH
Auditor

October 1, 2008

Bruce Henderson, Director
Parks and Recreation Division
2001 South State Street, #S4400
Salt Lake City, UT 84190

Re: Equestrian Park

Dear Bruce:

We recently completed a limited scope audit of the Equestrian Park (Equestrian). The audit's primary focus was on the period August 1, 2006 to July 31, 2008. During our examination, we reviewed cash receipting and depositing, capital and controlled assets, petty cash and change funds, and concessions sales.

The lead auditor was Celestia Cragun with assistance from James Fire. Jim Wightman had administrative oversight of the audit.

For each of these areas, we examined internal controls and procedures in place to determine compliance with Countywide policies pertaining to the areas of our examination. Our work at Equestrian was designed to provide reasonable, but not absolute, assurance that the system of internal controls was adequate, records current, and daily transactions valid.

CASH HANDLING AND DEPOSITING

As part of our audit, we performed an unannounced cash count on the change fund and petty cash fund registered to Equestrian. To review cash receipting and depositing, we obtained a statistically relevant sample of deposits from August 1, 2006 to July 31, 2008. Following are the findings for this portion of the audit.

- ***Void slips were not completed and signed by a supervisor to indicate review and approval.***
- ***A second person did not always sign the daily cash balance forms (MPF Form 3A) when preparing the deposit.***

- ***The ending change fund balance was not always counted and recorded at the end of the shift.***
- ***Several tills had more than one cashier.***
- ***Deposits were not made in a timely manner.***

Void slips were not completed and signed by a supervisor to indicate review and approval. During our examination of deposits, we found voided transactions on file for which no void slips were attached. We found a few voided receipts with the cashier's signature, but those receipts seldom had a written explanation for the void and how the problem was resolved. Additionally, these receipts were not signed by a supervisor indicating review and approval.

Countywide Policy #1062, "Management of Public Funds," Section 3.5.2.2, states:

"The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void." (Emphasis added).

Parks & Recreation Division Policies & Procedures for Cash Handling, Section 2.4.3, states:

"When a point of sale transaction error has occurred, a void slip must be completed including the reason for the void and the cashier's signature. The shift supervisor will sign off on the void slip, where feasible."

Section 2.4.4, states:

"All void slips will be signed off and reviewed by the Agent Cashier or alternate cashier and reconciled with the daily deposit."

Properly completed and reviewed void slips should alert management to the cause of reversals of cash transactions and help prevent the embezzlement of funds. Void slips reviewed and signed off by a second party, preferably a supervisor, can prevent the occurrence of theft by eliminating the opportunity for cashiers to void transactions without scrutiny. A void slip with a written explanation, signed by the cashier, reviewed and signed off by the supervisor, should accompany each void transaction to assure that reversal of transactions are legitimate. Equestrian fiscal personnel should ensure that these procedures outlined in Parks & Recreation and Countywide policies are followed.

RECOMMENDATIONS

1. ***A void slip should be completed, with a written explanation on the voided receipt attached.***
2. ***Both the cashier and a second employee, preferably the supervisor, should sign the void slip as evidence of review and approval.***

A second person did not always sign the daily cash balance forms (MPF Form 3A) when preparing the deposit. During the audit we examined approximately 407 daily cash balance forms for Equestrian. Of these forms, approximately 25 percent were signed by only one person.

The Parks and Recreation Division "Policy and Procedures for Cash Handling," Section 4.3, states:

"[Agent Cashier or Designee should] Verify the accuracy and sign the MPF Form 3A [daily cash balance form]."

Most of the cash balance forms were signed by the Office Coordinator acting as supervisor (the Agent Cashier). However, in some cases she acted as a cashier; so her cash balance form should have been signed by the Program Manager. The deposit policy and procedure requires the Program Manager, acting as the designated Agent Cashier, review the cash balance forms and sign and date the form as indication of the review.

From our discussions with staff, we had no indication that the cash balance forms were actually being reviewed. However, the signatures of the Office Coordinator and the Program Manager, acting as Agent Cashiers, would have indicated that voids, over/short amounts, no-sale activity, and other transaction detail had been reviewed for appropriateness and that proper documentation was on file. If this review process is not validated by appropriate reviewer's signature, the risk of funds being mishandled or stolen increases.

RECOMMENDATION:

All cash balance forms should be reviewed and signed by the Office Coordinator or the Program Manager (Agent Cashiers).

The ending change-fund balance was not always counted and recorded at the end of the shift. At the beginning of each shift, the cashier retrieves the change fund from the safe, counts the money, and signs a log verifying that the amount is correct. At the close of the shift, each cashier is required to count out the beginning cash of the change fund and record the count.

Equestrian's Cash Balance Sheet provides a space to record this process, both at the beginning and the end of each shift. The count is verified by the signature of the cashier. After the end-of-shift change fund count is completed, the funds are placed in a zippered bag and dropped into the safe. Although most of the cashiers followed this procedure, several cashiers did not sort and record the denominations in the change fund, nor did they sign the form indicating completion of the step.

Policy #1062, Section 3.7.3.2, states:

"Change funds should be counted, restored to the established Imprest balance, and shorts and overs recognized and recorded."

Counting the change fund and verifying the count with a signature is an important step in segregating the change fund from the revenue received.

RECOMMENDATION:

The change fund total should be sorted and recorded by denomination on the Cash Balance Sheet at the beginning and end of each shift and verified with the cashier's signature.

Several tills had more than one cashier. Of the 407 tills we reviewed, approximately 10 percent had been accessed and used by more than one cashier. The most typical circumstance was where one concessions cashier opened their till at the beginning of the day, worked their shift, and left without closing out the till and counting the revenue and/or the change fund. The next concessions cashier collected, recorded revenue, and made change using the same till without verifying the beginning balance in either the revenue or the change funds and subsequently closed the till at the end of the shift.

Parks & Recreation, "Policies & Procedure for Cash Handling," Section 3.1.5, states:

"Cashier shall use only the cash drawer assigned to them during their shift. At no time will cashier allow another cashier access to their cash drawer for any reason."

More than one cashier with access to a till, without proper change-of-shift balancing-out procedures, provides the opportunity for one cashier to take money from the till, and deny accountability when the second cashier closes the till. Counting all funds, including both the sales and fee revenue proceeds and the change fund balance, before starting a shift, then again at the end of the shift, verifies that all change and revenue funds are reconciled and accounted for.

RECOMMENDATION:

The beginning balances of each till or cash drawer should be signed out to, accessed by, and signed back in by only one cashier performing proper balancing procedures

Deposits were not made in a timely manner. We traced a sample of 85 deposits to the bank statement for the period August 1, 2006 to July 31, 2008. The average deposit took four days to deposit at the bank. Forty-eight of the eighty-five deposits examined (56 percent) took longer than three days to be deposited.

Countywide Policy #1062, Section 3.7.2, states:

“As required by Section 510402, Utah Code Annotated, all public funds shall be deposited daily whenever practical but not later than three days after receipt.”

Unnecessary delays in depositing public funds put them at greater risk of loss, mishandling, or theft. This also delays the opportunity to put the funds to use earning interest, which, in turn, increases the potential loss should an eventual theft or other unforeseen event occur.

RECOMMENDATION:

Deposits should be made daily or at least every three days, in accordance with policy.

CHANGE FUND, PETTY CASH FUND, AND IMPREST CHECKING ACCOUNT

We performed an unannounced cash count of the change fund, the petty cash fund, and the Imprest checking account. The change fund balanced exactly and the petty cash fund was \$1 over.

We reviewed vouchers in the petty cash fund and found purchases were appropriate, and descriptions were adequate. Likewise, vouchers were completed in full, properly authorized, and accompanied by appropriate documentation. We found that if tax was charged on purchases, it was not reimbursed to the employee making the error, in accordance with Countywide Policy #1203, “Petty Cash and Other Imprest Funds.” Thus, there were no negative findings in this area:

We also reviewed the number and amount of reimbursements made per year for each fund.

Countywide Policy #1203, Section 3.7 states:

*“The amount requested shall provide adequate operating funds for approximately **three (3) months.**”*

Reimbursements every three months translates to four per year. Equestrian's Petty Cash Fund was reimbursed twelve times in the two-year audit period, or six times per year. The total amount reimbursed in 2006 was \$2,444.40 and in 2007 was \$2,493.12. To date in 2008, three reimbursements were made totaling \$1,327.20.

Thus, we concluded that the number of reimbursements per year is greater than recommended by policy. If the current rate of reimbursements continues, management should consider increasing the Petty Cash Fund.

The Imprest Checking Account is used mainly to fund expenditures related to the Salt Lake County Fair held at Equestrian each August. During our review of this account, we found the following:

Funds from un-cashed premium checks older than one year have not been delivered to the Treasurer for disposition. Of the many checks issued by Equestrian during the past year, three small premium checks have not been cashed. At the Salt Lake County Fair, livestock owners whose animals are judged are awarded money prizes, known as premium checks. The amounts are usually small. Three checks, totaling \$20, from the 2007 County Fair had not been cashed as of the day we reviewed the account.

Countywide Policy #1062, Section 3.11.2, states:

“If the agency fiscal officer cannot determine the rightful owner of the funds, all funds shall be delivered to the Treasurer with an explanation of the circumstances under which the funds were found. The treasurer will deposit the funds in an account pending final disposition. If the rightful owner does not claim the funds within one year, the funds will be remitted to the State Treasurer's unclaimed property division as required by Section 67- 4a-210, Utah Code Annotated.”

RECOMMENDATION:

Funds for un-cashed checks older than one year should be sent to the Salt Lake County Treasurer for disposition.

ACCOUNTS RECEIVABLE

The Equestrian Park offers month-to-month rental of horse stalls, walker space, tack room, runs, and paddocks to the general public.

The software system used by Parks and Recreation was modified specifically to meet the needs of the Equestrian Park. However, the system does not provide aging reports, print or log dunning letters, provide bad debt allowances or adjustments, and does not accrue interest or late charges. The aging report is produced on a spreadsheet created by the Office Coordinator, who manually maintains and updates accounts receivable information. The report includes the customer's name, a 30, 60 and 90-day column, collection notes, and the outstanding balance. The aging report is reviewed monthly by the Program Director, who is also involved with collection efforts.

An internal policy stipulates a three-strike approach for patrons who rent stalls. If a patron is late on their payments three times in a calendar year, they are not allowed to rent a stall for one year after the third late payment. This policy has been effective in encouraging customer communication with the Equestrian staff if a late payment is anticipated. A \$25 late fee is assessed on the 10th of each month for unpaid accounts. The Equestrian Park has developed their own internal policies regarding accounts receivable, such as the \$25 late fee in lieu of interest charges, which is allowable under Countywide Policy.

Collection practices involve issuing dunning letters at 30 and 60 days. At 90 days, a final collection letter is issued and the account is turned over to the District Attorney's Office for collection. Late fees are not assessed when the account is turned over to the District Attorney. Rental policies of the Equestrian Park are outlined in a brochure distributed to the general public.

Revenue recognition is on a cash basis method; thus, accounts receivable accruals, allowances for doubtful accounts, and bad-debt write offs of receivables are not recorded in the County's financial system. This procedure complies with Countywide Policy #1220 "Management of Accounts Receivable and Bad Debt Collections."

We examined policies, internal controls, late charges, and collection methods related to accounts receivable. Our reviews resulted in no negative findings regarding accounts receivable management. This environment represents a marked improvement since the last audit of Equestrian's accounts receivable management in February, 2004.

CAPITAL AND CONTROLLED ASSETS

This audit step was designed to determine if the controls over County capital and controlled assets complied with Countywide Policy #1125,

“Safeguarding Property/Assets.” As defined in policy, a capital asset is an individual item owned by the County, having an estimated life expectancy of more than one year, and meeting the criteria for capitalization. Currently, the capitalization threshold for an individual item is \$5,000 or greater.

A controlled asset is a personal property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold amount, \$5,000. Personal communication equipment is considered a controlled asset regardless of the cost of the individual items.

Just prior and during the course of the audit, thefts of two controlled assets occurred. The local police department was contacted and reports were filed, in accordance with Countywide policy.

We examined a statically significant, random sample of capital and controlled assets. All items in the capital asset sample were located. However, the examination of the controlled assets had the following finding:

Three controlled assets in the audit sample were not located. Three items, a cement mixer, chainsaw, and multi-adapter box were not located. We found nothing to document that the first two items were sent to surplus. Management and staff were surprised that these items were on the controlled asset list and were unaware of their location. The third item could not be located because the item description was unclear to management or staff. Four Form PM-2s to support the disposition of capital/controlled assets were provided, two for 2006, one for 2007, and one for 2008. None of the Form PM-2's matched the items that could not be located.

Policy #1125 Safeguarding Property/Assets, Section 4.3.5 states:

“Controlled asset forms (PM2’s) are to be utilized on a decentralized basis by the organization; they will not be maintained centrally by the Auditor as is done under the fixed asset system. These forms are maintained by, or under the supervision of the Property Manager, and should be available for review or audit by the Auditor’s Office upon request.”

The description and location of certain items on the controlled assets list was not accurate and documentation was not on file to explain the discrepancies found. Our verification of controlled assets contained in the audit sample, lead us to conclude that an annual inventory of controlled assets was not being conducted, which should include 100 percent of the items listed.

RECOMMENDATION:

Annual inventories of capital and controlled assets should be conducted, including 100 percent of the items listed.

Supporting documentation should be maintained on file according to Countywide policy.

The findings in this letter should not be considered all-inclusive of deficiencies in practice or failure to follow Countywide policy. While we hope that operations are conducted honestly and according to Countywide policy, we can never be assured that this is always the case in any office, division, or agency.

Implementation of recommendations in this letter will help to improve operations, ensure the security of County assets, and protect employees from the consequences of dishonest acts. Please feel free to discuss any of the findings and recommendation with me or the audit staff. In closing, we thank your staff for their cooperation and assistance during our audit. We trust that our work will be of benefit to your staff. If we can be of further assistance to you in this regard, please feel free to contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

cc: Paul Ross
Corey Bullock