



A Report
to the
Citizens
of
Salt Lake
County,
the Mayor,
and the
County
Council

A Performance Audit of the

**Salt Lake County
Division of
Parks and Recreation
Imprest Checking
Account**

December 2011

**Gregory P. Hawkins
Salt Lake County Auditor**

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I. Executive Summary

We recently completed an audit of the Parks and Recreation (Recreation) imprest checking account that has an authorized limit of \$150,000. We refer to this account as the Contractor Account.

The Contractor Account is the largest imprest checking account in the County, not only by its authorized limit of \$150,000, but also in number of checks issued and dollar amount of payments made. The 18,058 checks recorded by the fund custodian (Custodian) between January 1, 2009 and September 30, 2011 totaled over \$6.3 million.

This account is used to pay sports officials and others contracted to conduct sport camps, clinics, and tournaments, and to teach physical fitness, art, and music classes.

Approximately 130 contractor-designated positions are listed on Recreation's Contractor Reimbursement Schedule (Rate Schedule). The Rate Schedule designates pay for each contractor position. Recreation administrators calculate each contractor's pay either per event or game completed, or as a percentage of revenue earned from a class, camp, or tournament. A 70/30 split is common, where the contractor earns 70% of revenues collected, with the remaining 30% to the County.

Our audit covered the following:

- Account Management Inefficiencies
- Account Operations
- Contract Preparation, Retention, and Review

The highlights of our findings and recommendations follow.

Account Management Inefficiencies

We found administrative deficiencies in the imprest checking account largely attributable to inefficient practices using outdated manual systems, that provides inadequate support for and review of disbursements. This contributes to a weak control environment where misappropriation of funds could be easily accomplished and errors are likely to occur.

The Contractor Account's check register was found to be well-maintained and was consistently reconciled to the bank statements. The reimbursements from the Auditor's office were consistently and timely deposited into the account. However, we observed the operation to be manually tedious and thinly staffed, given the volume of transactions and dollars passing through the account.

Only a full-time Custodian and a part-time Assistant Custodian, both with other significant responsibilities, manage the account. The account recorded \$6.3 million in disbursements from 2009 through 2011, to support operations at all 18 Recreation centers. Though complex in scope, the operation lacked innovative management practices that could have strengthened controls and better utilized Recreation staff.

Manually performed and sometimes duplicative processes create inefficiency. Primary among these was duplicate entry of disbursements into two different checking account records. The Custodian and Assistant Custodian review 200 to 500 manually prepared vouchers twice monthly, prior to sending them to the third party payroll processing company (Check Processor). From a master list provided by the Check Processor, they verify current contract status, contractor name, address, and social security number (The last 6 digits only are included). They verify completion of all areas of the form, including signatures, dates and times of events, and the correct pay rate based on the Recreation Rate Schedule. The Custodian hand delivers the vouchers to the Check Processor who then enters data from the vouchers into their proprietary check register and prints checks.

After checks are printed, the Custodian manually re-enters the same information into a Quicken check register using the Check Processor's hard-copy check-register data. However, this type of cross-check does not verify whether the Check Processor initially entered data accurately and completely from the vouchers. Perhaps not surprisingly, we found no differences between the two registers for the period we examined. Lastly, this duplicate effort consumed significant employee time and added to costs.

Likewise, using paper vouchers to support each check issued has continued with no attempt to automate the process. Established in 1987 for paying referees, officials, and scorekeepers, the voucher process essentially still operates with the same manual forms and procedures. Over the years, however, new contractor positions have been added which significantly expanded the workload.

Essentially all of the procedures described above could be automated. For example, information from an electronically produced voucher, completed from a computer or mobile device, could be electronically matched to a master-contractor data base. Only vouchers flagged as exceptions would require manual follow-up by the Custodian. Likewise, the check register data produced by the Check Processor could be transferred electronically to Recreation's Quicken check register. Processing transactions electronically could also create a better audit trail where 100% of the transactions could be reviewed more frequently.

Another significant weakness with the process was verification of contractor time worked. Though approval signatures of site supervisors and program managers on vouchers provided some verification, the Custodian did not independently or consistently even spot check the event schedules for the times that contractors claimed payment. This is because the Custodian did not have access to the schedules of each Recreation center, and no central scheduling system exists. Each Recreation center or program maintained its own calendar of scheduled games, and another contractor, an "arbiter," manually assigned officials to those games. Payments to the arbiter also lacked any effective way to independently validate the invoices submitted or activity claimed by the arbiter.

The following summarizes highlights of our recommendations in this area:

- Discontinue entry into two different check registers.
- Eliminate paper vouchers and process contractor requests electronically.
- Develop and implement a master-contractor data base.
- Establish a centralized, electronic scheduling system.

Account Operations

Some contractors are paid based on a revenue splitting formula. Thus, an accurate accounting for event revenue is important. We found that the vouchers submitted to verify the revenue split consistently lacked supporting documentation. Occasionally, a Recreation center attached a printout from the Sportsman event management system to support the revenue collected. However, in most cases, we found not even a cash register tape or report of totals from an on-line cashiering system that would back up the revenue reported on the voucher.

There were cases where we found the amounts paid to contractors did not match the detail in the Sportsman application. A verbal explanation was offered that the differences were due to credits owed to some teams. However, there were no written reconciliations explaining the differences or providing detail of the credits. Verbal explanations lack the credibility that a well-documented accounting system provides.

Other process deficiencies included the Custodian discarding the documentation of summary batch totals that would have supported the total checks issued by the Check Processor. For each check-run period, the Custodian recorded individual voucher batch totals, along with a grand total of all batches, on a transmittal memo. The memo was delivered with the vouchers to the Check Processor. However, once the transmittal memo grand total was reconciled to the Check Processor's check register, the transmittal memo was thrown away, and the electronic copy was eventually overwritten with data from the next check-printing cycle.

We also discovered that the Custodian was retaining blank checks associated with each check run. These checks were held for manual issuance in case of contingencies. However, we found unused checks mingled with the documentation for numerous previous check runs. These were stored in file cabinets that were sometimes left unlocked and unattended.

The following summarizes highlights of our recommendations in this area:

- Attach revenue documentation from Sportsman to vouchers to support percentage of revenue payouts.
- Document revenue and accounting logic for all large tournament payouts.
- Maintain all transmittal memos of voucher totals on file.
- Destroy and enter as "void" in Quicken any blank checks not intended for use.

Contract Preparation, Retention, and Review

A signed contract that includes a description of the contracted service forms the legal basis for the contractor to claim payment. The Custodian, however, is not able to cross-check service descriptions recorded on vouchers to service descriptions recorded in a contract. From 20 such vouchers we reviewed, we found two conflicting service descriptions. Though payouts were small, \$100 in one case and \$200 in the other case, the discrepancies pointed to the risk of a contractor claiming payment for services not contracted for, and perhaps not even performed.

Likewise, the Check Processor's master contract list did not include a field describing the service to be provided by the contractor. With over 3,000 hard copy contracts on file, a review of each contract corresponding to the voucher would not be feasible. We did, however, discover differences in service descriptions, and even service description areas that were left blank in some contracts.

Finally, all contracts were filed in hard-copy format instead of electronically. Though meticulously filed, the thousands of hard-copy contracts could more easily be stored and retrieved in an electronic file.

The following summarizes highlights of our recommendations in this area:

- Develop a coding system for all service types and descriptions, and incorporate these codes when developing the contract specifications.
- Require a Recreation employee, rather than the Contractor, to enter contract service descriptions.
- Scan all contracts into an electronic file format for use in retrieval and referencing.

The narrative that follows outlines our findings and recommendations in greater detail.

II. Introduction

We recently completed an audit of the Parks and Recreation (Recreation) imprest checking account that has an authorized limit of \$150,000. The account is titled "Payroll Imprest" by the fund custodian (Custodian) and "Sports Officials Imprest Account" by the Auditor's Office. In this letter we refer to it as the "Contractor Account," because it better describes its current use.

The Parks and Recreation \$150,000 imprest checking account is the largest in the County.

The Contractor Account is the largest imprest checking account in the County, not only by its authorized limit of \$150,000, but also in number of checks issued and dollar amount of payments made. The 18,058 checks recorded by the Custodian between January 1, 2009 and September 30, 2011 totaled over \$6.3 million.

This account is used to pay sports officials and others contracted to conduct sport camps, clinics, and tournaments, and teach classes that include not only physical fitness or activity classes, but also art instruction and music.

Approximately 130 contractor-designated positions are listed on Recreation's Contractor Reimbursement Schedule (Rate Schedule). The Rate Schedule designates pay for each contractor position. Recreation administrators calculate each Contractor's pay either per event or game completed, or as a percentage of revenue earned from a class, camp or tournament. A 70/30 split is common, where the contractor earns 70% of revenues collected, with the remaining 30% to the County.

III. Scope and Objectives

The scope of our audit was limited to operation of the account itself, including collecting and documenting information for services performed, calculating contractor pay, issuing checks, and reconciling and reimbursing the account. Payments out of the account comprise services provided at 18 different Recreation centers or programs. We did not examine separate depository accounts on which percentage of revenues to contractors were based.

Our examination of records generally covered the period from January 1, 2009 through September 30, 2011. Larry Decker was the lead auditor.

Our audit objectives were to determine whether:

- Account book balances reconciled to bank balances without significant unexplained differences.
- Duties were segregated to safeguard against theft of funds.
- Systems were in place to ensure that receipts and disbursements were recorded and the account balances were tracked efficiently and effectively.
- Procedures were implemented to guard against payment to unauthorized individuals or for services not performed.

Our work was designed to provide reasonable, but not absolute, assurance that the system of internal controls was adequate, records current, and daily transactions valid. As our examination of transactions was based on a test of sampled items, there is a risk that we would not have discovered theft because it occurred in items not selected for review.

IV. Summary of Findings and Recommendations

#	Finding	Recommendation	Main Report Reference Page
1.0	Account Management Inefficiencies		15
1.1	Vouchers for claiming pay were completed manually instead of electronically, and recording checks to the check register was performed twice.	<ol style="list-style-type: none"> 1. The Check Processor's check register should be downloaded electronically to Recreation's Quicken database, eliminating manual entry of checks. 2. Discontinuance of paper vouchers should be explored, and an electronic system implemented where the contractor or site supervisor enter information for services rendered, either on a Smart Phone or at a location with internet access, and where the following features are included: <ol style="list-style-type: none"> a. Validation that a current contract is in place. b. Validation that service hours rendered are the same as those contracted for by the Contractor. c. Pay rates automatically populate the database for types of services entered. 3. With implementation of an automated voucher system, the information required for checks to be authorized and printed should then be transmitted electronically to the Check Processor. 4. Management should reconsider the role and need of the Check Processor given current technology that allows for efficient printing of checks in-house. 	15
1.2	Game and event scheduling was performed using paper calendars, and no centralized scheduling system existed.	An electronic scheduling system should be acquired where dates and times of games, classes or events can be scheduled, and contractors can be assigned and automatically verified for work at the game or event claimed.	16
1.3	Account policies and procedures had not been updated since they were first written in 1987.	<ol style="list-style-type: none"> 1. Contractor Account Policy and Procedure written in 1987 should be reviewed and revised to incorporate current best practices and any updated technology that Recreation incorporates based on our recommendations. 2. The revised policy should be printed and issued to all recreation employees, and training programs should be implemented for Contractors and Recreation employees. 	18

#	Finding	Recommendation	Main Report Reference Page
2.0	Account Operations		19
2.1	Memos sent to the Check Processor with voucher totals were not retained in Recreation files.	The transmittal memo to the Check Processor showing total dollar amount of vouchers submitted should be retained on file, either electronically or in hard-copy format, in the Custodian's office.	20
2.2	No documentation was attached to vouchers supporting the revenue generated from an event in cases where "percentage of revenue" was the basis of payment.	Sufficient documentation to support the total revenue recorded and the source, such as Sportsman, should be attached to the voucher to support the revenue total used in computing percentage payout of revenue to the Contractor.	21
2.3	The methodology for arriving at payouts of large amounts was not adequately documented.	<ol style="list-style-type: none"> 1. All tournaments should have a separate calculation sheet on file to document how the amount disbursed to the Contractor is arrived at, and it should reconcile revenues shown, games played, or teams registered to the same information in Sportsman. 2. A camp, clinic, and tournament accounting summary spreadsheet should also be maintained that shows any overpayments or outstanding balances still owed to the contractor. 3. The football camp should be paid the remaining balance of \$161.50 owed to it, and any overpayments to the large sports association should be deducted from their next payment. 4. Invoices from Arbiters should be attached to all vouchers on which they are paid. 5. An electronic scheduling system should be acquired where dates and times of games, classes, or events can be scheduled, and contractors can be assigned and automatically verified for work at the game or event claimed. 	22
2.4	The Contractor Account has become larger and acquired new and different roles over the years making it a challenge to manage with current staffing levels.	<ol style="list-style-type: none"> 1. The Recreation committee should continue to review contractor positions and transfer to County payroll status as they deem necessary. 2. The large sports association that conducts tournaments should be paid through the County purchasing system. 	26

#	Finding	Recommendation	Main Report Reference Page
2.5	Some sections of the vouchers were occasionally not completed, and signers' signatures were usually illegible.	<ol style="list-style-type: none"> 1. All sections of the Contractor voucher should be completed, including, for example, the times and locations where officiating took place. 2. A line should be added to the voucher allowing Recreation managers signing it to print their names and titles. 	28
2.6	Blank checks retained for manual issuance, but not used, were not voided and were maintained on file.	Blank checks from batches that were part of a prior check run should be shredded and their status as voided and destroyed checks noted in Quicken.	28
2.7	Stale-dated checks were not sent to the State Unclaimed Property Division.	The Custodian should process stale-dated checks in compliance with Countywide Policy #1203.	29
3.0	Contract Preparation, Retention, and Review		30
3.1	Vouchers were not compared to contract service type to determine whether the claimed service agreed to the contract.	<ol style="list-style-type: none"> 1. A service description and coding list for use on contracts should be compiled similar to the one used for vouchers. 2. The contract service should be described by code and a uniform description within the contract. 3. The contract service description should be completed by the Program Manager or other Recreation official signing the contract, and not the Contractor. 4. A system should be implemented, either electronically or on the contract update list provided by the Check Processor, where the contract service description is provided so it can be compared to the service listed on the voucher. 5. All required signatures, including the Recreation official, should appear on the contract. 	30
3.2	Contracts were maintained in hard copy format only and not electronically.	<ol style="list-style-type: none"> 1. Electronic storage, indexing, and referencing of contracts should be implemented as time and feasibility allows, and storing of contracts in hard copy form should be discontinued. 2. Contractors should be allowed to submit their signed contracts electronically to allow for better customer service and reduce processing time and expense. 	32
3.3	A contract list maintained by the Sports Office contained inaccuracies and in some cases non-current data.	The contract list at the Sports Office that includes starting and expiration dates of contracts should be given higher priority, and it should be maintained accurately.	34

V. Findings and Analysis

The County has contracted since 1990 with a third party payroll processing company (Check Processor) to print checks twice a month. The Check Processor relies on an individual three-part voucher to document and authorize each check. The voucher is completed by each contractor and reviewed and signed by a Recreation official following each event, class or game, or series of games on a particular day.

Parks and Recreation has contracted with the same check processing company for 22 years.

The Check Processor charges 30¢ for each check issued, 15¢ for each voucher reviewed, and 3¢ for each printed line contained in eight different accounting reports produced at each check run. Altogether, with documentation reviews, corrections, reports, and check printing, the cost of each check ranges from about \$1.50 to \$2.00. We arrived at these numbers based on a sample of Check Processor invoices we examined. Costs vary depending on the number of vouchers

reviewed, corrections made, and size of reports. For 2010, total payments to the Check Processor were \$9,250.

Before contractors claim payment for services, they first sign a contract designating the type of service to be performed and the contract beginning and ending dates. With a valid contract in place, payment can be claimed for services performed using the three-part voucher (See Appendix A). The following outlines basic steps in voucher processing.

- Contractors complete the top half of the voucher, including their name, address, and social security number.
- A Recreation site representative or program manager completes the bottom half of the voucher, including the types and dates of services performed and calculation of the amount to be paid.
- The voucher has three signatures, 1) The contractor, 2) The site representative (a Recreation employee) who verifies the contractor's performance of service, and 3) The Program Manager.
- The Custodian and another employee in the Sports Office (Assistant Custodian) receive all vouchers and between them review the vouchers for signatures, pay rate, calculation of pay, and current contract status.
- The Custodian delivers vouchers to the Check Processor who enters them into a database and prints checks.

We developed a flowchart of the Contractor Account which is shown in Appendix B. The flowchart provides a more detailed visual of the entire account process, from contract signing, through checks being issued, and the checking account being reimbursed by the Auditor's Office.

We noted several commendable and essential steps taking place in account management that indicate either no theft occurred or that theft risk was minimized, including the following:

- 1) The book balance (Quicken check register) reconciled to the bank statement balance.
- 2) All disbursements from the Auditor's Office to reimburse the account were deposited into the bank account.
- 3) Another Recreation employee, not involved in the account, reconciled the account each month, providing a proper segregation of duties.

Recreation installed Quicken software in 2006 for use in account management, including check and deposit recording and maintaining a running balance, but not for issuing or printing checks. We reconciled the Quicken book balance to the bank balance from January 1, 2009 through September 30, 2011.

In reconciling the account, we scanned into Excel all bank statements over the 33 month period we reviewed. Using Audit Command Language (ACL) data mining tool, we compared all checks recorded to the 18,078 checks that cleared on bank statements. Cleared checks totaled \$6,344,163. This procedure allowed us to arrive at an outstanding check list at January 1, 2009, which included 146 items totaling \$23,207. We then determined which of these checks subsequently cleared. No outstanding deposits were discovered in our reconciliation. The reconciled balance at September 30, 2011 was \$150,074.



During the 33-month period audited, 18,078 checks totalling \$6,344,163 cleared the bank.

We found no unexplained reconciling items, though we did find that the bank recorded four duplicate check numbers in their statements totaling \$1,592, and two other checks that in total cleared the bank for \$30.50 less than they should have done. Recreation staff, however, proactively followed up with the bank, and duplicate checks were reversed.

In addition, we were able to account for all disbursements from the Auditor's Office to reimburse the account. The Custodian makes these requests for an account reimbursement twice a month, at the time a check run is made by the Contract Printer. For the 33 month period examined, we found 66 warrants issued by the Auditor to replenish the account totaling \$6,388,245, all of which matched bank statement detail.

Moreover, we found that all deposits represented funds issued from the Auditor's Office, and did not represent unauthorized deposits. Issuance of manual warrants by the Auditor to replenish the account was discontinued as of June 2010, since then reimbursements have been made by electronic funds transfers (EFT), an efficient, more secure process that helps deter theft.

Our findings and analysis are divided into the following sections:

- Account Management Inefficiencies
- Account Operations
- Contract Preparation, Retention, and Review

1.0 Account Management Inefficiencies

The process flowchart in Appendix B shows the multiple steps required to update the contract list, account for and verify time worked by contractors, coordinate check printing with the Check Processor, and reconcile and reimburse the account. This process was established 25 years ago and deserves renewed attention given technological advances since that time. The installation of Quicken software in 2006 was a start, and may have reduced time in managing the account. However, other operational aspects need review for achieving greater efficiency.

Our findings are the following:

- ***Vouchers for claiming pay were completed manually instead of electronically, and recording checks to the check register was performed twice.***
- ***Game and event scheduling was performed using paper calendars, and no centralized scheduling system existed.***
- ***Account policies and procedures had not been updated since they were first written in 1987.***

1.1 Vouchers for claiming pay were completed manually instead of electronically, and recording checks to the check register was performed twice.

Contractors and Recreation personnel complete the three-part voucher by hand, including:

- Contractor's name, address and telephone number,
- Contractor's social security (last 6 digits) or tax I.D. number,
- Sport, class or activity for which payment is claimed,
- Location worked, and dates and times of the activity.

The Custodian or Assistant Custodian reviews the vouchers. The Custodian totals the vouchers and then hand delivers them to the Check Processor, who records the detail into their own database. After checks are printed, the Check Processor returns the white copies of the vouchers to the County, together with a "check register," or detail check run.

White voucher copies are filed numerically at the Sports Office. Yellow copies are filed alphabetically in the Custodian's office at the Salt Lake County Government Center.

Manually performed and sometimes duplicative processes create inefficiency.

The Custodian, then, enters in Quicken the check numbers, amounts, and payee names for 200 to 500 checks on any given check run from the check register. This duplicate effort is an inefficient use of the Custodian's time that could be devoted to other tasks, and is prone to data-entry errors. In our review we found that all data from the check register from January 2009 through September

2011 matched data in the Quicken system maintained by the Custodian.

The Custodian has discussed electronically transferring the check register data to Quicken with the Check Processor, but no progress has been made to date.

Not only electronic transfer of check-register data, but also electronic formatting and transmission of the voucher data, could significantly reduce processing time. The challenge with electronic voucher processing, however, is the wide variety of Recreation event sites that have limited or no internet access. Not all events occur at Recreation centers. Some take place in high school gyms or ball diamonds where web access is usually not available. As an alternative to completing vouchers on-site, a site representative could enter time worked for contract officials at one of the Recreation centers where internet access exists. As a further alternative, officials could enter time worked from a Smart Phone, provided they have one.

In an electronic system, voucher data and information could be available on-line for the Custodian to review. Such a system could be integrated with a database to validate whether a current contract exists and the authorized type of service, along with the ability to automatically populate rate fields for type of service performed.

The cost acquiring and implementing an automated system, coupled with Recreation staff's familiarity and comfort with existing manual processes have discouraged any move to implementing a more updated system. However, the cost in dollars and efforts in the short run would be made up by efficiencies in the long run.

Recreation management could start by focusing on electronic transfer of the Check Processors data to the Quicken check register. Quicken also has check printing function that should be considered.

RECOMMENDATIONS:

- 1. The Check Processor's check register should be downloaded electronically to Recreation's Quicken database, eliminating manual entry of checks.**
- 2. Discontinuance of paper vouchers should be explored, and an electronic system implemented where the contractor or site supervisor enter information for services rendered, either on a mobile device or at a location with internet access, and where the following features are included:**
 - a. Validation that a current contract is in place.**
 - b. Validation that service hours rendered are the same as those contracted for by the Contractor.**
 - c. Pay rates that automatically populate the database for types of services entered.**
- 3. With implementation of an automated voucher system, the information required for checks to be authorized and printed should then be transmitted electronically to the Check Processor.**
- 4. Management should reconsider the role and need of the Check Processor given current technology that allows for efficient printing of checks in-house.**

1.2 Game and event scheduling was performed using paper calendars, and no centralized scheduling system existed.

We did not visit all Recreation centers; however, for those visited we found no uniform, centralized event calendaring system. Though contractor payment was centralized, calendaring was not. Each Recreation center or program (not taking place at a center) scheduled their own games and maintained their own calendars. One of the recreation centers we called relied solely on the site supervisor's signature on the voucher to verify contractor attendance and work time claimed at the event. In most cases, calendars were not available for cross-checking by the Custodian or Assistant Custodian reviewing the vouchers, with the exception of the Assistant Custodian at the Sports Office who had a calendar reflecting games scheduled through that office.

Manual calendars can be useful to verify contractor claims for games officiated, as with the Assistant Custodian at the Sports office. She recorded the contractor's voucher number by the game officiated on the hard-copy calendar. If a contractor claimed payment for a time not scheduled, or if more than two referees claimed the same game, she investigated further.

While recording voucher numbers on calendars may be effective, it is not efficient compared to automated calendaring applications where Contractors assigned to particular games or events can be compared automatically to names of those submitting vouchers for payment.

As pointed out, each Recreation center schedules its own game dates and times; however, a separate contractor, an "Arbiter," assigns officials to those games for all centers. Arbiters also use a manual calendaring system. For example, the Arbiter who schedules basketball officials reportedly has a big board for recording and tracking game officials' assignments. As assignments are scheduled, he sends each official a date and time schedule by mail to communicate those assignments.

Using penciled-in calendars for scheduling; along with contracting with an Arbiter to assign officials are long established practices. However, adhering to familiar and well-established practices often ignores efficiencies and controls that are integrated into automated systems that are widely available. As an interim first step, the County's Microsoft based email exchange has the calendaring feature "Outlook" which could be explored for use by the Recreation offices for calendaring.

RECOMMENDATION:

An electronic scheduling system should be acquired where dates and times of games, classes or events can be scheduled, and contractors can be assigned and automatically verified for work at the game or event claimed.

1.3 Account policies and procedures had not been updated since they were first written in 1987.

Adopting and implementing standard policies and procedures provides uniform processes and clarity of roles to an operation. The policy and procedure in place since 1987 in Recreation for engaging and paying Contractors outlines most of the practices currently followed in operating the Contractor Account, as described above. However, this document has not been reviewed, revised, or apparently re-printed and distributed to Recreation locations in recent years. The practices it promotes have been handed down through on-the-job training, with only slight modification and with little formal training.

The policies and procedure were developed 25 years ago. An outdated policy, if not reviewed and revised, falls behind more recent developments in calendaring and time reporting, and even the terminology used by Recreation. Moreover, some procedures outlined in it are currently not used, and the scope of services has expanded since it was first written.

RECOMMENDATIONS:

- 1. Contractor Account Policy and Procedure written in 1987 should be reviewed and revised to incorporate current best practices and any updated technology that Recreation incorporates based on our recommendations.**
- 2. The revised policy should be printed and issued to all recreation employees, and training programs should be implemented for Contractors and Recreation employees.**

2.0 Account Operations

We found all checks were used in sequential order with no gaps and no voided checks clearing the bank. These positive findings indicate attention to detail and knowledge of correct bookkeeping principles. Though bank account management demonstrated accuracy and precision, maintaining supporting documentation for some payments needs additional attention and focus. While the previous section discussed efficiency through improved technology, the following section discusses current account operation, particularly issues related to contractor work and payment verification.

Our findings are the following:

- **Memos sent to the Check Processor with voucher totals were not retained in Recreation files.**
- **No documentation was attached to vouchers supporting the revenue generated from an event in cases where “percentage of revenue” was the basis of payment.**
- **The methodology for arriving at payouts of large amounts was not adequately documented.**
- **The Contractor Account has become larger and acquired new and different roles over the years making it a challenge to manage with current staffing levels.**
- **Some sections of the vouchers were occasionally not completed, and signers’ signatures were usually illegible.**
- **Blank checks retained for manual issuance, but not used, were not voided and were maintained on file.**
- **Stale-dated checks were not sent to the State Unclaimed Property Division.**

2.1 Memos sent to the Check Processor with voucher totals were not retained in Recreation files.

The Custodian summed all vouchers and included this total on a transmittal memo sent together with vouchers to the Check Processor. However, these transmittal memos were not retained on file. Without the memo, there was no documentation to compare Recreation's voucher total to the Check Processor's total.

Once the Custodian compared and agreed her total to the Check Processor's check register, the memo was discarded and overwritten electronically in the next month's check run. The Custodian saw no further use for the transmittal memo once the voucher total agreed to the total indicated in the Check Processor's register of vouchers processed.

Without the transmittal memo totals, the only way to verify Check Processor totals was to re-add hundreds of vouchers. The Custodian maintained vouchers alphabetically in banded groups, summed each group, and attached an adding machine tape. She then added each group to arrive at the grand total. This was recorded on the transmittal memo and forwarded to the Check Processor. Because the transmittal memo was not on file, management review or audit of the process was unnecessarily time consuming.

As part of our audit work, we determined whether voucher stacks equaled total check amounts from semi-monthly check runs. We totaled all vouchers for three different check runs, one each in 2009, 2010, and 2011. We found that the total of all 2,081 vouchers essentially matched the total of the Check Processor's check registers, \$287,545, except for five vouchers missing from the stack totaling \$225. We identified these missing five by comparing our totals with the Custodian's adding machine tapes in each group. We were able to verify that the missing vouchers were submitted to the Check Processor and paid.

Also as part of her review, the Custodian added voucher logs that Recreation centers sent her. Each center logged their vouchers separately. No centralized voucher log was maintained. The Custodian compared log totals to her own voucher totals, often finding mathematical errors that she then brought to the program manager's attention. She also resolved any differences with the Check Processor on their check register total. Figure 1, on page 21, shows the trend in number of vouchers processed since 2009.

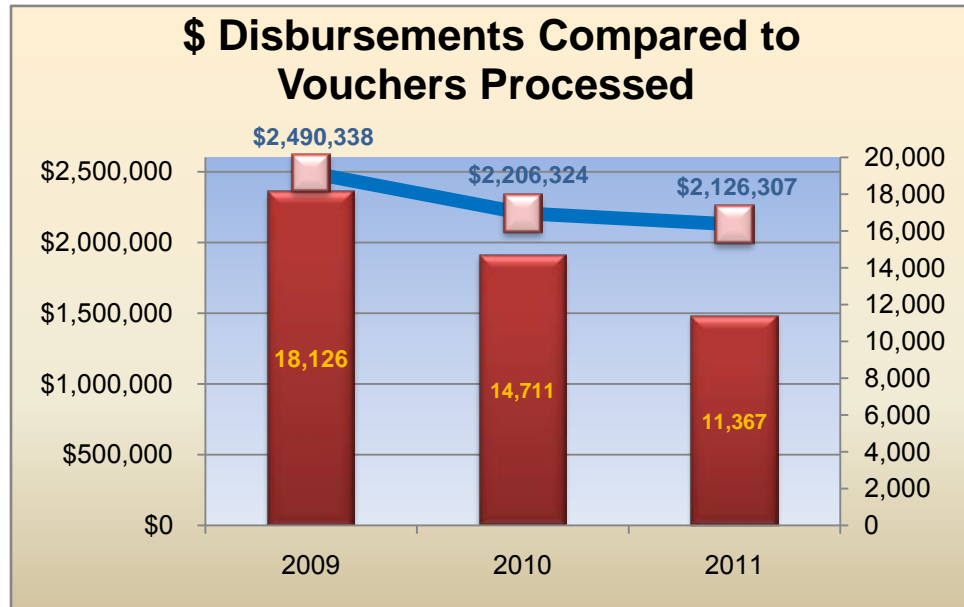


Figure 1. The number of vouchers processed is trending downward.

As indicated in Figure 1, the Custodian now has fewer vouchers to process and review as numbers have trended downward in recent years because of fewer contractors, a trend discussed later. The data source in Figure 1 is the Check Processor's semi-monthly check registers where all vouchers reviewed and processed are listed.

The absolute number of vouchers, from mid-January 2009 through the first half of November 2011, provided by the Check Processor, was 42,488. Based on our estimate of the first half of January 2009 and the remainder of 2011, total vouchers completed were 44,204, the sum of the three years shown above.

RECOMMENDATION:

The transmittal memo to the Check Processor showing total dollar amount of vouchers submitted should be retained on file, either electronically or in hard-copy format, in the Custodian's office.

2.2 No documentation was attached to vouchers supporting the revenue generated from an event in cases where "percentage of revenue" was the basis of payment.

In some instances Contractor payments are not based on the number of games or events officiated or performed, but on the revenue generated from a tournament. In these cases, the Contractor's voucher includes a "total program revenue" line, followed by a blank line to enter the contractor payment percentage from the Rate Schedule. Typically, documentation supporting the program revenue would be recorded in Sportsman, the

software application used by Parks and Recreation. However, we rarely found documentation, such as a cash register tape or printout of Sportsman revenues, attached to support revenue amounts entered on these vouchers.

Merely entering revenue amounts without supporting documentation creates doubt about its reliability.

Program coordinators and managers merely entered the revenue amounts and signed the voucher. Presumably, their revenue amounts came from a legitimate source; however, the lack of documentation creates doubt on the reliability of the amount reported.

For example, on one voucher for an art class, revenue of \$131.28 was entered, with 70% applied to it for a total contractor payment of \$91.90. Though the voucher had all required signatures, an attachment showing the revenue source would have provided greater confidence in the payout.

When questioned on this, the Custodian could see the value in attaching revenue documentation, but expressed concern about the time consumed to review documentation. In our opinion, the time concerns are overridden by the weakness of the internal control by not attaching the supporting documentation.

RECOMMENDATION:

Sufficient documentation to support the total revenue recorded and the source, such as Sportsman, should be attached to the voucher to support the revenue total used in computing percentage payout of revenue to the Contractor.

2.3 The methodology for arriving at payouts of large amounts was not adequately documented.

The Sports Office manages large accounts for sports camps, clinics and tournaments. They collect and deposit money for these events into their depository account. Percentage payouts to sponsors, teachers, or coaches for these events are then disbursed from the Contractor Account based on a portion of proceeds deposited for a particular event. In reviewing a sample of these activities, we found no documentation such as a Sportsman printout to support the computation of team payouts for tournaments managed by a large-contractor sports association.

This was the case for the percentage payout for the largest revenue-generating tournament we examined, the Spring Fling. The only documentation was the voucher submitted by the Contractor. We did discover documentation for each team's registration fee in an envelope in a separate file. The Sports Office Manager stated that detail from these registration documents had been entered into Sportsman to provide a record of teams registered. However, no printout from Sportsman was attached to the voucher used to generate the percentage payout to the Contractor.

Unlike the lack of documentation for the large tournaments described above, sports camps, such as football camps, did provide an accounting sheet and a Sportsman printout to support the total revenue recorded on the voucher. A handwritten accounting sheet was included for each camp or clinic to show collection totals, amounts paid out for expenses, and the calculated portion of revenues owed to various parties, including coaches, and the County's percentage of the revenue.

While the accounting sheets provided needed detail, a spreadsheet summarizing the tally sheets would have made review by management or an auditor much easier. A summary spreadsheet would list all camps, clinics and tournaments, and outstanding balances, if any, still owed to contractors.

Table 1 below shows five vouchers from large payouts, the collections reported in Sportsman, and the amounts actually disbursed to individual contractors.

DIFFERENCES BETWEEN AUDITOR-CALCULATED AND ACTUAL DISBURSEMENTS						
Activity	Sportsman Revenue Total	County Split Formula	Due County	Remainder Due Contractor	Actual Paid to Contractor	Difference
Boys Spring Fling '11	\$74,180.00	\$25 X # teams	\$4,250	\$69,930	\$70,135.00	(\$205.00)
Boys Spring Fling '10	\$63,324.35	\$25 X # teams	\$3,550	\$59,774	\$63,515.00	(\$3,740.65)
Boys State Tournament '11	\$42,275.00	\$25 X # teams	\$2,062	\$38,800	\$40,600.00	(\$1,800.00)
Football Camp '11	\$22,220.00	15% of Revenue	\$3,333	\$18,887	\$18,725.50	\$161.50
Girls Spring Fling '11	\$54,193.50	15% of Revenue	\$3,063	\$11,684	\$11,684.00	\$0

Table 1. Some contractors were possibly overpaid and one was due an unpaid balance.

The formula for computing the revenue split in Table 1 above seemed straightforward. However, we determined that the revenue used to calculate contractor disbursements did not match the revenue recorded in Sportsman for the first three "Activities" in Table 1, above. Sportsman has a feature to segregate revenues by each tournament, camp or clinic conducted, which we referred to in our analysis.

The first three activities in Table 1 were conducted by a single contractor, the large sports association referred to previously. This Contractor operated various tournaments, including the Boys Spring Fling basketball tournament. Recreation's Rate Schedule apportions \$25 per registered tournament team as the revenue split to the County. The Rate Schedule also stipulates that the Contractor will receive "Total of tournament fees less \$25 per team to the County."

The Sports Office manager (Manager) reviewed and approved all vouchers for this Contractor. Unlike with other Contractors, neither the Custodian nor

Assistant Custodian reviewed these vouchers. Moreover, despite significant dollar payouts to this large-event Contractor, only a simple voucher supported the payments.

Boys Spring Fling 2011. We found that for this event, Sportsman showed 170 teams registered; however, the voucher indicated 169. The Manager did not document the calculated difference between the County's portion (number of teams X \$25) and actual revenues, which represented the amount that should have been distributed to the Contractor.

Some undocumented discrepancies were found between the County's revenue portion and the actual revenue.

The calculation recorded on the voucher for the revenue paid to the Contractor, showed \$415 (the Spring Fling registration fee of \$440 less the \$25 due to the County) multiplied by 169 teams to arrive at the \$70,135 disbursed to the Contractor. The Manager was not sure why payment was based on 169 teams instead of 170. However, using \$415 as a multiplying factor was also in error because notations in Sportsman indicated that 4 of the 170 teams received a reduced rate. Therefore, the \$415 should not

have been used across the board to compute the amount paid to the contractor.

As for the five cases of teams paying less than the standard rate, she stated that some teams had "credits" to explain their reduced payments. The credits may have been extended for teams that withdrew from tournaments for which they registered. The credit due them was then applied to a subsequent tournament by waiving the entry fee or charging a reduced rate. Teams also may occasionally receive a discount or credit based on need.

However, no documentation was provided for these credits other than a handwritten contractor note on the envelope with the registration forms stating that one of the teams had some credits. Because there was no adjustment for the undocumented credits, the Contractor was paid the full \$415 in all 169 cases.

Boys Spring Fling 2010 and Boys State Tournament 2011. In Sportsman, 142 teams were registered compared to 153 indicated on the voucher for the Boys Spring Fling 2010. Likewise, for Boys State Tournament 2011, 139 teams were recorded in Sportsman compared to 145 on the voucher. In these cases, the Manager stated that teams had registered in advance and were listed in separate categories within Sportsman, and not specifically within Boys Spring Fling 2010 or Boys State Tournament 2011.

However, no documentation was provided that accounted for or reconciled the number of teams on which revenue was paid to the Contractor. The Sports Office manager attributed some of the problem to a learning curve in implementing recent Sportsman software upgrades, where procedures for entering certain transactions or extracting of data had not been clearly explained or understood by Recreation staff.

These discrepancies resulted in significant over payments to the Contractor as shown in Table 1.

Football Camp 2011. As shown in Table 1, above, we determined that a small balance was owed to the Contractor because of late registrations that were recorded in Sportsman after the Contractor payout. The Assistant Custodian managing this account indicated that the contractor would be paid at the next coach’s clinic.

We recommend that implementation of a tournament accounting summary spreadsheet that would disclose these discrepancies and help resolve these unreconciled balances.

Girls Spring Fling 2011. For this event the Assistant Custodian included a revenue calculation sheet. We determined that collections of \$54,193.50 recorded on the sheet matched the total of six pages of Sportsman revenue detail on file. However, we noted that tournament expenses were first deducted from revenues to arrive at the revenue base for the County’s 15% portion. These expenses included:

\$25,100.00	to a separate contractor, the Arbiter, who arranged for tournament referees
\$ 6,594.00	to scorekeepers
\$ 5,092.71	for shirts
<u>\$ 3,660.00</u>	to the Canyon’s School District as a participant fee
<u>\$40,446.71</u>	TOTAL

The Assistant Custodian stated that expenses had always been deducted first, as a long-standing procedure. To follow Sports Office procedure, we deducted the \$40,446.71 from total revenues of \$54,193.50 to arrive at the basis for calculating the County’s portion. When we did so, our calculation matched the Assistant Custodian’s calculation.

Payments to Arbiters. As noted in an earlier section, Arbiters assign officials to softball and basketball games. They provide an invoice to each center for services rendered in scheduling officials. We noted that one payment to an Arbiter of \$8,694 was supported by 15 vouchers, yet only six vouchers had the Arbiter’s invoices attached. We noted that recreation officials, including the program manager, signed the vouchers indicating approval of the number of games for which officials were scheduled. However, the inconsistency in attaching invoices was troubling. Also, in every case, the centers sent the

Arbiter’s vouchers to the Custodian for payment, without attaching the supporting invoices submitted by the Arbiter, even when available.

Failure to request and/or provide supporting documentation creates opportunity for fraud.

With respect to all of the events discussed above, the failure to request and/or provide supporting documentation creates opportunity for fraudulent vouchers to be processed. The lack of controls in this process opens it to potential misappropriation of public funds.

In our review of each the events shown in Table 1, a lengthy explanation was required to understand the calculation methodology. Likewise, the

documentation recorded on the accounting sheets for each sport camp and clinic were handwritten and required the Assistant Custodian's explanation for how various numbers tied together. Explanations were not quick or easy, and required more than one meeting and phone call with Recreation staff.

RECOMMENDATIONS:

1. *All tournaments should have a separate calculation sheet on file to document how the amount disbursed to the Contractor is arrived at, and should reconcile revenues shown, games played, or teams registered to the same information in Sportsman.*
2. *A camp, clinic, and tournament accounting summary spreadsheet should also be maintained that shows any overpayments or outstanding balances still owed to the contractor.*
3. *The football camp should be paid the remaining balance of \$161.50 owed to it, and any overpayments to the large sports association should be deducted from their next payment.*
4. *Invoices from Arbiters should be attached to all vouchers on which they are paid.*
5. *An electronic scheduling system should be acquired where dates and times of games, classes, or events can be scheduled, and contractors can be assigned and automatically verified for work at the game or event claimed.*

2.4 The Contractor Account has become larger and acquired new and different roles over the years making it a challenge to manage with current staffing levels.

Established on January 1, 1986, the Contractor Account's original purpose was paying officials, scorekeepers, and timekeepers. Its originally established limit was \$15,000. Since that time its use has expanded into paying contractors of various types, including golf, swim, and art class instructors and even pre-school contractors.

The Contractor Account was originally established in 1986 with a \$15,000 limit, which has now increased ten-fold to \$150,000.

The largest contractors in terms of payments are those who administer and staff camps, clinics and tournaments, functions also added after original account inception. These contractors were brought under the Recreation umbrella to expedite payments that proved too cumbersome through the County purchasing system.

The account limit gradually increased in size until 1998 when it reached its current limit of \$150,000. At that time of economic prosperity and robust tax revenues, the request submitted to the Auditor's Office for the increase stated merely that it was "due to the expanded programs in the Parks & Recreation Division." The

request further stated, "These programs will expand even more when the new ZAP facilities are completed and brought on line the fall of 1999."

As a reflection of the growing complexity of programs serviced by this fund, an unemployment claim was filed by one of the contractors working as a scorekeeper claiming he or she was not a contractor, but an employee. The resolution of the case prompted the conversion of many contract positions to regular County employee status. As a result, scorekeepers and timekeepers, two positions for which the Contract Account was originally established, are engaged as County employees paid through regular payroll, and are no longer Recreation contractors.

Due to an unemployment claim, a Recreation committee is now tasked with reviewing the status of all contract positions.

Starting in 2011, in addition to signing a contract, contractors also complete a 21-question checklist formulated by Recreation staff, which was adapted from an IRS checklist.

The checklist helps determine whether a potential contractor would more suitably be retained as a regular employee. Also, additional contractual language states that contractors are not performing their duties as County employees, nor can they accrue benefits, such as health insurance.

Likewise, a Recreation committee was tasked with reviewing the status of all contract positions and determining any that should be migrated to regular employee status. Early in 2011, Recreation eliminated swimming and aerobics instructors as contract workers, and moved them to regular County employee status, and golf instructors are expected to be removed as contract workers in 2012. Other positions, especially class instructors, are also under consideration by the Recreation committee for elimination as contract workers.

Another initiative that could improve internal controls could be to have payments to the large sports association processed through the County's purchasing system. The association could bill the County for services performed as do other vendors.

However, processing payments through purchasing would not eliminate the documentation issues noted in section 2.3. The Sports Office would still need to verify, document, and account for funds paid out to the association. Having payment go through the County purchasing system with a second review would make the Sports Office more accountable.

- RECOMMENDATIONS:**
- 1. The Recreation committee should continue to review contractor positions and transfer to County payroll status as they deem necessary.***
 - 2. The large sports association that conducts tournaments should be paid through the County purchasing system.***

2.5 Some sections of the vouchers were occasionally not completed, and signers' names were usually illegible.

Officials are paid \$18 for adult basketball games and \$17 for youth games. Disbursement of these amounts matched the vouchers in the sample we reviewed. We found two, however, where the space for listing teams, times, and games was left blank. Ordinarily, the program manager or site supervisor completes this portion of the voucher. The number of games officiated appeared in the pay calculation section, but the voucher area for recording individual game times was left blank. This was likely an oversight by the program manager, but nevertheless created less assurance that the contractor actually performed the service listed.

Finally, we noted that most Recreation management voucher signatures were illegible. A line should be added next to the signature for printing the signer's name and title. Signatures familiar to the account Custodian would not be familiar to someone conducting a management review or an audit.

RECOMMENDATIONS:

1. ***All sections of the Contractor voucher should be completed, including, for example, the times and locations where officiating took place.***
2. ***A line should be added to the voucher allowing Recreation managers signing it to print their names and titles.***

2.6 Blank checks retained for manual issuance, but not used, were not voided and were maintained on file.

The Custodian provides the Check Processor with blank check stock. After each check run, she requests a few blank checks from the Check Processor for extra, manual checks that might need issuing. Manual checks may replace those lost in the mail or checks voided due to garnishment on a child support matter.

Extra blank checks were kept on file after each check run for possible manual issuance, but were never voided in Quicken.

These extra blank checks, if not actually needed and issued, were retained in a filing cabinet drawer, filed under the date of the check run that applied to them and included with that check run's vouchers and other documentation. In the Quicken check register from January 1, 2009 through September 30, 2011, 66 such check numbers were listed as "blank." None of the checks appeared on the bank statement. As already noted, neither "voided" nor "0" amount checks cleared the bank, and no gaps in check sequencing appeared at all.

The unused checks were retained by the Custodian for check sequence accountability and consistency. The checks are recorded in Quicken, but entered as "0." The Custodian stated that she does not issue a check with a

number in a sequence that is not in sync with the most recent batch issued by the Check Processor. Because not all checks are used, the blank check stock builds up.

We are concerned that unused checks stored in various filing cabinet areas are vulnerable to theft. Someone could easily draw a significant amount of funds from the account by taking a blank check and converting it to their own purpose. Though the filing cabinets are usually locked, they are sometimes open and unattended.

RECOMMENDATION:

Blank checks from batches that were part of a prior check run should be shredded and their status as voided and destroyed checks noted in Quicken.

2.7 Stale-dated checks were not sent to the State Unclaimed Property Division.

The Quicken check register listed 46 outstanding checks totaling \$3,837 issued prior to October 2010 that have not been sent to the State Unclaimed Property Division.

Countywide Policy #1203, Section 5.1.4, states:

“Copies of stale-dated checks issued...shall be submitted...to the Treasurer’s Office...A check issued by the Custodian for the total...shall be included...for submission by the Treasurer to the Utah State Unclaimed Property Division.”

Thirteen of these checks were issued prior to 2006. The Custodian had not submitted them because of other conflicting priorities and tasks. Failure to do so, however, may only add to her work, as the outstanding checks become perpetual reconciling items. Despite the number of stale-dated checks we identified, the Custodian appears to have been proactive in recent years in contacting contractors with stale checks and reissuing them. However, the 46 stale-dated checks we noted should be sent to the State Unclaimed Property Division.

RECOMMENDATION:

The Custodian should process stale-dated checks in compliance with Countywide Policy #1203.

3.0 Contract Preparation, Retention, and Review

The Sports Office files all contracts for 5 years, following which they are destroyed. Two standard contracts with essentially the same language are used, one for sport officials and another one for class instructors. Three signatures appear on the contracts, 1) The Contractor, 2) A Program Manager, and 3) A Notary Public. Contracts have a lined space to describe the type of service being performed and another space to list certifications required for the service. The amount of consideration to be paid to the Contractor is not stated in the contract, only a clause stating that the contractor will be paid according to the fee schedule.

Our findings are the following:

- ***Vouchers were not compared to contract service type to determine whether the claimed service agreed to the contract.***
- ***Contracts were maintained in hard copy format only and not electronically.***
- ***A contract list maintained by the Sports Office contained inaccuracies and in some cases non-current data.***

3.1 Vouchers were not compared to contract service type to determine whether the claimed service agreed to the contract.

Recreation personnel verify current contract status from a list provided by the Check Processor before approving a voucher for payment. This process is described below.

Updated technology could be used to cross reference the current contract status with the actual service rendered by contractors.

The Assistant Custodian, who assists in reviewing vouchers, maintains all hard copy contracts at the Sports Office. Each pay period she sends a listing of new and updated contracts to the Check Processor. The Check Processor then returns an updated contract list for Recreation personnel to use in the next voucher review cycle in determining current contract status. The Check Processor contract listing, however, does not specify type of service.

For a Custodian to attempt to compare 200 to 500 vouchers to the hard copy contract to determine if the service rendered agrees with a particular contract would be too cumbersome. This situation exemplifies how the utility of a manual system diminishes if not redesigned using updated technology to accommodate cross-referencing.

We sampled 20 vouchers to determine if the service performed matched contract description. We found:

1. Two that did not match,
2. One without any service description where the contractor was paid for services as a "Youth Basketball Trainer," and
3. One with a description as a "coach" where the contractor was paid for services in "corporate games" and as a "site supervisor."

When we brought the latter contract to the Assistant Custodian's attention, she stated that the individual did, in fact, contract as a coach, but in the context of a "corporate games" coaching responsibility. Usually this contractor service is shown as a separate "corporate games" category on a contract.

We also reviewed a sample of 31 contracts on file as taken from a contract listing maintained by the Assistant Custodian. From this sample we found the following:

1. Six were not signed by any Recreation official
2. Three did not have any description of service to be performed
3. One was not notarized

In addition, we reviewed the current and immediate past contract of the large sports association that conducts the tournaments and found the service description space left blank. This contractor is the highest paid of any in the Contractor Account.

Contract service descriptions should be patterned after a process we noted on the vouchers. On top of each voucher a code was entered in three different spaces to designate the service performed:

- ✓ In the first space was the Recreation Center or program code where services originated. For example, KC is Marv Jensen Recreation Center.
- ✓ In the next space was the code for activities, such as a 62 for "Classes," or 59 for "Snow Skiing."
- ✓ In the third space was the contractor's position, such as 13 for "site supervisor," or 07 for "coach," or 08 for "instructor."

Thus, a code "KC 62 08," would indicate a class instructor at the Marv Jensen Recreation Center. In their check register, the Check Processor includes these codes and descriptions for each voucher processed.

As opposed to vouchers, contracts do not require this detailing of services. In fact, service descriptions in a contract are completed by the contractors themselves. Some contract versions even had the following listed, "coach, referee, umpire, scorekeeper, timer, etc." that the contractor would merely circle.

This lack of rigor in drafting contracts led us to conclude that the existence of a signed contract was more important than its content. In fact, we found a contract of some sort in place to support all 18,058 checks issued from January 1, 2009 through September 30, 2011.

Lack of precise contract service descriptions were oversights by Recreation staff. Administrators may be so familiar with the service of a particular contractor that they may overlook recording the service description on the contract form. However, this lack of attention to detail may allow contractors to perform a service not specified in their agreement with the County.

RECOMMENDATIONS:

- 1. A service description and coding list for use on contracts should be compiled similar to the one used for vouchers.**
- 2. The contract service should be described by code and a uniform description within the contract.**
- 3. The contract service description should be completed by the Program Manager or other Recreation official signing the contract, and not the Contractor.**
- 4. A system should be implemented, either electronically or on the contract update list provided by the Check Processor, where the contract service description is provided so it can be compared to the service listed on the voucher.**
- 5. All required signatures, including the Recreation official, should appear on the contract.**

3.2 Contracts were maintained in hard copy format only and not electronically.

Over 3,000 contracts, both past and present, are maintained on file at the Sports Office in Murray.

As with vouchers, the number of current contracts on file has decreased with the converting of several contract categories to regular employees. Figure 2 below shows trends in number of current contracts from 2009 to the present based on data provided by the Check Processor.

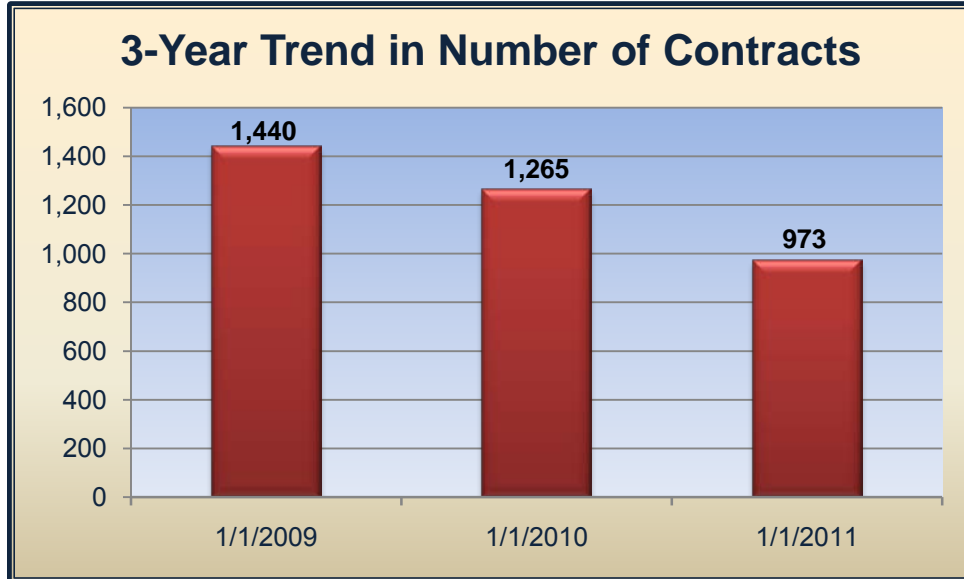


Figure 2. *The number of contracts is becoming smaller each year.*

By not storing these contracts electronically, extra time and effort results in researching files, lifting and sorting through heavy stacks of documents in filing cabinets and boxes. Contracts have not been stored electronically due to familiarity with the manual system and the natural resistance by employees to change from the current hard-copy filing system. Even so, we noted that the Assistant Custodian effectively maintained them, and we were able to locate all contracts selected in our sample for review.

Finally, contractors have inquired with Recreation staff about transmitting their signed contracts electronically. Some Recreation employees felt that only an original, signed hard copy was valid. However, resisting changeover to current technology denies contractors the benefits they are accustomed to in other dealings.

It should be noted that the County's Contracts and Procurement Division stores contracts electronically, considering them the official contract copy, and accepts signed contracts electronically.

RECOMMENDATIONS:

- 1. Electronic storage, indexing, and referencing of contracts should be implemented as time and feasibility allows, and storing of contracts in hard copy form should be discontinued.**
- 2. Contractors should be allowed to submit their signed contracts electronically to allow for better customer service and reduce processing time and expense.**

3.3 A contract list maintained by the Sports Office contained inaccuracies and in some cases non-current data.

The Assistant Custodian lists contracts alphabetically in Excel and includes contract beginning and termination dates. This well-conceived and effective concept helps track whether a contract has expired. However, we found that the spreadsheet is not used when reviewing vouchers.

As mentioned previously, the Check Processor's approved contractor list, updated after each check run, provides this verification. However, without referring to the Recreation spreadsheet, a valuable, separate source for validating contract status is ignored. We used this spreadsheet in our audit to determine whether checks issued were current because it includes beginning and ending contract dates.

To determine current contract status on checks issued, we matched the 18,058 checks from January 1, 2009 through September 30, 2011 to the 3,235 contracts listed in the spreadsheet. We again used ACL to perform this match. In our analysis payee names did not always exactly match the spreadsheet name.

We used ACL to match 18,058 checks to 3,235 contracts listed on the contractor's list, and discovered 398 checks outside the starting and ending date

For example, a payee name "Dave" did not match a spreadsheet name "David" Or, a middle initial included on one but not the other data source would also result in mismatch. Or in some cases, the contract title would show a name, followed by a DBA (doing business as) and the check was made out to the DBA name. Though names may differ slightly, the last six digits of the social security number were

recorded on the voucher to identify the correct payee. We were able, however, to arrange data to match last name and the first three letters of the first name. Even then, some unmatched data occurred, principally in business names.

In our analysis, we identified 398 checks to Contractors that were outside contract starting and ending date parameters. This may have been due to the Assistant Custodian not updating the file or updating it with incorrect starting and termination dates. For example, among 35 checks issued to a single payee whose contract our ACL analysis showed had expired, we found a current contract on file. The contract termination year, 2010 instead of 2011, had been entered in error in the spreadsheet. Some of the 398 checks appearing as errors also resulted from mismatched names. Names were close, but a missing letter, a hyphen, or some different spelling created a mismatch.

As a matter of practice, the Custodian rejects vouchers for payment where the contract has expired. We noted one effective procedure where the Check Processor imprinted contract expiration dates on the top half of check stubs, which were torn off and stored in the Custodian files. Checks examined in our sample showed a current contract in place in all instances. All sampled checks were issued prior to the contract expiration date printed on the top half of the check.

After we pointed out the apparent 35 checks issued on an expired contract, as noted above, the Assistant Custodian stated that the Excel spreadsheet was for her use, and she did not expect precision. Nevertheless, since the list is maintained and updated for new contracts, maintaining it incorrectly does not promote confidence in contract status on checks issued.

RECOMMENDATION:

The contract list at the Sports Office that includes starting and expiration dates of contracts should be given higher priority, and it should be maintained accurately.

We appreciate the time and effort spent by the Contractor Account Custodian and Assistant Custodian, who, as mentioned, also maintains the hard-copy contracts and helps review vouchers. We also thank others within the Parks and Recreation Division who so willingly answered our questions.

After performing this audit we understand the extensive work in maintaining the account. We trust that recommendations made here will provide for greater efficiency and effectiveness in managing the account. Please feel free to contact me if you have any further questions.

Code: _____

No. 1096

PAYMENT VOUCHER
SALT LAKE COUNTY RECREATION
CENTRAL CITY RECREATION CENTER
 615 South 300 East, Salt Lake City, Utah 84111
 801-538-2062

(Please Print)

Name: _____

Address: _____

City/Zip: _____

Phone #: (H) _____ (W) _____

Signature: _____ S.S. # _____

Class / Program: _____

- | | |
|--|--|
| <input type="checkbox"/> Tumbling | <input type="checkbox"/> Personal Training |
| <input type="checkbox"/> Karate | <input type="checkbox"/> Special Event _____ |
| <input type="checkbox"/> Dance | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Aerobics (land) | <input type="checkbox"/> Aerobics (water) |

Period Worked: _____ / _____ / _____ through _____ / _____ / _____
MO. DAY YEAR MO. DAY YEAR

Center: _____

List Class / Program Dates & Times: _____

Total Classes _____ at \$ _____ per hour = \$ _____ (Total)

Total Program Revenue _____ at _____ % = _____ (Total)

Program Coordinator Approval: _____ Date: _____

Center Director Approval: _____ Date: _____

Please send the white and yellow copies of this voucher with a SELF ADDRESSED STAMPED ENVELOPE if payment is to be mailed. Vouchers received by 5:00 P.M. the 10th will be paid after 8:00 A.M. the 20th. Vouchers received by 5:00 P.M. the 25th will be paid after 8:00 A.M. the 5th of the following month. *If the 10th or the 25th falls on a weekend or holiday, the due date becomes the working day prior to those dates.*

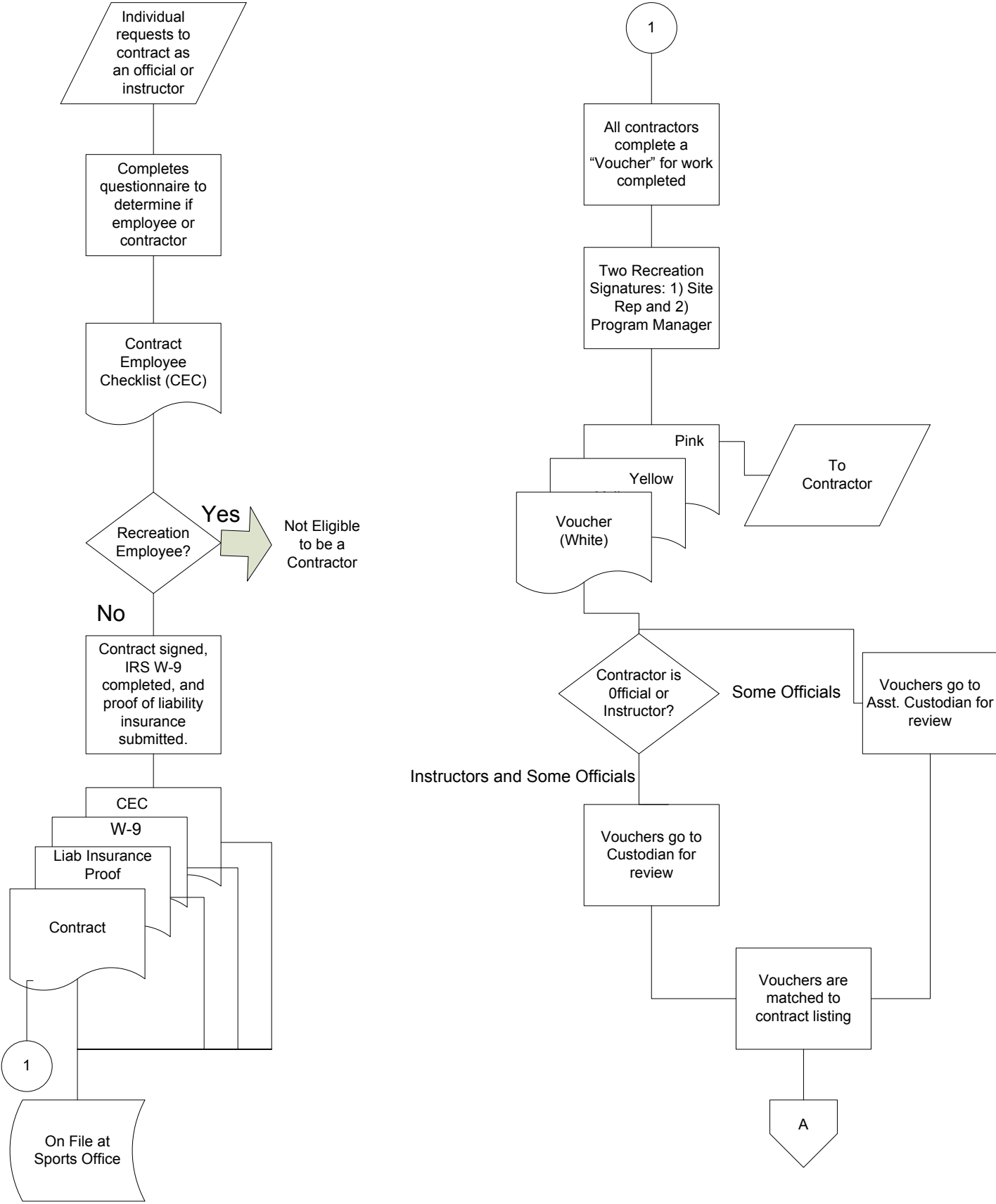
Please complete all information. Vouchers must be turned in no later than 30 calendar days after date worked.

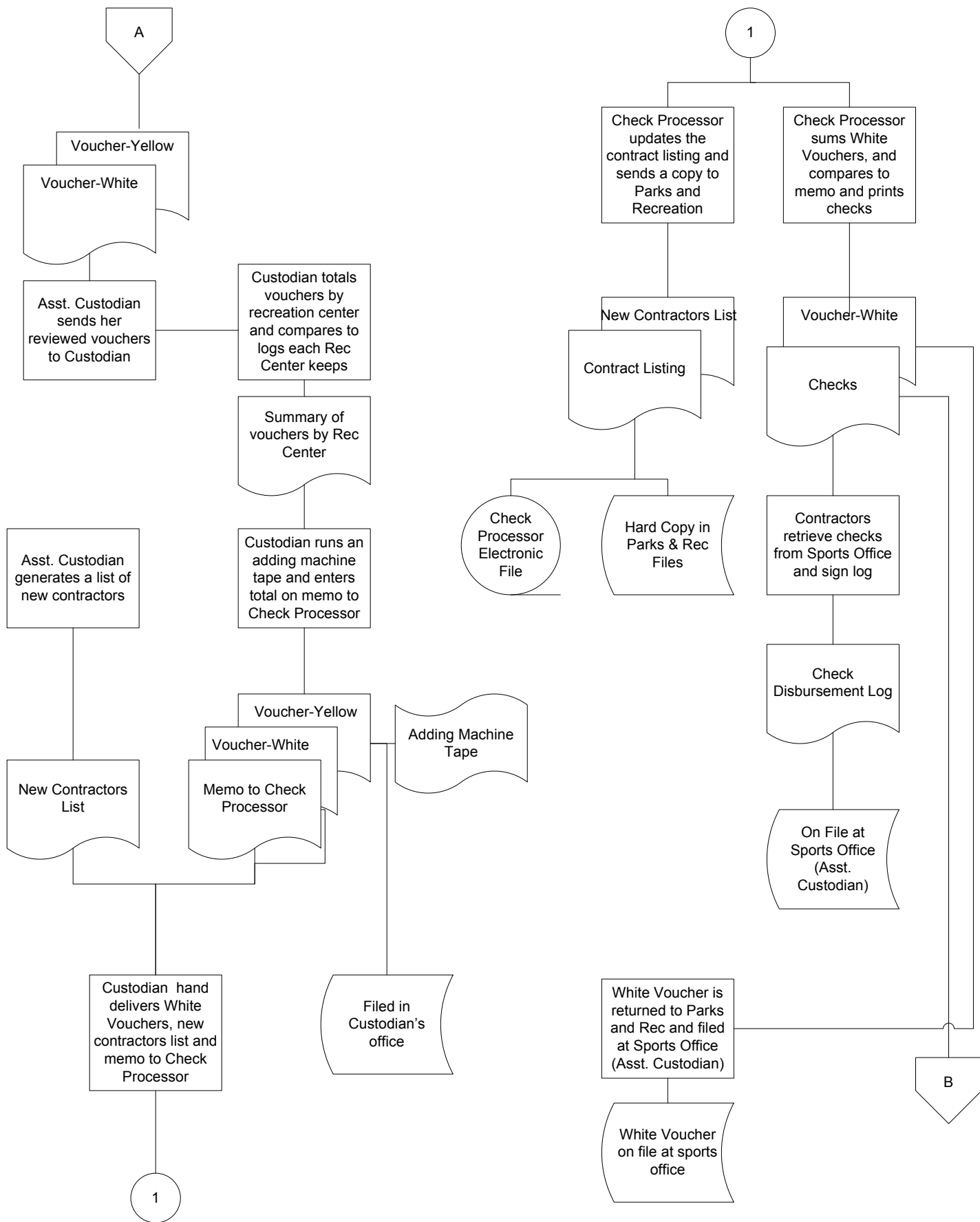
White - Processing

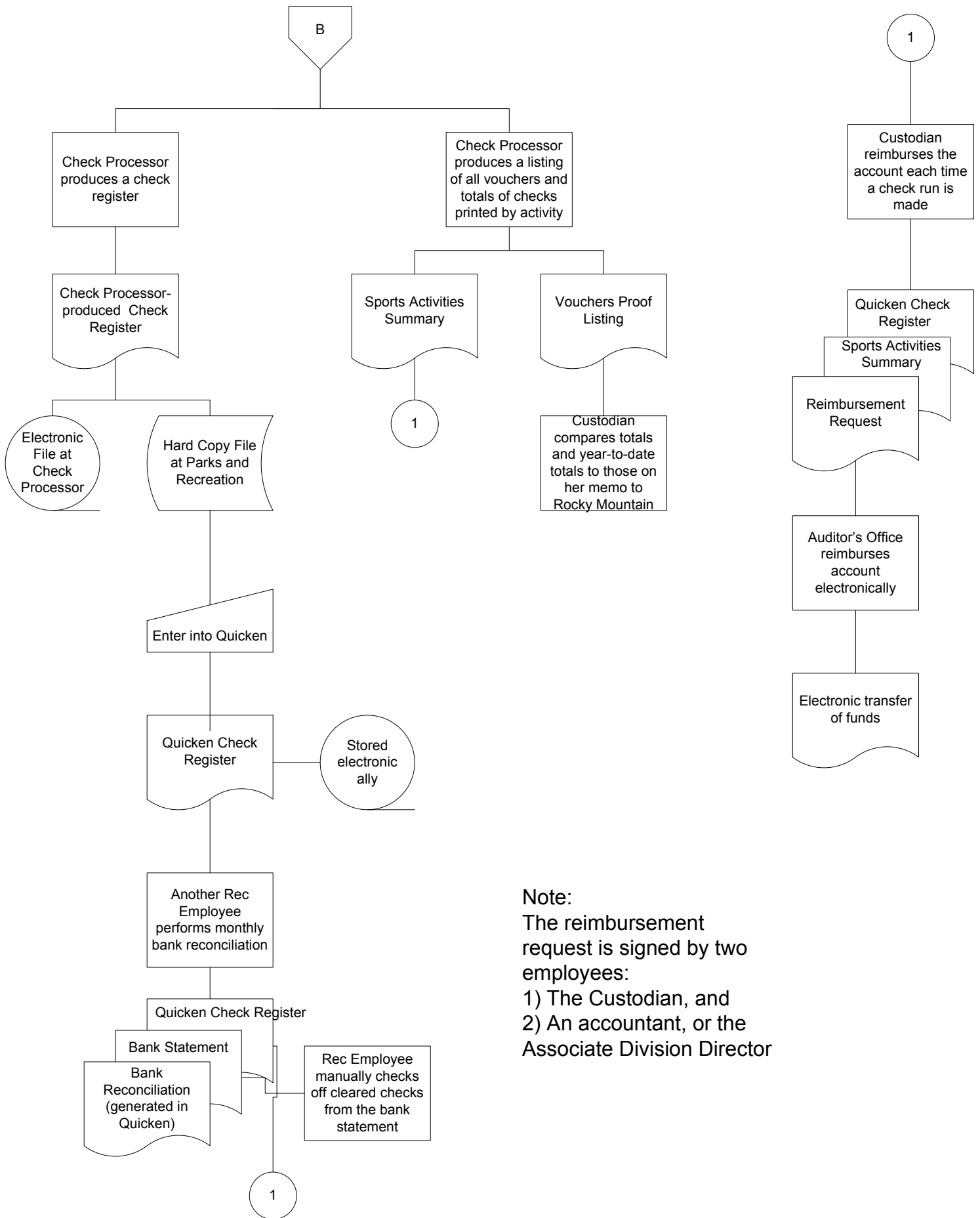
Yellow - Processing

Pink - Contractor

Flowchart of Processes in the \$150,000 Sports Officials Imprest Checking Account







Note:
 The reimbursement request is signed by two employees:
 1) The Custodian, and
 2) An accountant, or the Associate Division Director

Summary of Findings and Recommendations – with Responses from Parks and Recreation Management

#	Finding	Recommendation	Main Report Reference Page
1.0	Account Management Inefficiencies		15
1.1	Vouchers for claiming pay were completed manually instead of electronically, and recording checks to the check register was performed twice.	<ol style="list-style-type: none"> 1. The Check Processor's check register should be downloaded electronically to Recreation's Quicken database, eliminating manual entry of checks. 2. Discontinuance of paper vouchers should be explored, and an electronic system implemented where the contractor or site supervisor enter information for services rendered, either on a Smart Phone or at a location with internet access, and where the following features are included: <ol style="list-style-type: none"> a. Validation that a current contract is in place. b. Validation that service hours rendered are the same as those contracted for by the Contractor. c. Pay rates automatically populate the database for types of services entered. 3. With implementation of an automated voucher system, the information required for checks to be authorized and printed should then be transmitted electronically to the Check Processor. 4. Management should reconsider the role and need of the Check Processor given current technology that allows for efficient printing of checks in-house. <p style="color: #0070c0;">Response: Parks & Rec agrees with all four recommendations above and will implement them as time and funding allow.</p> 	15
1.2	Game and event scheduling was performed using paper calendars, and no centralized scheduling system existed.	<p>An electronic scheduling system should be acquired where dates and times of games, classes or events can be scheduled, and contractors can be assigned and automatically verified for work at the game or event claimed.</p> <p style="color: #0070c0;">Response: An electronic system will be implemented as time and funding allow.</p>	16
1.3	Account policies and procedures had not been updated since they were first written in 1987.	<ol style="list-style-type: none"> 1. Contractor Account Policy and Procedure written in 1987 should be reviewed and revised to incorporate current best practices and any updated technology that Recreation incorporates based on our recommendations. 2. The revised policy should be printed and issued to all recreation employees, and training programs should be implemented for Contractors and Recreation employees. 	18

#	Finding	Recommendation	Main Report Reference Page
		<p>Response: The division agrees with both recommendations and is in the process of revising the contractor account policy. Once complete the division will provide the necessary training to those employees affected.</p>	
2.0	Account Operations		19
2.1	<p>Memos sent to the Check Processor with voucher totals were not retained in Recreation files.</p>	<p>The transmittal memo to the Check Processor showing total dollar amount of vouchers submitted should be retained on file, either electronically or in hard-copy format, in the Custodian's office.</p> <p>Response: Implemented.</p>	20
2.2	<p>No documentation was attached to vouchers supporting the revenue generated from an event in cases where "percentage of revenue" was the basis of payment.</p>	<p>Sufficient documentation to support the total revenue recorded and the source, such as Sportsman, should be attached to the voucher to support the revenue total used in computing percentage payout of revenue to the Contractor.</p> <p>Response: Will implement not later than May, 1, 2012.</p>	21
2.3	<p>The methodology for arriving at payouts of large amounts was not adequately documented.</p>	<ol style="list-style-type: none"> 1. All tournaments should have a separate calculation sheet on file to document how the amount disbursed to the Contractor is arrived at, and it should reconcile revenues shown, games played, or teams registered to the same information in Sportsman. Response: Implemented. 2. A camp, clinic, and tournament accounting summary spreadsheet should also be maintained that shows any overpayments or outstanding balances still owed to the contractor. Response: Implemented. 3. The football camp should be paid the remaining balance of \$161.50 owed to it, and any overpayments to the large sports association should be deducted from their next payment. Response: The \$161.50 has been paid and overpayments have been resolved. 4. Invoices from Arbiters should be attached to all vouchers on which they are paid. Response: Will implement not later than May 1, 2012. 5. An electronic scheduling system should be acquired where dates and times of games, classes, or events can be scheduled, and contractors can be assigned and automatically 	22

#	Finding	Recommendation	Main Report Reference Page
		<p>verified for work at the game or event claimed.</p> <p>Response: Same as 1.1. Will implement as time and funding allow.</p>	
2.4	The Contractor Account has become larger and acquired new and different roles over the years making it a challenge to manage with current staffing levels.	<ol style="list-style-type: none"> The Recreation committee should continue to review contractor positions and transfer to County payroll status as they deem necessary. Response: Implemented. The large sports association that conducts tournaments should be paid through the County purchasing system. Response: Implementation in process. 	26
2.5	Some sections of the vouchers were occasionally not completed, and signers' signatures were usually illegible.	<ol style="list-style-type: none"> All sections of the Contractor voucher should be completed, including, for example, the times and locations where officiating took place. Response: Will implement not later than May, 1, 2012. A line should be added to the voucher allowing Recreation managers signing it to print their names and titles. Response: The new electronic version will utilize electronic signatures. Until then facility manager name and title will be printed on the verification report and submitted with all vouchers. 	28
2.6	Blank checks retained for manual issuance, but not used, were not voided and were maintained on file.	<p>Blank checks from batches that were part of a prior check run should be shredded and their status as voided and destroyed checks noted in Quicken. Response: Implemented with two people involved in the process.</p>	28
2.7	Stale-dated checks were not sent to the State Unclaimed Property Division.	<p>The Custodian should process stale-dated checks in compliance with Countywide Policy #1203. Response: Implementation in process.</p>	29
3.0	Contract Preparation, Retention, and Review		30
3.1	Vouchers were not compared to contract service type to determine whether the claimed service agreed to the contract.	<ol style="list-style-type: none"> A service description and coding list for use on contracts should be compiled similar to the one used for vouchers. Response: Coding system and uniform description similar to vouchers will be implemented not later than May 1, 2012. The contract service should be described by code and a uniform description within the contract. Response: Will implement not later than May 1, 2012. 	30

#	Finding	Recommendation	Main Report Reference Page
		<p>3. The contract service description should be completed by the Program Manager or other Recreation official signing the contract, and not the Contractor. Response: Will implement not later than May 1, 2012.</p> <p>4. A system should be implemented, either electronically or on the contract update list provided by the Check Processor, where the contract service description is provided so it can be compared to the service listed on the voucher. Response. Agree. Same response as 1.1.</p> <p>5. All required signatures, including the Recreation official, should appear on the contract. Response: Will implement not later than May 1, 2012.</p>	
3.2	Contracts were maintained in hard copy format only and not electronically.	<p>1. Electronic storage, indexing, and referencing of contracts should be implemented as time and feasibility allows, and storing of contracts in hard copy form should be discontinued. Response: Will implement by December 31, 2012.</p> <p>2. Contractors should be allowed to submit their signed contracts electronically to allow for better customer service and reduce processing time and expense. Response: Implemented.</p>	32
3.3	A contract list maintained by the Sports Office contained inaccuracies and in some cases non-current data.	<p>The contract list at the Sports Office that includes starting and expiration dates of contracts should be given higher priority, and it should be maintained accurately Response: Implemented.</p>	34