



December 26, 2012

Peter M. Corroon, Mayor
Salt Lake County
2001 South State Street, Suite # N2100
Salt Lake City, UT 84114-4575

Re: Sports Office Theft Investigation and Audit

Dear Mayor Corroon:

We recently completed an investigation into theft at the Sports Office. We also completed a limited scope, cash handling audit incidental to this investigation. This theft was reported to us by the Parks and Recreation Associate Division Director who stated that the Sports Office Director (Director) was suspected of stealing County funds. Parks and Recreation administration suspected that something was amiss, and as they were about to discover the theft, the Director suddenly resigned. Parks and Recreation's written response to our findings and recommendations can be seen in Appendix A.

Our scope was limited to investigating whether theft had occurred and related cash handling controls.

Our objectives were to determine:

- Whether theft occurred as suspected by Parks and Recreation administration.
- The amount stolen.
- The operational areas within the Sports Office where the theft could have occurred.
- Whether there were deficiencies in internal controls that contributed to the theft, including compliance issues with Countywide Policies #1062, *Management of Public Funds* and #1203 *Petty Cash and Other Imprest Funds*.
- Whether funds that had been distributed to the Amateur Athletic Union (AAU) for registration of teams in leagues and tournaments exceeded the amount collected.

Theft by a custodian is often concealed by falsifying records. Our work was designed to provide an accurate, but not indisputable, calculation of the amount stolen. Theft can remain undiscovered when inadequate internal controls are established or when employees deviate from established controls. As controls are circumvented, the audit trail becomes obscure. Therefore, except where there are admissions, in many instances we can only determine the amount stolen by identifying noncompliant transactions that lack adequate explanation.

The Sports Office collects funds for registration of teams in league or tournament play including basketball, volleyball, and softball, but not hockey. The

Sports Office Theft Investigation and Audit

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office is located at the County Ice Center Complex in Murray. In addition to organizing its own events, the Sports Office partners with outside organizations such as school districts and the Amateur Athletic Union (AAU) to register and collect money from teams playing in leagues and tournaments. For AAU tournaments, the Sports Office only collects the team fee, retaining a \$25 County administrative fee from each team registered, but does not provide officials or organize the event in any other way.

The Sports Office can collect money off-site, as it does for sports camps and clinics organized by school districts, but collections generally occur at the Sports Office itself using a cash register at the front desk. Receptionists assigned to the front desk collect funds, though any number of Sports Office employees can also collect funds and record them within Sportsman, the management and accounting software used by the Recreation Division. Transactions are identified by the name of the employee who logged into the system and recorded the transaction. Large numbers of team payments also occur via the Internet.

A non-cashier employee prepares the deposit. A Sportsman transaction screen alerts the deposit preparer of all tills opened during the day so that she knows the expected collection amount. Each employee opening a till places their collections in a safe for the deposit preparer to retrieve. Most employees can open a till from their desktop computer.

The Director collected funds for all types of teams registering for play, and received entry fees for 9th Grade Boys and Girls Basketball games sponsored by the Jordan and Canyons School Districts. The most obvious theft involved these “gate” receipts, but additional theft involved team registrations. As the primary employee responsible for AAU registrations, the Director was designated to settle with AAU management for money received. In this settlement process, she completed vouchers to distribute league and tournament registration funds. She forwarded these vouchers to the imprest checking account custodian who then paid the AAU, the County retaining \$25 for each team registered.

In estimating the amount stolen, we compared 9th Grade Basketball gate receipts in the 2010-2011 season to gate receipts in the most recent, 2011-2012, season. For theft occurring in team registrations we calculated amounts stolen as indicated by inadequately explained credits in customer accounts, outstanding amounts owed on account even though the team played, and amounts deleted from the Sportsman system. In our analysis of team registrations, we could have classified legitimate items as theft, or likewise we could have missed some transactions that otherwise represented theft.

Sports Office Operations provided an environment not only conducive to theft but also to concealment of theft. In a system where numerous adjustments to customer credits were routinely made by any number of Sports Office employees, and extensive accounts receivable were created in the accounting record, theft was difficult to detect. Though mostly legitimate, customer credits and accounts receivable could easily be manipulated for illegal activity.

In investigating the theft, we downloaded all 33,500 transactions in Sportsman from July 1, 2010, when the Director began working at the Sports Office, to June 6, 2012, the day after she resigned. Of these transactions, 2,100 were entered under the name of the Director. We only focused on theft committed by her, and did not investigate other Sports Office employees because none of them had been mentioned as potential suspects.

The Director admitted her theft to Parks and Recreation officials and estimated that she had stolen between \$3,500 and \$5,000. She also stated that her theft began in November 2011, and that she had not stolen funds at the Holladay-Lions Recreation Center, where she previously worked. In contrast, we estimated the theft amount as \$10,530. Our conclusions are shown in Table 1 below, broken out by accounting area.

Auditor's Calculation of Theft	
Area of Examination	Amount
9 th Grade Basketball 2011-2012 Estimated Gate Receipts	\$5,489
Teams with Outstanding Accounts Where Play Occurred	\$1,845
Four Registration Fees Admitted as Theft	\$1,470
Credits to Individuals Without Adequate Explanation	\$1,276
Reversal of Team Registration	\$450
TOTAL Calculated Theft	\$10,530

Table 1. Calculation of theft is based on analysis of individual accounts and gate receipts.

Each line item in Table 1 is further discussed in this letter. We divided our findings into 1) Theft Analysis, and 2) Cash Handling.

THEFT ANALYSIS

Our findings from Theft Analysis are as follows:

- *We confirmed Parks and Recreation administration's suspicions about individual accounts and missing money.*
- *Gate receipts for 9th Grade basketball games in 2012 were significantly less than in 2011.*
- *Teams played with no record of the registration fee being paid.*
- *The Director admitted to theft of certain team registration fees.*
- *Credits extended to individuals could not always be tied to the original activity or payment, or the reasoning was questionable.*
- *Team registrations were sometimes reversed although a payment had been made.*
- *Excessive discounts were extended to teams on the amount they would ordinarily pay for registration.*

We confirmed Parks and Recreation administration's suspicions about individual accounts and missing money. In May 2012, Parks and Recreation administration started investigating individual accounts for questionable transactions posted by the Director. Among these was the deletion of a \$530 fee payment for the 2012 Senior Spring/Summer Softball league. The fee was paid by a former Parks and Recreation employee.

In another set of events, two teams were registered for the 2012 Memorial Day Tournament; both teams appeared on the Sportsman-generated roster, but payments were not recorded in Sportsman. At a registration fee of \$285 per team, the team's manager owed \$570. He disputed this amount, however, stating he paid it in cash to the Director after hours at the ice rink, and that she gave him a receipt. Though Sports Office personnel have asked him for a receipt, he has so far produced none. Telephone calls from our office to this individual have gone unanswered. This transaction is discussed later as an admitted theft.

In the final set of events, on Friday June 1, 2012, a Sports Office employee discovered \$215 missing from the change fund designated for vending machine operations. The accounting sheet of funds on hand was also missing. Vending machines are located at the Larry H. Miller and Valley softball complexes, but change funds are stored at the Sports Office, when these machines are not in use.

The following Tuesday, June 5, 2012 Sports Office employees were shocked to discover the Director's office cleaned out. She had resigned. Shortly after midnight that day she had sent her resignation letter via email to a Recreation section manager. Moreover, that same day, employees discovered the missing \$215 had been placed back in the safe, an apparent attempt to make up for the theft committed.

Also, that morning she re-paid \$530 cash to the front desk cashier to replace the stolen funds mentioned in the first paragraph of this section. She had originally entered the payment into Sportsman but then covered her theft by deleting it. Sportsman shows the \$530 re-entered the morning of her resignation. The Sports Office has an increased risk of theft because it is located several miles from the Salt Lake County government Center. Without adequate oversight, theft can more easily occur.

RECOMMENDATION:

Parks and Recreation administration should more frequently visit the Sports Office to provide greater management oversight.

Gate receipts for 9th Grade Basketball games in 2012 were significantly less than in 2011. The Sports Office charges an entrance or gate fee to spectators of 9th Grade Boys and Girls Basketball games in the Canyons and Jordan School Districts. Games for the Canyons District are played at Alta High School, and for the Jordan District they are played at West Jordan High School. League play starts in December and goes through March, with games played on Saturday nights. The entry fee is \$1 per person, but spectators can buy a season pass for \$5. The 9th Grade league is the only event where the Sports Office charges a gate fee. The Director stated to us that she stole money from the 9th Grade Basketball gate fees "two times."

Two seasonal Recreation employees collected the gate fees at each school and placed them in a box. Tickets were not issued. As a routine procedure, one of the employees retrieved the cash from the other employee and kept those funds, together with her own, at her home until the following Monday, at which time she took collections to the Sports Office. The money was never counted so the employee had no idea how much was collected. Normally, she handed the box to a Sports Office merit employee, who then passed it on to the Director.

Countywide Policy #1062, *Management of Public Funds*, Section 3.8.1.1, states:

If a cashier is not required to balance their individual cash drawer, an MPF Form 7A, Fund Transfer Receipt, or similar form shall be completed to document the transfer of funds to the employee performing the balancing procedure.

The lack of any collection count, issuing of tickets, or use of the MPF Form 7A provided ample opportunity to steal funds. Given the small entry fee, nearly all gate receipts were cash. Without any record of the amount taken in, any amount stolen would remain unknown. Lacking any receipt record, we had to infer the amount received based on Sportsman recorded receipts for the prior year. For the 2010-2011 season, \$9,353 in gate receipts were recorded in Sportsman, compared to \$764 in the 2011-2012 season, a significant difference.

Concessions sales were included in the 2010-2011 gate receipts, but were discontinued in the 2011-2012 season. Therefore, to more precisely compare with the prior season we adjusted for concessions sales. Once again, no count was made of the concession sales; however a former Sports Office employee, who oversaw this function, estimated these receipts at one-fourth to one-third of total nightly collections.

In determining how much should have been collected in the current season, we averaged nightly collections in 2010-2011 and deducted one-third from our average. Some nights, games were played at only one school, and on other nights they were played at both schools. We calculated average collections for one-school nights at \$316, and \$732 for two-school nights. We then compared those averages to the amounts entered by the Director into Sportsman on the Monday after each scheduled game and arrived at the calculated missing gate receipts total of \$5,489 as shown in Table 1 on page 3. Table 2 on page 6 shows more detailed analysis.

Auditor's Calculation of Missing 9th Grade Receipts			
Game Date	Amt Recorded	Average	
Dec 3, 2011	\$0	\$316	(\$316)
Dec 10, 2011	\$0	\$316	(\$316)
Dec 17, 2011	\$0	\$732	(\$732)
Jan 7, 2012	\$0	\$316	(\$316)
Jan 14, 2012	\$0	\$732	(\$732)
Jan 21, 2012	\$469	\$732	(\$263)
Jan 28, 2012	\$281		
Feb 4, 2012	\$0	\$732	(\$732)
Feb 11, 2012	\$12	\$732	(\$720)
Feb 18, 2012	\$0	\$316	(\$316)
Feb 25, 2012	\$2	\$732	(\$730)
Mar 3, 2012	\$0	\$316	(\$316)
TOTALS	\$764		(\$5,489)

Table 2. Most game nights had no collections recorded in Sportsman. Note: No amount is listed for January 28th because another cashier was responsible for entering the funds, not the Director.

In a seeming effort to boost revenues recorded in Sportsman for the 9th Grade Basketball league, and to conceal the theft, the Director posted two large checks to the account, neither of which corresponded to the estimated gate receipts. One check, for \$3,150, related to softball field rentals, and another check for \$50 related to scoreboard rentals. Logically, no one would pay \$3,150 for entrance fees to 9th Grade Basketball games, and even \$50 is unlikely. Also disconcerting is that these funds were not mentioned to us as missing from, or not paid to, their legitimate accounts when we conducted our investigation.

RECOMMENDATION:

Rentals, or any other items not related to team registration, should be more efficiently tracked to determine whether collection for the rental has been received.

ACTION TAKEN:

Parks and Recreation administration stated that gate fees will no longer be collected for 9th Grade Basketball games.

Teams played with no record of the registration fee being paid. We noted a few teams in Sportsman where no tournament registration fee had been recorded. These teams remained as outstanding accounts receivable. Specifically, we questioned \$1,840 in outstanding fees, most occurring in 2012, because the Director entered them into Sportsman. Table 3, on page 7, provides detail of these outstanding fees, and the tournaments to which they applied. This amount is also included in our calculation of stolen funds in Table 1 on page 3.

No Fee Paid Even Though a Team Played	
Tournament to which “No Fees Paid” Applied	Fee Not Recorded
Boys Spring Fling 2012	\$450
Boys Spring Fling 2012	\$450
Memorial Day Tournament 2012	\$285
Memorial Day Tournament 2012	\$285
Firecracker Tournament 2011	\$375
TOTAL	\$1,845

Table 3. Teams appeared in the tournaments shown here, but no registration fee was shown in Sportsman.

The team manager representing the first four lines in Table 3 above reported that the Director continually assured him that his account was paid, that everything was fine, and that his payments had just not yet been posted. He further stated that he personally had not paid these fees but that a sponsor probably had done so. Sponsors, such as a team manager’s employer, often pay fees for many teams participating in tournament play.

Part of the difficulty in detecting theft was the prevalence of payment by check. Theft would less likely occur in these cases due to difficulty in converting checks to personal use. Teams in Table 3, if they did indeed pay, would likely have paid by check, and not cash. The Director stated that her theft only involved cash, and not checks. Nevertheless, without knowledge of how any team payments represented in Table 3 might have been made, we included them in our calculation of stolen funds. Moreover, there is no evidence that any scheme involving checks did not occur.

The team representative for the Firecracker Tournament 2011 in Table 3, represented by the \$375 outstanding amount, also stated that she had paid for tournament play, in this case by mailed-in check. We noted that this payment had not been posted in Sportsman, whereas her payments for the same tournament for both the prior and subsequent years had been posted.

The fact that so many teams played without paying, especially shortly before the Director resigned in 2012, supports the proposition that theft occurred in the instances noted in Table 3. Based on the Director’s admission that her theft began in late 2011, her greatest activity likely occurred in 2012.

Also creating difficulty in detecting theft from accounts receivable was that accounts in Table 3 were not the only outstanding accounts receivable on record. We found approximately \$60,000 in outstanding accounts receivable recorded and posted in Sportsman. Many of these involved payment plans for softball leagues. The distinguishing and unusual feature of accounts shown in Table 3, however, was that teams were included on the roster despite no payment recorded at all. Usually, a team has paid at least a portion of the fee before being allowed to play.

The collection of accounts receivable of this magnitude are not efficiently managed by the small Sports Office staff. As a general Sports Office procedure, dunning letters are sent to individuals after each league season where request for payment is made. Delinquent accounts that are eventually referred to the District Attorney’s Office may remain uncollectible.

Countywide Policy #1220, Management of Accounts Receivable and Bad Debt Collection, Section 4.5, states:

When an account becomes past due, the debtor shall be mailed a Dunning Letter in which immediate payment is demanded and the assessment of interest charges is explained. The first Dunning Letter should be sent ten days following the account becoming past due.

Detailed accounts receivable analysis exceeded the scope of our audit. It is sufficient to note that the magnitude and quantity of accounts receivable provided ample opportunity for theft. Any single account easily becomes lost among the many other accounts receivable recorded in Sportsman. A team registered in Sportsman but not paid automatically becomes an accounts receivable. Their magnitude results from a desire to establish robust leagues and tournaments. An unintended consequence of this marketing thrust, however, is creation of the opportunity for theft.

RECOMMENDATIONS:

- 1. Parks and Recreation administration should create a policy that disallows team play when no registration fee at all has been paid for tournaments or leagues.***
- 2. Teams and individuals that have not paid for play should be sent a dunning letter demanding payment no later than ten days following the account becoming past due.***

The Director admitted to theft of certain registration fees. The Director admitted to four thefts where no receipt had been issued, or in at least one case, a manual receipt was purportedly issued but never located. These thefts are shown in Table 4 below.

Registration Fee Thefts to which the Director Confessed	
Tournament where a Fee Received was not Receipted	Fee Not Recorded
Boys Spring Fling 2012	\$450
Boys Spring Fling 2012	\$450
Memorial Day Tournament 2012	\$285
Memorial Day Tournament 2012	\$285
TOTAL	\$1,470

Table 4. Team registration fee thefts where no receipt was issued all occurred in 2012.

The Director admitted the four thefts, shown in Table 4, to the auditor. In addition to these four thefts, she admitted to three other team registration-type thefts as discussed later.

The two Memorial Day Tournament 2012 payments above were discussed in the first section where the team manager paid the Director at the ice rink. Both of these teams appeared on the Sportsman-generated Memorial Tournament 2012 roster, and accounts receivable were created under this team manager's name as amounts still owed to the County.

Neither of the Boys Spring Fling 2012 teams shown in Table 4 was entered into Sportsman. They did not appear as accounts receivable, nor did they appear on the team roster, but they were included in the payment to the AAU for registered teams. Thus, payment was received but not recorded. The roster numbered 173 teams, but payout to the AAU was for 176 teams. The additional three teams include the two teams in Table 4 and one more team discussed later.

The Director also admitted to stealing another \$450 from a team participating in the Boys Spring Fling 2012 tournament, but she replaced this amount. We confirmed a payment for \$450 received from this individual as recorded in Sportsman.

RECOMMENDATION:

All team registration payments should be recorded in Sportsman under the team or league name for which payment was made.

Credits extended to individuals could not always be tied to the original activity or payment, or the reasoning for the credit was questionable. In Table 1 on page 3, we noted \$1,276 in credits to individuals that were not supported by recording an adequate explanation for the amount credited. The Director admitted theft related to two of these credits, one for \$100, and the other one for \$75, after we reviewed several individual accounts with her. Sportsman noted these amounts as “courtesy” credits to individuals.

We noted two other suspicious “courtesy” credits included in our theft calculation. One courtesy credit of \$255 included an explanation in Sportsman that the individual had overpaid \$50 for a tournament, but no explanation was provided for the remaining \$205. The team was then registered for another tournament where the registration fee was \$255. We determined the \$255 team registration fee was stolen, and then concealed with the “courtesy” credit.

In the other suspicious courtesy credit, the Director deleted \$846 from a customer account, the only documented explanation stating, “Payments were posted to a different account.” In her interview with us she denied theft in this instance, however, lack of adequate explanation and continued Recreation personnel assertions on several occasions of probable theft prompted us to leave it in our theft calculation. The individual represented by this account admitted there had been “discrepancies” resulting from what he termed as misunderstandings from payments by other individuals, but he was surprised by any alleged outstanding amount as large as \$846. He stated that he did not owe this or any other amount on his account.

RECOMMENDATIONS:

- 1. The Sports Office should maintain a separate paper file to document an explanation for courtesy credits, and the signature of the employee extending the credit. Also a supervisor should review the file, and confirm that all courtesy credits within Sportsman have been placed in the file.*
- 2. Parks and Recreation policies should be updated to give clear direction on the conditions under which discounts may be granted and to establish the process, including internal controls, for granting customer credits, especially “courtesy” credits.*

Team registrations were sometimes reversed although a payment had been made. We found two instances where teams stated their intention to register for a tournament, an account receivable was created in Sportsman, but then the registration was deleted.

In one instance an account was set up for a 2012 State Championship 9-15 year old Boys and Girls Tournament in March, with a registration fee of \$320, but then two months later in May, it was deleted from the system. In another instance, an account of \$450 for Boys Spring Fling 2012 was established in Sportsman but then deleted.

In the first instance, we ultimately determined theft had not occurred because the AAU stated that the team did not play in the tournament. In the second instance, we included the \$450 as a theft amount because the Director admitted to it when we presented the account detail to her.

One difficulty we faced in matching teams that played with teams that paid is that the AAU maintained a tournament team name list, and the Sports Office maintained a team manager name list, but not always a list of team names. Any deletions from Sportsman also deleted the team name, though the manager name remained. Therefore, in some instances we had difficulty matching which teams actually played to those that paid.

RECOMMENDATIONS:

- 1. The Sports Office should coordinate with tournament or league sponsors to ensure that both team names and team manager names can be cross-referenced for determining whether a team that played actually paid.*
- 2. The tournament sponsor should have teams in play sign a log that is then turned into the Sports Office and matched against the payout made to the tournament sponsor.*

Excessive discounts were extended to teams on the amount they would ordinarily pay for registration. We noted \$9,000 in discounts granted to teams in AAU leagues and tournaments in 2011 and 2012. Recreation officials explained that discounts were sometimes extended to teams because team managers were not satisfied with the service they received from the Sports Office, or in rare cases because of need. Of this \$9,000, we found that \$5,971 was entered into Sportsman by the Director. We did not, however, include any of these discounts as theft due to lack of sufficient evidence.

The Director did report to Parks and Recreation officials that her theft included concealment by extending discounts to teams. In our meeting with her, however, she denied any theft of the discounted amounts we showed her. Also, when we discussed these discounts with Parks and Recreation officials, they felt the discounts merely represented non-payment by some teams.

In addition, she was not the only one to grant discounts. Other employees did so as well. We examined 24 league or tournament rosters from 2011 and 2012. Within these we found 50 teams that paid only a portion of the established fee. Of these 50 teams, 27 were granted their discounts by the Director.

In one instance, a 2011 Boys Spring Fling team paid only \$220, or half of the \$440 required for registration. While we originally suspected theft in this instance, we determined otherwise based on further analysis. A Parks and Recreation official positively stated that this team had been granted the

discount because of need. The Director recorded four \$55 checks in Sportsman to arrive at the \$220. The official's statement plus the method of payment by check, and not cash, prompted us to exclude this amount as theft.

RECOMMENDATION:

Parks and Recreation administration should establish a policy that eliminates discounts extended to teams in league or tournament play, or at least limits their amounts and establishes procedures for granting them.

CASH HANDLING

Our findings in the area of Cash Handling are as follows:

- *Collections were stored in zipper bags in desk drawers of various Sports Office employees.*
- *The AAU was sometimes paid more than the team registration amount collected for tournament play.*
- *Invoicing to individuals owing money to the Sports Office was performed by the same employees that also received payment.*
- *Cash and checks were not segregated in the deposit transmittal sent to the Recreation Administrative Office.*
- *Only one person opens the mail each day even though envelopes are likely to contain checks.*
- *The vending machine change fund was short of its authorized amount by \$526.*

Collections were stored in zipper bags in desk drawers of various Sports Office employees. Money is not only collected at the front desk, which has a secure cash register drawer, but also by employees in other offices. Checks and cash collected by these employees were kept in zipper bags in their desk drawers.

Countywide Policy #1062, Sections 2.4.1.3, and 2.4.1.3.1, state:

If total receipts per day exceeds \$1,000...then Agency Management shall provide...a cash drawer for each terminal that automatically opens when a sale or transaction is completed.

Maintaining funds in a personal desk not only lacks security but also creates opportunity for embezzlement. In our interviews with Sports Office employees, they noted that at times the Director had stacks of checks, and even cash, on her desk in plain view. Employees other than front desk personnel feel they need to collect money because of oversight responsibilities for leagues or programs they

supervise. In some instances, this is a legitimate reason. For example, one employee is assigned to sports camps and clinics. She collects money off-site, often in a venue such as a football field.

RECOMMENDATION:

Sports Office personnel should not be allowed to maintain funds in zipper bags in their offices but should be maintained in a secure place.

ACTION TAKEN:

Sports Office personnel are no longer allowed to maintain funds in zipper bags in their offices, and all funds must now be taken to the cash register drawer at the front desk.

The AAU was sometimes paid more than the team registration amount collected for tournament play. The Sports Office collects money for AAU tournaments, and retains a fee of \$25 per team. We found instances where the Sports Office overpaid the AAU. Table 5 below summarizes these AAU overpayments from November 2011, the approximate time the Director stated her theft occurred, through May 2012.

Selected Payments to AAU Compared to Amount Collected				
Date	Tournament	Amt Paid	Sptsmn Amt	(Over)/Under Pmt
Nov 22, 2011	Thanksgiving Tournament	\$21,360	\$21,050	(\$310)
Dec 7, 2011	Boys Winter Elite	\$39,130	\$38,705	(\$425)
Jan 3, 2012	Holiday Tournament	\$33,950	\$34,250	\$300
Jan 23, 2012	Martin Luther King	\$17,410	\$17,200	(\$210)
Feb 22, 2012	President's Day	\$26,520	\$26,775	\$255
Mar 9, 2012	State Championship 9-15	\$50,445	\$49,770	(\$675)
Apr 3, 2012	State Championship 16-17	\$5,310	\$5,025	(\$285)
Apr 23, 2012	State Championship 16-17	\$9,145	\$9,145	\$0
May 10, 2012	2012 Boys Spring Fling	\$74,800	\$71,464	(\$3,336)
			TOTAL	(\$4,686)

Table 5. In most cases, the AAU was overpaid compared to amounts collected, as shown in Sportsman.

The Director completed vouchers for payment to the AAU based on the number of teams multiplied by the standard tournament rate, and not on money received as recorded in Sportsman. We discussed this issue in "A Performance Audit of the Salt Lake County Division of Parks and Recreation Imprest Checking Account" released December 2011 and recommended that only the amount collected be disbursed to AAU.

The overpayments identified in Table 5 are not used in our calculation of theft. In some cases, the overpayments were part of the theft, but the theft was calculated in an earlier section of this report. For example, we have already discussed that the 2012 Boys Spring Fling Tournament payout voucher included three more teams than the Sportsman roster, and that the Director admitted to theft based on the same number of teams from the 2012 Boys Spring Fling Tournament. However, some of the overpayments do not appear to suggest theft as much as incomplete and inaccurate accounting. These

overpayments are a concern because taxpayer money was used to make up the difference between the amount collected by the Sports Office and the amount paid to the AAU.

The Director paid the AAU based on the number of teams multiplied by the standard registration rate despite non-payment or discounts granted in some instances. We discussed the issue of team discounts with AAU management. They were surprised to learn of them and stated that any such transactions were the responsibility of the Sports Office. The AAU did not offer team discounts.

RECOMMENDATION:

The Sports Office should ensure that the amount paid to tournament sponsors is not more than the amount actually collected for the tournament fee, and any discount is not more than the \$25 fee that the Sports Office retains.

Invoicing to individuals owing money to the Sports Office was performed by the same employees that also received payment. Sports Office employees both sent invoices to teams and received payment from teams or events over which they had oversight. Billing and collecting functions should be segregated and performed by separate individuals. When combined, a person can change an invoice, or the recording of an invoice, and thereby steal cash without ready detection.

RECOMMENDATION:

The cashiering and billing, or accounts receivable functions, should be segregated so that they are performed by different individuals.

Cash and checks were not segregated in the deposit transmittal sent to the Recreation Administrative Office. Countywide Policy #1062, Section 3.8.1.2, states:

With any balancing procedure, the cash count total, including the breakdown by cash and check composition, should match the deposit slip total.

The Sports Office sends a paper transmittal each day to the Recreation Administrative Office detailing funds collected and deposited. The transmittal is not electronically produced in Sportsman, but manually entered on a spreadsheet to reflect the amount deposited. We noted that the transmittal combined checks and cash amounts deposited into one total without segregating the two. When not shown separately, any scheme of theft to swap cash for checks would remain unrecognized. In our audit work, we always look for correct check/and cash composition.

RECOMMENDATION:

The Sports Office deposit transmittal sent to Recreation administration should list cash and checks separately to provide a proper audit trail should the need arise to differentiate these two forms of payment.

Only one person opens the mail each day even though envelopes are likely to contain checks. Countywide Policy #1062, Section 3.1.5, states:

Agency Management and Fiscal Managers shall establish internal control procedures to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use.

As routine procedure, the employee opening the mail enters checks received into Sportsman. The risk posed by only one person opening the mail is that checks could be diverted to personal use.

RECOMMENDATION:

Two people should be present when the mail is opened to provide dual control in helping guard against theft.

The vending machine change fund was short of its authorized amount by \$526. Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Section 5.2.2.1, states:

Any unresolved shortage greater than \$10.00 shall be explained in writing to the Mayor, along with a request to approve reimbursement of the shortage...

Valley and Larry H. Miller ball park vending machine change funds, as already noted, are kept in the Sports Office safe when not in use. The shortage in this fund was addressed in a prior Sports Office audit letter. The employee who currently oversees the fund stated the shortage pre-dated not only her Sports Office tenure, but also that of the Director. Therefore, the Director is not suspected of taking this money.

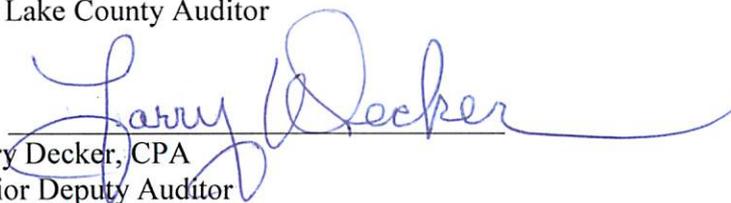
RECOMMENDATION:

The Sports Office should resolve the shortage in its vending machine change funds by writing a letter to the Mayor, and asking to have the shorted amount reimbursed.

We completed this audit with the help of Parks and Recreation and Sports Office personnel. They answered our questions and provided materials as requested. Theft of County funds is a serious issue that our office wants to prevent through proper oversight and auditing of County agencies. We trust that our letter provides adequate background information on the theft committed at the Sports Office, and any other issues we have reported resulting from our investigation. Please feel free to contact me if you have any further questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By: 

Larry Decker, CPA
Senior Deputy Auditor

Cc: Michelle Nekota
Paul Ross
Sim Gill

Summary of Findings and Recommendations for SPORTS OFFICE THEFT INVESTIGATION dated 11/26/12

Response Dated 12/21/12

Finding	Recommendation
Theft Analysis	
<p>We confirmed Parks & Recreation administration's suspicions about individual accounts and missing money.</p>	<p>Parks & Recreation administration should more frequently visit the Sports Office to provide greater management oversight.</p> <p>RESPONSE: Since the resignation of the Program Manager, Parks & Recreation Admin has been to the Sports Office on a weekly basis. The visits will continue as the training of the new Program Manager progresses. Once fully trained, visits will occur as needed and not less than twice monthly.</p>
<p>Gate receipts of 9th Grade basketball games in 2012 were significantly less than in 2011.</p>	<p>Rentals, or any other items not related to team registration, should be more efficiently tracked to determine whether collection for the rental has been received.</p> <p>ACTION TAKEN: Parks & Recreation administration stated that gate fees will no longer be collected for 9th Grade Basketball games.</p>

Finding	Recommendation
<p>Teams played with no record of the registration fee being paid.</p>	<p>1.Parks & Recreation administration should create a policy that disallows team play when no registration fee at all has been paid for tournaments or leagues. RESPONSE: Implemented. This is the current practice. However, an addendum will be added to the current fee policy stating that payment will be required at registration of the program and participants will not be allowed to play if they or their teams have not paid.</p> <p>2.Teams and individuals that have not paid for play should be sent a dunning letter demanding payment no later than ten days following the account becoming past due. RESPONSE: See Above. Registration fees must be made in full at the time of registration or a payment plan established. If an approved electronic fund transfer or credit card withdrawal payment plan is set up and the participant cannot honor the payments, a dunning letter will be sent demanding payment and cancelling further participation unless funds are received within 10 days.</p>
<p>The Director admitted to theft of certain registration fees.</p>	<p>All team registration payments should be recorded in Sportsman under the team or league name for which payment was made. RESPONSE: When registrations are received in house they are immediately entered into the registration system. Registrations accepted by AAU are immediately entered when they are received from the AAU representative.</p>

Finding	Recommendation
<p>Credits extended to individuals could not always be tied to the original activity or payment, or the reasoning for the credit was questionable.</p>	<p>1.The Sports Office should maintain a separate paper file to document an explanation for courtesy credits, and the signature of the employee extending the credit. Also a supervisor should review the file, and confirm that all courtesy credits within Sportsman have been place in the file.</p> <p>RESPONSE: Will implement immediately.</p> <p>2.Parks & Recreation policies should be updated to give clear direction on the conditions under which discounts may be granted and to establish the process, including internal controls, for granting customer credits, especially “courtesy” credits.</p> <p>RESPONSE: Will implement immediately. Will outline internal controls for processing courtesy credits in the current division refund policy.</p>
<p>Cash Handling</p>	
<p>Collections were stored in zipper bags in desk drawers of various Sports Office employees.</p>	<p>Sports Office personnel should not be allowed to maintain funds in zipper bags in their offices but should be maintained in a secure place.</p> <p>ACTION TAKEN: Sports Office personnel are no longer allowed to maintain funds in zipper bags in their offices, and all funds must now be taken to the cash register drawer at the front desk.</p>

Finding	Recommendation
<p>Team registrations were sometimes reversed although a payment had been made.</p>	<p>1. The Sports Office should coordinate with tournament or league sponsors to ensure that both team names and team manager names can be cross-referenced for determining whether a team that played actually paid.</p> <p>RESPONSE: This is the current process and is being implemented. The Sports Office Manager who stole funds did not follow procedure.</p> <p>2. The tournament sponsor should have teams in play sign a log that is then turned into the Sports Office and matched against the payout made to the tournament sponsor.</p> <p>RESPONSE: The tournament or league schedule lists all teams participating. The current practice is to match this list against all registrations.</p>
<p>Excessive discounts were extended to teams on the amount they would ordinarily pay for registration.</p>	<p>Parks & Recreation administration should establish a policy that eliminates discounts extended to teams in league or tournament play, or at least limits their amounts and establishes procedures for granting them.</p> <p>RESPONSE: The refund policy will be amended to implement this recommendation.</p>
<p>The AAU was sometimes paid more than the team registration amount collected for tournament play.</p>	<p>The Sports Office should ensure that the amount paid to tournament sponsors is not more than the amount actually collected for the tournament fee, and any discount is not more than the \$25 fee that the Sports Office retains.</p> <p>RESPONSE: The schedule of the tournament or league is matched against registrations received. If AAU extends a discount the total is adjusted. The Sports Office will always retain the \$25.00 fee.</p>

Finding	Recommendation
<p>Invoicing to individuals owing money to the Sports Office was performed by the same employees that also received payment.</p>	<p>The cashiering and billing, or accounts receivable functions, should be segregated so that they are performed by different individuals. RESPONSE: Will be implemented immediately.</p>
<p>Cash and checks were not segregated in the deposit transmittal sent to the Recreation Administrative Office.</p>	<p>The Sports Office deposit transmittal sent to Recreation administration should list cash and checks separately to provide a proper audit trail should the need arise to differentiate these two forms of payment. RESPONSE: Will implement in 2013.</p>
<p>Only one person opens the mail each day even though envelopes are likely to contain checks.</p>	<p>Two people should be present when the mail is opened to provide dual control in helping guard against theft. RESPONSE: Will implement as staffing permits.</p>
<p>The vending machine change fund was short of its authorized amount by \$526.</p>	<p>The Sports Office should resolve the shortage in its vending machine change funds by writing a letter to the Mayor, and asking to have the shorted amount reimbursed. RESPONSE: Implemented as a result of the March 14, 2012 audit. See letter to Mayor dated April 18, 2012.</p>

NAME & TITLE OF PERSON RESPONDING: **Paul Ross, Associate Director**