

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Taylorsville Recreation Center and Pool

April 08, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 08, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Taylorsville Recreation Center and Pool

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of Taylorsville Recreation Center and Pool in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Taylorsville Recreation Center and Pool and the cooperation from Ron Butterfield and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Taylorsville Recreation Center and Pool during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Michele Nekota, Director of Parks and Recreation
Paul Ross, Assistant Director of Parks and Recreation
Ron Butterfield, Taylorsville Program Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Taylorsville Recreation Center and Pool. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

At Taylorsville Recreation Center and Pool we found that voided or refunded transactions needed better support in deposit documentation. This included documented explanations of transaction reversals and signatures of the cashier and supervisor who reviewed them. In the area of inventories, we noted that food products at both the concessions stand and in the vending machine were not listed and counted as part of a tracking process to determine whether theft is occurring.

Findings, Recommendations, and Management Responses

Finding # 1 - The change fund on hand was \$200 less than its authorized limit.

Risk Level: High

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Sections 5.2.1 and 5.2.2.1 state:

"Upon discovery of any shortages, an investigation shall be conducted by the Custodian and his/her supervisor...Any unresolved shortages greater than \$10.00 shall be explained in writing to the Mayor, along with a request to approve reimbursement of the shortage."

We counted \$500 in the change fund instead of its authorized \$700 limit, a difference of \$200.

The Taylorsville Recreation Center director stated he originally had control over a \$1,000 change fund but turned in \$500 of it to the Parks and Recreation fiscal manager. He did not know why the County AFIN accounting system showed an authorized limit of \$700.

When a change fund is not at its authorized limit, it may indicate that funds have been stolen. The risk is increased if management is not aware of the authorized change fund amount. Any theft could easily remain concealed, and it is more difficult to conduct an audit.

Recommendation

We recommend that management investigate why the change fund is \$200 less than its authorized limit, and if necessary, write a letter to the Mayor explaining that a portion of this fund cannot be located, and requesting that the fund either be reimbursed or re-established at a new limit.

Management Response

The change fund was counted by Mr. Larry Decker. We had \$500.00 in the change fund and \$500.00 in the petty cash. I had forgotten about the \$200.00 for the startup for the outdoor pool, which is in the safe. Taylorsville has \$700.00 change fund and \$500.00 petty cash.

Finding # 2 - Cashiers and administrators did not always explain and sign voids and refunds in the deposit documentation.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.1, 3.7.2, and 3.7.3 state:

"The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction...A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

Section 6.1.1 of this same policy states:

"The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency."

In our review of 30 deposit days, we noted 6 balance sheets out of 168 examined where voids occurred but some or all required documentation was missing. Either an explanation was not included, or the cashier or supervisor signature was missing. Also, we noted no documentation in deposit files for refunded transactions.

Most undocumented voided transactions occurred at the pool. With late opening hours, proper documentation was sometimes overlooked. In the case of refund forms, these were completed and signed, but kept in a separate loose-leaf binder, and not in deposit documentation.

Without signatures and explanations for voids and refunds in the deposit documentation, transaction reversals could occur as a way to conceal theft.

Recommendation

We recommend that voided and refunded transactions include an explanation, along with cashier and supervisor signatures in the deposit documentation.

Management Response

The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction. The supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheets.

Finding # 3 - No inventory was maintained of concessions stand food products.

Risk Level: Moderate

Inventory maintenance procedures require that products on hand be listed and counted at regular intervals to determine if theft has occurred.

Management did not maintain a list of food products purchased for the pool concessions stand, and they did not count or inventory these items and compare the count to actual sales.

Administrators were not aware of the need to inventory these items. They felt that invoices as proof of purchase for these food items provided sufficient tracking and control.

Food products are particularly vulnerable to theft. Without an inventory list and a regular count, theft could easily occur without detection.

Recommendation

We recommend that a list be maintained of concession food products on hand that is updated each time new purchase of product occurs.

We recommend that administrators conduct an inventory of food products at least annually and compare the value of their count to actual sales.

Management Response

Inventory will be maintained for product at the pool. The inventory will be updated after each purchase of product. Monthly report will show inventory on hand to product sold to revenue generated.

Finding # 4 - A Recreation SAQ representing compliance with PCI was not on file.

Risk Level: Low

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy" Section 3.0, under Policy Statement states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing the Recreation Division's compliance with PCI has not been completed and is not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

We recommend that Parks and Recreation Management complete and sign an annual SAQ.

Management Response

Administration is aware of the situation and are taking steps to resolve the issue.

Finding # 5 - Some cashiers did not complete their over/short logs and supervisors did not sign them.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log."

Most cashiers left their over/short monthly logs blank. In addition, supervisors did not sign the logs as evidence of review.

Cashiers did not see the importance of completing these logs. Supervisors were aware of and filed them in deposit documentation but did not see the need to sign them. As a mitigating factor, we noted that overages and shortages were infrequent and of small amount.

Without consistent use of the over/short log, variances in balancing cannot be properly monitored to provide for any needed cashier training, and theft could remain undiscovered.

Recommendation

We recommend that cashiers complete their over/short logs each month and that a supervisor sign them as evidence of review.

Management Response

Charlotte Walton is monitoring the over/short logs to make sure every cashier is completing their logs after each shift. Charlotte will also review and sign off on these logs so employees having problems balancing their tills can receive additional training.

Finding # 6 - No inventory was maintained of vending machine candy.

Risk Level: Low

Effective procedures for tracking vending machine inventory require that items be counted and compared to collections each time collections are removed from the machine for deposit.

Employees with oversight of the vending machine restocked and removed funds from the machine without accounting for the product remaining in the machine. They did not determine if collections matched the amount of product purchased by patrons.

Management was not aware of any need to account for candy. Funds were removed and the machine restocked at random as they saw the need to do so.

Ordinarily, differences between existing and prior candy counts are compared to collections. When candy purchases are not listed and when no accounting for collections removed from the vending machine is made, theft can occur. Boxes of candy are particularly vulnerable to theft.

Recommendation

We recommend that all candy purchased for stocking in the vending machine be listed by count and value, and that the amount of candy actually in the vending machine be listed.

We recommend that collections removed from the vending machine be compared to the difference between current and prior candy count to determine if any funds are missing.

Management Response

Inventory will be maintained for product in the vending machines. The inventory will be updated after each purchase of product. Monthly report will show inventory on hand to product sold to revenue generated.

Additional Information

Background

The Taylorsville Recreation Center and Pool includes a basketball court, climbing wall, and fitness room with tread mills and other weight and cardio machines. The outdoor pool is open from Memorial Day through the end of August. The concessions stand is located at the pool and operates only when the pool is open. An additional indoor pool was envisioned when the Center was built, but construction never started due to lack of funding priority. The Center collects patron fees for admittance to the facility and also for various athletic programs, including Junior Jazz basketball.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending January 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.