

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



An Audit of the Key Controls of
Parks and Recreation Administration

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 31, 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 Parks and Recreation Administration

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 Parks and Recreation Administration 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 Parks and Recreation Administration and the cooperation from Michele Nekota, Paul Ross, Nancy Albiston, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Parks and Recreation Administration 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 Todd Livingston
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Parks and Recreation Administration. 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

The Parks and Recreation Administration has put into place several key internal controls for managing public funds. Most risks identified were minor and would not be expected to result in material loss. Deficiencies in certain internal controls over capital and controlled assets, and software licensing have a higher likelihood of leading to a loss of County property.

Findings and Recommendations

Finding # 1 - The controlled asset inventory was not completed annually.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

The most recent Controlled Asset Inventory - Employee Forms on file were dated March 2012. The Controlled Asset Inventory - Organization provided was not signed and was not dated as to when the inventory was conducted.

When accountability for assets is not fully established by conducting an annual inventory, assets are at risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Parks and Recreation Administration perform an annual comprehensive controlled asset inventory.

Finding # 2 - Records were not maintained as to the physical location of capital assets.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states:

"Maintain records as to current physical location of all fixed [capital] assets and controlled assets within the organization's operational and/or physical custody."

Out of 10 capital assets we reviewed, 4 were said to have been sent out to recreation centers, and 2 could not be located.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Parks and Recreation Administration update records as to the current physical location of all capital assets within their custody.

Finding # 3 - Attestation of licensing was not provided prior to installation of software.

Risk Level: Low

Countywide Policy #1400-3, "Information Security Policy: Software Licensing Policy," Section 3.2 states:

"Individuals responsible for installation of software products shall receive approved written verification from County agency management attesting that they have secured the appropriate ownership of or rights to install the software application."

Verification of software purchase was not provided to County IS when requesting software installation.

When individuals performing software installations do not consistently confirm that agencies have acquired licenses, and when agencies fail to provide written verification of licensing, the risk of unlicensed software and resulting fines is increased.

Recommendation

We recommend that written verification of licensing be provided to County IS whenever software is installed.

Finding # 4 - PM-2 Forms were not found for assets listed as surplus on the controlled asset inventory list.

Risk Level: Low

Countywide Policy #1100 "Surplus Property Disposition/Transfer/Internal Sale," Section 3.8 states:

"The PM2 Form serves as both the initiating document and as the receipt, and must be used to document all surplus property transactions."

Items listed as "surplus" on the Controlled Asset Inventory List could not be traced back to a PM-2 Form.

When PM-2 Forms are not used to document the transfer or disposal of property, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a PM-2 Form be used to document all surplus property transactions.

Finding # 5 - A capital asset was not tagged.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.8 states that one of the Property Manager's duties is to:

"Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and fixed [capital] assets are tagged and capitalized."

An HP Designjet T2300 was not tagged with a capital asset tag.

When capital assets are not tagged with a capital asset tag, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Parks and Recreation Administration tag all fixed assets within their custody.

Finding # 6 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3 "Information Technology Security Policy: Software Licensing Policy," section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

Parks and Recreation Administration did not maintain a current software inventory.

Failure to maintain a software inventory increases the risk of unlicensed software on Parks and Recreation computers, which could result in fines and penalties. In addition, software licenses available may not be fully utilized.

Recommendation

We recommend that Parks and Recreation Administration maintain a current software inventory.

Additional Information

Background

Salt Lake County Parks and Recreation was established on May 11, 1946. There are now 104 parks and over 20 recreation facilities in the County. Salt Lake County Parks and Recreation operates and maintains: Parks, Trails and Open Space, Golf Courses, Recreation Centers, Swimming Pools, Ice Centers, Wheeler Historic Farm and an Equestrian Center. The Parks and Recreation Administrative Office is Located at 2100 S. State St. on the 4th Floor of the South Building.

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 July 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.

Management response to findings in this report, when received, will be attached as Appendix A.



Parks & Recreation Division Response to Summary of Findings & Recommendation

For Parks & Recreation Administration Audit Dated December 12, 2013

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	The controlled asset inventory was not completed annually.	We recommend that Parks & Recreation Administration perform an annual comprehensive controlled asset inventory.	Will be implemented. A controlled asset inventory will be performed early in 2014 for 2013 inventory and will subsequently be done on an annual basis.
2.	Records were not maintained as to the physical location of capital assets.	We recommend that Parks & Recreation Administration update records as to the current physical location of all capital assets within their custody.	Agree. This will be done when the annual inventory is taken. The position that handles inventory is currently vacant. When it is filled just after the first of the year a new inventory of capital assets will be taken.
3.	Attestation of licensing was not provided prior to installation of software.	We recommend that written verification of licensing be provided to County IS whenever software is installed.	Implemented. Each time a computer is sent to IS for software installation a written verification of licensing will be provided by the division.
4.	PM-2 Forms were not found for assets listed as surplus on the controlled asset inventory list.	We recommend that a PM-2 Form be used to document all surplus property transactions.	Implemented. The Division Fiscal Manger will insure that a PM-2 is properly filled out and submitted on all surplus property transactions for the division.
5.	No comprehensive software inventory was on file.	We recommend that Parks and Recreation Administration maintain a current software inventory.	Implemented. Going forward in 2014 all software purchases will be logged by the administration purchasing coordinator and an inventory will be maintained by the fiscal manager of each purchase to include PO number for the purchase, the number of authorized installations and the physical location of that installation as well as who the licensed user is.
6.			
7.			
8.			
9.			
10.			

NAME AND TITLE OF PERSON RESPONDING: Paul Ross, Associate Director, Administration

DATE PREPARED: 12/24/2013