

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



An Audit of the Key Controls of
Visit Salt Lake-The Convention & Visitor's Bureau

December 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 Visit Salt Lake-The Convention & Visitor's Bureau

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 Visit Salt Lake-The Convention & Visitor's Bureau 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 Visit Salt Lake-The Convention & Visitor's Bureau and the cooperation from Erin Litvack, Clifford Doner, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Visit Salt Lake-The Convention & Visitor's Bureau 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: Erin Litvack, Director Community Services Department
Lori Okino, Fiscal Manager Community Services Department
Scott Beck, Executive Director of Visit Salt Lake
Clifford O. Doner, Chief Financial Officer of Visit Salt Lake



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Visit Salt Lake-The Convention & Visitor's Bureau. 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

Visit Salt Lake, the Convention and Visitor's Bureau, did not include supervisor signatures on or provide documented explanations for voided transactions. Also, some deposits were not timely, and supporting receipts for purchasing card transactions were not always on file. In addition, a County-owned asset costing \$195,338 was not tagged.

Findings and Recommendations

Finding # 1 - Voids were not always handled in accordance with established policy.

Risk Level: Low

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

"All [receipt] copies will be marked 'VOID,' including the customer copy, if available. The cashier initiating the voided transaction will document...the cause of the voided transaction and its resolution. 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."

We reviewed 3 voids in a 30 day period and found that none of them included a documented explanation, and they did not have cashier and supervisor signatures as evidence of review.

Management stated that lack of documentation in these cases was an oversight. With dozens of transactions in the daily transaction report, an item showing a negative amount might be easily overlooked. Management ordinarily expects employees to explain and sign for voids.

When voided transactions are not processed according to established policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that voided transactions be reviewed and signed by supervisors and include documented explanations.

Finding # 2 - Receipts were missing from supporting documentation for a purchasing card.

Risk Level: Low

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 6.1 states:

"Original itemized receipts showing the detail of the goods and/or services purchased shall be retained and maintained for inspection by the Cardholder."

We found a purchasing card reconciliation where 6 out of 17 purchases listed did not include supporting receipts in the documentation. Of the \$16,974 in expenditures represented in this reconciliation, \$16,185 was not supported by receipts.

Management stated that they focused on the on-line bank record more than individual receipts when approving transactions. They also relied on documented employee explanations, which in this case they stated were insufficient. Regardless of other factors in the approval process, the reconciliation just mentioned demonstrated inconsistency in not having all receipts attached. Upon further examination, management determined that most of these expenditures related to the annual Visit Salt Lake meeting.

Without receipts to support credit card expenditures, the purpose for these expenditures may be forgotten, and unauthorized transactions could more readily occur.

Recommendation

We recommend that receipts or other documentation from the vendor be on file to support credit card expenditures.

Finding # 3 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by §51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt."

We found that 6 out of 30 deposits examined were deposited more than three days after receipt of collections.

Management stated that occasionally the gift shop manager is absent, resulting in the deposit not being taken to the bank.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Finding # 4 - Accountability for capital asset was not properly established.

Risk Level: Low

Countywide Policy #1125, Safeguarding Property/Assets, Sections 2.2.1 and 2.2.8 states two of the property manger's duties as follows:

“Accounting for all capital assets within the organization's operational and/or physical custody...[and] ensure capital assets are tagged and capitalized.”

The one County-owned capital asset assigned to Visit Salt Lake, a set of media equipment costing \$195,338, was not tagged. A Visit Salt Lake employee identified this equipment to the auditor as a group of projectors, computers, and DVD players.

Management stated that they felt the property tag was on file at one time, but they could no longer find it. Also, they stated that this equipment, purchased in 1996, had not been used in 10 years and was mostly obsolete.

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 the capital asset shown as media equipment be accounted for, tagged, and identified by individual items that comprise the single asset shown on record.

Additional Information

Background

Visit Salt Lake, the Convention and Visitor's Bureau, is a private, non-profit organization that contracts with Salt Lake County to promote tourism. The contract requires primary focus on attracting conventions to the Calvin L. Rampton Salt Palace Convention Center. Slightly more than half of Visit Salt Lake's funding comes from Salt Lake County, with the remainder from other sources, including membership dues from businesses and community organizations. Its membership elects a board of trustees, and the board of trustees in turn elects the executive board. The contract requires two Salt Lake County officials on the executive board. From October 2012 through September 2013, Salt Lake County paid about \$8.5 million to Visit Salt Lake, money comprised mostly of Transient Room (Hotel) taxes, but also Tourism, Recreation, Cultural, and Convention (TRCC) Facilities funds. The County paid them an additional \$450,000 in TRCC money for Ski Salt Lake, a program to promote County ski resorts through tourist packages, including discounted ski passes. As one of its more visible functions to the public, Visit Salt Lake operates the tourist information center and gift shop.

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 October 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.



The Convention & Visitors Bureau

March 5, 2014

Gregory T. Hawkins
Salt Lake County Auditor
Salt Lake County
2001 S State St.
Salt Lake City, Utah 84114-4575

Dear Mr. Hawkins,

As requested, this letter is in response to your draft dated December 26, 2013 addressed to Mayor McAdams regarding your recent Audit of Visit Salt Lake's key financial controls.

First, we want to thank Larry Decker, CPA, for his time and professional expertise in reviewing our operation. Although as a private company, we are audited annually to assure our financial statements fairly present the financial statements of Visit Salt Lake, we are always trying to improve. We also recognize and fully appreciate that we have a fiduciary responsibility to assure County funds are carefully managed and put to their highest and best use. Accordingly, Mr. Decker's perspective and recommendations were both welcome and quite helpful.

Thank you for the opportunity to respond to your findings. We are hopeful the following is beneficial:

Finding # 1 – Voids were not always handled in accordance with established policy

Recommendation: We recommend that voided transaction be reviewed and signed by supervisors and include documented explanations.

Response: We agree. The only cash register we have is in the Simply Salt Lake Gift Shop, which is owned and operated by Visit Salt Lake. All inventory, salaries, and overhead expenses, etc. are supported through sales out of the gift shop. Any negative cash flow is made up by retained earnings in Visit Salt Lake's Private Sector. As such, no County Funds are involved. Additionally, voided transactions are quite rare. For instance, we reviewed the months of June and July which had 4200 transaction and there were no voids. During the two week period referenced, our credit card processor was making double charges, which caused the unusual frequency of voids, but no documentation of this technical issue was recorded. Notwithstanding the infrequency of occurrence, this suggestion is an improvement in our internal control.

Action: We will require that an explanation for all voided transactions is recorded on the receipt and such voided receipt is approved by a Supervisor

Finding # 2 - Receipts were missing from supporting documentation for a purchasing card

Recommendation: We recommend that receipts or other documentation from the vendor be on file to support credit card expenditures.

Response: We agree. Management is in the process of thoroughly reviewing with staff the requirements for adequate documentation of expenditures, including the requirement that expenditures be supported by an itemized receipt or invoice from the vendor. VSL accounting staff have been instructed to return any credit card expense reports that do not meet the guidelines in the VSL Employee Handbook as published in June 2012: **...All expenses submitted ... must be supported by adequate documentation accompanied by a written explanation of the business purpose of the transaction, and the budget code for the activity....**

Action: Documentation from the Vendor along with a business purpose explanation and related budget code will be retained on file to support credit card expenditures.

Finding # 3 - Deposits were not always made in a timely manner

Recommendation: We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Response: In the case of County Funds, quarterly expense advances from the County go directly into Visit Salt Lake's Bank account via electronic (ACH) transfer. No other County Funds are involved. All other funds, including cash from sales in the Simply Salt Lake Gift Shop, involve Visit Salt Lake's Private Sector. Our procedure is that the Gift Shop Manager deposits cash funds at least twice weekly, and daily if the amounts are high such as during a convention. As checks, it is Visit Salt Lake's policy that all checks are deposited promptly. Check scanners linked to our bank account enable us to scan Private Sector checks directly to our bank account immediately as they are received and logged. This has proven highly efficient and effective, greatly reducing the likelihood of NSF issues and taking maximum advantage of any interest earnings.

Action: The Gift Shop Manager will take steps to assure cash funds not needed to make change for the next day are deposited to our bank at least every other business day.

Finding # 4 – Accountability for County Asset was not properly established

Recommendation: We recommend that the capital asset shown as media equipment be accounted for, tagged, and identified by individual items that comprise the single asset shown on record.

Response: We agree. This is the only County Asset in our custody and it has been obsolete for a number of years. Recently, when taking steps to surplus it back to the County, we determined that the weight and bulk of the equipment requires a forklift, and that would require removal of one of the screens in the Visitor Information Center to gain access.

Action: This asset will be accounted for, tagged and identified by individual items that comprise the asset.

Sincerely,

Cliff Doner, CFO/EVP
Visit Salt Lake

cc: Erin Litvak
Lori Okino