

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



An Audit of the Key Controls of
Draper Outdoor Pool

October 23, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 23, 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 Draper Outdoor Pool

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Draper Outdoor 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 Draper Outdoor Pool and the cooperation from Marlynn Shaffer, Jessica Newbold, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Draper Outdoor 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 Todd Livingston
Deputy Auditor

cc: Michele Nekota, Division Director
Kristin Riker, Recreation Associate Division Director
Larry McKinney, Facility Director
Marlynn Shaffer, Office Coordinator

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Draper Outdoor 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

The Draper Outdoor Pool has put into place several key internal controls for managing public funds, including controls over payroll, overages and shortages, and controlled assets. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, deficiencies discovered dealing with safeguarding personally identifiable information, compliance with transaction receipting, change fund controls, retaining center records, and inventory of concessions have a higher likelihood of leading to loss of County property.

Findings and Recommendations

Finding # 1 - Receipts were not consistently issued to patrons.

Risk Level: High

Countywide Policy #1062, "Management of Public Funds," Section 3.5.1 states:

"Cashiers will prepare a receipt for all remittances made in person over-the-counter."

The auditor observed that patrons tendering payment over-the-counter were not offered receipts from concession staff.

When receipts are not consistently issued to patrons, County funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that cashiers prepare and give a receipt to all persons tendering payment in person.

Finding # 2 - Personally identifiable information was not safeguarded.

Risk Level: High

Countywide Policy #2050, "GRAMA Guidelines Regarding Personal Privacy," Section 4.8.1 states:

"The Security of Personal Identifiers ordinance requires that county agencies shall collect or maintain personal identifiers such as individual home address, home telephone number, personal cellular telephone number, signature, social security number, birth date, personal email address, driver's license number and any financial identification numbers only where provided by law or ordinance, or where necessary for the function of the agency. The agency shall document in writing why personal identifiers are collected and have in place a written procedure for the secure collection, maintenance, transmission, transfer or disposal of personal identifiers."

Boxes of registration forms bearing names, phone numbers, addresses, and birthdates were located in a common employee area.

When personally identifiable information is not secured, there is an increased risk of information being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Draper Outdoor Pool secure personally identifiable information.

Finding # 3 - Documentation of discounts, no-sale transactions, and adjustments was inadequate.

Risk Level: Low

Salt Lake County Parks & Recreation Division, "Policies & Procedure for Cash Handling," Section 4.17 states:

"The agent cashier shall independently review all transactions for the day and report all inconsistencies, errors, or questionable transactions to the facilities program manager."

During our review of deposit documentation, we noted that a supervisory review of discounts, no-sale transactions, and adjustments was not conducted.

Failure to monitor and review other discounts, adjustments, credits, and no-sale transactions increases the risk of misappropriation of County funds.

Recommendation

We recommend that discounts, no-sale transactions, adjustments, and other high-risk transactions included on the daily report be reviewed by the agent cashier.

Finding # 4 - Deposits were not always made within three days of receipt.

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."

During our deposit review, we noted that 8 of the 14 deposits were made more than three days after payment was received.

Funds that are not deposited on a timely basis are more susceptible to loss or theft, and interest that might otherwise have accrued is lost.

Recommendation

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

Finding # 5 - Retail inventory was not tracked.

Risk Level: Low

Countywide Policy #1125, Safeguarding property/assets, states in the purpose:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed -- meaning, controlled, inventoried and protected."

The Draper Outdoor Pool had not established a procedure for tracking retail inventory.

The Supervisor stated that the Draper Outdoor Pool was in the process of implementing an excel spreadsheet to track merchandise inventory.

When the inventory procedure does not properly track merchandise, revenue and merchandise on hand are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Draper Outdoor Pool implement a retail inventory tracking procedure.

Finding # 6 - The point of sale system did not issue numbered receipts.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.5.6 states:

"The online cashiering system shall produce receipts in a sequentially numbered order, and the receipt number shall appear on the receipt issued to the customer."

The Legacy Sportsman point of sale (POS) system does not have the capability to produce receipt numbers.

Without receipt numbers it is difficult to identify missing, or duplicated transactions, which is an important control to prevent manipulation of cash transactions.

Recommendation

We recommend that the online cashiering system produce receipts in a sequentially numbered order, and the receipt number shall appear on the receipt issued to the customer.

Finding # 7 - Receipts could be reprinted for prior transactions.

Risk Level: Low

Standard business practice restricts cashiers' ability to reprint receipts from prior transactions.

During the course of our review, we found that receipts for prior transactions could be reprinted. The reprinted receipt was identical to the original receipt.

When receipts can be reprinted, the accuracy and completeness of transactions cannot be ensured. The risk of errors and misappropriation of funds is increased.

Recommendation

We recommend that the ability for cashiers to reprint receipts be disabled.

Finding # 8 - Public funds were not physically secured.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 2.3. states:

"...The County Agency's Fiscal Manager will ensure that...effective security is established and maintained for funds entrusted to each Cashier."

During the course of our review, we found that the cash register keys were left in the cash register lock, allowing anyone to open the drawer at any time by pressing the manual button.

When public funds are not physically secure, there is an increased risk that funds may be lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Draper Outdoor Pool secure the funds in their cash registers by removing and securing the cash register key.

Finding # 9 - An SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 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 Parks and Recreation's compliance with PCI had not been completed and was 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 and that the Draper Outdoor Pool keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Finding # 10 - The deposit documentation for all of 2012 was missing.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 4.5.1 states:

"County records, including the deposit records discussed in this policy, will be retained for the time periods established in the Government Records Access and Management Act, §63G-2-101 et seq., Utah Code Annotated, and in compliance with County Ordinance §2.82, Records Management. Therefore, balance sheets, deposit slip copies, plastic pre-numbered tabs removed from the deposit bag, and any other supporting documents or materials, shall be retained for 7 years from the date of the deposit, either on-site or at the County Records' storage warehouse."

The facility manager was not able to provide the 2012 deposit documentation for the Draper Outdoor Pool.

The facility manager stated that all 2012 deposit documentation was "missing."

When original deposit documentation is not kept on file, deposits cannot be verified, increasing the risk of funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that deposit records be retained for 7 years from the date of the deposit, either on-site or at the County Records' storage warehouse.

Additional Information

Background

The Draper Outdoor Pool is located at 657 Vestry Road in Draper. The pool is an integral part of the neighborhood and sits on South Mountain, offering a view of the entire valley. It is operated during summer months from Memorial Day to Labor Day. The Draper Outdoor Pool has a lap pool, large pool, diving board, water geyser, and concession stand. The pool offers swim lessons, water aerobics, day camps, private rentals, and lifeguard training.

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 June 30, 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.



2013 Summary of Audit of Key Control

Findings and Recommendations

Draper Pool

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Receipts were not consistently given to patrons.	Recommend that cashiers prepare and give a receipt to all persons tendering payment in person.	The Concessions computer/cash registers are quite old, and often the lag between requesting the computer to print and the actual printing of a receipt is three or four minutes long. In a busy rush, that would logjam the line of customers. At the start of summer, Concessions staff initially asked customers to come back in a few minutes if they wanted their receipts, and few did. We will purchase newer computers/tills for the snack bar before the pool opens in 2014. We will also post signs inside the snack bar reminding cashiers to give patrons their receipts. Tracey Perks will be the new Concessions supervisor next year who will oversee this.
2.	Personally identifiable information was not safeguarded.	Recommend that the Draper Outdoor Pool secure personally identifiable information.	There is a lockable filing cabinet located at Draper Pool. This cabinet will be cleaned out and utilized to securely store these documents. Jordan Jones will oversee the office staff at Draper Pool next summer.
3.	Documentation of discounts, no-sale transactions, and adjustments was inadequate.	Recommend that discounts, no-sale transactions adjustments, and other high-risk transactions included on the daily report be reviewed by the agent cashier.	Prior to the 2014 season, we will create an additional notation of these "high risk transactions," to be reviewed by the agent cashier. Jordan Jones will be the merit staff who oversees the creation of this form, as well as the one to review them.
4.	Deposits were not always made within three days of receipt.	Recommend that funds be deposited on the same day whenever practicable, but no later than three days after receipt.	Office staff will be reminded regularly about timely deposits next summer. Jordan Jones will be overseeing this function.
5.	Retail inventory was not tracked.	Recommend implementation of a retail inventory tracking procedure.	An inventory is and has been in place at Draper for many years. We believe there was some confusion in communication since at the time of the audit in June, a recent inventory had not been done since the initial one at the beginning of the pool season. We use the same spreadsheet we use at Dimple Dell, which shows cost, revenue, and waste/shrinkage. Tracey Perks is the merit employee who will oversee inventory in concessions, and Jordan Jones is the merit who will oversee non-concessions/retail sales inventory.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
6	Point of Sale system did not issue numbered receipts.	Recommend that system produce receipts in a sequentially numbered order, and the receipt number shall appear on the receipt issued to the customer.	Draper Pool uses the old Legacy version of Sportsman, which prints date, time and till number on each receipt. These three pieces of information make each receipt unique. We will communicate with the POS software provider to see if adding additional numbers to receipts is possible. Jordan Jones will oversee this.
7.	Receipts could be printed for prior transactions.	Recommend that the ability for cashiers to reprint receipts be disabled.	There are occasions when this is a useful function; for example, when a patron signs up for a private swim lesson, a receipt is printed for the swimmer, and another is printed for the swim instructor (who submits this to the coordinator as proof of work so they can be paid). Because receipts can be reprinted does not mean that subsequent printed receipts can be changed or manipulated differently than the first receipt. We will require some type of notation when this is rarely done, such as a "duplicate receipt log," indicating the patron who requested it, the reason, and the cashier who reprinted it. Jordan Jones will oversee this.
8.	Public funds were not physically secured.	Recommend that funds are secured by removing the cash register key from the cash register.	One of the cash registers at Draper does not work properly, and requires the key to open the till, even on standard purchases. We will have that register repaired or replaced by the start of the 2014 season. Jordan Jones will oversee this.
9.	An SAQ representing Parks & Rec's compliance with PCI had not been completed and was not on file.	Parks & Rec management complete and sign an annual SAQ and keep a copy of SAQ on file at Draper Pool.	Parks & Recreation Management is aware of this issue, and is working with the Auditor's Office to resolve it.
10.	Deposit documentation for all of 2012 was missing.	Retain deposit documents for seven years from the time of deposit.	The 2012 deposit documentation was not "missing." At the end of the 2012 pool season, deposit documents were taken back to Dimple Dell and subsequently sent to Archives for storage; the same procedure we follow every year.

NAME AND TITLE OF PERSON RESPONDING: Larry McKinney, Facility Manager, Dimple Dell Fitness & Recreation Center

DATE PREPARED: October 18, 2013