

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



An Audit of the Key Controls of
South County Outdoor Pool

October 29, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 29, 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 South County Outdoor Pool

Dear Mayor McAdams:

We recently completed an analysis of the financial records of South County 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 South County Outdoor Pool and the cooperation from Mary Weinle, Marti Bowles, Josh Reusser, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to South County 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
Ron Preece, Facility Director
Mary Weinle, Office Coordinator

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of South County 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 South County Outdoor Pool has put into place key internal controls for managing public funds, including controls over payroll and safeguarding personally identifiable information. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, deficiencies discovered dealing with capital and controlled assets, receipting, and depositing have a higher likelihood of leading to a loss of County property.

Findings and Recommendations

Finding # 1 - Public funds were not physically secured.

Risk Level: Moderate

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

"...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 secured, there is an increased risk that funds may be lost, stolen, or diverted for personal use.

Recommendation

We recommend that the South County Outdoor Pool effectively secure funds entrusted to each cashier.

Finding # 2 - Receipts could be reprinted for prior transactions.

Risk Level: Low

Standard business practice suggests that cashiers should not be able to reprint receipts from prior transactions.

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

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 # 3 - Some bank deposits did not balance with the daily collection records.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.2 states:

"A 'master' balance sheet may be prepared to accumulate totals of individual cash balance sheets from each cash register. With any balancing procedure, the cash count total, including the breakdown by cash and check composition, should match the deposit slip total."

Three of 30 bank deposits did not balance with the daily collections reported by the cash balance sheets.

When daily collection records and cash balance sheets do not reconcile with deposit documentation, cashier theft and/or errors cannot easily be discovered.

Recommendation

We recommend that the cash balance sheets recording the daily collections balance with the daily bank deposit.

Finding # 4 - The "Controlled Assets Inventory Form - Organization" was not signed or dated.

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 "Controlled Assets Inventory Form - Organization" was not signed or dated to indicate when the last inventory of controlled assets had been performed.

When an annual inventory of controlled assets is not conducted, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend the Property Manager sign and date a controlled asset inventory list as evidence that an annual inventory was conducted.

Finding # 5 - Cash over/short logs were not signed by a supervisor.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.3 states:

"The MPF Form 11 [Cash Over/Short Log], for each Cashier, shall be signed by the Cashier's immediate supervisor."

We reviewed the 2013 over/short logs for May and June. We noted that 4 of the 13 over/short logs did not have a supervisor's signature as evidence of review.

Without individual over/short logs for each cashier, overages and shortages cannot be properly monitored and discussed with cashiers to improve balancing trends, where needed.

Recommendation

We recommend that both the cashier and supervisor review and sign the log each month.

Finding # 6 - 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."

A supervisory review of no-sale transactions and adjustments was not conducted.

Failure to review adjustments and no-sale transactions increases the risk of misappropriation of County funds.

Recommendation

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

Finding # 7 - Deposit reconciliation sheets were not signed by the supervisor.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

A signature representing a review by the center manager was not present on 3 of the 30 deposit reconciliation sheets reviewed.

When reviews of the deposit reconciliation sheet and the bank's deposit slip have not been documented by a second person, (if possible, by an individual with equal or higher authority) then funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a review of the deposit reconciliation sheet and the bank's deposit slip be consistently performed and signed by an individual not involved in the deposit preparation.

Finding # 8 - 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 South County Outdoor Pool keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Additional Information

Background

The South County Outdoor Pool is located at 12765 South 1125 West in Riverton. The outdoor pool offers swim lessons, water aerobics, aqua sports, and pool rentals. The Pool has two diving boards, a 50 meter lap area, and a shallow area for small children and beginner swimmers. The onsite concession stand sells a wide variety of food and beverages. The pool is open 7 days a week from May 25th until August 23rd.

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.



**Parks & Recreation Division Response to
Summary of Findings & Recommendation**

For (South County Swimming Pool) Audit Dated: October 07, 2013

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	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 secured, there is an increased risk that funds may be lost, stolen, or diverted for personal use.	We recommend that the South County Outdoor Pool effectively secure funds entrusted to each cashier.	Keys will be removed from cash registers and stored in a secure location (safe).
2.	During the course of our review, we found that receipts for prior transactions could be reprinted. The reprinted receipts were identical to the original receipts. When receipts can be reprinted, the accuracy and completeness of transactions cannot be ensured. The risk of errors and misappropriation of funds is increased.	We recommend that the ability for cashiers to reprint receipts be disabled.	We have contacted Peak Software regarding how the reprint receipt function can be disabled on our Sportsman Legacy software at South County Pool. We are not certain that it can. Plus the reprint receipt function occasionally serves a purpose for patrons, whose original receipt has been damaged (wet); and for staff when we have to process refunds.
3.	Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.2 states: "A 'master' balance sheet may be prepared to accumulate totals of individual cash balance sheets from each cash register. With any balancing procedure, the cash count total, including the breakdown by cash and check composition, should match the deposit slip total." Three of 30 bank deposits did not balance with the daily collections reported by the cash balance sheets. When daily collection records and cash balance sheets do not reconcile with deposit documentation, cashier theft and/or errors cannot easily be discovered.	We recommend that the cash balance sheets recording the daily collections balance with the daily bank deposit.	This is always the intent. Occasionally there may be a software glitch/user error that will show the GL report total differing from the daily bank deposit. When this happens, our bookkeeper is required to research why the total is different, and note the corrections on the GL Report. We will be sure to emphasize this requirement in our future South County Pool Bookkeeper trainings.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
4.	The "Controlled Assets Inventory Form - Organization" was not signed or dated to indicate when the last inventory of controlled assets had been performed. When an annual inventory of controlled assets is not conducted, assets are at a greater risk of being lost, stolen, or diverted for personal use.	We recommend the Property Manager sign and date a controlled asset inventory list as evidence that an annual inventory was conducted.	Copy of signed & dated Controlled Asset Inventory List will be kept at South County Pool.
5.	We reviewed the 2013 over/short logs for May and June. We noted that 4 of the 13 over/short logs did not have a supervisor's signature as evidence of review. Without individual over/short logs for each cashier, overages and shortages cannot be properly monitored and discussed with cashiers to improve balancing trends, where needed.	We recommend that both the cashier and supervisor review and sign the log each month.	This will be made part of our over/short log policy.
6	A supervisory review of no-sale transactions and adjustments was not conducted. Failure to review adjustments and no-sale transactions increases the risk of misappropriation of County funds.	We recommend that 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 no sale transactions (day passes) to be reviewed by the agent cashier. Office Coordinator will be the merit staff who oversees the creation of this form, as well as the one to review them.
7.	A signature representing a review by the center manager was not present on 3 of the 30 deposit reconciliation sheets reviewed. When reviews of the deposit reconciliation sheet and the bank's deposit slip have not been documented by a second person, (if possible, by an individual with equal or higher authority) then funds are at a greater risk of being lost, stolen, or diverted for personal use.	We recommend that a review of the deposit reconciliation sheet and the bank's deposit slip be consistently performed and signed by an individual not involved in the deposit preparation.	All of the originals <u>were signed</u> . These noted copies had not been signed prior to being copied. Our Office Coordinator will ensure that both originals and copies are signed for all deposit reconciliation sheets.
8.	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.	We recommend that Parks and Recreation management complete and sign an annual SAQ and that the South County Outdoor Pool keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.	Parks & Recreation Management is aware of this issue, and is working with the Auditor's Office to resolve it.

NAME AND TITLE OF PERSON RESPONDING: Ron Preece, Facility Manager, JL Sorenson Recreation Center

DATE PREPARED: 10/22/13