

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of
Sports Complex Passes

November 04, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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November 04, 2013

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

Re: An Audit of Sports Complex Passes

Dear Mayor McAdams:

We recently completed an analysis of Sports Complex Passes pursuant to 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. 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 the Sports Complex and the cooperation from Tracey Gines, Clark Littleton, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Sports Complex Passes 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, Associate Division Director
Kristen Riker, Director of Recreation
Tracey Gines, Section Manager
Clark Littleton, Director of SLC Sports Complex



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Sports Complex Passes. Our purpose was to determine the number of employees that had been issued Gold and Platinum passes free of charge or that had participated in classes or programs without charge. During the course of our review, we also looked into the large amount of zero dollar transactions at the Sports Complex.

Conclusion

The Salt Lake City Sports Complex did not consistently maintain records of the reasons for zero dollar transactions. Also, we found nine occurrences where employees were issued, at no charge, Gold or Platinum passes instead of single facility passes. In addition, we found isolated instances of family members being added to individual employee Gold, Platinum, and Sports Complex passes.

Findings and Recommendations

Finding # 1 - Member pass transactions issued with zero dollar payments were performed with no line item justification.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," states in the Purpose that:

"Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and polices, and errors, irregularities, and omissions are effectively minimized or detected."

We reviewed 26,005 transaction records coded as member passes that occurred between January 1, 2009 through May 31, 2013. Of this total, we found that 962 member pass transactions were recorded with a zero dollar payment. Of these 962 transactions, 291 were annual employee passes issued free of charge in compliance with internal policy. The remaining 671 transactions were for Gold and Platinum passes, and passes for other individual activities, such as skating or swimming. Line items we extracted for these remaining 671 transactions did not explain why no payment was required.

Management stated that some of the 671 zero dollar transactions were due to passes issued at other centers but also valid at the Salt Lake City Sports Complex. Because there was no explanation in the records, we could not confirm which transactions were appropriate because the patron presented a valid pass from another center. To conclude whether each zero dollar transaction is justified would require an individual examination of each transaction. Such an investigation exceeded the scope and time limits of this audit.

Zero dollar transactions with no written justification could allow for concealment of the transfer of funds for personal use or free issuance of passes to employees or the public.

Recommendation

We recommend that Parks and Recreation require and review written justification for zero dollar transactions to effectively minimize and detect errors, irregularities, and omissions.

Finding # 2 - Activity registrations with zero dollar payments were performed without providing a sufficient audit trail.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.4.1 states:

"Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

We reviewed 84,511 transaction records, code "ACTV", that occurred between January 1, 2009 through May 31, 2013. These differ from the previous section in that ACTV are registrations for teams or classes, and not membership passes. Of the 84,511 total, 32,621 transactions were recorded as zero dollar payment without documented explanation.

From the 32,621 zero dollar payments, the auditor found that 31,948 of these were coded "Freestyle Skate Session." Management stated that parents make lump sum payments on account for these freestyle skate sessions. Thereafter, the individual account is reduced for each skate session, but admission to the Sports Complex is shown as zero paid in Sportsman. Management stated that some of the remaining 573 transactions were for program or class payments made at another center that allowed access to the same program or class at recreation centers Countywide. Other transactions were not explained.

An inadequate audit trail to explain transactions where zero dollar payment was made for activities or classes could allow for an employee to conceal theft.

Recommendation

We recommend that Parks and Recreation management require and review written justification for zero dollar payments.

Finding # 3 - Gold and Platinum annual passes were issued to Sports Complex employees without charge.

Risk Level: Low

Verbal Parks and Recreation policy provides employees an individual pass to the center where they work, but disallows any free Gold or Platinum passes that allow entry to all County recreation centers.

We reviewed all membership purchase records that occurred between January 1, 2009 through May 31, 2013. We found seven annual Gold and two annual Platinum passes issued to employees at no charge. In addition, two employee spouses were issued passes free of charge, one a Gold pass and one a Platinum pass. Also, family members had been added to the free Gold and Platinum passes issued in 2009 and 2010.

Salt Lake City Sports Complex personnel stated that until recently policy was unclear as to how these passes could be issued to employees. Despite this lack of clarity, Sports Complex management stated that free Gold or Platinum passes should not be issued to employees. Concerning passes issued to spouses, one employee stated that the cashier told his wife she could have a free Platinum pass because her husband worked at the Sports Complex. In another case, the employee was included as an additional member on his wife's Gold pass free of charge; however, he denied knowledge of this.

Recommendation

We recommend that employees not issue free Gold and Platinum passes to their spouses or co-workers, and that any employee pass be issued as directed by Parks and Recreation management.

We recommend that any currently active free Gold or Platinum passes issued to employees or their family members be cancelled.

Finding # 4 - Family members were improperly added to individual employee passes.

Risk Level: Low

Parks and Recreation management in a verbal policy disallows addition of family members or friends to individual employee passes.

Employees are provided an individual pass to the center where they work as part of their benefits. We reviewed a sample of these individual employee passes and found that family members and co-workers had been added to them, contrary to established Parks and Recreation verbal policy.

Sports Complex management stated that they did not know additional persons could even be added to the individual employee's pass. One of the employees whose annual pass included added-on relatives stated that he was unaware of the Parks and Recreation policy, and that access by relatives had recently been removed.

Addition of relatives to individual employee passes, free of charge, not only contradicts Parks and Recreation's verbal policy, but also reduces revenue to the County.

Recommendation

We recommend that Parks and Recreation personnel include only the employee on individual employee passes.

Additional Information

Background

The Salt Lake City Sports Complex is among the largest County recreation centers. It currently has 159 merit and temporary employees, of which 19 work at the front desk. The Parks and Recreation Division issues many types of passes based on facility usage and length of time. Time periods range from daily to annual. Premium options available to patrons are the Gold and Platinum passes, allowing entrance to any County recreation center. In addition, the Platinum pass allows for skating on any County ice sheet. An individual annual Gold pass costs \$316, and an individual annual Platinum pass costs \$372.

Scope

Our work included a formal examination of Sportsman records related to issuance of recreation center passes at the Salt Lake City Sports Complex in the following areas:

- Membership Passes
- Activity Registrations
- Passes Issued to Sports Complex Employees
- Zero Dollar Payment Transactions

Our examination period covered January 1, 2009 to May 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation 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.



Summary of Audit of Key Control

Findings and Recommendations

SLC SPORTS COMPLEX

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	<p>Member pass transactions issued with zero dollar payments were performed with no line justification.</p>	<p>Parks and Recreation will require and review written justification for zero dollar transactions to effectively minimize and detect errors, irregularities and omissions.</p>	<p>All County passes occasionally do not transfer from center to center. This is typically a communication issue with the server or a pass equivalency issue. The equivalencies for passes were updated and corrected 2 years ago, which should have corrected the issue with facilities having to enter passes manually from another center. If it has occurred since that time, centers are expected to contact the center r where the pass was originally purchased and determine if the issue is an equivalency issue or not. Typically this issue can be resolved by making sure the equivalencies are correct. Also when converting to the new Sportsman program we had to manually enter a large number of passes that did not convert over from the old software.</p> <p>ACTION TAKEN: Problematic passes must first be verified from originating center. Staff is then required to initial and date notes entered into Sportsman documenting specific occurrences where a membership hasn't transferred in order to leave an audit trail to detect inconsistencies. On a monthly basis a report will be generated documenting membership sales and will be scrutinized for abnormalities in payment. Again, making sure pass equivalencies are correct prior to manually adding passes into the system from another center.</p>
2.	<p>Activity registrations with zero dollar payments were performed without providing a sufficient audit trail.</p>	<p>Parks and Recreation management will require and review written justification for zero dollar payments.</p>	<p>Freestyle is a figure skating activity where in advance, a parent can post money into an account allowing their child to draw payments from, when attending a practice session. Once a skater registers for a session, the cashier bypasses payment by choosing to "Apply Credit" from the skater's account, resulting in a zero payment due to the cash being accounted for at time of initial posting.</p> <p>ACTION TAKEN: Freestyle skate sessions are the only activity in Sportsman where a zero payment would be tendered. Due to the limitations of the of the current Sportsman software used by Parks and Recreation, zero payments for individual activities could be hard to verify. However, Freestyle sessions can be traced back to original payment through Sportsman by viewing the financial details of each individual. Registering an individual skater to an individual session leaves a financial trail in the member's records.</p>

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
3.	Gold and Platinum passes were issued to Sports Complex employees without charge.	Employees should not be issuing free Gold and Platinum passes to their spouses or co-workers, and that all employee passes be issued as directed by Parks and Recreation management. All currently active Gold or Platinum passes issued to employee or family members should be canceled.	Gold and Platinum passes were issued to staff without payment. One temp staff individual in particular created a pass under an alias in order to gain entrance into all county centers. ACTION TAKEN: After working with the auditor it was discovered that a certain front desk employees was taking liberties with access into Sportsman. Once determined, the employee using an alias was terminated. Other instances could be traced back to a group of sisters that haven't been employed by the center for over three years. Investigations by John Davis and myself went further into employee family passes and actual entrance swipes. Few were actually traceable form our center to others. Presently, network security settings in Sportsman are set to prevent passes being tendered as zero payment by anyone other than a Merit staff. All employee passes were investigated all passes that are not current employees have expired.
4.	Family members were improperly added to individual employee passes.	Parks and Recreation personnel should only include the employee on individual employee passes.	Family members were added to employee passes by staff that claimed they were unaware of a policy stating otherwise. ACTION TAKEN: County policy regarding employee passes was gone over with the current staff. All employee passes were scrutinized with family and friends have been removed. At the beginning of each month a report is generated from Sportsman designating employee passes. Merit staff reviews the list verifying that only current employees are receiving privileges. Once corroborated, the Office Coordinator will renew employee passes on a monthly basis only.

NAME AND TITLE OF PERSON RESPONDING: Clark Littleton, Facility Director, Salt Lake City Sports Complex.

DATE PREPARED: 10/29/13