

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



An Audit of the Key Controls of
West Jordan Community Pool

October 18, 2013

GREGORY P. HAWKINS
SALT LAKE COUNTY AUDITOR

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October 18, 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 West Jordan Community Pool

Dear Mayor McAdams:

We recently completed an analysis of the financial records of West Jordan Community 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 West Jordan Community Pool and the cooperation from Tawnee Tucker, Aquatics Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to West Jordan Community 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 Anita C. Kasal
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director/Fiscal Manager
Kristin Riker, Associate Division Director
Brad Pitcher, Program Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of West Jordan Community Pool (WJCP). 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 WJCP has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over cash receipting, depositing, and inventory procedures have a higher likelihood of leading to a 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." A receipt will be given to the person tendering payment. The duplicate receipt or electronically stored receipt will be retained on file by the Agency for accounting and auditing purposes."

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

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 issue a receipt to all persons tendering payment in person.

Finding # 2 - "No sale" or "no money taken" transactions were not always being documented or reviewed by an agent cashier (supervisor).

Risk Level: Moderate

Salt Lake County Parks & Recreation Division, "Policies & Procedure for Cash Handling," Section 1.1 states that:

"Agent Cashiers for the Parks & Recreation Division are defined as Program Managers, Assistant Section Supervisors, Director of Recreation..."

In addition, 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."

The WJCP did not document or have supervisory review of "no-sale" or "no money taken" transactions.

When cashiers can open their cash drawers without documenting the reason and without review by a supervisor, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.

Finding # 3 - Retail inventory was not tracked and shrinkage was not controlled.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," states in the Purpose that:

"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 WJCP did not keep inventory of the concession merchandise up to date. In previous years, the inventory had been maintained on an Excel spreadsheet. The supervisor did not update the sheet for the 2013 activity. Additionally, employees did not keep shrinkage to a minimum by following the supervisor's request to limit the cooking of food near closing time.

The Supervisor reported that she had explained to the concession staff that food needing to be cooked should not be prepared after a certain hour of the day.

When retail merchandise is not inventoried and shrinkage is not controlled, property is at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the WJCP maintain an inventory, which includes purchases and sales of merchandise.

We recommend that WJCP train their concession staff on ways to minimize shrinkage.

Finding # 4 - The point of sale system did not print numbers on customer receipts.

Risk Level: Moderate

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

"...the receipt number shall appear on the receipt issued to the customer."

Customer receipts did not include receipt numbers.

When customer receipts do not include receipt numbers, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that numbers be printed on customer receipts.

Finding # 5 - Voids were not always handled in accordance with Countywide policy.

Risk Level: Moderate

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

"All copies will be marked 'VOID,' including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, 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. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

A cashier was observed voiding a transaction, then crumpling the receipt and tossing it in the trash. Out of nine voided transactions reviewed, only one was signed by a supervisor and four transactions had no documentation at all.

When voided transactions are not properly handled, documented, and signed by a supervisor as evidence of review, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that both the voided receipt and original customer receipt (if available) be retained and that the customer copy be marked "VOID."

We recommend that a void slip be completed for all voided transactions and that a supervisor review and sign all forms.

Finding # 6 - The deposit verification process was incomplete and did not conform with Countywide policy.

Risk Level: Moderate

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."

The supervisor prepared the master balance sheet for deposit and asked a cashier to verify it. The cashier did not count the coins, reconcile the checks, or confirm the credit cards; however, the cashier signed off as having verified the entire deposit. Moreover, the funds were then returned to the preparer without first being sealed in the deposit bag.

When deposits are not thoroughly verified and then sealed in a tamper-proof bag, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that all items in a deposit, if possible, be verified by a person of at least equal authority to that of the deposit preparer.

We further recommend that the verifying person thoroughly verify before signing documentation, and seal funds in a tamper-proof bag after verification.

Finding # 7 - Cash over/short logs were not reviewed and signed by a supervisor.

Risk Level: Low

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

"The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor. The MPF Form 11 and the Monthly Report of Cash Receipts shall be retained by the Agency and archived according to County Records Management guidelines."

A review of MPF Form 11, Cash Over/Short Logs, for June and July of 2013 showed that only the June logs had been signed by the Cashier's immediate supervisor.

When cash over/short logs are not reviewed by a supervisor, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that supervisors sign the cashiers' Over/Short Logs as evidence of review for patterns of shortages.

Finding # 8 - An SAQ representing West Jordan Community Pool'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 3.1.1 states:

"PCI-DSS compliance requires among other things that County agencies that accept, process, transmit or store cardholder data shall: Complete the appropriate annual SAQ [and/or AOC] for their merchant category."

An SAQ representing West Jordan Community Pool's compliance with PCI had not been completed and was not on file.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and an inability of accepting credit cards as payment.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ and that West Jordan Community Pool keep a copy of the SAQ on file to show they are aware of and compliant with PCI.

Finding # 9 - 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."

At the time of our audit, Parks and Recreation Agency did not have a completed software inventory.

When a software inventory is not maintained, there is an increased risk of unlicensed software on West Jordan Community Pool computers, which could result in fines and penalties.

Recommendation

We recommend Parks and Recreation Agency maintain a current software inventory.

Finding # 10 - Cashiers did not consistently sign a transfer log when moving the change fund to and from the safe.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 2.7.3 states:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

The WJCP divides the change fund into three bank bags. Each bag was supposed to contain a log documenting the movement of that part of the fund. The logs were either not consistently signed or were missing from the bag.

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

Recommendation

We recommend that cashiers sign a transfer log each time the change fund is moved to and from the safe.

Finding # 11 - There was no documentation to verify that the change fund was counted each day.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.2 states:

"Change funds should be counted, restored to the established imprest balance, and any daily shortages or overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log."

The Parks and Recreation cash balance sheet form was recently changed. The column documenting the cashier's count of the change fund had been removed. No other documentation could be found which evidenced that the change fund was consistently counted each day.

When the cashier's change fund count is not documented, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Parks and Recreation document the change fund count each day.

Finding # 12 - Refunds were not being processed properly.

Risk Level: Low

Countywide Policy #1062, Management of Public Funds," Section 6.1.1 and 6.1.1.3 state:

"The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor...Cash shall not be returned for refunding of a credit card transaction or a transaction where a check was involved."

We found 3 refunds during the 30-day period we tested. One refund was a same-day refund where the money had been returned in cash, even though the original payment was made by check. There was no supervisor approval of this refund. The other two were administrative refunds. One refund had a completed form and a supervisor signature, but requested more money back than the sale amount on the receipt. The other refund had no completed form or supervisor signature.

When refunds are issued without supervisor approval and not in accordance with policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the WJCP supervisor verify, review, and sign all refund transactions.

Finding # 13 - The cashiering system detail report showed gaps in sequential numbering, as well as duplicate receipt numbers.

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."

The detail report from the point of sale system, Sportsman Legacy, showed there were 97 missing receipt numbers and 2 duplicate receipt numbers within a 375 number range.

When the detail report from Sportsman Legacy shows gaps in receipt numbers, as well as duplicate numbers, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the point of sale software have the capability to sequentially report receipt numbers on detail reports.

Additional Information

Background

The Salt Lake County Parks and Recreation Division governs the operation of the West Jordan Community Pool located at 8125 South 2200 West, in West Jordan. Aquatics classes from toddler to youth are available throughout the summer season. A concession stand is located on the pool premise. Salt Lake County Parks and Recreation was formed and came into existence on May 11, 1946. Ten days later the organization dedicated its first park, today over 50 years later -- 104 parks, and over 20 recreation facilities are in operation.

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 two months ending August 06, 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 West Jordan Swimming Pool Audit Dated: October 7, 2013

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	<i>Receipts were not consistently issued to patrons.</i>	We recommend that cashiers prepare and issue a receipt to all persons tendering payment in person.	All staff was initially trained to issue receipts at all times. We will contact Peak Software and have the remove the option to "not print a receipt for transaction". A receipt will automatically be printed for every transaction.
2.	<i>"No sale" or "no money taken" transactions were not always being Documented or reviewed by an agent cashier (supervisor).</i>	We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.	Cashiers will be trained to document all "no-sale" or "no money taken" transaction for the 2014 season. Supervisors will review all noted transactions at time of deposit.
3.	<i>Retail inventory was not tracked and shrinkage was not controlled</i>	We recommend that the WJCP maintain an inventory, which includes purchases and sales of merchandise	We have established a retail inventory tracking procedure and it is up-to-date with the 2013 season. New shrinkage policy has been added to the inventory and updated.
4.	<i>The point of sale system did not print numbers on customer receipts.</i>	We recommend that numbers be printed on customer receipts.	This is a Peak Software issue that we have no control over. Receipt numbers are set up on a daily basis, and if more than one till is opened, each transaction from all tills is given a number in accordance to when the transaction took place.
5.	<i>Voids were not always handled in accordance with Countywide policy.</i>	We recommend that both the voided receipt and original customer receipt (if available) be retained and that the customer copy be marked "VOID."	Recommendation was implemented at the time of audit. All voids are currently reviewed and signed by a merit supervisor if not at time of void then done when transmittal is reviewed and processed.
6	<i>The deposit verification process was incomplete and did not conform with Countywide policy.</i>	We recommend that all items in a deposit, if possible, be verified by a person of at least equal authority to that of the deposit preparer. We further recommend that the verifying person thoroughly verify before signing documentation, and seal funds in a tamper-	The deposit verification process recommendation was immediately implemented to conform to the countywide policy. All supervisors will be trained further in this process for the 2014 season.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
		proof bag after verification.	
7.	<i>Cash over/short logs were not reviewed and signed by a supervisor.</i>	We recommend that supervisors sign the cashiers' Over/Short Logs as evidence of review for patterns of shortages.	All cash over/short logs are reviewed each day deposits are verified and signed at the end of each month by a supervisor.
8.	<i>An SAQ representing West Jordan Community Pool's compliance with PCI had not been completed and was not on file.</i>	We recommend that Parks and Recreation management complete and sign an annual SAQ and that West Jordan Community Pool keep a copy of the SAQ on file to show they are aware of and compliant with PCI.	Administration has and is working on completing PCI compliance and the required SAQ's.
9.	<i>No comprehensive software inventory was on file.</i>	We recommend Parks and Recreation Agency maintain a current software inventory.	Software that comes with new computers is maintained by the IS department. Gene Fullmer /WJCP maintain all other inventory that is purchased outside of the initial set up of computers.
10.	<i>Cashiers did not consistently sign a transfer log when moving the change fund to and from the safe.</i>	We recommend that cashiers sign a transfer log each time the change fund is moved to and from the safe.	Change fund transfer ledger is currently in use for all start-up/change funds. One ledger had fallen behind and under the computer; this ledger was found later and emailed to auditor. In the meantime a new form was being used before a new transfer log was put in place.
11.	<i>There was no documentation to verify that the change fund was counted each day.</i>	We recommend that Parks and Recreation document the change fund count each day.	Change fund is counted every day and tracked on the Change Fund Transfer log. One ledger had fallen behind and under the computer; this ledger was found later and emailed to auditor. In the meantime a new form was being used before a new transfer log was put in place.
12.	<i>Refunds were not being processed properly.</i>	We recommend that the WJCP supervisor verify, review, and sign all refund transactions.	The recommendation was implemented at time of audit. All refunds are currently reviewed, verified and approved by a supervisor.
13.	<i>The cashiering system detail report showed gaps in sequential numbering, as well as duplicate receipt numbers.</i>	We recommend that the point of sale software have the capability to sequentially report receipt numbers on detail reports.	This is a Peak Software issue that we have no control over. We have contacted Peak software about this issue and are unable to make any changes with our current version of software.

NAME AND TITLE OF PERSON RESPONDING:

**Brad Pitcher – Program Manager – Gene Fullmer Fitness and Recreation Center
Tawnee Tucker – Aquatics Program Coordinator – Gene Fullmer / West Jordan Pool**

DATE PREPARED: October 11, 2013