

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



An Audit of the Key Controls of
Parks and Recreation Administration

May 08, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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May 08, 2014

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 Parks and Recreation Administration

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Parks and Recreation Administration 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 Parks and Recreation Administration and the cooperation from Andrew Keddington, Cheryl Crook, Jon Hennington, Nancy Albiston, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Parks and Recreation Administration 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: Martin Jensen, Acting Director of Parks and Recreation
Andrew Keddington, Associate Director
Cheryl Crook, Assistant Fiscal Manager
Jon Hennington, Office Coordinator



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Parks and Recreation Administration. 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

Our last audit of Parks and Recreation administration was released to the public in December 2013. In that audit we found that a controlled assets inventory had not been performed in the previous 12 months. We found this same issue in our current audit. Also, we could not locate a few controlled assets. As additional findings, verification of receipt of goods for concession purchases was not always communicated to the checking account custodian prior to the custodian issuing checks to vendors. Also, three contracts were not reviewed and compared prior to purchasing a copier on a statewide multiple awards contract. Finally, an SAQ representing Recreation's compliance with PCI-DSS had not been completed and was not on file.

Findings and Recommendations

Finding # 1 - Required contract review was not made prior to a purchase involving a statewide multiple awards contract.

Risk Level: Low

Countywide Policy #7020, "State Contracts and Cooperative Agreements," Section 1.4.1 states:

"County agencies shall fulfill the requirements of any state contract or cooperative agreement purchase, including but not limited to obtaining quotes from other multiple award state contract vendors to obtain the best value for the county."

In this case, Statewide Multiple Award Contract #AR2055, Page 2, Paragraph 1 states:

"All State Agencies are required to compare a minimum of three digital copier contracts and then make their purchasing determination based on a best value analysis taking in consideration their individual needs including, but not limited to, price, customer service, maintenance, delivery, etc."

We examined a sample of 10 purchases from April 2013 through March 2014 and found one where required comparison with two other contracts was not made. The item in question was the purchase of a copy machine for \$9,137 that was delivered to the Copperview Recreation Center. The purchase was made through a vendor based on a statewide multiple awards contract.

Management stated that they were not aware of the requirement to review other contracts. They made the purchase through the vendor who serviced their old copier, and who had recommended they purchase a new one.

When comparisons with other statewide contracts are not made, the County could be paying more or receiving inferior service for goods purchased.

Recommendation

We recommend that requirements in statewide multiple awards contracts be reviewed and complied with, including review of competing contracts, prior to making purchases.

Finding # 2 - Accountability for some controlled assets was not properly established.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that the property managers are required to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

Out of the 30 controlled assets we reviewed, 4 could not be located. These 4 were a fax machine, laptop computer, metal cabinet, and monitor.

Management stated that controlled assets did not have adequate oversight because a property manager had not been assigned for some time.

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 Parks and Recreation administration account for all controlled assets.

Finding # 3 - An SAQ representing Parks and Recreation's compliance with PCI-DSS 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 under the policy statement that:

"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 Recreation's compliance with PCI-DSS had not been completed and was not on file. An SAQ representing compliance by the golf courses with PCI-DSS is on file, but there is not an SAQ for the Recreation section.

When an agency is not compliant with PCI-DSS, there is an increased risk of cardholder data breaches, fines, and the inability to accept credit cards as payments.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ, and that Parks and Recreation keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Finding # 4 - A comprehensive controlled asset inventory had not been conducted since 2012.

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."

A previous audit conducted in December 2013 found that a controlled asset inventory had not been performed in the previous 12 months. During a retest of this finding, we again found no signed and dated documentation on file to show that an annual physical inventory of controlled assets had been performed since 2012.

Management stated that the controlled assets inventory had not been performed because the employee who oversaw this function had been on extended leave, and then left County employment. Currently, the position is vacant. Management did state their intention to complete an inventory.

When accountability for assets is not fully established by conducting an annual inventory, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a comprehensive controlled asset inventory be conducted at least annually.

Finding # 5 - Notice of receipt of goods was not sent to the checking account custodian prior to payment, in some cases .

Risk Level: Low

The County "Purchasing Flow Chart" states:

"Payment Coordinator assembles the following documents, reviews for accuracy, and pays the invoice ... Invoice, Packing Slip, Approved Request Form."

We found that packing slips, or other notification of receipt of goods, were not included with payment documentation for some payments on purchase of concessions goods. These goods are purchased through the \$60,000 imprest checking account. Occasionally, packing slips doubled as invoices, and therefore were included with payment documentation. Otherwise, receipt of goods was not documented.

Management stated that they were not aware of the usefulness of reviewing packing slips, or other receipt documentation, prior to making payment, and therefore did not do so.

Without the packing slip, the employee issuing the check does not have assurance that goods were received on payments issued to the vendor.

Recommendation

We recommend that packing slips, or other proof of receipt, be sent to the \$60,000 concessions imprest account custodian prior to payment being made.

Additional Information

Background

Parks and Recreation administration oversees 104 parks, 21 recreation, ice skating, and aquatics centers, 10 outdoor pools, and 6 golf courses. Central to its financial function is the gathering of daily collection and bank deposit information from all centers and venues, and then reconciling this data to bank statements. Administrative personnel also review all purchasing card transactions. All purchasing card receipts and bank statements from throughout the Parks and Recreation system are filed in administration offices. All purchases through the County's purchasing system are reviewed by administrative personnel, and all related invoices are also filed in administration offices. Recently, administration has undergone personnel changes with the departure of the director, associate director, and fiscal manager. The associate director position has been filled, but a search is continuing to fill the other two positions.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending March 31, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

Management response to findings in this report, when received, will be attached as Appendix A.



2014 Summary of Audit of Key Control

Findings and Recommendations

Parks & Recreation Administration Dated: May 7, 2014

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Required contract review was not made prior to a purchase involving a statewide multiple awards contract.	Requirements in statewide multiple awards contracts be reviewed and complied with including review of competing contracts, prior to making purchases.	Management will notify all staff during Leadership meetings and by e-mail notifications to review requirements in statewide multiple awards contracts and comply with the all requirements, including review of competing contracts, prior to making purchases to obtain the best value for Salt Lake County.
2.	Accountability for some controlled assets was not properly established.	Parks and Recreation administration account for all controlled assets.	The Fiscal Manager will update records as to the current physical location of all fixed and controlled assets in Parks and Recreation Administration and will ensure that records are updated when the location of fixed and controlled assets are changed or surplused.
3.	An SAQ representing Parks and Receptions compliance with PCI-DSS had not been completed and was not on file.	Parks and Recreation management complete and sign an annual SAQ, and that Parks and Recreation keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.	The Payment Card Industry's Data Security Standard (PCI-DSS) was established approximately thirteen years ago, and the Parks and Recreation Division began practices at that time to safeguard data as information became available. As information was obtained from the Payment Card Industry throughout the years practices were changed to accommodate securing cardholder data as much as possible within the division. In early 2010 - 2011, the Auditor's Office began looking at this standard for the entire county as much of these standards that had been identified were beyond the knowledge of the county's departments and division's on determining merchant levels and completing the SAQ's. Committees were set up, audits were conducted at each location, and the County was proceeding smoothly in determining policy and procedures, Information Services responsibilities, along with what each division's SAQ status would be. It was determined at that time that Attestation of Compliance needed to be signed off by the County as a whole once a letter was received by the Mayor from Chase Paymentech regarding our responsibilities to complete the SAQ's and completing the Attestation of Compliance, along with scans of the systems (A company has one year to complete the SAQ and Attestation of compliance from the date the letter is received). The Auditors were pulled from this development of policy and procedures for data security so each department/division was thrust into working on this again individually. The Parks and Recreation Division has continued working with Information Services in trying to establish what type of SAQ to complete, update and reinforce our firewall system, and make every effort to strengthen our compliance with the industry's standards as the majority of questions are to be determined/completed by Information Services. In 2011 it was

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
			<p>determined that the division would complete the SAQ –D form, however, making changes to cardholder data not being stored on the computer system has moved the division from a D to a possible C or C-Virtual.</p> <p>In 2012, the golf courses were moved to a new accounting program and service provider with the expectation that the SAQ C and Attestation of Compliance will be completed, signed, and submitted by the end of April 2013. What is being done with the golf courses will become the standard for all other departments and division within the county. The recreation centers will be next for Information Services and the division to work together to complete SAQ's and establish more practices and procedures to provide complete and ongoing compliance for the division.</p>
4.	A comprehensive controlled asset inventory had not been conducted since 2012.	A comprehensive controlled asset inventory be conducted at least annually.	The Fiscal Manager will conduct a controlled asset inventory for 2014 by December 31 st , 2014 and, going forward, will ensure controlled asset inventories are completed annually.
5.	Notice of receipt of goods was not sent to the checking account custodian prior to payment, in some cases.	Packing slips, or other proof of receipt, be sent to the \$60,000 concessions imprest account custodian prior to payment being made.	The Concession's Account Custodian, has been made aware of this finding and as of the date of the finding, is requiring packing slips or other proof of receipt be included in all concessions payment backup authorizations prior to payment.

NAME AND TITLE OF PERSON RESPONDING: Cheryl Crook

DATE PREPARED: 5/7/14