

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



An Audit of the Key Controls of
Millcreek Recreation Center

August 06, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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August 06, 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 Millcreek Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Millcreek Recreation Center 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 Millcreek Recreation Center and the cooperation from Shawn Lavender, Facility Manager, Susan Carhart, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Millcreek Recreation Center 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 Scott Ball
Deputy Auditor

cc: Martin Jensen, Division Director
Kristen Riker, Associate Division Director
Andrew Keddington, Associate Division Director
Shawn Lavender, Facility Manager

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Objectives

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

In our audit of the Millcreek Recreation Center, we found that refund vouchers did not always have a supervisor's signature, and pricing on invoices for a shirt vendor were not verified against contract terms. Our last audit of Millcreek Recreation Center was released to the public in July 2013. In this audit we found that voids were not always handled according to Countywide policy, and a software inventory was not maintained. Our revisit of these findings revealed that a few voided transactions had not been documented and signed, and a software inventory was still not on file.

Findings and Recommendations

Finding # 1 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3, "Information Technology Security: Software Licensing Policy" Section 3.5 state:

"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."

A previous audit conducted in July 2013 found that a software inventory was not maintained. During a retest of this finding, we found this same issue occurring again where a software inventory was not being maintained.

Management stated that County IS installed their software, and therefore, the Millcreek Recreation Center did not have ready access to required data in maintaining an inventory.

Failure to maintain a software inventory increases the risk of unlicensed software on Millcreek Recreation Center computers, which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

Recommendation

We recommend that the Millcreek Recreation Center maintain a current software inventory.

Finding # 2 - Some invoices were not verified against contract terms prior to payment.

Risk Level: Low

Paragraph 21 of the bid document for a company supplying logoed shirts to Parks and Recreation states:

"Prices are firm for the duration of this contract ... The vendor acknowledges the County reserves the right to adjust any invoice that reflects incorrect pricing."

We reviewed three invoices from a contractor that supplied logo shirts for staff and sports program participants, and found that pricing was not verified against contract terms. Contract terms involved a number of factors including the number of logo colors, whether the logo is placed on both front and back, and the number and types of shirts ordered. In our own analysis, we could not match and combine various contract pricing factors to arrive at the single per unit prices shown on the invoices.

Management stated that contract pricing terms were too difficult and time-consuming to facilitate recalculation. Nevertheless, they stated their confidence that the vendor included the correct prices on the invoices.

When pricing is not verified against contract terms, the County could be overpaying the vendor for goods purchased.

Recommendation

We recommend that Millcreek Recreation Center management verify that contract payment terms are complied with on invoices, prior to authorizing payment.

Finding # 3 - Voids were not always handled in accordance with Countywide policy.

Risk Level: Low

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

"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 previous audit conducted in July 2013 found that voids were not handled according to Countywide policy. During a retest of this finding, we reviewed 8 voids in a 30-day period and found that 2 were not signed by a supervisor as evidence of review, and 2 were not documented with an explanation or signed by a supervisor.

Management stated that they felt all voids were properly handled, but proper procedures may have been missed in some instances.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a void slip be completed for all voided transactions, and that cashiers and supervisors document and sign the void slip as evidence of review.

Finding # 4 - Refunds were not always handled in accordance with Countywide Policy.

Risk Level: Low

Countywide Policy #1210, "Refund of Payments Made through Debit or Credit Cards," Section 2.3.3 states:

"The employee issuing the refund shall sign the credit voucher retained on-site, and a supervisor shall also sign the voucher as approval of the refund transaction."

We reviewed 2 refunds in a 30-day period and found that the voucher did not have a supervisor's signature to show approval of the refund. Both vouchers were related to credit card transactions.

Management stated that they maintain a file of refund transaction documentation with required signatures, which the auditor viewed. They stated that lack of signatures, where required, was an oversight.

When refund transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that refund vouchers have both the employee signature and a supervisor's signature to show approval of the refund transaction.

Additional Information

Background

The Millcreek Community Center, which opened on April 11, 2012, houses three major agencies – Library Services, Parks and Recreation, and Aging Services. The Millcreek Community Center is a multiple use, shared facility, and is the first cooperative effort in Salt Lake County of three County entities housed in one building.

The one-of-a-kind recreation/library/senior center is located in East Millcreek. However, there are four communities that use the services offered at the Center. The township residents of Millcreek, East Millcreek, Canyon Rim, and Mt. Olympus are served by the Center. The name Millcreek Community Center was chosen based on the regional service it provides to the larger neighborhood population.

A Memorandum of Understanding between Library Services, Aging Services, and Parks and Recreation was established concerning the ongoing operations and maintenance of the Millcreek Community Center. Each Division is responsible for all operations in the portion of the facility occupied by the respective agency (i.e., Library Services for the Library, Aging Services for the Senior Center, and the Recreation Section of Parks and Recreation for the Recreation Center). Although a combined schedule of monthly activities is available for citizens, each facility is governed by its own agency's policies and business operations. The Parks Section of Parks and Recreation is responsible for the overall maintenance of the Community Center, including the main floor in the lobby. Parks is also responsible for maintenance of the common outside area, parking areas, and walkways. The budget for the shared expenditures is budgeted by Parks, and each agency is billed quarterly by Parks and Recreation for their portion of the maintenance and utility costs.

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

Millcreek Community Center

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	No Comprehensive software inventory was on file	Millcreek Recreation Center maintain a current software inventory	Parks and Recreation Administration is currently working to obtain software documentation from IS when receiving computers and has implemented a software recordkeeping system for new software purchases effective January 1, 2014.
2.	Some invoices were not verified against contract terms prior to payment	Millcreek Community Center management verify that contract payment terms are complied with on invoices prior to authorizing payment.	We do check pricing with our vendor prior to any purchases made and authorized. I am confident that we always receive the correct pricing from the bid. We will continue to make sure that before any authorization is given or payment made that we are receiving the correct pricing. This will be done by all merit employees in the facility beginning immediately.
3.	Voids were not always handled in accordance with Countywide policy.	A void slip should be completed for all voided transactions, and that cashiers and supervisors document and sign the void slip as evidence of review.	We were going through a transition period with a new office manager and missed a couple of supervisor signatures on voids. The slips were there, but without full description and/or missing a supervisor signature. All voids will have supervisor verification and signature going forward. This will be monitored by the office coordinator beginning immediately.
4.	Refunds were not always handled in accordance with Countywide policy.	We recommend that refund vouchers have both the employee signature and a supervisor's signature to show the approval of the refund transaction.	The two cases of missed signatures were approved by the office manager, but did not have the facility manager signature on them. A supervisor will sign all refunds. This will be monitored by the office coordinator beginning immediately.
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NAME AND TITLE OF PERSON RESPONDING: Shawn Lavender – Facility Recreation Manager

DATE PREPARED: 6/30/14