

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



An Audit of the Key Controls of
Magna Fitness and Recreation Center

December 31, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 31, 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 Magna Fitness and Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Magna Fitness and 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 Magna Fitness and Recreation Center and the cooperation from Brittny Russell, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Magna Fitness and 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 James Fire MBA/Acc
Deputy Auditor

cc: Martin Jensen, Division Director
Andrew Keddington, Associate Division Director
Kristen Riker, Associate Division Director
Cheryl Crook, Fiscal Manager
Jan Donchess, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Magna Fitness and 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 Magna Fitness and Recreation Center, cash depositing deficiencies resulted in two findings; voids did not always have two signatures, and deposits were not deposited within three-days after receipt. In addition, deficiencies were identified with accounts receivable; an accounts receivable reconciliation was not prepared monthly, and a monthly aging schedule was not prepared. Our last audit of the Magna Fitness and Recreation Center was released to the public in October 2013.

Findings and Recommendations

Finding # 1 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 21 out of 25 deposits examined were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft, and are not available for use. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Finding # 2 - Accounts receivable reconciliations were not documented and signed by an independent party.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Sections 5.3.2 and 5.3.4 state:

"The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step. ... The employee who maintains the accounts receivable ledger shall be separate from the employee who prepares invoices and the employee who collects payments. In the event that staffing levels prevent such a segregation of duties, a supervisor, or second responsible employee, shall review and sign the monthly reconciliation, as a control on the process."

A monthly accounts receivable reconciliation was not documented and signed by an independent party as evidence of review.

When accounts receivable are not reconciled and reviewed on a monthly basis, misappropriation and errors are more likely to occur and remain undetected.

Recommendation

We recommend that a monthly reconciliation of accounts receivable be performed and signed by the person preparing it.

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."

We reviewed 19 voids and found that 8 did not have a second supervisor signature as evidence of review.

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 supervisors sign voided slips as evidence of review and be attached to the daily cash balance sheet.

Finding # 4 - An aging schedule was not prepared monthly.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.5 states:

"Aging information must be collected, maintained, reported, and acted upon in a standard and consistent manner. An aged analysis of accounts receivable ledger balances (aging schedule) shall be prepared each month."

Monthly aging reports were prepared until March 2014, thereafter they were prepared quarterly.

When an aging schedule is not prepared for monthly management review, supervision and collection follow-up functions are not acted upon in a standardized and consistent manner.

Recommendation

We recommend that an aging schedule be prepared monthly for management review.

We recommend that management consider implementing an accounts receivable software package that will automate accounting and reporting.

Additional Information

Background

The Magna Recreation Center and Outdoor Pool are located at 3270 South 8400 West in Magna, Utah. The center was built in 1997 and is a 42,000 square foot facility. It includes a gymnasium, fitness room with cardio, circuit, and weight lifting equipment, indoor running track, aerobics studio, and State of Utah licensed full-time child care. The Outdoor Pool offers a zero degree entry, two diving boards, two waterslides, a splash pad and a concessions stand.

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 July 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.



2015 Summary of Audit of Key Control

Findings and Recommendations

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Deposits were not always made in a timely manner.	Funds be deposited on the same day, whenever practicable, but no later than three days after receipt.	Agree that funds will be deposited no more than 3 weekdays from receipt. It is not practical to count Saturday as one of the three days, and so we differ with this finding in that the auditor includes Saturday in that 3 day period. <i>Action: We do our very best to deposit funds the day after receipt and by the 3-weekday limit. Since our centers are open until hours long after the bank is closed, we cannot deposit funds the same day as receipted.</i>
2.	Accounts receivable reconciliations were not documented and signed by an independent party.	A monthly reconciliation of accounts receivable be performed and signed by the person preparing it.	The auditor is requesting a reconciliation report for childcare monthly charges and payments by account/child. <i>Action: The childcare director randomly reviews accounts for accuracy and will begin signing the Sequel monthly report financial report.</i>
3.	Voids were not always handled in accordance with County-wide policy.	Supervisors sign voided slips as evidence of review and be attached to the daily cash balance sheet.	Agree. <i>Action: This is our standard and we will make certain every void has a slip and is signed by a supervisor.</i>
4.	An aging schedule was not prepared monthly.	An aging schedule be prepared monthly for management review.	Agree. <i>Action: The facility manager has required this report quarterly and now will require it monthly for review.</i>
5.			
6.			
7.			
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10.			

NAME AND TITLE OF PERSON RESPONDING: Jan Donchess, Facility Manager

DATE PREPARED: 1-30-15