

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



An Audit of the Key Controls of
South Towne Exposition Center

March 14, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 14, 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 South Towne Exposition Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of South Towne Exposition 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 South Towne Exposition Center and the cooperation from Jon Daich, Rick Medina, Shar Wu, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to South Towne Exposition 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

A handwritten signature in blue ink that reads "Larry Decker".

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Dan Hayes, General Manager of the Salt Palace
Jon Daich, Fiscal Manager
Rick Medina, Director of South Towne



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of South Towne Exposition 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 South Towne Exposition Center we found a few deposits that were not timely. Deposit documentation was not signed by a supervisor as evidence of review, and in two cases backup documentation did not agree to the amount deposited. We found gaps in pre-numbered manual receipts, and several cash transactions were not receipted, though they were recognized in the deposit. Most controlled assets were not tagged. An SAQ representing compliance with PCI-DSS was not completed and on file.

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 not later than three days after receipt."

We found that 5 out of 30 deposits examined were deposited more than three days after receipt of collections.

Management stated that collections made over the weekend for wheelchair rentals at scheduled events are not deposited until the following Wednesday. Individuals collecting the money are not scheduled to work Mondays and Tuesdays. Therefore, Wednesday is the earliest they could count collections and deliver them to the person who prepares the deposit. Despite the lag created by scheduling, we found one set of collections not deposited for 34 days.

When collections are not deposited timely, they are at greater risk of being stolen, and interest is lost that could otherwise be earned.

Recommendation

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

Finding # 2 - The deposit documentation lacked a supervisor signature as evidence of review.

Risk Level: Low

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."

Deposit documentation was examined for January through December 2013. We found that all of the deposits reviewed were missing supervisor signatures as evidence of review.

Management stated that they were not aware of the need to review deposits, and therefore did not do so.

When deposit records are not verified by a supervisor, or other employee designated by management, there is an increased risk of error, misstatement, and misappropriation of funds.

Recommendation

We recommend that deposit documentation be reviewed and signed by a supervisor or other designated employee.

Finding # 3 - Pre-numbered manual receipts were not used sequentially.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.5.3 states:

"If a County Agency uses manual receipts, they shall be pre-numbered and used in numerical order."

We found that 30 manual receipts were missing from the sequence used in transactions over the last 12 months.

Management stated that occasionally different receipt books are used for wheelchair rentals during events. Also, voids are issued, but the voided receipt is not included in the sequence.

Failure to use pre-numbered receipts sequentially increases the risk of funds being lost, stolen, or converted for personal use.

Recommendation

We recommend that South Towne Exposition Center use pre-numbered manual receipts in numerical order and account for all numbers in the sequence in their deposit documentation.

Finding # 4 - Manual receipts had been altered instead of being voided and a new receipt issued.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.1, 3.7.2, and 3.7.3 state:

"Cashiers making errors on manually prepared or electronically generated receipts shall not make corrections such as strikeovers, erasure, or alterations of any kind. The erroneous receipt shall be voided by writing "VOID" across the front of the receipts, and a new receipt reflecting the correct information will be issued. ... 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."

We examined 30 deposits from January through December 2013 and found three manual receipts where the amount was crossed out and a new amount entered. In all cases, a lower amount than the original was entered.

Management understood the necessity of voiding receipts instead of using strikeouts when errors were made, but cashiers were occasionally in a hurry or not aware of the need to void receipts where mistakes were made.

Strikeouts and overwriting of amounts on receipts could be used to conceal theft.

Recommendation

We recommend that all erroneous receipts be voided and new receipts be issued.

Finding # 5 - Deposit documentation was occasionally insufficient.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.8.1.2 and 3.8.1.3 state:

"A 'master' balance sheet may be prepared to accumulate totals of individual cash balance sheets from each cash register. With any balancing procedure, the cash count total, including the breakdown by cash and check composition, should match the deposit slip total. ... To complete the balancing process, all recorded receipts shall be summed to arrive at the amount of total collections. "

We examined 30 deposits from January through December 2013 and found 2 where documentation did not support the deposit amount. In one case, the sum of the documentation was \$51 more than the amount deposited, and in the other case, the documentation was \$73 less.

The auditor found that the deposit amount is supported through a master balance sheet generated from Peachtree software. In addition, supporting documentation, including balancing sheets or other receipts are attached. The person preparing the deposit had not taken the step of summing and verifying the attached receipts to the master balance sheet, resulting in the unexplained differences noted.

When supporting deposit documentation totals do not match the deposit, or if differences are not explained, funds could more easily be converted to personal use.

Recommendation

We recommend that the deposit amount match all supporting documentation, or that explanation be provided for any differences.

Finding # 6 - Receipts were not consistently issued to patrons.

Risk Level: Low

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.'"

We examined 30 deposits from January through December 2013 and found 10 cash payments with no receipt copy on file. Instead, a photocopy of the cash received and a reference to the event contract number were included.

Management agreed that all cash received should be receipted, but in some instances felt like a photocopy of the cash sufficed as documentation of a receipt.

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 a receipt be issued to all patrons tendering payment in person.

Finding # 7 - Checks were not restrictively endorsed upon receipt.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.6.1 state:

"All checks and negotiable instruments received by Cashiers shall be restrictively endorsed immediately upon receipt using the Agency's approved restrictive endorsement stamp."

Checks were not being endorsed with the agency's restrictive endorsement stamp upon receipt.

Management stated that they were unaware of this requirement.

Checks that are not restrictively endorsed upon receipt are at a greater risk of misappropriation.

Recommendation

We recommend that checks are restrictively endorsed immediately upon receipt.

Finding # 8 - Accountability for controlled assets was not properly established.

Risk Level: Low

Countywide Policy #1125, "Safeguarding 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 50 controlled assets we reviewed, 35 had no tag attached. Also, we could not locate one controlled asset, a \$1,500 computer.

Management stated that they were aware of the deficiency in ensuring that all controlled assets were tagged, and will make a greater effort to do so in the future. They also stated that they had thought the computer had been sent to surplus.

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 South Towne Exposition Center properly tag each controlled asset.

We recommend that the missing computer be accounted for.

Finding # 9 - An SAQ representing South Towne Exposition Center'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 in 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 South Towne Exposition Center's compliance with PCI-DSS had not been completed and was not on file.

Management stated that they thought an SAQ had been completed. They further stated that one was in progress.

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 South Towne Exposition Center management complete and sign an annual SAQ, and that they keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Additional Information

Background

The South Towne Exposition Center in Sandy opened in 2001 as a companion to the Calvin L. Rampton Salt Place Convention Center in downtown Salt Lake City. The South Towne Center primarily hosts consumer shows instead of national conventions, and therefore, has a more local appeal. The County contracts with SMG Corporation to manage the facility. Several subcontractors, including a caterer and several design companies provide services to events and shows, as needed. South Towne currently has about 23 employees.

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 up to twelve months ending December 31, 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.



March 14, 2014

Larry Decker
Salt Lake County Auditor's Office
Audit Division

Larry, here are our responses to the audit notes for South Towne Exposition Center.

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

These findings were discussed with staff and efforts will be made to ensure deposits are made no later than three days after receipt.

Finding #2 – The deposit documentation lacked a supervisor signature as evidence of review

Deposits are reviewed and reconciled and are prepared by an individual with equal or higher authority than the individual who prepared the deposit, there just has not been a signature evidencing the review. A signature will be added to the reconciliation documentation.

Finding #3 – Pre-numbered manual receipts were not used sequentially

Efforts will be made to ensure that all pre-numbered manual receipts are used in numerical order and all numbers in the sequence are accounted for.

Finding #4 – Manual receipts had been altered instead of being voided and a new receipt issued

Instructions will be given to cashiers to not alter receipts and instead void receipt and issue a new receipt.

Finding #5 – Deposit documentation was occasionally insufficient

Efforts will be made to always include sufficient supporting documentation for all deposits.

Finding #6 – Receipts were not consistently issued to patrons



Additional manual receipt books will be ordered to facilitate providing receipts to all patrons making over the counter payments.

Jon Daich, CPA, MBA
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