

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



An Audit of the Key Controls of
Redwood Recreation Center

September 16, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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September 16, 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 Redwood Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Redwood 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 Redwood Recreation Center and the cooperation from Jen Leitner, Facility Manager, Kris Jensen, Facility Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Redwood 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
Cheryl Crook, Fiscal Manager
Jen Leitner, Facility Manager

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Redwood 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

The Redwood Recreation Center and Outdoor Pool has put into place several key controls for managing public funds. Most risks identified were minor and were not expected to result in material loss. Deficiencies in certain internal controls over asset inventory, cash depositing, and receipting have a higher likelihood of leading to a loss of County property. A report of the last audit of the Redwood Recreation Center was released to the public in January 2014.

Findings and Recommendations

Finding # 1 - The "Controlled Assets Inventory Form-Employee" was not used.

Risk Level: Low

Countywide Policy #1125 "Safeguarding Property/Assets," Section 4.3 and 4.31 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... [The] 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

A previous audit conducted in December 2013 found that the "Controlled Assets Inventory Form-Employee" was not used to manage controlled assets that were assigned to employees. A retest showed that Redwood Recreation Center still was not using this form.

When accountability for assets is not fully established, assets are at greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Redwood Recreation Center employees that are assigned controlled assets, sign and date the "Controlled Assets Inventory Form-Employee" to certify the assets assigned to them.

Finding # 2 - "No-sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.

Risk Level: Low

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."

A previous audit conducted in December 2013 found that "no sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor. A retest showed that "no sale" transactions were still not documented and signed by a supervisor.

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 - 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."

A previous audit conducted in December 2013 found that deposits were not always made in a timely manner. A retest showed that in a 30-day period, one deposit was made 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. 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 # 4 - 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 [Cash Over/Short Log], for each Cashier, shall be signed by the Cashier's immediate supervisor."

A previous audit conducted in December 2013 found that cash over/short logs were not reviewed and signed by a supervisor. A retest showed that cash over/short logs were still not reviewed and signed by a supervisor.

When over/short logs are not signed by a supervisor as evidence of review, overages and shortages may go unnoticed and needed remediation may not occur.

Recommendation

We recommend that an over/short log be maintained for each cashier and that their supervisor review and sign the log each month.

Finding # 5 - 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 December 2013 found that voids were not always handled in accordance with Countywide policy. A retest showed that out of 11 voids reviewed in a 30-day period, 8 were not attached to the daily cash balance sheet and 3 were not signed by a supervisor 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 voids be conducted according to Countywide policy by writing VOID on the front of voided receipts, having cashiers document and sign the voided receipts, having supervisors sign voided receipts as evidence of review, and attaching the voided receipts to the daily cash balance sheet.

Additional Information

Background

The Redwood Recreation Center and Outdoor Pool is located at 3100 South Redwood Road in West Valley City. It includes a large gymnasium, fitness room with cardio, circuit and weight lifting equipment, party rooms, and an outdoor pool. The facility is also home to many recreation programs that serve the residents of Salt Lake County.

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.



Parks & Recreation Division Response to Summary of Findings & Recommendation

Redwood Recreation Center - Audit Dated: April – May 2014

	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Controlled Assets Inventory Form-Employee was not signed or dated.	Sign and date the form assigned to each employee.	April 2015 when inventory is done again – we will have each employee sign and date their inventory list. This was just done verbally in 2015 and the master copy was signed and dated by Jen Leitner for the overall facility. Effective April 2015 will be completed by Jen Leitner.
2.	No sale or no money taken were not documented with an explanation and reviewed and signed by a supervisor.	Cashiers document each no sale or no money taken transaction and have a supervisor review each transaction.	We have recreated the transmittal sheet putting the no-sales on the back. The cashier is to document the time, reason, and initial each time they do a no sale. We do random audits on the tills and if they have no-sales that they did not document then we give them a communication explaining the error and what they need to do to correct the issue. They are to sign the communication and we keep a file of them – implemented 7.21.14 by Kris Jensen.
3.	Deposits were not always made in a timely manner.	Deposit funds daily whenever practicable, but no later than three days after receipt.	Our temporary employee who is our bookkeeper works M/W/F mornings and deposits are made at noon every M/W/F. Occasionally, the back office till is left open and not closed or credit cards slips do not match so deposits are held until the credit card company can assist us. We will ask our front desk to close any tills that are open when they leave each evening to remedy the back till issue. Kris Jensen and front desk staff are completing this task – effective 7.18.14

	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
4.	Cash over/short logs are not reviewed and signed by a supervisor.	Over/short log be maintained for each cashier and that their supervisor review and sign the log each month.	The supervisor had not signed <u>all</u> of the logs reviewed. However, the cashier and the supervisor do review and sign every till report which also shows the over/short amounts. Kris Jensen will sign all over/short logs for the previous month at the start of the next month. Kris Jensen – effective 7.21.14
5.	Voids were not handled in accordance with Countywide policy.	Write void on the front of voided receipts, have cashiers document and sign the voided receipts, have supervisors sign the voided receipts and attach to balance sheet.	We still require that the void slips be filled out and are signed by the bookkeeper Kris Jensen. We are now doing random audits of the tills monthly and if they are doing voids and not filling out void slips we are filling out the communication form explaining what they are doing wrong and how to correct the issue. The cashier is to sign them and return them and we are keeping them for our records. When coordinators are voiding transactions to correct internal issues (people registered in wrong sport, room rentals that are canceled.) Kris Jensen and Jen Leitner – effective 7.21.14

NAME AND TITLE OF PERSON RESPONDING: Jen Leitner, Facility Manager, Redwood Recreation Center

DATE PREPARED: 7/18/14