

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Sugar House Park

April 15, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 15, 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 Sugar House Park

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Sugar House Park 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 Sugar House Park and the cooperation from Craig Cheney and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Sugar House Park 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: Michele Nekota, Division Director
Wayne Johnson, Associate Division Director
Cheryl Crook, Administrative Accountant



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Sugar House Park. 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

Sugar House Park Authority provides oversight of the park and consists of a seven-member board of trustees, a representative from Salt Lake County, and a representative from Salt Lake City. The Sugar House Park Authority contracts with Salt Lake County to provide management of the park, which includes: collection of park fees, maintenance, scheduling of park use, payment of expenses, and monthly reporting of all revenues and expenses for the park. We examined these areas and noted findings for accounts receivable, payment of fees, and conflict of interest. A report of the last audit of Sugar House Park was released to the public in November 2013.

Findings and Recommendations

Finding # 1 - Payments were not submitted to Sugar House Park Authority according to contract terms.

Risk Level: Moderate

Sugar House Park Authority Contract dated December 6, 2012, Paragraph 11 states:

"All money derived from terrace reservations and any fees for special events shall be collected by the County Parks and Recreation Division and shall be paid to the Park Authority no less frequently than quarterly."

Terrace reservations and other fees due to the Sugar House Park Authority were not paid according to terms of the contract. Funds due for the period January to April 2013 were paid June 2013. Funds due for the period May to July 2013 were paid October 2013. Funds collected for the period August to December 2013 had not been paid.

Payments not issued according to contract terms places additional risk on the County for breach of contract.

Recommendation

We recommend that a collections for reservations and other fees be paid to the Sugar House Park Authority according to contract terms.

Finding # 2 - Aging reports were not prepared monthly for review by management.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Sections 5.5 and 5.6 state:

"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. ... The aged listing of individual receivable balances will reflect the results of billing and collection follow-up activity. Management above the level responsible for supervising the billing and collection follow-up function will review old dated balances."

Park fees were recorded in the Sportsman system as outstanding receivables. Aging reports detailing the duration of outstanding balances were not prepared and were not available for management review.

Without aging reports, management is not fully aware of delinquent accounts and collection steps taken.

Recommendation

We recommend that monthly aging reports be prepared and provided for management review.

Finding # 3 - Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

We observed that checks received through the mail were given directly to the accounts receivable manager without first being restrictively endorsed or recorded as received. The payments were posted into Sportsman by the accounts receivable manager.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that checks received in the mail be restrictively endorsed and recorded on a log before given to the accounts receivable manager or that other compensating controls be adopted.

Finding # 4 - Accounts receivable reconciliations were not documented and signed by the preparer.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.3.2 states:

"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."

An 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 # 5 - Conflict of interest statements were not on file.

Risk Level: Low

Countywide Policy #1430, "Professional Ethics and Conflict of Interest," Section 1.5 states a conflict of interest is:

"Any and all other interests including political, family, fraternal, social, other interests or associations which may create the appearance or the actuality of a conflict of interest between an officer or employee's outside interest in his or her county responsibilities ..."

In addition, Sections 4.1 and 4.2 state:

"A County officer, employee, or volunteer must complete a disclosure statement as provided in Section 5.0 under the following circumstances: Interest in a business entity regulated by the county or doing business with the county: A County officer employee and volunteer who is an officer, director, agent, employee or owner of a substantial interest ..."

The budget document of the Sugar House Park Authority listed a Salt Lake County Parks and Recreation employee as an officer of the board. In addition, the same employee is identified as a board member on the Sugar House Park website. The Salt Lake County Clerk's Office verified that a conflict of interest statement was not on file.

County employees or officers who do not file a conflict of interest statement are guilty of a class A misdemeanor. The penalty for violation of the Utah statute requires that the employee or officer, "... shall be dismissed from employment or removed from office."

Recommendation

We recommend that all County employees who serve or have the appearance of serving on boards that contract with the County, submit Conflict of Interest statements annually with their chain of command and the County Legislative body.

Finding # 6 - Accounts receivable administration functions were not adequately segregated.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.3.4 states:

"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."

The same employee that posted the original charge in Sportsman also collected and posted the payments received.

When financial duties are not adequately segregated, funds are at a greater risk of theft and misuse, and employees are left unprotected against any allegations regarding missing funds.

Recommendation

We recommend that the duties of billing and maintaining accounts be segregated from receipting and posting of customer payments.

Additional Information

Background

Sugar House Park, located at 2100 South and 1300 East, is considered one of the "crown jewels" among regional parks in the Salt Lake Valley. The governing body Sugar House Park Authority, contracts with Salt Lake County for the management, operation and maintenance of the park. The park features seven pavilions, regulation soccer and baseball fields, a cement basketball court, two children's play areas, a small amphitheater with seating for 220 people, seven volleyball courts, and a sleigh-riding hill. Additionally, the park includes a pond and enough open space for walkers, runners, and bicyclists. Sugar House Park hosts events throughout the year that give back to the community by creating cohesive community spirit and supporting charitable organizations.

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 February 19, 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.



2013 Summary of Audit of Key Control

Findings and Recommendations

Sugar House Park

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	<i>Finding # 1 - Payments were not submitted to Sugar House Park Authority according to contract terms.</i>	We recommend that a collections for reservations and other fees be paid to the Sugar House Park Authority according to contract terms.	We agree with recommendation. Staff has been instructed to submit reimbursements according to contract.
2.	<i>Finding # 2 - Aging reports were not prepared monthly for review by management.</i>	We recommend that monthly aging reports be prepared and provided for management review.	An aging log will be submitted twice a month by accounts receivable and reviewed by management.
3.	<i>Finding # 3 - Internal controls over payments received through the mail were not adequate.</i>	We recommend that checks received in the mail be restrictively endorsed and recorded on a log before given to the accounts receivable manager or that other compensating controls be adopted.	A log has been created that requires two staff to review incoming checks in the mail to verify; date, name of payer, reason for payment, amount and endorse check prior to entry in Sportsman.
4.	<i>Finding # 4 - Accounts receivable reconciliations were not documented and signed by the preparer.</i>	We recommend that a monthly reconciliation of accounts receivable be performed and signed by the person preparing it.	We agree with the recommendation. Staff will reconcile and sign accounts receivable on a monthly basis.

5	<i>Finding # 5 - Conflict of interest statements were not on file.</i>	We recommend that all County employees who serve or have the appearance of serving on boards that contract with the County, submit Conflict of Interest statements annually with their chain of command and the County Legislative body.	Both County staff members who sever, or are appointed to the board, were unaware of this requirement. Conflict of interest disclosure statements have been prepared and will be submitted to the Mayor and Council for the next available Council meeting. (April 22, 2014)
6	<i>Finding # 6 - Accounts receivable administration functions were not adequately segregated.</i>	We recommend that the duties of billing and maintaining accounts be segregated from receipting and posting of customer payments.	Due to staffing levels, segregation of this function can't always occur. Monthly reconciliation will be performed and signed by a supervisor who doesn't prepare the invoices or collect payment.

NAME AND TITLE OF PERSON RESPONDING:
Wayne Johnson- Associate Division Director

DATE PREPARED: 4-15-14