

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



An Audit of  
Clark Planetarium

December 22, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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December 22, 2014

Ben McAdams, Mayor  
Salt Lake County  
2001 S State St #N2100  
Salt Lake City, UT 84114-4575

Re: An Audit of Clark Planetarium

Dear Mayor McAdams:

We recently completed an analysis of Clark Planetarium pursuant to 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. 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 Clark Planetarium and the cooperation from Seth Jarvis, Anna Marie Tueller, Richard Cox, Mike Sheehan, Jim Garcia, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Clark Planetarium 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 Larry Decker CPA, CIA  
Sr. Deputy Auditor

cc: Seth Jarvis, Director  
Anna Marie Tueller, Fiscal Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Clark Planetarium. Our purpose was to examine cash handling, capital and controlled assets, purchasing cards, contracts, accounts payable, and accounts receivable. Also, we expanded our objectives to examine passes and memberships, donations, the imprest fund for purchasing store merchandise, and store and concessions inventory levels.

## Conclusion

In our audit of the Clark Planetarium, we found excessive differences between actual and expected merchandise inventory counts in both the store and the concessions area. In addition, the merchandise inventory list included items with negative count values, even though in some cases we found items on hand. Also, we counted items in excess of the expected amount, and we found items on hand that were not included on the list. Deposits were not always made timely, and refunds did not always include a documented explanation and required signatures, including the supervisor's signature as evidence of review. Some controlled assets were not tagged. An employee conflict of interest disclosure was not on file for payments this employee received from selling merchandise inventory to the planetarium. Our last audit of the Clark Planetarium was released to the public in March 2013. In this audit, we found that an SAQ representing compliance with PCI-DSS had not been completed and was not on file. Our revisit of this finding found that the SAQ still had not been completed.

## Findings and Recommendations

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***Finding # 1 - The store inventory count was less than that listed on inventory records.***

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### **Risk Level: Moderate**

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports. ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

We counted the approximate 70,000 inventory items in the Clark Planetarium store. The recorded value of goods on hand was \$224,192. We counted fewer items than the amount recorded in the Counterpoint software tracking system. Our count resulted in a total value of \$195,711, for an unexplained difference of \$28,481, or 13% less than expected.

Management stated that some inventory items, particularly rocks, were reclassified under a different SKU. Rocks that had been reclassified to other categories should have been removed from their originally listed categories, but were not. They remained on the inventory list under their original SKU numbers. Management also asserted that some items could have been missed in the count.

Large amounts of unexplained shrinkage could indicate theft, or a lack of adequate system tracking that could result in theft.

### ***Recommendation***

We recommend that the percentage of unexplained inventory loss be reduced to a more tolerable level as determined by management.

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### ***Finding # 2 - A conflict of interest disclosure statement was not on file.***

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### **Risk Level: Low**

Countywide Policy #1430, "Professional Ethics and Conflict of Interest," Sections 2.1.10 and 5.0 state:

"County employees and volunteers shall not ... Participate in an official capacity or receive compensation in respect to any transaction between the County and any business entity in which he or she, his or her spouse or minor children is also an officer, director, employee or owns a substantial interest ... in the company without first filing a conflict of interest disclosure statement ... The disclosure statement shall be made upon first assisting the person or business, or upon becoming an officer or employee and in January of each year thereafter during which he or she continues to be an officer, director, agent, owner, volunteer or employee."

A planetarium employee was also an owner of a company that sold merchandise inventory to the planetarium. Three separate payments were issued to this employee during April and May 2014 for a total of \$1,426. A conflict of interest statement was not on file with the County Clerks Office.

Management stated a conflict of interest statement had been filled out with the employee, but it was not presented to the County Legislative Body to record with the County Clerk.

Without disclosure, private interests could conflict with public duties of an employee and result in the misuse of public funds.

### ***Recommendation***

We recommend that sworn conflict of interest disclosures be filed each January with the County Legislative Body.

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***Finding # 3 - A Self-Assessment Questionnaire (SAQ) had not been completed and was not on file.***

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**Risk Level: Low**

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy," Section 3.0 states under 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."

A previous audit conducted in March 2013 found that an SAQ representing Clark Planetarium's compliance with PCI-DSS had not been completed and was not on file. During a retest of this finding, we found that the SAQ still had not been completed.

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 Clark Planetarium 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.

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

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 6.1.1 states:

"The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency."

We reviewed 111 refunds in a 30-day period and found that 22 were not documented and signed by the cashier and a supervisor as evidence of review.

Management was aware that some refund transactions lacked proper documentation, and so noted this deficiency in cases where it occurred. They thought that perhaps the lack of documentation may have related to customers purchasing show tickets, but then deciding to buy memberships instead. No cash would have been exchanged on the ticket sale, even though it was reversed. Nevertheless, the reason for these reversals was not documented.

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 transactions include a documented explanation, and signatures of the cashier and supervisor as evidence of review.

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***Finding # 5 - The concessions inventory count was less than that listed on inventory records.***

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**Risk Level: Low**

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports. ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

We counted all items in the concessions inventory, which had an expected value of \$7,530. We counted fewer items than the amount recorded in the tracking system software. Our count value totaled \$5,110, a difference of \$2,420, or a 32% unexplained shrinkage. Concessions includes soft drinks, candy, snack foods, nacho chips, and popcorn for sale.

Management stated that they were aware of inventory variances, but had no ready explanation for these occurrences.

When actual inventory counts are excessively less than expected, theft could be occurring, or the system may not accurately track data. If the system does not accurately track data, a theft would not be distinguished from a system error.

***Recommendation***

We recommend that the unexplained shrinkage in concessions be reduced to a more tolerable level as determined by management.

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***Finding # 6 - Some controlled assets were not tagged.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 4.3 and 4.3.4 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 ... Note that the use of a numbering system for controlled assets is optional. The cost-effectiveness of such a system should be considered before implementing it. Numbers assigned by the organization for this purpose will not be tracked centrally by the Auditor [Mayor's Finance]."

In a sample of 24 controlled assets assigned to employees, 6 items did not have tags attached. Although management had previously attached tags to these controlled assets, over time the paper tags had fallen or worn off.

Without durable tags affixed to controlled assets, assets may become lost, stolen, or converted to personal use if the tag falls off.

***Recommendation***

We recommend that tags be replaced with durable tags to identify controlled assets.

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***Finding # 7 - Deposits were not always made in a timely manner.***

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**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."

Deposit documentation was examined for October 2013 through September 2014. We found that 9 out of 30 deposits were deposited more than three days after receipt of collections.

Management stated that deposit delays occurred because of the deposit preparer's part-time status. Also, a courier service retrieves the prepared deposit for delivery to the bank, which creates some time lag.

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.

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***Finding # 8 - The inventory tracking system did not provide reliable data in all cases.***

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**Risk Level: Low**

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports. ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

The inventory list generated from Counterpoint tracking software contained a few deficiencies. During our inventory, we found 248 items missing from the inventory list from among 54 separate item types, or SKU number categories. Also, we found 119 SKU number categories with negative count values. Nine of these negative count categories still had items on the sales floor. In addition, some items on hand exceeded their recorded amount. We counted 1,649 items in excess of their recorded amount among 342 separate SKU categories. These 1,649 items totaled \$10,359.

Management stated that personnel may have input the wrong SKU number into the system when making a sale, thus disrupting the actual to expected count. Also, an incorrect SKU number could be entered when goods are received into inventory. Where items not listed are concerned, management stated that some items inactivated in the system were later discovered in stock.

Management also stated that the employee who handled Counterpoint computer programming recently passed away, leaving staff short on needed expertise to update and program on-line inventory management, and interpret changes already made.

Negative count values on the inventory list, missing items from the list, and counts that exceed the recorded system count all point to merchandise inventory tracking deficiencies that create an environment conducive to theft. Employees could take advantage of these deficiencies to steal items in the store.

***Recommendation***

We recommend that system adjustments be made to ensure that all items in stock are listed on the printed inventory list.

We recommend that negative count values on the inventory list be eliminated.

We recommend that inventory and sales be correctly entered to eliminate or reduce item counts in excess of Counterpoint system software counts.

## **Additional Information**

### **Background**

The Clark Planetarium provides educational and entertainment activities for the public related to study of the earth, science, and outer space. The planetarium features an IMAX and a dome theater, interactive exhibits, a store with an extensive inventory of telescopes and toys, and a concessions area selling candy and drinks. A yearly \$750,000 grant from the State Office of Education provides funding for science education to students both on-site and locally at schools throughout the State. On any given school year weekday, elementary and middle school students gather at the hanging planetarium ball for "Science on the Sphere," featuring informative lectures by planetarium staff. In 2013, the planetarium generated over \$3 million in revenue from all sources, including ticket sales to IMAX and dome theater star shows, and store and concession sales. Another \$2.9 million in revenue accrued from designated portions of general property tax and motor vehicle fee allocations. The 31 merit and 45 temporary employees staff 11 functional areas.

The planetarium started in the early 1960s as the Hansen Planetarium in the old Salt Lake City Library, and opened at its present Gateway Mall facility in April 2003 under the name "Clark Planetarium," following a \$1 million donation from the Clark family. Originally, Salt Lake City owned and operated the planetarium, but ownership transferred to Salt Lake County in the late 1970s. As a unique and respected operational feature, the planetarium produces and markets space and star shows to planetariums and other entities throughout the world, generating about \$250,000 in revenues annually. A 2.5 million allocation of tax funds will fund exhibit upgrade and remodeling, starting in 2015 and being completed in 2016.

### **Scope**

Our work included a formal examination of financial records related to the following internal controls, to the degree applicable:

- Cash Receipting and Depositing
- Capital and Controlled Assets
- Credit/Debit Cards
- Purchasing Cards
- Imprest Account (\$50,000)
- Merchandise Inventories
- Donations
- Passes and Memberships
- Show Production

Our examination period covered up to twelve months ending September 30, 2014. In addition to reviewing financial records, we reviewed and examined current practices through observation 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.



December 22, 2014  
Gregory P. Hawkins  
Salt Lake County Auditor  
2001 South State Street #N3300  
Salt Lake City, UT 84114



110 South 400 West  
Salt Lake City, UT 84101  
385.468.STAR (7827)  
[www.clarkplanetarium.org](http://www.clarkplanetarium.org)

RE: Response to the Internal Audit of Clark Planetarium

Dear Mr. Hawkins,

This letter is in response to the County Internal Audit findings in the review of Clark Planetarium.

Internal Audit Finding #1-The store inventory count was less than that listed on inventory records.

Response: This year, we undertook a project to reclassify a majority of the products we sell in an effort to more efficiently track sales. This process created some duplicate entries. We were in the middle of merging entries back together when our IT assistant, who was tasked with managing this project, unexpectedly passed away. We are now trying to regain our footing on the project and continue where he left off. This issue should be resolved within the next few months. In regard to incorrect inventory counts, some of this can be explained through errors made during the receiving process, or counting errors made during our last physical inventory count. We are working toward improving processes in our purchasing and receiving sections to reduce entry errors.

Internal Audit Finding #2- A conflict of interest disclosure statement was not on file.

Response: A conflict of interest form for the individual in question was completed and on file at Clark Planetarium. However, it was not on file with the County Clerk's Office. We will ensure that all conflict of interest forms are completed each January and filed with both entities going forward. This was a minor oversight on our part.

Internal Audit Finding #3- A Self-Assessment Questionnaire had not been completed and was not on file.

Response: We have recently verified with our ticketing system vendor, Gateway Ticketing Systems that the ticketing software is PCI compliant, and we have a printed certificate to that effect on file. However, the software requires that we complete a PCI-SAQ Level D document. Compliance at level C will require major hardware and network configuration changes, at significant expense. We are currently working with County IT to become SAQ compliant at a level D.

Internal Audit Finding #4- Refunds were not always handled in accordance with countywide policy.

Response: As we reviewed the 22 cases of undocumented refunds, we found that the vast majority were not refunds at all. In many cases, patrons had purchased tickets to see a show, and then decided later that they actually wanted to purchase a membership. As is our policy, we allow our patrons to use the purchase price of those tickets toward their membership. Galaxy, our current ticketing software, does not have the capability to "upsell" a ticket purchase to a membership, so it considers the transaction a "refund" on the original show tickets and then a purchase of the membership. Because an actual refund did not occur, (there was not a return of money to the customer), we did not complete a refund slip as our internal policy requires staff to complete these for actual refunds only. As this audit has indicated, best practice would be to provide supporting documentation to each "upsell" clearly defining the purpose of these sales, which we will do going forward.

Internal Audit Finding #5- The concessions inventory count was less than that listed on inventory records.

Response: As stated in finding #1 above, this year, we undertook a project to reclassify a majority of the products we sell in an effort to more efficiently track sales. This process created some duplicate entries. We were in the middle of merging entries back together when our IT assistant, who was tasked with managing this project, unexpectedly passed away. We are now trying to regain our footing on the project and continue where he left off. This issue should be resolved within the next few months. In regard to incorrect inventory counts, some of this can be explained through errors made through the receiving



process, or counting errors made during our last physical inventory count. We are working toward improving processes in our purchasing and receiving sections to reduce software errors.

Internal Audit Finding #6- Some controlled assets were not tagged.

Response: We have made an internal decision to use a device's manufacturer-assigned serial number as our controlled asset identifying number. This will eliminate confusion with lost, removed, faded or otherwise damaged tags created in-house. However, an in-house tag will still be created for items not easily identifiable by a manufacturer serial number.

Internal Audit Finding #7- Deposits were not always made in a timely manner.

Response: The Clark Planetarium is open 363 days per year. Our hours of operation are roughly 09:00am-10:00pm. Our daily deposits are generally prepared the business day following the prior day's transactions. We have contracted with Brinks Co. to collect our deposits three times per week. We believe this is adequate for our business. Often our deposits are collected in the afternoon. When this occurs, our deposits (even though collected and delivered to the bank) may be dated with the next business date if received after 3:00 pm. It seems the deposits in which the audit refers to are mainly deposits made the day following a holiday in which banks are closed. We view this as a timing issue with very low risk. We will continue to prepare and deposit all revenue in a timely fashion with the objective of no more than three business days.

Internal Audit Finding #8- The inventory tracking system did not provide reliable data in all cases.

Response: Counterpoint is our selected inventory tracking system. Following recent staffing and management changes, we scheduled and held an onsite training session with a representative from C & K Systems, our Counterpoint vendor, on Tuesday, 12/16/14. This session was designed to train new staff and review inventory procedures with existing staff. We will be conducting a physical inventory count of the store and concessions in early January, 2015.

We appreciate the experience and professionalism of the Internal Audit staff, primarily Larry Decker, Scott Ball, and James Fire. If you have questions concerning this response, please contact me.

Respectfully,

A handwritten signature in black ink that reads 'Seth'.

Seth Jarvis  
Director, Clark Planetarium



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