

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



An Audit of the Key Controls of  
Draper Outdoor Pool

July 14, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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July 07, 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 Draper Outdoor Pool

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Draper Outdoor Pool 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 Draper Outdoor Pool and the cooperation from Larry McKinney, Jordan Jones, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Draper Outdoor Pool 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: Martin Jensen, Parks and Recreation Director  
Andrew Keddington, Associate Administrative Director  
Larry McKinney, Manager of Draper Pool





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Draper Outdoor Pool. 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 Draper Outdoor Pool we found that reported collections from balance sheets did not always match actual deposit totals. Also, we found voids that lacked a documented explanation and signatures of the cashier and supervisor as evidence of review. We could not locate several controlled assets in our sample. Finally, contrary to contract terms, interest was not charged to a swim team that had an unpaid balance of several thousands dollars. A report of the last audit of Draper Outdoor Pool was released to the public in October 2013.

## Findings and Recommendations

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***Finding # 1 - Voids were not always handled in accordance with Countywide policy.***

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### **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 61 voids in a 30-day period and found that 11 did not have an explanation included, and were not signed by the cashier or by a supervisor as evidence of review.

Management stated that their policy is to document an explanation for, and review and sign all voids. Where this did not occur, the process was overlooked.

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

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***Finding # 2 - A service charge was not added to an aquatic team's past due account.***

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**Risk Level: Low**

Paragraph 2 of the contract with an aquatic team that uses the Draper Outdoor Pool states:

"Payments will be due by the 15th of the month. A 2% per month service charge will be added to all past due accounts."

An aquatic team that uses the Draper Outdoor Pool had an outstanding account balance of \$15,000. A service charge had never been added to this past due amount.

Management stated that part of the team's payment delay was due to miscommunication by Draper Pool staff in not invoicing the team on time. Nevertheless, they realized the need to assess late fees.

When late fees are not assessed, contract terms are not complied with, and any additional incentive to pay on time is removed. In addition, the County loses revenue otherwise earned.

***Recommendation***

We recommend that the service charge be made on the aquatic team's past due account as required in the contract.

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***Finding # 3 - Accountability for some controlled assets was not properly established.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that 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."

Of the 30 controlled assets we reviewed from the inventory list, 10 could not be located on-site at Draper Pool. An additional two items, a rescue board and barbecue unit, were found on-site but were not listed on the controlled asset list.

Management stated that their computers are all used computers transferred from Dimple Dell Fitness and Recreation Center. They also stated that Information Services (IS) personnel would move their computers to different locations. Coordination with IS personnel was lacking in updating the controlled asset list for these moves.

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 Draper Outdoor Pool administration properly account for all controlled assets.

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***Finding # 4 - Deposits did not always balance.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.2 states:

"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."

Seventeen of the 30 bank deposits reviewed did not balance with the daily collections reported on the cash balance sheets. Differences generally ranged from \$1 to \$20, though in one case there was a cash shortage of \$95.

Management stated that the \$95 shortage resulted from lack of coordination by staff in system problems occurring that day. In other instances, management stated that personnel had overlooked documenting the reason for any differences between balance sheet and deposit amounts.

When daily collection records and cash balance sheets are not reconciled with deposit documentation, cashier theft and/or errors cannot easily be discovered.

***Recommendation***

We recommend that the cash balance sheets recording the daily collections balance with the daily bank deposit.

## **Additional Information**

### **Background**

Opened in 1997, the Draper Outdoor Pool has 50 employees, including lifeguards and concessions workers, and a 2014 budget of \$131,000. Under the same management as Dimple Dell Fitness and Recreation Center, the pool is open on a seasonal basis from Memorial Day through Labor Day. Entrance fees of \$3 for youth and \$3.50 for adults help defray but do not cover the extensive operational costs typical at any pool.

### **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 May 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.



**2014 Summary of Audit of Key Control  
Findings and Recommendations  
DRAPER OUTDOOR SWIMMING POOL**

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Voids were not always handled in accordance with Countywide policy.	Recommend that voided transactions include a documented explanation, and signatures of the cashier and supervisor as evidence of the review.	Jordan Jones, the supervisor of the cashiers at Draper Pool, has made it part of the daily tasks for either the bookkeeper or himself to review all daily transactions, and to make certain that any voids have the required backup documentation.
2.	A service charge was not added to an aquatic team's past due account.	Recommend that the service charge be made on the aquatic team's past due account as required in the contract.	The private swim team that rents space from Draper (and Dimple Dell) has been notified that the service charge will be added to their outstanding balance, starting with the July 2014 invoice.
3.	Accountability for some controlled assets was not properly established.	Recommend that Draper Pool administration properly account for all controlled assets.	The merit staff person who supervises Draper Pool, Tracey Perks, will conduct a top to bottom inventory of all assets located at Draper Pool before the end of the 2014 summer season. Many items on the inventory list are deep in storage, have been moved to Dimple Dell, or have been disposed of through normal means and records have not been updated. We will establish a more accurate inventory once this is completed.
4.	Deposits did not always balance.	Recommend that the cash balance sheets recording the daily collections balance with the daily bank deposit.	Jordan Jones, the merit supervisor of Draper Pool cashiers and bookkeeper, will check daily deposit/balance sheets weekly, to make certain they match. If they do not, proper reconciliation steps will be followed in accordance with established policy.

**NAME AND TITLE OF PERSON RESPONDING: Larry McKinney, Facility Manager**

**DATE PREPARED: July 10, 2014**