

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of the
Sports Office

September 29, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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September 29, 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 the Sports Office

Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Sports Office 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 the Sports Office and the cooperation from Eliza Schofield and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Sports Office 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
Senior Deputy Auditor

cc: Martin Jensen, Director of Parks and Recreation
Andrew Keddington, Associate Director
Eliza Schofield, Facility Manager
Cheryl Crook, Parks and Rec Fiscal Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Sports Office. 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 Sports Office, we found that beginning and ending accounts receivable balances were not reconciled each month to payments, new invoices, and account adjustments. Also, a monthly accounts receivable aging schedule, showing accounts past due 30, 60, and 90 days or more, was not produced. Our last audit of the Sports Office was released to the public in December 2013. In this audit, we found that voids were not handled as required in Countywide Policy. Our revisit of voids revealed that documented explanations and supervisory signatures as evidence of review were still missing in some cases.

Findings and Recommendations

Finding # 1 - An accounts receivable aging report was not produced.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.5 states:

"An aged analysis of accounts receivable ledger shall be prepared each month."

A monthly accounts receivable aging report was not produced that showed accounts 30, 60, and 90 days or more past due.

Management stated that they were not aware of the aging report and its requirement in Countywide policy.

When an accounts receivable aging schedule is not prepared, management lacks an essential tool to review accounts and focus on needed collection efforts.

Recommendation

We recommend that a monthly accounts receivable aging report be prepared.

Finding # 2 - Accounts receivable reconciliations were not performed monthly.

Risk Level: Low

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Sections 5.3.2 and 5.4 state:

"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. ... 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."

A monthly reconciliation of accounts receivable was not performed. A reconciliation involves adjusting the previous month's balance for new invoices, payments, and other changes in the current month. The resulting amount should agree to the current month's ending balance. Sports Office personnel did not undertake this procedure.

Management stated that they were not aware of the requirement for a monthly accounts receivable reconciliation.

When an accounts receivable reconciliation is not performed, account adjustments that conceal theft might not be discovered.

Recommendation

We recommend that a monthly accounts receivable reconciliation be documented and signed by the employee who performed this step, and signed by a second employee as evidence of review.

Finding # 3 - 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."

A previous audit conducted in December 2013 found that voids were not properly handled according to Countywide policy. During a retest of this finding, we reviewed 11 voids in a 30-day period and found that 3 did not have a documented explanation and signatures of either the cashier or supervisor. Another two had documented explanations, but only the signature of the employee who initiated the void.

Although this was reported in the previous report, management stated that they have worked to ensure proper documentation of voids, but in these cases 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 the signatures of the cashier and supervisor as evidence of review.

Additional Information

Background

The Salt Lake County Sports Office, located in a small section of the County Ice Center at 5201 South Murray Park Lane, organizes competitive sports and league play for youth and adults. A sizeable youth basketball program highlights league play, which also includes adult basketball, softball, adult volleyball, and ultimate Frisbee. The Sports Office collects fees for leagues and competitive play, and contracts with and pays officials and other personnel to organize and officiate at the games. They also organize the Corporate Games, a competition among teams and individuals in a wide variety of sports that includes the awarding of medals. Available to anyone in the community, these games draw teams from a number of business and governmental offices. For many years the Jordan, Canyons, and Granite School Districts contracted with the Sports Office to collect fees for youth football camps and clinics, but two of them have discontinued their contracts, and only Granite retains the County in this role. In addition, the after-school Snow Blitz skiing and snowboard program attracts many youth, particularly those in junior high. The Sports Office has five full-time employees and any number of temporary employees, with 30 to 60 each in the softball and basketball programs.

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 August 20, 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
Findings and Recommendations
Sports Office
Dated September 17, 2014**

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	An accounts receivable aging report was not produced	We recommend that a monthly accounts receivable aging report be prepared.	We will use an aging report that will show 30, 60, and 90 days or more for bad accounts. This will be prepared monthly.
2.	Accounts receivable reconciliations were not performed monthly.	We recommend that a monthly accounts receivable reconciliation be documented and signed by the employee who performed this step, and signed by a second employee as evidence of review.	We will create an accounts receivable document that we review and update monthly. Our office coordinator who updates it will sign it and the Facility manager will sign it as evidence of review.
3.	Voided transactions were not always handled in accordance with countywide policy	We recommend that voided transactions include a documented explanation and the signatures of the cashier and supervisor as evidence of review.	A memo will be sent to all employees who open tills, stating the county wide policy. The memo will include all the steps of a void with explanations, their signature, and a manager's signature. The Facility manager will review all tills monthly to make sure the void policy is being followed correctly.

NAME AND TITLE OF PERSON RESPONDING: Eliza Schofield, Facility Manager

DATE PREPARED: 9/23/14