An Audit of the

Calvin L. Rampton
Salt Palace Convention Center

Report Number 2016-2

April 2016

Office of the

Salt Lake County Auditor

Scott Tingley, CIA, CGAP

EXECUTIVE SUMMARY

The Calvin L. Rampton Salt Palace Convention Center (Salt Palace) in downtown Salt Lake City provides convention and meeting space to clients both locally and nationally. As the largest convention center in Utah, it attracts a wide range of meetings and trade shows, including the Outdoor Retailer Show, which generates the largest economic impact of any single event. Multi-level marketing companies, many of them based in Utah, and technology companies form a core activity base for Salt Palace conventions.

From its location on West Temple Street, the original Salt Palace was built in 1969, torn down in the early 1990s and rebuilt in its current configuration. Since 1992, the County has contracted with SMG, a company based in Pennsylvania, to manage the Salt Palace. SMG also manages other convention centers nationwide, including McCormick Place in Chicago, the largest convention center in North America.

WHY WE AUDITED THE SALT PALACE

Our office received an anonymous letter stating that Salt Palace employees on a public bus late at night bragged of taking items from Salt Palace premises, and they showed these items from their backpacks. We also reviewed revenue and expense trends, commission payments to the Salt Palace by outside contractors, and disbursements by check or electronic means to Salt Palace vendors. In an effort to validate County financial data related to the Salt Palace, we followed data flow from the Salt Palace general ledger to financial records in the County's PeopleSoft system.

WHAT WE FOUND

The alleged theft reported to our office in an anonymous letter was not confirmed. We interviewed Salt Palace security management and building employees. They did not confirm or vouch for theft allegations made in the letter.

Positive financial trends have occurred in the past five years. Operating revenues in 2015 increased 63% since 2011, outpacing the 35% increase in expenses. Also, fund transfers were made to the Salt Palace, including a consistent $2.2 million transfer from the Visitor Promotion Fund for a "subsidy."

Supporting documentation was lacking on a few payments to vendors. We found isolated instances of no receipts on file to support payments to vendors and payments lacking required signatures. Also, the purchase of a tablet computer was not documented in the controlled asset list.

Commission payments to the Salt Palace from an outside contractor could not be reconstructed. One outside audio-visual contractor provided us with commission and revenue data that did not match data recorded in the Salt Palace general ledger. Conversely, the food contractor provided revenue data that comported to Salt Palace records. Also, a lower commission rate was used in some instances for a food contractor based on verbal agreement but not stated in contract.

Documentation and access controls were lacking in some cash handling operations. Box office cash collected at dances and other events was not recorded, and therefore its accuracy could not be verified. Business Center-voided transactions were not documented and signed for by a supervisor. Individual balance sheets were occasionally not completed for parking receipts collections, and access was not controlled in the electronic database used for recording cash and checks received in the Salt Palace administrative office.

Data occasionally lacked sufficiency or accuracy in accounting records. All revenues were recorded as "rent and concessions" in County financial records despite other types of revenues received. Also, some Salt Palace activity was recorded in County records in later periods than when the activity occurred. In addition, the ending balance in Advance Deposits did not accurately carry forward to the beginning balance of the next month in one instance. In the payroll area, employee names were not consistently recorded in the same manner.

Capital and controlled assets lacked some management controls. We located equipment items exceeding the $5,000 capitalization level that were not on the capital asset list. We also found missing controlled assets, and unfamiliarity with use of the Controlled Assets-Employee form.

WHAT WE RECOMMEND

To provide better accountability for balance transfers:

Provide a name for the $2.2 million "subsidy" that better describes its purpose.

To help ensure that all disbursements and payments are authorized:

Attach matching receipts to check copies, and review documents to make sure the general manager has signed them when required. Also, record purchases of controlled assets in the controlled asset list.

To gain assurance of accurate commission remittances from contractors:

Work with the audio-visual contractor to obtain accurate data that recalculates to services provided and the commission remitted, and revise the food contract to provide for a different food rate during event move-ins.

To acquire added control over cash handling operations:

Distinguish cash from payment card receipts in box office collections. Complete and sign void slips for voided transactions in Business Center operations. Ensure that all parking cashiers complete balance sheets for their collections. Implement a procedure that allows for employees inputting check detail in the electronic database to enter a personal identifier.

To provide better information in accounting records:

Consider additional detail other than "rent and concessions" for revenues recorded within the County's financial record. Also in the County's financial record, record Salt Palace activity in the period in which it occurred. Correct the small balance error in advance deposits. Ensure that payroll names are consistently spelled and recorded from one instance to another.

To better manage capital and controlled assets:

Enter assets on the capital asset list whose purchase cost exceeded $5,000. Track all controlled assets, and use the Controlled Asset-Employee form.

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BACKGROUND

The Calvin L. Rampton Salt Palace Convention Center (Salt Palace) provides meeting, convention, and exhibit space to the community. The Salt Palace charges a fee, or rent, for use of its facility, but rent can be waived at its discretion based on various factors, including economic impact of the convention, and large anticipated commission revenues from food and beverage services.

Sizable conventions create an economic impact that can reach into the millions of dollars. Because of this impact, an organization may request a rental fee waiver. An “opportunity committee” considers these requests, basing their decision in large part on economic impact and food and beverage orders. The opportunity committee comprises County and Visit Salt Lake officials. Visit Salt Lake is the convention and visitor’s bureau that promotes Salt Lake, and specifically the Salt Palace, as a convention destination.

Utah Food Services, Inc., and Western Foods are the exclusive contractors for Salt Palace food, beverage and concession services. Convention groups have the option of ordering full service catered meals, specialty food items, or fast food, such as hot dogs and pizza sold from concession stands. Contractors charge the groups directly for food services, and then pay the Salt Palace a commission from revenues. The contract requires a 25% commission on all catered meals sold.

The Salt Palace collects funds and makes bank deposits from three principal sources:

- Fees and Charges related to Conventions and Events.
- Parking.
- Business Center. The Business Center is a retail operation that collects money from patrons for copies and purchases of small supplies and candy.

The size and type of conventions the Salt Palace attracts depends on various factors, including the number of hotel rooms locally, restaurants, availability of recreation and entertainment opportunities, facility size, and general perception as a convention destination. Salt Lake City ranks as a “second tier” meeting destination, compared to a “first tier” destination, such as Las Vegas. As such, the Salt Palace may not secure the larger national conventions of a first tier city, though as the largest convention facility in Utah, the Salt Palace attracts sizable and highly recognized events.

Of all Salt Palace conventions, the Outdoor Retailer Show creates the greatest community economic impact and produces one of the largest Salt Palace revenue streams. Other large events include conventions of multi-level marketing companies, many of them based in Utah, and technology companies.

All 120 Salt Palace staff members and workers are employees of SMG, the private Pennsylvania-based company that the County has contracted with since 1992 to manage the facility. Under contract, the County pays SMG both a management fee, and an annual incentive fee as a bonus based on performance guidelines. For 2015, the County paid an incentive fee of $210,000, and a management fee of $214,000.

In 2016, the County purchased 10 acres of underlying Salt Palace land from the Church of Jesus Christ of Latter-day Saints, which the Church owned, for $6.6 million.

AUDIT SCOPE, OBJECTIVE, AND METHODOLOGY

SCOPE

Our audit scope covered cash handling, disbursements, asset management, and contractor commission fee remittances to the Salt Palace in 2015. The scope also included in-house security related to allegations in the anonymous letter sent to us, and financial trends.

OBJECTIVES

To determine whether the Salt Palace manages cash and assets in all material respects to comply with Countywide policy and industry practice.

More specific objectives were the following:

1. Determine the nature and veracity of theft allegations made in an anonymous letter.
2. Reconcile general event deposits to the bank statement.
3. Determine whether general administration, parking, and Business Center receipts were deposited and accounted for.
4. Determine whether all payments received from clients were deposited into the bank.
5. Compare and account for cash and other accounts between the Salt Palace general ledger and the County PeopleSoft general ledger.
6. Review the nature and management of accounts receivable.
7. Determine whether capital and controlled assets are properly accounted for.
8. Ascertain the accuracy of commission payments from food, electrical, and audio-visual contractors.
9. Examine the nature of disbursements and whether they were authorized.
10. Determine whether non-Salt Palace employees were paid out of the payroll account.

METHODOLOGY

To complete these audit objectives we obtained all bank statements for 2015 and all or a sample of cash receipt transactions recorded by the Salt Palace. We reviewed cash receipt transactions for compliance with Countywide policy and for posting in the bank statement. We examined disbursements from the Salt Palace to other parties for authorization according to internal policy and for posting in the bank statement. We used Audit Command Language (ACL), a data mining software tool, in determining whether all receipts and disbursements were recorded in banks statements.

We searched for phantom employees in payroll, reviewed the size of and segregation of duties in accounts receivable, and followed the flow of transactions from the Salt Palace general ledger to County financial records in the PeopleSoft management system.

We obtained detailed revenue data from Utah Food Services, Inc., and recalculated the commission fees they remitted to the Salt Palace. We examined a sample of all monthly cash register tapes from Western Foods. We received revenue data from electrical and audio-visual contractors and recalculated their commission fees. Finally, we interviewed relevant Salt Palace staff regarding allegations of theft in the anonymous letter, and reviewed documentation on file of past thefts recognized by the Salt Palace.

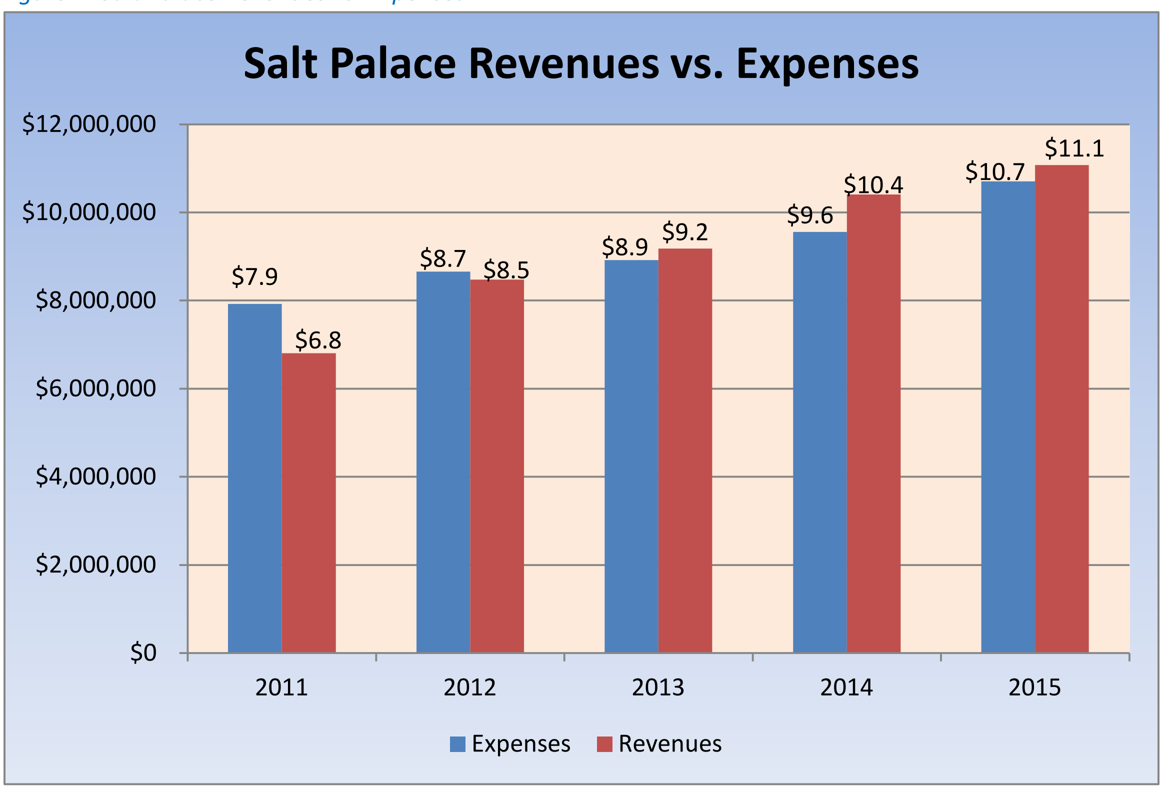
FINDINGS AND RECOMMENDATIONS

Section One: Financial Trends

Finding 1: Revenues and expenses have increased in the past five years.

Salt Palace revenues increased significantly over the past five years, rising 63%, from $6,803,528 in 2011 to $11,077,459 in 2015. At the same time, operating expenses increased, but at a slower rate, 35%. Higher expenses occur as the Salt Palace enlarges and expands its operations. Figure 1 shows the five-year trend in revenues and expenses.

Figure 1. Salt Palace Revenues vs. Expenses



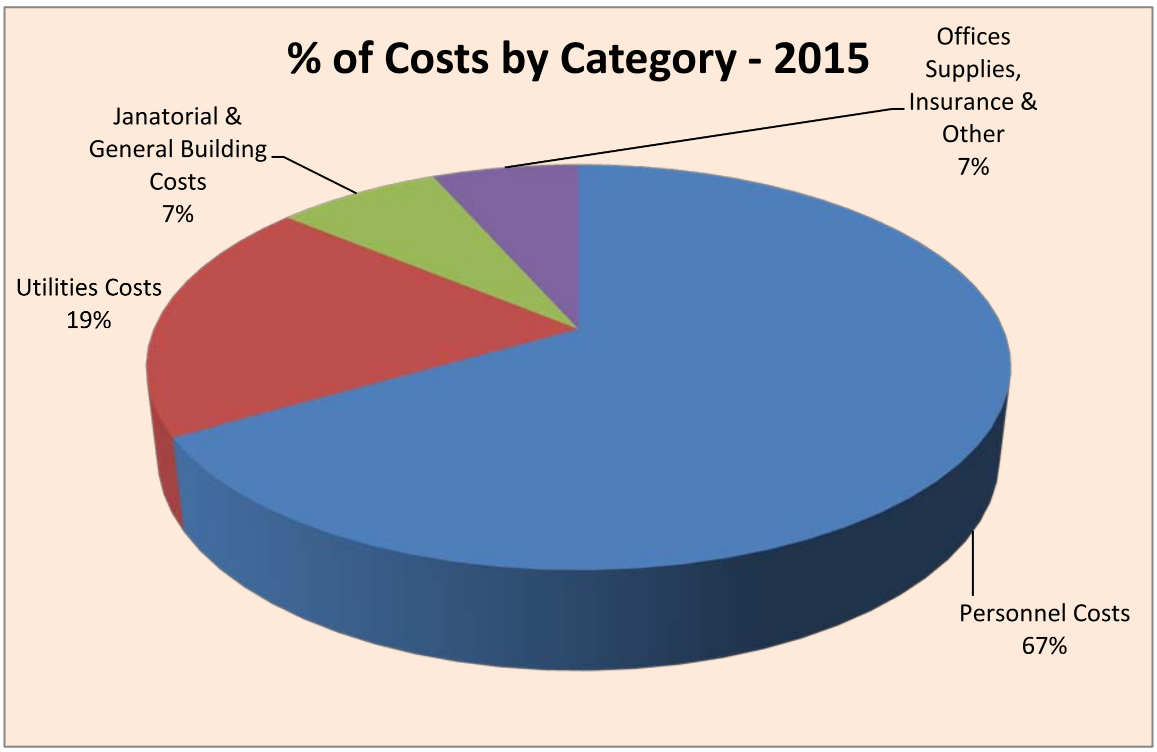
Revenues exceeded expenses starting in 2013, a trend continuing to the present.

Most notably, revenues exceeded expenses in the last three years, a significant change from 2011 and 2012 when expenses exceeded revenues. Revenues exceeded expenses by 3.5% in 2015, and by 8.9% and 3.0% in 2014 and 2013, respectively.

Management attributes this positive revenue trend to increased yield from expanded Salt Palace floor space. During this five-year period, new revenues from built-out and enlarged Salt Palace exhibit and meeting areas came to fruition. Moreover, additional escalators added in 2013 created easier access to selected meeting rooms, making them more viable options for clients. The Salt Lake Comic Con convention also enhanced revenue streams. This popular gathering of comic book and pop culture enthusiasts features many attendees dressed in costume, and highlights appearances by TV and movie stars. The Salt Lake Comic Con started at the Salt Palace in 2013 and continues to the present with conventions held twice each year.

The slower pace of increased expenses compared to the revenue pace also represented a positive trend. Personnel costs comprised the largest expense segment by type. Percentages of expenses by category in 2015 are shown in Table 2.

Figure 2. The percentage of operating costs by type or category at the Salt Palace.



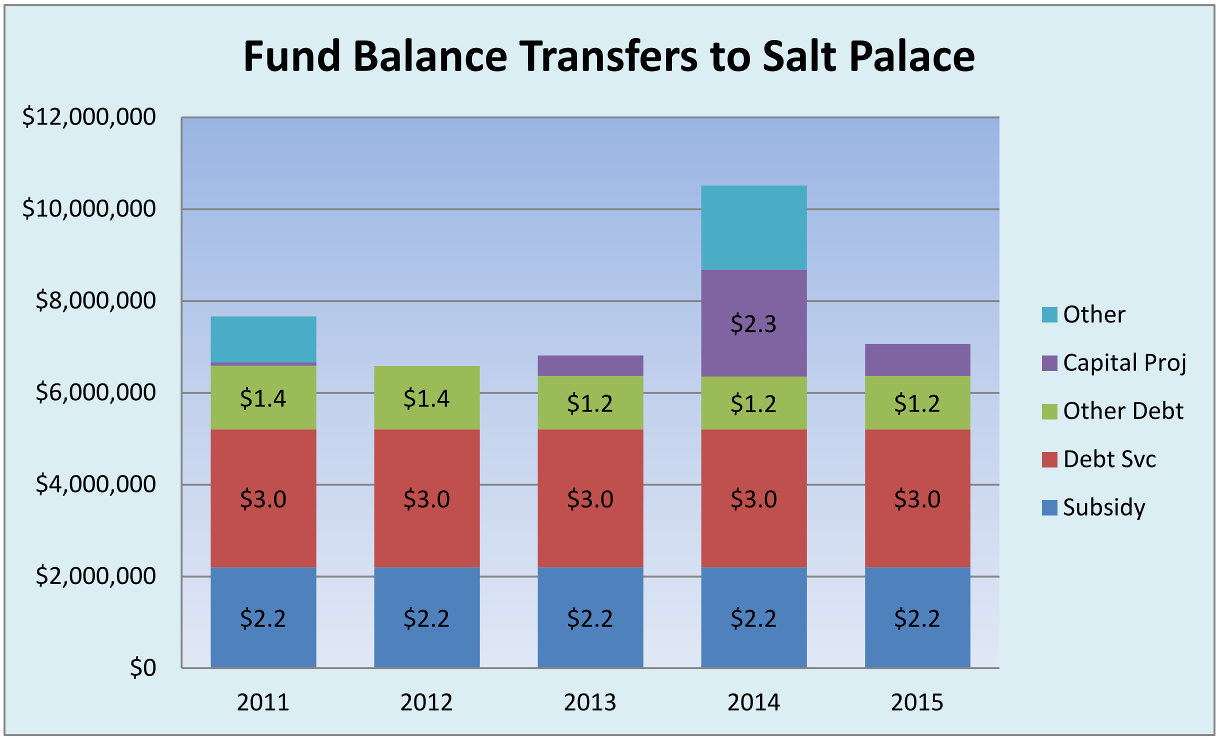
Costs shown here are those recorded by the Salt Palace contractor, SMG, and forwarded to the County.

As the largest percentage by category, personnel costs include management, marketing, accounting, janitorial, security, and event setup staff, though the Salt Palace has arrangements with temporary employment agencies, electrical, display, audio visual, and catering contractors to setup and facilitate large meetings and conventions. Costs not included in the above analysis include large capital expenditures for equipment and building modification, overhead, and indirect costs.

Finding 2: Fund balance transfers were routinely made to the Salt Palace.

The Salt Palace regularly receives money from other County funds primarily to pay down debt on Salt Palace building expansion projects. Throughout the 1990s and into the 2000s, the Salt Palace underwent various phases of expansion to accommodate ever increasing client needs, including those of the Outdoor Retailer Show. To secure the future business of this show and other events, the County expanded and built additional Salt Palace floor space. Figure 3 shows fund balance transfers to the Salt Palace in the last five years.

Figure 3. Fund balance transfers to the Salt Palace



Fund balance transfers to the Salt Palace occur primarily to service debt.

By type and purpose of funds, Figure 3 shows a consistent $3 million transfer for debt service from the Bond Debt Service Fund, and another $1.2 to $1.4 million from the Visitor Promotion Fund for debt service on other phases of Salt Palace expansion.

Another annual $2.2 million earmarked as a "Salt Palace Subsidy" regularly transfers in from the Visitor Promotion Fund. The printed budget document made available to the public provides no further information on this subsidy, its purpose or use. Decision makers in Mayor's Financial Administration arrived at this amount under assumptions of maintaining the Salt Palace fund balance at a desired level and to meet long-range needs. Transferring the same amount from year-to-year could imply the need for additional review and consideration in determining the purpose, best use and efficiency in transferring this $2.2 million.

Figure 3 also shows transfers in, though in smaller amounts, for capital projects, improvements, and equipment. Most of these transfers originate in the Tourism, Recreation, Cultural, Convention, and Airport Facilities fund (TRCC).

The "Other" category includes a $1 million transfer from the Visitor Promotion Fund in 2011 for miscellaneous Salt Palace and South Towne Center projects, and $1.8 million in 2014 to close out the Capital Projects Revolving Fund, specifically the portion of that fund related to the Salt Palace.

Tax Funds Used in Salt Palace Operations.

Transferred funds to the Salt Palace originate as taxpayer money. The Visitor Promotion Fund receives its revenue from the transient room tax, in general terms representing a tax on hotel rooms. Therefore, a portion of hotel guest room rates eventually pays Salt Palace debt and other operational expenses.

The Tourism, Recreation, Cultural, Convention and Airport Facilities Tax (TRCC) applies to restaurant meals and beverages, and car rentals. A small portion of transient or hotel room tax also accrues to the TRCC fund. In fact, Salt Palace expansion and operational needs largely drove implementation of the TRCC tax by the Utah State Legislature in the mid-1990s.

Budgeting and use of taxpayer money requires accountability and transparency to ensure that funds are efficiently spent as intended to reduce taxpayer burden. The Salt Palace receives this funding with the intent that ultimately it augments community business activity.

RECOMMENDATION:

We recommend that Community Services Department management further explore the $2.2 million subsidy to the Salt Palace to provide greater transparency into its calculation and use.

Section Two: Issuing of Checks

Finding 3: Some payments to vendors lacked supporting documentation and authorization.

The Salt Palace maintains a checking account to pay vendors or satisfy debt and make other transfers as needed. Salt Palace employees issue checks or electronic payments from this account. For 2015, we examined 34 checks or electronic disbursements out of 1,892 disbursements in total. The 34 items we examined represented 168 individual transactions. Of these 168 transactions, we found 7 that did not have adequate supporting documentation. In addition, two disbursements did not have the general manager's signatures, as required.

The Salt Palace "*Purchasing Procedures,"* second paragraph states:

> ***"Purchases up to $350 … require the approval of Department Director. Purchases from $350 to $1,500 require the approval of Department Director and the Finance Director. Purchases over $1,500 also require the approval of the General Manager."***

Also, as a matter of practice, both Salt Lake County and the Salt Palace require an invoice or other documentation to support the amount disbursed.

We found a disbursement for $26,280 that did not have supporting documentation or the general manager's signature as required in Salt Palace policy. The disbursement refunded a contractor for overpayment, but only a copy of the $100,000 check the contractor originally sent as payment to the Salt Palace was attached. Any documentation to support the $26,280 or its calculation was not included. Management stated that documentation should have been attached, and attributed its absence to an oversight.

In addition, six transactions totaling $130 for postage stamp purchases at the website "stamps.com" did not have supporting receipts on file. Other stamp purchases did include receipts, as received via email, but in the six cases noted here were overlooked and not included. Without invoices or other documentation to support payments, transaction validity and authorization could be called into question.

Finally, a Salt Palace employee signed off on a disbursement made to him personally. The disbursement reimbursed him for $921 on his purchasing card. Selected Salt Palace employees use personal American Express cards to purchase Salt Palace-related services, supplies, and equipment. They are reimbursed for these purchases. In this case, the general manager also should have signed for the disbursement as an indication of authorization and review. Lack of required signatures was a simple oversight but in a worst case scenario could indicate unauthorized transactions for personal gain to employees.

Finding 4: A newly purchased tablet computer was not documented in the controlled asset list.

In our review of disbursements by check or electronic means, and the related 168 individual transactions, we identified 12 newly purchased controlled assets. We found all 12 in the on-line database of controlled assets maintained by the Salt Palace, except for one, a Samsung tablet computer.

Countywide Policy #1125, "Managing Property/Assets," Section 2.2.8 states one of the Property Manager's duties as follows:

> ***"Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is properly established."***

The tablet, a Samsung Galaxy 8-inch device, was purchased on September 9, 2015 for $183 using a Salt Palace employee's American Express Card. No immediate cause could be determined for not posting this item on the controlled asset list, though items not listed become more susceptible to theft because they are not identified or tracked.

RECOMMENDATIONS:

We recommend that the Salt Palace:

1. ***Ensure that all authorized signatures for disbursements are made as required in policy to indicate management review.***
2. ***Attach invoices or other documentation to the check copy or electronic transfer notice on file that supports the amount being disbursed.***
3. ***Post all newly acquired controlled assets in the controlled asset list for tracking and management purposes.***

Section Three: Contracted Services

Finding 5: Utah Foods correctly remitted their commission to the Salt Palace based on the percentage of revenues stated in contract.

Utah Foods Services, Inc. maintains a contract with the County that allows them use of the Salt Palace kitchen facilities on-site and exclusive catering rights for events held at the Salt Palace. In return, Utah Foods is required to pay the Salt Palace a monthly commission based off of a percentage of their gross sales. These commissions constitute a significant portion of the Salt Palace's revenue, totaling more than $3 million in 2015.

During our audit we examined 211 individual invoices in 2015 prepared by Utah Foods for events that occurred at the Salt Palace. We verified that gross sales were being computed correctly and that any deductions taken against gross sales were allowed under contract. We also recalculated the amount of commission due to the Salt Palace and compared it to the amount actually remitted. We found all payments to be timely and arithmetically correct.

In addition to the monthly commissions, Utah Foods is required to remit an annual bonus commission if different types of sales exceed certain dollar-amount thresholds. We recalculated the amount of bonus commission due and discovered an excess payment to the Salt Palace of $190. This occurred due to Utah Foods erroneously omitting the use of several "mobile-kitchen days," an allowable deduction, from their calculation of gross sales.

We compared all of the events that Utah Foods catered during 2015 to all of the events actually held at the Salt Palace. Our goal was to determine if Utah Foods had omitted any events they may have catered, causing them to underpay commissions. We did not discover any instances of omissions.

During the course of our audit we also discovered that Utah Foods is required by contract to have an external audit firm conduct an "agreed-upon procedures" engagement each year. This engagement is meant to provide an independent assurance that they are remitting the correct amount of commissions to the Salt Palace and provide assurance on other ancillary matters. We found that the procedures applied by the external firm closely paralleled the work we performed as just described. Having two different sets of auditors performing the same procedures is inefficient and causes an unnecessary burden on Utah Foods.

Finding 6: A lower commission rate for certain sales was not explicitly stated in the contract between Western Foods and the Salt Palace.

County Contract no. BL12109C, Sec. 5A, entered into with Utah Foods and Western Foods, requires these companies to remit monthly commissions to the Salt Palace based on the percentages of revenues shown in Table 1.

Table 1. Utah/Western Foods Commission Rates

Utah/Western Foods Commission Rates	
Sales Type	Commission % of Revenues
Concessions	35%
Cash Catering	25%
Leased Stands	50%
Vending Machines	11%

Commission percentages are applied to food and meal service sales revenues net of sales tax.

During our audit we performed a recalculation test of commission owed to the Salt Palace by Western Foods. We discovered one instance of concessions sales commission calculated at the cash catering rate of 25% instead of the required 35%. This would have caused an underpayment of commission in the amount of $781.

The management of Western Foods explained that this lower rate was an allowance afforded to them for “move-in” days. These are described as days when vendors are setting up for the event being held at the Salt Palace and concessions are provided. This lower rate is not explicitly stated in the contract between the County and Western Foods. However, Salt Palace management provided us with correspondence permitting the lower rate.

When required commissions are not directly stated in the contract it increases the risk that commission payments will be lower than required.

Finding 7: Audio visual contractor accounting records for commission paid did not match Salt Palace records.

We conducted a procedure to determine whether or not commission payments from the audio visual (AV) contractor at the Salt Palace were accurately calculated. We requested detailed information that listed, by services and equipment, the commission paid to the Salt Palace in 2015. The manner, rate, and timing of commission paid to the Salt Palace was explicitly stated in the contract with the AV contractor. Commission was calculated by multiplying the commission rate with the net price of services (i.e., after a percentage of discount has been applied to the standard price). The commission rate used in calculating commission depended on the percentage of discount applied, the greater the percentage of discount the lower the commission rate and vice versa. Percentage of discounts ranged from 0% to 100% and commission rates ranged from 13% to 25%.

We recalculated commission paid on 20,709 transactions as found in the detailed 2015 report from the AV contractor. Of the 20,709, we found that the commission paid on 11,354 transactions reconciled to contract terms, and 9,355 transactions did not reconcile. Discrepancies were noted in two main areas:

- Calculations on the net price. For example, if the discount on $100 was 50%, the expected calculated amount would be $50, but the amount recorded might have appeared as $40.
- Calculations on the commission rate. The commission rate applied to the net price differed from the rate stated in contract.

We also summarized the commission paid by month to compare the AV contractor's accounting records with the Salt Palace accounting records. A comparison between the commission reported as paid by the AV contractor and the commission received by the Salt Palace in 2015 is illustrated in Table 2 below.

Table 2. AV Contractor Commission Reported as Paid vs. Salt Palace Recorded Amount

AV Contactor Commission Reported As Paid vs. Salt Palace Recorded Amount			
Month	**AV Commission Paid**	**Salt Palace Commission received**	**Difference between AV Contractor and Salt Palace**
Jan	42,759.61	40,497.11	2,262.50
Feb	10,893.37	10,893.37	-
Mar	27,838.57	27,361.97	476.60
Apr	22,527.63	-	22,527.63
May	39,435.25	-	39,435.25
Jun	8,092.39	8,092.39	-
Jul	34,854.51	34,854.51	-
Aug	23,651.57	12,621.57	11,030.00
Sep	60,364.33	53,247.84	7,116.49
Oct	21,577.21	-	21,577.21
Nov	12,032.52	-	12,032.52
Dec	11,094.82	28,826.46	(17,731.64)
Totals	**315,121.78**	**216,395.22**	**98,726.56**

AV commission reported as paid did not match Salt Palace records of commission received.

As shown above, only three out of the twelve months reconciled. It is clear that the AV contractor accounted for more commission than was actually paid to the Salt Palace. A total difference of 98,726.56 is shown in the table. Discussions with the AV contractor general manager revealed that accounting errors were made in 2015 and as a result, commission payments were held. We determined that the financial accounting information provided by the AV contractor did not adequately support the payments submitted to the Salt Palace.

GASB Concepts Statement No. 1, "Objectives of Financial Reporting," Paragraph No. 62 under, "Characteristics of Information in Financial Reporting," states:

> ***"Financial reporting is the means of communicating financial information to users. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability."***

Additional clarification is given under **Paragraph No. 64, "Reliability:"**

> ***"Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive. Nothing material should be omitted from the information necessary to faithfully represent the underlying events and conditions, nor should anything be included that would cause the information to be misleading."***

The AV contractor management stated that their accounting system was designed for another type of operation and not specifically to the needs of Salt Palace operations and requirements. Nevertheless, when accounting records are not reliable, there is an increased risk that internal controls over the recording of financial information are either not established or not working as intended. Consequently, there is a diminished reasonable assurance that transactions were executed properly and in accordance with applicable contracts and standards.

RECOMMENDATIONS:

We recommend that the Salt Palace:

1. ***Allow the Salt Lake County Auditor's Office to assume the responsibility of performing the agreed-upon procedures engagement for Utah Foods.***
2. ***Amend the contract between the Salt Palace and Western Foods to include the lower concession commission rate for "move-in" days.***
3. ***Work with the AV contractor to correct accounting errors made in 2015.***
4. ***Work with the AV contractor to implement controls that would prevent subsequent errors and discrepancies between accounting records.***

Section Four: Security Issues

Finding 8: An anonymous letter's allegation of theft was not confirmed.

An anonymous letter was sent to the Salt Lake County Auditor's Office alleging that SMG employees were taking vendor and department items from the Salt Palace. The letter claims that the individuals stealing items were friends with security and would steal the items by hiding them in trash bags and then placing the items in camera "blind-spots" to be retrieved at another time.

Multiple SMG employees holding various positions within the company were interviewed about the alleged thefts. The employees interviewed were not aware of any custodial employees having anything more than a professional and cordial relationship with security staff. As an additional preventative measure to deter theft, custodial staff use clear plastic bags that allow others to see a bags contents.

SMG "Company Property Policy" states:

> ***"Employees are never permitted to take items that have been left behind at the facility. This includes items that may have been disposed of by vendors, exhibitors, other employees or guests. Should a vendor, exhibitor, other employee or guest offer you items, you must decline acceptance based on company policy."***

SMG employees are interviewed individually by the head of security who explains the policy on property removal in detail. The hardcopy policy is signed by each staff member and kept on file.

At one time, union or contract workers, who are not Salt Palace employees but who help in event setup and other tasks, were not required to follow Salt Palace policy but are now required to do so. Whereas union workers were once allowed to accept free items from vendors and exhibitors, they can no longer accept any samples or merchandise. It is now prohibited for anyone to accept or take any items from the Salt Palace facility.

In 2015, Salt Palace security reported incidents of theft by SMG employees, Union workers, and Utah Foods employees. These incidents were documented by security reports, demonstrating Salt Palace Security's desire to enforce its policy prohibiting individuals from removing items from the Salt Palace. Only two instances of theft appeared to be significant, and both were committed by the same employee within the same time frame.

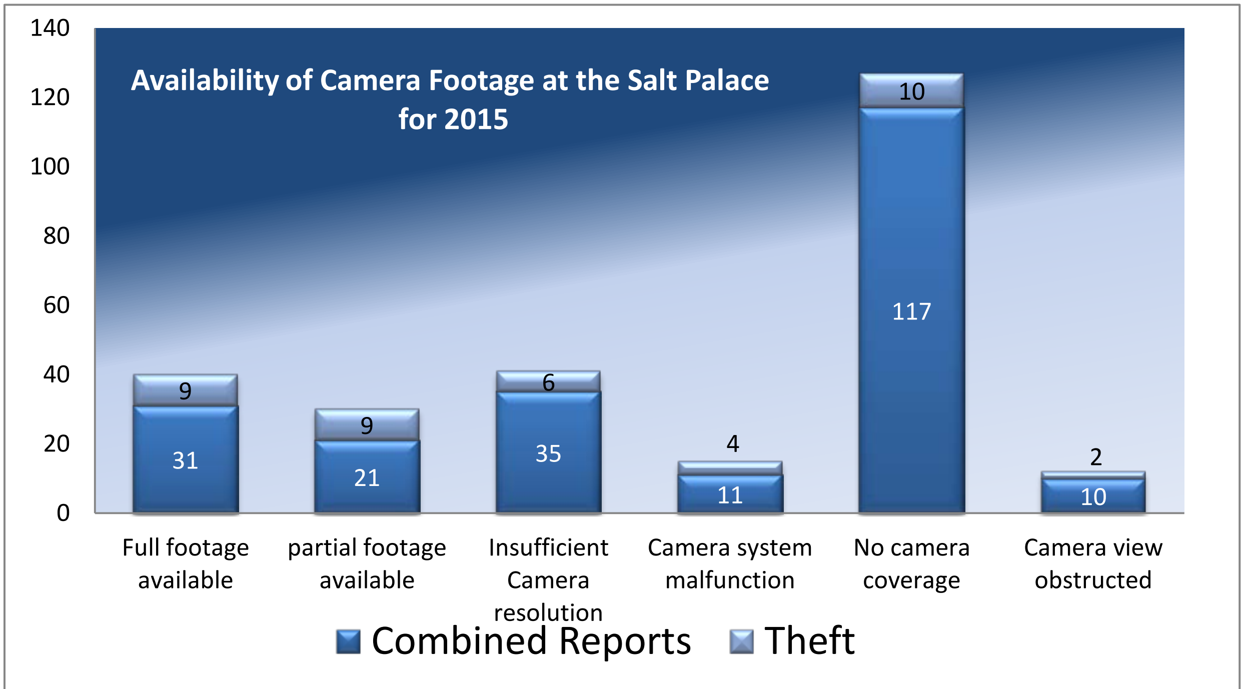
Interviews with Salt Palace security did not indicate that full time security staff would assist an individual in committing theft, as the anonymous letter alleged. We observed that security staff were professional and focused on providing a high level of service to meet Salt Palace security needs.

Finding 9: Security camera footage was not regularly available.

A 2015 report detailing security camera availability was provided by Salt Palace security staff. The report identifies 265 incidences of damage, medical emergencies, confrontation, "other," and theft. Theft accounted for 40 of the 265 incidences. The report provides data on the quality of images to capture these thefts and other types of events just described. Image quality is categorized in one of the following six ways: Full video coverage, partial footage, insufficient resolution, camera malfunction, incidents with obstructed views, or no camera coverage.

Figure 4 shows the number of thefts and other types of events in each of these camera view categories. The top section of each bar represents incidents of theft only, and the remainder relates to other incidence types collectively, described as "Combined Reports."

Figure 4. Availability of Camera Footage at the Salt Palace for 2015.



*Combined Report data was provided by Salt Palace Security for reports listed as damage, medical, confrontation, and other.

Most events had no camera coverage to record their occurrence.

Interviews with security staff indicated that in 2015 the security camera system would randomly drop the live feed, crash, "greyout," or otherwise malfunction, limiting the use of security camera features in some instances, and causing complete or partial loss of footage in others. Although the installation contractor was able to resolve some problems, other system errors remain unresolved.

The Salt Palace Security Manager in an email to our staff stated the purpose and expected outcomes of security cameras as follows:

> ***"They capture or can capture events of importance relating to thefts, assaults or any crime in general that relates to our building. It provides everyone with an understanding that all of your actions are being filmed at all times. … We are able [to] track and capture events that take place at our facility without failure."***

When security cameras malfunction, there is an inability to identify and address risk to the safety of Salt Palace staff and patrons, as well as a risk of vandalism or other anti-social behavior going undetected. Without surveillance and/or recordings, key details accurately depicting incidents may not be available.

RECOMMENDATION:

We recommend that the Salt Palace:

Evaluate possible solutions to the current issues with the security surveillance system to ensure surveillance and recordings are available, and cameras function as designed.

Section Five: Cash Handling

Finding 10: Adequate controls were not in place to safeguard the receipting, recording, depositing, and transfer of Box Office funds.

In 2015, the Salt Palace had six events that required special box office services. Tickets were purchased at the event and given at the door for admission. The handling of the ticket sales at the box office was contracted out by the Salt Palace. Event promoters in turn made contracts with the Salt Palace agreeing to the box office services that were provided by the contracted ticket seller. All sales were applied to charges for the event and any profit was made payable to the promoters.

Cash deposits for these events ranged from $24,706 to $81,438. Only tickets were provided when a sale was conducted, and cash was kept in a cash box. A reconciliation of the number of tickets sold to the cash collected was performed at the end of the event. A summary report was provided to the promoter and the Salt Palace. After the reconciliation, the money was prepared for deposit and either deposited by the contractor or transferred to the Salt Palace for deposit.

We found that inadequate controls were in place for the receipting, recording, depositing, and transfer of the cash that was collected. The following outlines how funds were receipted, recorded, deposited and transferred:

- Funds were kept in a cash box and not in an electronic cash drawer.
- Receipts were not provided for each sale.
- Electronic records of transactions were not documented.
- Deposit documentation only showed a summary of sales combining all tender types.

- Deposit documentation did not show proper balancing and reconciliation procedures.
- Only 1 out of 6 summaries had a signature from the box office contactor indicating accountability of proper balancing and reconciliation of funds.
- Funds were transferred to the Salt Palace without record.

Countywide Policy #1062, "Management of Public Funds," Sections 2.4.1.3, 2.4.1.3.1, and 2.4.1.3.2 state:

> ***"If total receipts per day exceeds $1,000, or the number of transactions processed is 100 or more, then Agency Management shall provide an on-line register with the following features: A cash drawer for each terminal that automatically opens when a sale or transaction is completed. The capability to generate a report of all transactions by amount and transaction number, both by individual cashiering station, and by all cashiering stations combined, and to designate whether funds receipted were in cash, check, or payment card."***

Also, **Policy #1062 Section 3.8.1.1** states:

> ***"If a cashier is not required to balance their individual cash drawer, an MPF Form 7A, Fund Transfer Receipt, or similar form shall be completed to document the transfer of funds to the employee performing the balancing procedure."***

When adequate controls are not in place to safeguard receipting, depositing, and transfer of funds, there is an increased risk of not having proper oversight on transactions, thereby weakening internal controls and decreasing the reasonable assurance that transactions were executed properly and accordance with applicable statutes, ordinances, and policies.

Finding 11: The check register database had inadequate user access controls.

While reconciling event payments from clients made to the Salt Palace, we found that the check register access database had inadequate user access controls. The database is used to log remitted check and cash funds for payments on account receivables, box office revenue, and other monies received in the administrative office and deposited by the Salt Palace. Parking and Business Center receipts are not entered into this database.

The earliest entries found in the database were from January 2012. Entries labeled as cash were as low as $0.92 and as high as $74,365. Checks logged into the database ranged from $0.21 to $484,109. A total of 2,154 records were generated at the time we reviewed the database.

We found that the check register was at least accessible by three users: an administration assistant, director of finance, and database administrator. Access database controls were not in place to:

- Limit access
- Create different users

- Manage user permissions
- Record the user that made the log entry

Standard practice for application based access controls focuses mainly on identification/authentication, authorization, access approval, and accountability. Essentially, only legitimate users have access, user permissions are specified and enacted, and records are kept showing user actions. Additionally, the International Organization for Standardization sets forth access control standards for IT systems, networks, applications, and information in ISO/IEC 27002:2013, Chapter 9 Access Controls.

When access controls are not in place for an application that stores financial information, there is an increased risk that the information could be erroneously altered, inappropriately accessed, or even purposefully manipulated.

Finding 12: Parking cashiers did not always complete an individual balance sheet.

Individual balance sheets are used by cashiers to count their cash receipts at the end of their shift. This allows management to determine how much cash was taken by employees during their shift as well as any overages or shortages that occurred. The amount counted and entered on the balance sheet is compared to the point-of-sale system total to arrive at an over, short, or no difference in balancing. The cashier is required to sign the balance sheet to verify they have counted the cash and establish personal accountability over it. The supervisor should sign to verify they have reviewed the count.

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1 states:

> ***"All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit, using MPF Form 3A, Cash Balance Sheet, or a similar form developed for and produced by the specific agency."***

During our audit we reviewed a sample of 208 individual cash drawer reports throughout 2015. Of these, 16 contained an individual balance sheet that had not been filled out by a cashier. This makes it more difficult for the supervisors on shift to accurately reconcile the daily deposit with receipt records. In addition, these balance sheets lacked a supervisor's signature, leaving no indication that oversight had occurred. When a cashier fails to fill out a balance sheet, the risk increases that funds will be lost or stolen.

Finding 13: The Business Center point-of-sale system did not provide receipts for voided transactions.

Review of the Salt Palace Business Center's cash register tapes of daily transactions showed that voids occurred; however, voided receipts were not included with the daily deposit documentation. When asked about the missing void receipts, Business Center management explained that receipts cannot be printed for a voided transaction. Management also explained that a void can only be made after entering a code only known to the manager and supervisor. Although entering a code would provide one form of control, the cause and resolution cannot be documented, nor attached to the daily cash balance sheet for audit purposes.

Countywide Policy #1062, Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

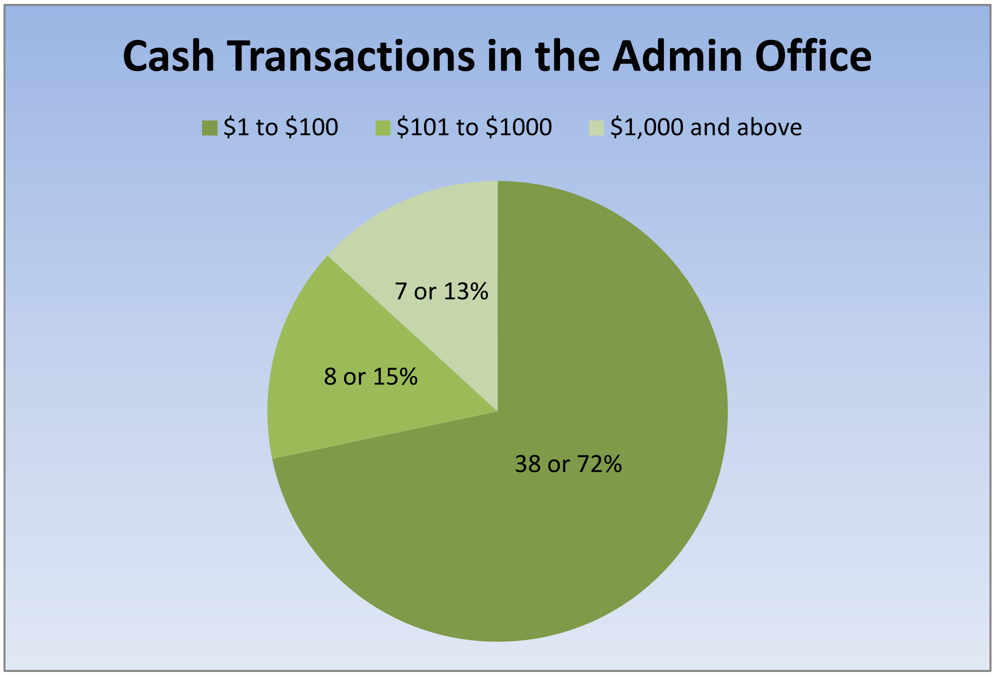
> ***"...The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution... A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."***

Without evidence of supervisor review and an explanation of the voided transaction, voided receipts could easily be used to conceal theft of funds.

Finding 14: Certain cash transactions at the Salt Palace were not documented with a receipt.

We examined and reconciled 2015 cash transactions that were not related to the Business Center and parking operations at the Salt Palace. Typically, these payments are made in the Salt Palace administrative office. A total of 53 transactions were identified and 52 were reconciled with the Salt Palace depository bank account. The other transaction was a double entry error made in the accounting records. Figure 5 illustrates the 2015 cash transactions:

Figure 5. Cash Transactions in the Admin Office



Most transactions involving cash paid in the administrative office were in amounts less than $100.

We reviewed detailed documentation on all 52 cash transactions and found that only two manual receipts were issued in 2015. Our discussions with Salt Palace finance staff revealed that not all of the cash transactions that occurred in 2015 were conducive to issuing manual receipts. For example, funds were periodically removed from a vending machine for deposit or occasionally box office funds were transferred to the Salt Palace by those contracted to handle box office sales. However, other instances were conducive to documenting manual receipts. At times parking tickets were paid, clients paid a small deposit, or other payments were made in person at the administrative offices.

Countywide Policy #1062, "Management of Public Funds," Section 3.1.2 states:

> ***"All persons remitting payments in the form of currency, check, money order or other negotiable instrument; or by payment card to Salt Lake County, in person 'over-the-counter,' shall be issued a receipt documenting the payment."***

When receipts are not issued to document a payment, there is an increased risk of inaccurate receipting and accounting of funds. Additionally, accountability is not established, thereby increasing the risk of funds being lost, stolen, or diverted for personal use.

RECOMMENDATIONS:

We recommend that the Salt Palace:

1. ***Require the box office ticket contractor to implement a system that separately accounts for, reports, and segregates cash collected at the gate, as opposed to payment card payments.***

2. ***Require the box office ticket contractor to present a form to the administrative office showing the contractor's cash count compared to the count recorded in their receipting system.***
3. ***Implement access controls on the check register access database by using the security wizard option and setting user/group accounts and permissions.***
4. ***Keep a record of the user making entry into the check register by creating an additional field that logs the user name.***
5. ***Ensure that all parking area cashiers complete an individual balance sheet at the end of their shift and that supervisors sign the balance sheets as evidence of review.***
6. ***Document an explanation of Business Center voided transactions and require a supervisor to sign the voids as evidence of review.***
7. ***Document payments with a manual receipt when applicable to the situation.***

Section Six: Recording of Transactions

Finding 15: Salt Palace revenues recorded in PeopleSoft were not broken down into detailed categories.

We reconciled revenues recorded in the Salt Palace general ledger with those recorded in the County financial system PeopleSoft. Revenues matched to PeopleSoft records except for an immaterial amount of $23,486, which could be due to timing in reporting financial information. Revenues recorded at the Salt Palace included rental revenue, parking, box office, catering commission, electrical contractor's commission, audio/visual commission, and other categories. County records simplified all Salt Palace revenues into one account called Rent and Concessions Revenue.

We discussed the County's recognition of revenue with the Community Services Department fiscal administrator and she explained that it was decided to simplify recognition to represent an arms-length transaction between the County and SMG, the Salt Palace management contractor. However, expenditures reported under the same Salt Palace fund are not simplified to represent an arms-length transaction. Consistency is a basic characteristic of financial reports in governmental accounting.

GASB Concepts Statement No. 1, "Objectives of Financial Reporting," Paragraph No. 62 under, "Characteristics of Information in Financial Reporting," states:

> ***"Financial reporting is the means of communicating financial information to users. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability."***

Additional clarification is given under **Paragraph No. 67, "Consistency:"**

"Financial reports should be consistent over time; that is, there is a presumption that once an accounting principle or reporting method is adopted, it will be used for all similar transactions and events."

We also found that the account description of "Rent and Concessions" did not adequately represent the arms-length transaction that occurred between SMG and the County. The County contracts with SMG to manage the operations of the Salt Palace. Revenue received should be properly categorized and described as "Operating Revenue."

GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section," Paragraph No. 10 under, "Information about Changes in Net Assets," states:

"Governments should present the following information separately for governmental activities and business-type activities: expenses by function, program, or identifiable activity; program revenues by category (charges for services, operating grants and contributions, and capital grants and contributions); total net (expense) revenue; general revenues and other changes in net assets by type; and total change in net assets. Governments should also present individually their most significant charges for services revenue, categorized by function, program, or identifiable activity."

When financial reports are not consistent, there is an increased risk that financial information could be reported incorrectly. This could result in negatively affecting stakeholder decision making based on that financial information.

Finding 16: Some Salt Palace revenues and expenses were recorded by the County in later periods than incurred.

Salt Palace management prepares a monthly report of their revenues and expenses. This report is sent to the Community Services Department, which oversees the Salt Palace, from where it is recorded into the County's general ledger. During our audit we discovered several instances of revenues and expenses being recorded by the County in a different period than incurred. Table 3 shows revenues dated in the Salt Palace's reports and the dates they were recorded by the County.

Table 3. 2015 Revenue Timing Differences.

2015 Revenue Timing Differences				
Revenue Amount		Per Salt Palace GL	Per County GL	Excess Months
$	959,826.66	January	May	4
$	941,333.38	February	June	4
$	1,223,020.31	March	June	3
$	680,418.41	April	June	2
$	797,168.30	May	July	2
$	823,249.97	June	July	1
$	1,102,237.44	July	October	3
$	1,140,966.61	August	October	2
$	1,443,030.49	September	October	1
$	992,986.19	October	November	1
$	585,813.54	November	December	1
$	309,412.48	December	December	0

Revenues were recorded later than the month incurred in 11 out of 12 months.

Statement No. 34 of the Governmental Accounting Standards Board states:

> ***"Financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measureable …"***

Management stated that their busy schedule prevented them from timely recording of these amounts. When revenues and expenses are recorded in the wrong period, revenue and expense reports cannot be reconstructed for the period in which they occurred. This may create difficulty in determining the current economic resources required for the entity to operate efficiently.

Finding 17: The balance in the Advance Deposits account was inaccurate by $1,480 in recording activity within the County PeopleSoft balance sheet.

The ending balance dated December 31, 2014 for the Salt Palace's account "Advance Deposits" did not match the beginning balance dated January 1, 2015. It had an overstated credit of $1,480.

Countywide Policy #1060, "Financial Goals and Policies," Section 7.2 states:

> ***"The accounting system shall maintain records on a basis consistent with generally accepted accounting principles (GAAP) for local government accounting and the Uniform Fiscal Procedures Act for Counties."***

Beginning and ending balances that do not match lead to a perpetual imbalance that creates inefficiency in the need to research and correct the difference.

Finding 18: Payroll names were not consistently recorded in the payroll record.

The master payroll dated December 31, 2015 had a total of 435 employees listed. Of those, 117 were duplicated employee names. In addition, 54 of the duplicated names had 2015 payroll activity recorded in them. For example, the name of Donald Jones could also have been recorded as Don Jones, with payroll activity recorded in both instances, even though the names represented the same individual. We are not implying inaccuracies or duplicate payments, though we note that our work did not focus on uncovering any such payments.

Best practices follow government issued IDs as the basis for recording employee names.

Consistent recording of employee names in the payroll system will avoid errors that could impact employee records and reporting.

RECOMMENDATIONS:

We recommend that the Community Services Department management:

1. ***Record Salt Palace revenues and expenses in the period in which they become available and measurable.***
2. ***Report revenue in additional categories within PeopleSoft as determined to comply with Government Accounting Standards Board requirements.***
3. ***Change the account description of "Rent and Concessions Revenue" to "Operating Revenue."***

We recommend that the Salt Palace:

1. ***Investigate and correct the $1,480 error in the Advance Deposits account.***
2. ***Record employee records in the payroll system from government issued IDs.***

Section Seven: Capital and Controlled Assets

Finding 19: Assets that exceeded the threshold for capitalization were not found on the capital asset list.

We reviewed the Salt Palace controlled asset list and found 11 items with a purchase cost greater than $5,000 that were not on the County's capital asset list.

Countywide Policy #1125 "Safeguarding Property/Assets," Sections 2.2 and 2.2.8, under Property Manager's Duties, state that property managers...

> ***" … remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following: Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and fixed assets are tagged and capitalized..."***

Capital assets not listed on the capital asset list cause the balance sheet to be misstated, do not reflect true operational activity, and lack the added monitoring provided by Mayor's Financial Administration.

Finding 20: Records were not maintained of the current physical location of all Salt Palace controlled assets

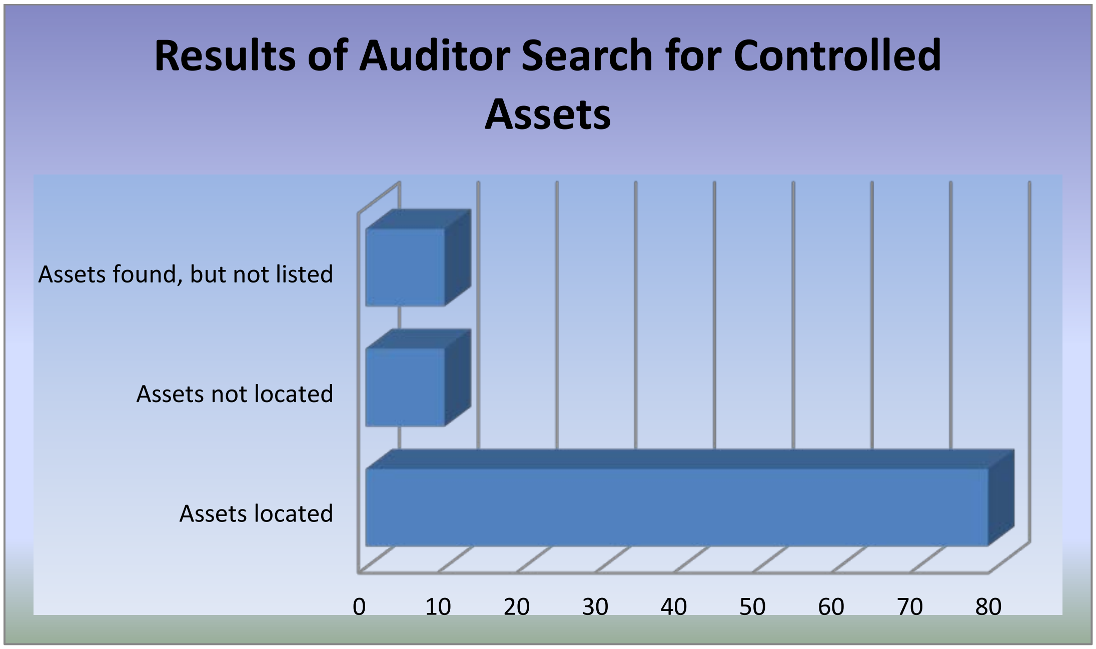
We selected a sample of 89 controlled assets to verify presence and ensure the proper listing of location. We located 79 of these assets but could not find the other 10. In addition, we identified 10 assets on-site that were not included on the controlled asset list.

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.3, under Property Manager's Duties, property managers are responsible to:

> ***"Maintain records as to current physical location of all...controlled assets within the organization's operational and/or physical custody."***

Figure 6 shows the number of controlled assets located, not located, and not listed.

Figure 6. Results of Auditor Search for Controlled Assets.



We located most controlled assets but could not find 10, and found another 10 not documented.

When records are not maintained as to the current physical location of controlled assets, employee accountability is not established, asset inventories are more difficult to perform, and theft of assets is more likely to occur and remain undetected.

Finding 21: The Controlled Assets – Employee form was not used.

The "Controlled Assets Inventory Form - Employee" was not used to manage controlled assets readily assignable to an individual.

Although the Salt Palace uses a documentation process similar to the County's "Controlled Assets Inventory Form-Organization," a form similar to the "Controlled Assets Inventory Form–Employee" was not used to manage controlled assets that were used by and readily assignable to individual SMG employees.

Countywide Policy #1125, "Safeguarding Property/Assets Sections 4.3 and 4.3.1 state:

> ***"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) … [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."***

Additionally, **Policy #1125 Section 2.8** states:

"This policy shall apply not only to all County organizations, but also to all entities who by contract have responsibility to manage County-owned property of the nature subject to the policy."

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

RECOMMENDATIONS:

We recommend that the Salt Palace:

1. ***Coordinate with Mayor's Financial Administration to update the capital asset list to include all assets with a purchase price of $5,000 or more.***
2. ***List all controlled assets on the controlled asset list and include the physical location.***
3. ***Use the "Controlled Asset Inventory From-Employee" to manage controlled assets readily assignable to an individual.***

CONCLUSION

The Calvin L. Rampton Salt Palace Convention Center conducts and records numerous financial transactions and manages many assets in fulfilling its role to the community. Our findings reported here require attention and should be addressed to improve and help ensure the integrity of operations. Overall, though, we found effective operational practices and compliance with sound internal controls to provide for an environment where theft is less likely to occur.

We found that collected funds recorded in 2015 were deposited in the bank. We found that disbursements recorded, either by check or electronically, were posted in the bank statement, and bank statements did not include any disbursements from the operations account not recorded in Salt Palace records.

Theft of equipment from the Salt Palace has occurred, but personnel focus on isolating, reporting, and ultimately preventing future cases. Specific instances of theft reported in an anonymous letter to our office were not confirmed by us.

Additional attention to some outside contractors is required to ensure they remit accurate commission payments to the Salt Palace. As always, cash is most vulnerable to theft, and therefore, box office receipts require particular attention to ensure their integrity and deposit into the bank account

SALT PALACE MANAGEMENT RESPONSE TO AUDIT

CALVIN L. RAMPTON
SALT PALACE
CONVENTION CENTER
A SALT LAKE COUNTY FACILITY

May 13, 2016

Mr. Scott Tingley, CIA, CGAP
Salt Lake County Auditor
2001 South State Street N3-300
Salt Lake City, UT 84190-1100

Dear Mr. TIngley,

Mr. Larry Decker and staff conducted a performance audit of the Calvin L. Rampton Salt Palace Convention Center during the first quarter of 2016. We always appreciate working with Mr. Decker and his team. We find them to be extremely professional in their operation and appreciate their efforts in minimizing impact to our ongoing operations and their insightful review of our practices.

Mr. Decker provided us opportunity to provide a formal response to each finding which you will find below. We appreciate this opportunity to respond and the due date extension provided. If you have any questions, please do not hesitate to contact me at your convenience.

Best regards,

Daniel Hayes

Daniel Hayes
General Manager – SMG
Calvin L. Rampton Salt Palace Convention Center

SMG

Section One: Financial Trends

Finding 1: Revenues and expenses have increased in the past five years.

We do not disagree with this finding as revenues and expenses have increased in the past five years. We do recommend that the exclusion of costs in the analysis ("large capital expenditures for equipment and building modification, overhead, and indirect costs") be noted on Figure 1 by way of footnote.

Finding 2: Fund balance transfers were routinely made to the Salt Palace.

This finding resulted in a recommendation to the Community Services Department.

Section Two: Issuing of Checks

Finding 3: Some payments to vendors lacked supporting documentation and authorization.

The Salt Palace Convention Center does not maintain a checking account to satisfy debt. The checking account used is for the payment of operating expenses.

Regarding the check for $26,280 and related concerns of supporting documentation and the general manager's signature; the General Manager did sign the check for this disbursement. The documentation regarding the disbursement should have been included with the disbursement request but was located in other electronic files. We agree the backup documentation should be included with the disbursement request.

Regarding the six transactions totaling $130, these were for Stamps purchased off of Stamps.com. They do not prepare invoices, they provide receipts. Our files included those receipts.

Regarding the $921 reimbursement, we agree that a second signature from the GM should be included. We will adjust practices to include this as a requirement.

Finding 4: A newly purchased tablet computer was not documented in the controlled asset list.

We do not disagree on this finding, this tablet should have been and will be added to the controlled asset list.

Section Three: Contracted Services

Finding 5: Utah Foods correctly remitted their commission to the Salt Palace based on the percentage of revenues stated in the contract.

The catering and concession contract is held between Salt Lake County and Utah Food Services (UFS). SMG acts as the contract administrator on behalf of the County, however the decision to allow the Salt Lake County Auditor to act as the external audit firm to conduct an agreed upon procedures audit with UFS should be left as a decision to be made by the contractual parties. As the agreed upon procedures audit is a contractual term within the business agreement between Salt Lake County and Utah Food Services, we are uncertain if the Salt Lake County Auditor's office would qualify as an "external audit firm".

Finding 6: A lower commission rate for certain sales was not explicitly stated in the contract between Western Foods and the Salt Palace.

We feel the catering and concessions contract should be updated in the future for exceptions on a case by case basis where commission may be adjusted for the best interest of the County and Salt Palace clients.

Finding 7: Audio visual contractor accounting records for commission paid did not match Salt Palace records.

We disagree with the assessment of the audit report that the finding of commissions paid did not match Salt Palace records. The attempt to match commissions earned with commissions paid did not consider payments received in 2016 for 2015 business. One payment in January 2016 for 2015 business was $62,082.88. There were also adjustments to commissions earned in 2015 and corrected in 2016. We will continue to investigate and reconcile these differences with the audio visual contractor.

Regarding the calculation of net price and the commission rates used, we have reached out to the audio visual contractor and are seeking further explanation of these variances. In a preliminary meeting we found some discrepancies and believe a number of these issues are related to the design of the worksheet provided the auditors and that the data was not complete. We intend to continue to investigate these discrepancies and resolve the differences.

Section Four: Security Issues

Finding 8: An anonymous letter's allegation of theft was not confirmed.

We have no further comment on this finding but appreciate the efforts put forward to investigate.

Finding 9: Security camera footage was not regularly available.

We agree to this recommendation and will continue to work with the camera system manufacturer and installer to improve camera footage quality.

Section Five: Cash Handling

Finding 10: Adequate controls were not in place to safeguard the receipting, recording, depositing, and transfer of Box Office funds.

The basis for this finding is Countywide Policy #1062, Management of Public Funds. This specific cash handling scenario is a service provided to a client where client funds, i.e. box office revenue, is handled by way of service contract by a sub-contractor of SMG. In this regard, we have not considered these funds as falling within the scope of public funds. These are funds that are within the control of the client. A client can also choose to use SMG for box office services, elect to do it themselves, or contract the service out to an outside party.

In an interest to provide service levels to our clients of the highest cash handling standard, we intend to research the cost of electronic cash registers to understand if these would be cost prohibitive to continuing this service.

Finding 11: The check register database had inadequate user access controls.

We feel that the individuals who have access are those that have user responsibilities and management responsibilities that are necessary to their job functions. Access is not extended such that there is inadequate controls over this database. We appreciate this review and keeping access control to financial databases top of mind.

Finding 12: Parking cashiers did not always complete an individual balance sheet.

We contend that a Daily Sales Report is completed by cashiers at the end of each shift. This report requires two signatures, one from the cashier and a second from the supervisor. On the back of the Daily Sales Report is a form called a Daily Cash Accountability Form. We presume this to be what the auditors are referencing when they describe a "balance sheet". This Accountability Form facilitates the counting of cash by denomination. There are normal occurrences where this form many not be completed. Some of those circumstances include when summary sheets are completed by the supervisor that totals shift cashier reports to a single form, and another example is when a cashier only collects credit card payments throughout the shift. There may also be the occasion where the Accountability Form is not completed but the Daily Sales Report is without uncertainty still required. While this circumstance is not ideal and not consistent with training and practice, we do question its materiality to be raised to the level of a "finding".

Finding 13: The Business Center point-of-sale system did not provide receipts for voided transactions.

Although the system does not produce a void receipt, we can reprint the original receipt and then write void on it and include it with the daily sales activity. As a note, the daily cash report produced by the point –of-sale system does produce a line for that day's total void receipts. Also, a manager can produce a summary schedule of void receipts for any date period they select.

We are currently in the process of looking for a different point –of-sale system. We will investigate the option of printing void receipts with the new systems we review.

Finding 14: Certain cash transactions at the Salt Palace were not documented with a receipt.

We have instituted a receipt process for infrequent payments for such things as parking violations. These should be used and we agree they were missed. We will train individuals that may receive these payments to improve our performance in this area.

Section Six: Recording of Transactions

Finding 15: Salt Palace revenues recorded in PeopleSoft were not broken down into detailed categories.

We will discuss this finding with the Salt Lake County Community Services Director and fiscal administrator to determine if any changes are requested.

Finding 16: Some Salt Palace revenues and expenses were recorded by the County in later periods than incurred.

We will discuss this finding with the Salt Lake County Community Services Director and fiscal administrator to determine if any changes are requested.

Finding 17: The balance in the Advance Deposits account was inaccurate by $1,480 in recording activity within the County PeopleSoft balance sheet.

We disagree with this finding. The balance sheet amount noted that the beginning balance for January 1, 2015 was a preliminary statement and has been subsequently corrected. A payment that was applied to advanced deposits should have been posted to A/R control. When this was corrected, the beginning balance for January 1, 2015 matches the ending balance of December 31, 2014.

Finding 18: Payroll names were not consistently recorded in the payroll record.

We were not made aware of the audit procedure that auditors were going to perform on the report we gave them. The report we provided was not intended to represent how employee names were entered into the payroll record. This report was simply a downloaded list of payroll information placed into an excel spreadsheet. The data for the full year was not available because of and upgrade in the ADP Enterprise EV4 system to Enterprise EV5. In the new EV5 version, this downloaded report was not yet available at the time of request. In an effort to fulfill the generic request, SMG's payroll clerk took the last report ran from the EV4 system and entered the data in manually for the final pay periods. In that process she entered the names with an extra space, comma or a slight difference in the name for a few of the employees. If we had understood the interest for this information by the auditors we would have described our challenge and provided the partial year that was available to us from the EV4 system. We currently enter names into the payroll system by referencing government issued IDs.

Section Seven: Capital and Controlled Assets

Finding 19: Assets that exceeded the threshold for capitalization were not found on the capital asset list.

The fixed asset list is maintained by the County and assets are added by a purchase by the county and subtracted by a PM2 form prepared by Salt Palace management. Further investigation needs to be done in order to determine why these assets were not on the County Fixed asset listing. We will pursue this discussion with the appropriate persons at Salt Lake County.

Finding 20: Records were not maintained of the current physical location of all Salt Palace controlled assets.

Our controlled assets have been identified to a department responsibility as opposed to a location because they are constantly in transit throughout the facility. We can attempt to assign locations where practical, but disagree with having a fixed location on all assets and feel that a department assignment best meets the requirements.

Finding 21: The Controlled Assets – Employee form was not used.

We were unaware that a “Controlled Assets Inventory Form – Employee” existed, however welcome additional tools that can assist us in managing the controlled assets located at the Salt Palace Convention Center.

COMMUNITY SERVICES DEPARTMENT MANAGEMENT RESPONSE TO AUDIT

Community Services Department Management Response

<table>
<tr><th>Finding Referenced</th><th>Recommendation</th><th>Management Response</th></tr>
<tr>
<td>2.1</td>
<td>We recommend that Community Services Department management further explore the $2.2 million subsidy to the Salt Palace to provide greater transparency into its calculation and use.</td>
<td>
The Salt Palace operational budget is prepared annually based on direction from the Mayor’s office and projected activity in the facility. The Community Services Department then meets with each division to vet new initiatives, review documentation for transparency, and ensure alignment with the Mayor’s budget direction. Historically, the budget direction has called for flat or reduced operational subsidies depending on the structural balance of the funds, Mayor’s priorities and revenue projection. Furthermore, the Community Services Department has attempted to fund new initiatives through the generation of new operating revenue.
The Community Services Department management met with Mayor’s Financial Administration to discuss the $2.2 million subsidy. The operational subsidies are reviewed annually by Mayor’s Financial Administration. They are based on Council approved operational budgets. The transfers plus use of fund balance, if necessary, are intended to cover the expected shortage when budgeted expense exceeds projected revenue. Below is a five year history of operational budgeted revenue and expense.
<table>
<tr><th></th><th>budgeted revenue</th><th>budgeted expense</th><th>anticipated shortfall</th></tr>
<tr><td>2015</td><td>8,388,327</td><td>11,344,187</td><td>2,955,860</td></tr>
<tr><td>2014</td><td>7,597,914</td><td>11,045,117</td><td>3,447,203</td></tr>
<tr><td>2013</td><td>6,933,723</td><td>10,497,444</td><td>3,563,721</td></tr>
<tr><td>2012</td><td>7,298,531</td><td>9,624,421</td><td>2,325,890</td></tr>
<tr><td>2011</td><td>6,434,719</td><td>9,049,221</td><td>2,614,502</td></tr>
</table>
As shown on this table, the anticipated shortfall was greater than the $2.2 million subsidy each year. The difference is to be covered by available fund balance. Please note that these figures exclude debt service, land purchases and capital projects. These transactions are funded through separate fund balance transfers or financing sources.
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</table>

6.1	Record Salt Palace revenues and expenses in the period in which they become available and measureable.	The Community Services Department management and Mayor's Financial Administration agree that the Salt Palace revenues and expenses should be recorded in the period in which they become available and measurable. Since SMG's contract states that the financial statements are due on the 21st day of the following month, the activity is not available in the month incurred. Once the financial statements are received, the Community Services Fiscal Administrator must reconcile SMG's financial records with the County's PeopleSoft records before the activity can be recorded. Since the Community Services Fiscal Administrator supports eleven divisions, work must be prioritized. However, a part-time temporary was recently hired to assist with this process. Once the activity has been reconciled and is ready to be post, it cannot be back dated to a prior period. The financial periods in PeopleSoft are closed the fourth business day of the following month.
6.2	Report revenue in additional categories within PeopleSoft as determined to comply with Government Accounting Standards Board requirements.	The revenue is not reported in additional categories within PeopleSoft because SMG is a contractor, not an internal division. They are hired to provide management and supervision of activities at the facility. Their services include, "maintaining detailed, accurate and complete financial and other records of all its activities under this Agreement in accordance with generally accepted accounting principles." So while PeopleSoft reports do not include detailed activity, the information is readily available if needed.
6.3	Change the account description of "Rent and Concession Revenue" to "Operating Revenue."	The Community Services Department management and Mayor's Financial Administration agree that the revenue source would be more transparent using the title "Operating Revenue". A new account will be set-up in PeopleSoft to be used beginning in 2016.