



SCOTT TINGLEY
CIA, CGAP

Salt Lake County Auditor

STingley@slco.org

CHERYLANN JOHNSON

MBA, CIA, CFE

Chief Deputy Auditor

CAJohnson@slco.org

ROSSELL ROGERS

Senior Advisor

RRogers@slco.org

STUART TSAI

JD, MPA

Property Tax

Division Administrator

STsai@slco.org

**OFFICE OF THE
SALT LAKE COUNTY
AUDITOR**

2001 S State Street, N3-300

PO Box 144575

Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711

1-866-498-4955 / fax



March 5, 2018

Tiffany King, Facility Manager

Acord Ice Center

5353 West 3100 South

West Valley City, UT 84120

Re: **An Audit of Key Controls at the Salt Lake County Acord Ice Center**
Report Number 2018-MLR-05

Dear Tiffany,

We recently completed an audit of key controls at the Salt Lake County Acord Ice Center ("Acord"). The purpose of the audit was to examine financial records and business processes at Acord to determine if critical internal controls related to cash handling, capital and controlled asset management, and other public funds were properly implemented and functioning as intended to help reduce the risk of loss, theft, or misuse of county assets.

Our work was designed to provide reasonable, but not absolute assurance, that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included Countywide Policies such as **CWP 1203 "Petty Cash and Other Imprest Funds," CWP 1062 "Management of Public Funds," CWP 1125 "Safeguarding Property/Assets," CWP 7035 "Purchasing Card Authorization and Use,"** and Parks and Recreation's internal policies and procedures.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of the Acord Ice Center throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Scope and Methodology

Our audit covered the period from October 1, 2016 to September 30, 2017. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, records, and transactions in the following areas:

- Change Funds
- Petty Cash

- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Procurement Card Transactions and Use
- Merchandise Inventory

The audit objectives, findings, and recommendations, in each of the areas we examined are as follows:

Audit Objectives, Findings, and Recommendations

1.0 Change Funds

Audit Objectives:

- **Determine if the change fund is intact and maintained at the authorized amount.**
- **Determine if the change fund is properly safeguarded against theft or misuse.**

Acord has an authorized change fund amount of \$1,200. This fund is used by cashiers at Acord to make change for customers and patrons who pay cash for services or merchandise. We performed a surprise count of the change fund on November 1, 2017 and compared the total cash on hand with the May 11, 2017, List of Mayor's Imprest Accounts. We found that the change fund was intact and maintained at the authorized amount.

The change fund is adequately secured in a safe. Cashiers track movement of the fund to and from the safe by signing a log that also includes a documented count of the fund each time funds are removed from and returned to the safe. Acord separates its change fund into four different bags and uses a separate bag for each cash register used during the day. We interviewed the staff at Acord and observed change fund balancing procedures and operations. Cashiers enter the change fund amount on their balancing sheets and subtract it from their total drawer count for the day to ensure that the change fund is maintained at the authorized amount.

We noted no significant findings in the area of change funds.

2.0 Petty Cash

Audit Objectives:

- **Determine if petty cash is intact and maintained at the authorized amount.**
- **Determine if petty cash is properly safeguarded against theft or misappropriation.**
- **Determine if petty cash purchases are appropriate (for the intended use of funds) and comply with Countywide Policy.**

Acord has an authorized petty cash amount of \$1,000. Petty cash funds are established to allow County agencies to purchase small-cost items that are of such a nature that the normal purchase order is not cost effective. Countywide Policy currently limits disbursements from petty cash to no more than \$200

per transaction. **CWP 1203, "Petty Cash and Other Imprest Funds,"** outlines the proper management of, and the limitations on using petty cash funds.

We performed a surprise count of petty cash at Acord and found that it was intact and maintained at the authorized amount. Acord did not use its petty cash fund in 2017, but employees did make two purchases with it in 2016 totaling \$19. Since our audit fieldwork, the section manager has instructed the Acord facility manager to relinquish her P-card and use the petty cash fund instead for small item purchases.

We noted no significant findings in the area of petty cash.

3.0 Cash Handling and Daily Deposits

Audit Objectives:

- **Determine if cash handling and depositing practices comply with Countywide Policy.**
- **Determine if daily cash collections and deposits are properly safeguarded against theft and misappropriation.**
- **Determine if there are adequate segregation of duties between cash handling and depositing business procedures.**

Our audit examined whether daily collections, cash handling and depositing procedures at Acord complied with Countywide policies. We also examined whether daily collections were properly accounted for and adequately safeguarded against the risk of loss or theft. **CWP 1062, "Management of Public Funds,"** establishes procedures for receiving, recording, depositing, and disbursing public funds and defines functions and responsibilities to establish and strengthen internal controls over these procedures.

We discussed and reviewed with staff members the cash receipting procedures at Acord with staff members. Cashiers were aware of Countywide Policy concerning the management of public funds, and we found that daily collections were properly safeguarded.

To determine if depositing procedures complied with Countywide Policy, we selected a sample of 50 deposit dates to examine. We verified that receipts were issued for sales transactions, and that amounts collected and documented on the consolidated balance sheet matched the bank deposit slip. Three people signed the consolidated balance sheet, the employee who prepared it, and two other employees who reviewed the count. Collections were deposited no later than three days after receipt in accordance with Countywide Policy.

Overall, we found that depositing procedures at Acord complied with Countywide Policy, and documentation was organized, complete, and accurate. However, we did note two findings.

Our audit findings and recommendations in the area of cash handling and daily deposits were as follows:

Finding 3.1: Cash overages or shortages were not always recorded on Form MPF 11 “Cash Over/Short Log,” as required by Countywide policy.

We examined a sample of 50 deposits for the period October 1, 2016 through September 30, 2017. Of the deposit cash balance sheets in our sample, 11 had cash overages totaling \$21, while 9 had cash shortages totaling \$17 that were not recorded on Form MPF Form 11 “Cash Over/Short Log.”

CWP 1062 “Management of Public Funds,” states that,

“All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF 11, Cash Over/Short Log. When a significant shortage or a pattern of shortages occurs in the accounts of any Cashier, Agency Management shall conduct an investigation of the circumstances and report their findings to the Auditor’s office. This reporting can be accomplished informally by email.” (CWP 1062, 5.3.1 p. 15)

Excessive cash overages or shortages, or not recording cash overages or shortages properly, could be an indication of manipulation daily deposits to conceal theft. When cashiers do not record cash overages or shortages correctly, supervisors could have a hard time identifying unusual patterns or the frequency of cash overages or shortages, due to having to manually inspect each deposit cash balance sheet.

Form MPF 11, provides a key internal control for supervisors to easily identify unusual patterns, or an excessive number of cash overages or shortages attributed to a specific employee. Also, when they are not properly recorded on the form, cash overages or shortages may not be reviewed in a timely manner. We noted that cashiers were sometimes in a rush to close their tills at the end of the day and forgot to record their overage or shortage on the over/short log. However, using the cash over/short log is required by County policy.

Recommendation

We recommend that cashiers record all cash overages and shortages from individual cash balance sheets on a monthly MPF Form 11 “Cash Over/Short Log.”

Finding 3.2: Void slips did not always have a supervisor’s signature, indicating that voided transactions had been properly reviewed and authorized.

In our sample of 50 deposits for the period between October 1, 2016 and September 30, 2017, we found a total of 25 voided transactions, four of which did not have a supervisor’s signature to indicate review and approval of the voided transaction.

CWP 1062 “Management of Public Funds,” states that,

“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.” (CWP 1062, 3.73, p. 7)

Void slips that are not reviewed by a supervisor may provide opportunity for theft of County funds. We noted that the voids occurred during peak hours when customer demands may have diverted the cashier's attention from obtaining approval and a supervisor's signature on the void slips.

Recommendation

We recommend that supervisors review and sign all void slips to indicate that voided transactions were properly reviewed and approved.

4.0 Capital and Controlled Assets

Audit Objectives:

- **Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.**
- **Determine if capital and controlled assets are properly safeguarded against loss, theft, or misuse.**
- **Determine if asset management practices comply with Countywide Policy.**

Our audit included an examination of the management of County property and assets, under Acord's control, that are necessary for the ice center to operate and achieve its organizational objectives. **CWP 1125 "Safeguarding Property/Assets,"** establishes the procedures for the proper management of County capital (long-term) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets. We reviewed capital and controlled asset management procedures with the center manager at Acord.

We obtained a current capital (long-term) asset list for Acord from the County's financial system and noted that the center has five capital assets. We located all five capital assets on-site. Also, we found that center staff conducted and reported their annual capital asset inventory to Mayor's Financial Administration, as required by County policy.

We also obtained the controlled assets list from Acord's Property Manager, which listed 158 total controlled assets. We selected a sample of 30 items from the list and located all of the items on-site.

CWP 1125 "Safeguarding Property/Assets," defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Controlled assets can be susceptible to conversion to personal use, and, therefore, require special procedures to ensure that they are properly safeguarded. The Property Manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody.

During our review, we also examined purchases for items that may qualify to be included on the controlled assets list and identified two hockey nets. We found these hockey nets appropriately documented on the list.

Our findings and recommendations in the area of capital and controlled assets were as follows:

Finding 4.1: The “Controlled Assets Inventory Form – Employee” was not used.

We found that management at Acord were not using the “Controlled Assets Inventory Form – Employee” to track controlled assets that had been assigned to specific employees.

CWP 1125 “Safeguarding Property/Assets,” states that,

“The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. Exhibit 3 - ‘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.” (CWP 1125, 4.3.1 p. 6)

The property manager stated that he was unaware of the requirement to use the “Controlled Asset Inventory Form – Employee” in documenting assets assigned to specific employees. When the employee form is not used, assets receive less monitoring and are thus more subject to theft or loss. In addition, without the form, responsibility could not be readily assigned for any missing assets.

Recommendation

We recommend that the Acord Ice Center Property Manager use the “Controlled Assets Inventory Form – Employee” for assets readily assignable to a specific employee, and that each form is signed and dated by the employee.

5.0 Procurement Card Transactions and Use

Audit Objectives:

- **Determine if purchasing and proprietary cards are properly safeguarded.**
- **Determine if purchasing and proprietary card procedures complied with Countywide Policy.**

During our audit, we examined purchasing card (“p-card”) transactions made by Acord personnel. We identified four employees that had been assigned a p-card at Acord and were authorized to make purchases using those cards. **CWP 7035 “Purchasing Cards Authorization and Use,”** establishes policies for obtaining and using p-cards. The policy also identifies allowable uses for the cards and what are prohibited purchases. In addition, CWP 7035 outlines the proper procedures for reconciling p-card accounts and what actions to take in case the card is lost or stolen or the cardholder either transfers to another department or terminates his or her employment with the County.

We examined a sample of 71 p-card transactions out of 286 made during the period from October 1, 2016 to September 30, 2017. We found that all purchases that we examined were within single purchase limits, all payments included supporting invoices or receipts, and descriptions of items or services on invoices indicated a valid business purpose. Acord has a process in place for management approval of p-card purchases.

We noted no significant findings in the area of purchasing and proprietary card use.

6.0 Merchandise Inventory

Audit Objectives:

- **Determine that separation of duties exists for the purchasing, receiving, and management of merchandise inventory.**
- **Verify that inventory counts are accurate.**
- **Determine if merchandise inventory is safeguarded against loss, theft, or misuse.**

Acord has a pro shop on-site that sells hockey-related merchandise, including hockey sticks and pucks, gloves, and accessories. Center staff conducts quarterly inventory counts of items on-hand and compares the count to recorded totals in the Parks and Recreation point-of-sale ("POS") system software. The POS system count automatically updates for purchases made and items sold, thus providing a perpetual inventory count, or an inventory updated in real time for purchases and sales of inventory items.

Center staff purchase merchandise inventory for the pro shop using their p-cards. The cardholder emails a purchase request form to the facility manager for approval. Statements and receipts are forwarded to the Parks and Recreation administrative accountant for final processing.

Merchandise inventory not displayed on the sales floor is stored in a locked area that can only be accessed by the hockey program coordinator. The pro shop has a full-time cashier and surveillance cameras to monitor employee and customer activity.

We noted no significant findings in the area of merchandise inventory.

Conclusion

We appreciate the time spent by the staff at Acord Ice Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at Acord were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Sincerely,


Scott Tingley, CIA, CGAP
Salt Lake County Auditor

Cc: Martin Jensen, Division Director
Darian Abegglen, Associate Division Director – Recreation

Attachment A: Agency Response

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Attachment A
Agency Response

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Agency Response

Acord Ice Center

Finding 3.1: Till balance sheet overages or shortages were not always recorded on Form MPF 11 “Cash Over/Short Log.”

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that cashiers record all overages and shortages from individual cashier balance sheets on MPF Form 11 “Cash Over/Short Log.”</i>	Agree	Notified front desk employees to enter cash over/shortages in the log after they balance the till. Notified supervisors to confirm entry on the log before signing off the till balance form. Office Coordinator confirming the entry when the deposit is processed.	01/12/18

Finding 3.2: Void slips did not always have a supervisor’s signature.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that supervisors sign void slips to indicate voided transactions were reviewed and approved.</i>	Agree	Notified all employees concerning the void slip procedures. Notified supervisors to confirm the void slip signatures before signing the till balance sheet. Office Coordinator confirming the signatures when processing the deposit. Notified all employees concerning the void slip procedures.	01/12/18

Finding 4.1: The “Controlled Assets Inventory Form – Employee” was not used.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Acord Ice Center property manager use the “Controlled Assets Inventory Form – Employee” for assets readily assignable to a specific employee, and that each form is signed and dated by the employee.</i>	Agree	Building Operations Manager prepared the employee inventory form (provided by auditor) and obtained signatures from merit staff.	01/12/18