

## Salt Lake County Auditor's Office

Craig B. Sorensen, *AUDITOR*



July 28, 1999

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Dear Glen:

We recently completed an unannounced count of the petty cash and change funds at Wheeler Historic Farm. We also conducted a review of the Farm's cash receipting and depositing, fixed and controlled assets, fiscal controls related to specific Farm programs, and performed a controlled payroll distribution at the Farm.

The 1995 agreement that transferred program and concession operations and custody of all historic items from Wheeler Farm Friends (WFF) to the County has had a significant impact on activities at the Farm. Accordingly, Wheeler Farm staff should adhere to the controls outlined in the County's fiscal policies and procedures for the transferred programs. While some controls are in place and working effectively, we found many areas where improvements are needed.

The findings and recommendations we considered most significant are discussed below. Other findings and recommendations were discussed verbally with Farm management and are not presented in this letter.

### ***FISCAL CONTROLS for SPECIFIC PROGRAMS***

We examined existing fiscal controls related to programs that generate significant revenue for the Farm. The programs we reviewed were; Haunted Woods, Facility Rental, Summer Camp, and Hayrides/Tokens, which until the end of 1998 was known as Admissions. Combined, these four areas accounted for almost 70 percent of the Farm's total revenues of \$464,261 in 1998.

Our primary objective in this area was to examine the existence and/or adequacy of fiscal controls such as reconciliations, approvals, and separation of duties for these programs. The most significant findings we identified are:

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- **There were unaccounted for gaps in the consecutive order of Haunted Woods tickets issued from one day to the next.**
- **There is no supervisory review or approval of discounts and price adjustments given for facility rentals.**
- **Procedures for reconciling tokens sold to the amount of money collected for their sale have not been developed.**
- **Annual and tour passes are not properly accounted for.**
- **A lack of controls over Summer Camp collections from last year resulted in the loss of up to \$3,000 in revenue.**

**There were unaccounted for gaps in the consecutive order of Haunted Woods tickets issued from one day to the next.** Haunted Woods cashiers complete a ticket sold reconciliation for each shift they work. On it they list the beginning and ending ticket numbers of the tickets they sold in each of the different price range categories. The amount of money that should have been collected according to ticket sales can then be compared to the amount actually collected.

This control procedure should be continued. However, a cashier could manipulate this system by simply not listing (on the ticket reconciliation form) the actual beginning and/or ending ticket numbers for the series of tickets disbursed to patrons during their shift. The cashier could either sell the tickets not included in the series listed on the form and divert the received funds to personal use or provide them free of charge to certain customers.

To test the integrity of the existing control, we attempted to reconstruct the consecutive order of all tickets sold throughout the event's duration. We found some gaps in the ticket numbers listed on the reconciliation forms from one day to the next that totaled to as many as 600 unaccounted for tickets. While other factors such as ticket printing problems may have caused these gaps, this situation illustrates the importance of accounting for all tickets issued to the cashiers.

#### **RECOMMENDATIONS:**

1. The ticket sold reconciliation form should be modified to include the ticket numbers of the entire series that the supervisor issues to, and that is returned by, the cashiers.
2. The supervisor and cashier should verify the ticket numbers issued and returned in each others presence and then initial the form to indicate their agreement with the numbers listed.

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**There is no supervisory review or approval of discounts and price adjustments given for facility rentals.** When patrons reserve any part of the Farm facility for an event such as a wedding reception, birthday party, or overnight camping, cashiers initiate a contract for the event. At the bottom of this contract there is a payment record section where the cashiers enter payments made for that particular event. These entries can be cross-referenced to entries in the manual receipting system (McBee Cash Receipt Journal) to verify that all payments received have been properly posted.

We reviewed a random sample of these contracts for upcoming events at the Farm and found that a discount or price adjustment was given on eight percent of the events in the sample. There was no indication of a supervisor's review or approval of these adjustments. Without an independent approval process in place, a cashier could easily accept a full payment, indicate that a portion of it was discounted, and divert the difference to personal use.

#### **RECOMMENDATION:**

Any discounts given or price adjustments made should be approved by a supervisor. The supervisor should indicate the approval by initialing next to the entry for the adjustment on the contract.

**Procedures for reconciling tokens sold to the amount of money collected for their sale have not been developed.** As of January 1 of this year, the Farm no longer charges entrance admission. Instead, regular walk-up customers now pay separately for Farm activities they would like to participate in. To facilitate this pay per activity system and limit the number of employees handling money, the Farm sells tokens. These tokens are then used by the patrons to "pay" for activities such as a tractor drawn hay ride or a tour of the historic farm house. Various coupons that allowed free admission are still being accepted. Patrons that present a coupon now receive a specific number of tokens.

The Farm's cash balancing forms have an area that was used to list and account for the number of admissions sold and coupons redeemed. These forms should now be updated to account for token sales. The number of tokens issued to and sold by the cashiers should be closely monitored. If the tokens are not properly accounted for, cashiers would have an opportunity to accept payments for tokens, not ring the transactions in to the register, and divert the received funds to personal use.

In addition to selling tokens at the normal cashiering area, the Farm puts some in a vending machine on the Farm grounds. The number of tokens put into the machine each time should also be monitored and reconciled to the amount of money collected at the machine for tokens.

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### **RECOMMENDATIONS:**

1. A set number of tokens should be issued by a supervisor to cashiers for each shift and the cash balance sheet should be modified to indicate this number of tokens issued to, and the number returned by, each cashier.
2. Cashiers should calculate the number of tokens sold by subtracting the tokens returned to the supervisor and the tokens given out for coupons from the tokens issued to them. Received coupons should be retained and attached to the cash balance sheet.
3. The person preparing the deposit should reconcile the number of tokens sold to the amount collected for tokens according to the cash register Z-tape and completed McBee receipts for each shift.
4. For tokens sold through the vending machine, a maximum number of tokens to put in the machine should be established. Each time money is removed from the machine, the tokens should be replenished only to that maximum amount.
5. The person preparing the deposit should reconcile the number of tokens issued for replenishment to the amount of money collected from the machine for tokens.

**Annual and tour passes are not properly accounted for.** In addition to using tokens, patrons can participate in Farm activities by purchasing an annual pass or receiving a tour pass. Annual passes can be purchased for \$45 and allow patrons unlimited access to Farm activities for one year from the date of purchase. Tour passes are given to customers who come to the Farm for a scheduled tour, usually with some type of group, such as a school field trip.

Currently, the issuance of these passes are not monitored in any way. This being the case, a cashier could sell an annual pass, not receipt the payment, and divert the funds to personal use. Along the same lines, a tour pass could be issued to a group of customers instead of tokens, without anyone else's knowledge. To limit this potential, these passes should be pre-numbered and issued in consecutive order.

### **RECOMMENDATIONS:**

1. Annual and tour passes should be pre-numbered and issued in consecutive order, with their issuance accounted for in a log.
2. Log entries should be reconciled to collections in each category on a monthly basis.

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**A lack of controls over Summer Camp collections from last year resulted in the loss of up to \$3,000 in revenue.** Each summer the Farm conducts a day camp for 6 to 12 year old children. Several months after last year's camp was over, the Program Manager that was in charge of the camp found other employment and left the Farm. Based on staff concerns with the camp's financial controls, the new Program Manager had a reconciliation of camp attendance to payment records completed.

That reconciliation indicated that perhaps as much as \$5,000 more in payments should have been received, based on the attendance records. Notices were then sent to the persons responsible for payment on the accounts where discrepancies were identified. More payments were subsequently received, however, Farm personnel told us that they believe somewhere between \$1,500 and \$3,000 worth of discrepancies were never resolved. They also stated that they believe they cannot place enough confidence in the attendance and payment records to attempt any further collection on the accounts that still appear to be short of paid in full.

Prior to our audit, Farm staff developed new procedures, for implementation on this year's camp, which should address the problems from last year's camp. Specific control measures that were lacking last year but that will be implemented this year include:

- Camp participants will check in at the front desk each day where cashiers will verify their payment status.
- Each participant will have a ledger sheet in their file on which payments will be entered by the cashiers.
- A Farm employee will reconcile the attendance records to the payments listed on the participant ledger sheets on a weekly basis.

These are excellent internal controls that should help eliminate the problems encountered last year. To further strengthen them, the reconciliation process should not be done by a person that does any of the cashiering and the participant ledger sheet entries should be periodically verified against the McBee Cash Receipt Journal. In addition, this process probably could be accomplished much more efficiently if a personal computer with a data base program were used instead of the manual system described above.

#### **RECOMMENDATIONS:**

1. The employee that reconciles attendance records to participant ledger sheet payment entries should not also receipt payments for the summer camp.
2. The employee performing the reconciliation should ensure the validity of participant ledger sheet entries by spot-checking them against entries in the McBee Cash Receipt Journal.

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3. Management should consider using a personal computer with a data base program to track summer camp attendance and collections.

### ***CASH RECEIPTING and DEPOSITING***

During our work, we noted several problems with the Farm's cash receipting and depositing procedures. As we have mentioned in previous audits of Parks and Recreation facilities, we believe some of these problems could be alleviated by replacing the existing McBee Cash Receipt Journal receipting system with a computerized cash receipting system. While the acceptance of credit cards for payment, as is now done at Wheeler Farm, is a step in the right direction, further automation efforts could only improve operations. In the meantime, our findings and recommendations will address our concerns with the current system. The most significant cash receipting and depositing findings are:

- **Proper cash balancing procedures are not always completed.**
- **Cash register collections did not agree with amounts receipted and eventually deposited on 13 percent of the days in our random sample.**
- **The reasons receipts are voided are not documented.**
- **Voided receipts and transactions are not reviewed and signed off on by a supervisor.**
- **Refunds are issued without supervisory review or approval.**
- **Deposits are not consistently made in a timely manner.**

**Proper cash balancing procedures are not always completed.** We examined a random sample of cash collection days from April 1998 to March 1999 and found that, although there were numerous occurrences of overages and shortages, the cashiers had not completed any over/short logs. These logs allow management to more easily review cashier performance and monitor for possible impropriety. Their use is required by Countywide Policy 1062, Management of Public Funds.

The Farm deposits overages as they occur and shorts deposits if there is a shortage, thereby maintaining the change fund at the authorized level at all times. When the over/short is handled this way the policy prescribes the use of MPF Form 11 for the tracking of overages and shortages. Each cashier should have their own MPF Form 11 on which they enter the amount they are over or short for each shift they work.

At the end of each month the cashiers should turn their Form 11s in to the Farm secretary, who supervises the cashiers. The secretary should review and sign the forms and address any related Glen

concerns with the cashiers, then compile an overall over/short log for that month's Farm collections.

We also examined the Haunted Woods cash collection documentation for all of that event's days and found procedures to be inadequate. In addition to the non-completion of over/short logs, Z-tapes were retained on only 40 percent of the event's days and actual cash balancing procedures were only accomplished on 12 percent of the days.

The completion of cash balancing forms and the retention of cash register tapes help to establish individual accountability for collected funds and are also required by Countywide Policy 1062. The importance of completing these steps for the Haunted Woods is compounded by the large volume of funds collected there. In 1998, over \$100,000 was taken in during the 25 day event. This represented approximately 21 percent of the Farm's revenue for the year.

During discussions with Farm management on these problems they stated that there are often mechanical problems with the cash registers used for the Haunted Woods. Every effort should be made to keep the registers functioning properly at all times. In addition, the importance of consistently completing cash balancing documentation needs to be emphasized to the Haunted Woods cashiers, many of whom are hired exclusively for that event.

#### **ACTION TAKEN:**

Farm cashiers are now completing an MPF Form 11 and turning them in to the secretary who is reviewing and compiling them, as described above.

#### **RECOMMENDATIONS:**

1. Farm management should make every effort possible to ensure that the cash registers used for the Haunted Woods are functioning properly.
2. Training for Haunted Woods cashiers should be improved, with emphasis on the importance of cash balancing and instructions on how to accomplish it.

**Cash register collections did not agree with amounts receipted and eventually deposited on 13 percent of the days in our random sample.** Payments received for certain activities at the Farm are rung in to a cash register while others are directly receipted using the McBee system. A McBee receipt is also eventually prepared for the funds that go into the register, this is done to assign those monies to the appropriate revenue category. Currently the cashiers put the cash register money in a sealed bag and drop it in a safe after they balance their drawer. The person preparing the deposit removes the money from these bags and completes a McBee receipt for the amount it contained.

This situation presents an opportunity for the deposit preparer to divert funds without detection,

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by not receipting all the cash register collected funds and diverting the difference. Also, there is a risk of loss when the same person both collects the funds and prepares the deposit and there is no review of the cash balancing procedures, which was the case on about 25 percent of the deposits we reviewed.

In fact, we checked the random sample of cash collection days to see if the amount receipted through the cash register, according to the cash balance sheets, agreed with the corresponding amounts receipted through the McBee's. We found that these amounts did not agree on 13 percent of the days in our sample. On one of those days, the amount receipted on the McBee's, which always becomes the amount deposited, was \$19.50 less than the amount collected, according to the balance sheets.

While we are not suggesting that these funds were diverted to personal use, this situation emphasizes the necessity of improving controls in this area. Since the cashiers already must compare the amount they collect to the cash register Z-tape when they balance, it would be more secure and more efficient for them to also prepare the corresponding McBee receipt. In addition, any person receiving money should not prepare the deposit its included in. If impossible to separate these functions, an employee that is not involved in the receipting or deposit preparation should perform a detailed review of the cash register balance sheets and corresponding McBee receipts.

#### **ACTION TAKEN:**

Cashiers are now preparing the McBee receipt for funds they collected through the cash register when they perform their cash balancing.

#### **RECOMMENDATIONS:**

1. Any person receiving funds should not prepare the deposit those funds are included in.
2. If lack of available personnel makes it impossible to implement Recommendation #1, an employee that is independent of cashiering and deposit preparation should review the daily cash balancing activities, as described above. They should indicate performance of that review by signing the cash balance sheet.

**The reasons receipts are voided are not documented.** While reviewing the random sample of cash receipting days, we found one day with three voided McBee receipts. There was no written explanation as to why the receipts were voided. We looked for additional voided McBee receipts as we went through the ledgers for each month in the sample. We found 11 other voided receipts and only two of those had the reason for the void explained on the receipt. Section 3.13.1 of Countywide Policy 1062 requires cashiers who initiate voids to document on the front of the receipt the reason it was voided.

### **RECOMMENDATION:**

Whenever a McBee receipt is voided, the cashier should provide a written explanation on the front of the receipt as to why it was voided.

**Voided receipts and incorrectly entered transactions are not reviewed and signed off on by a supervisor.** Section 3.13.1 of Countywide Policy 1062 also requires that a supervisor or designee not involved with the transaction review and sign all voided receipts. None of the 14 voided McBee receipts described above had a supervisor signature indicating review and approval. In addition, we found seven cash register transactions that probably should have been voided and should have had a “Salt Lake County Parks and Recreation Void” form, which requires a supervisor’s signature, completed. The void key was not used and the form was not completed on any of those seven transactions.

The provisions in Section 3.13.1 of the policy are included to prevent a cashier from having the ability to accept a payment, issue a receipt, indicate in the receipt ledger that the receipt was voided, and then divert the funds to personal use.

### **RECOMMENDATIONS:**

1. A supervisor should review and sign all voided McBee receipts.
2. Incorrectly entered cash register transactions should be voided. When cash register voids occur, a “Salt Lake County Parks and Recreation Void” slip should be completed.

**Refunds are issued without supervisory review or approval.** Refunds were given to patrons on nine percent of the days in our random sample. Strictly speaking, section 4.1.1 of Countywide Policy 1062 does not allow refunds from agency collection of funds. However, Farm management expressed concern with the customer service implications of not being able to issue refunds.

If customer service concerns necessitate the issuance of refunds, a refund approval slip should be used. The date, amount of refund, receipt number, an explanation of the reason for the refund, the cashier’s signature, and a supervisor’s signature should be included on the slip and completed immediately when a refund is given.

### **ACTION TAKEN:**

The Farm secretary has created a refund approval slip. (See enclosure 1 for an example) The Farm uses this form for refund approval, when customer service considerations require it, from the same day’s collections. All other refund requests are processed through the County’s regular refund procedures.

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**Deposits are not consistently made in a timely manner.** Countywide Policy 1062 requires that, “Receipts of \$250 or more (\$50 in cash and \$200 in checks) will be deposited on a daily basis. Receipts of less than \$250 may be accumulated and deposited when the total reaches \$250; however, deposits will be made no less frequently than weekly regardless of the amount accumulated.” While reviewing a random sample of Farm deposits made from April 1998 to March 1999 we noted that 27 percent of them were not made in accordance with these requirements. While selecting the sample, we also noted one three week period during which no deposits were made.

#### **RECOMMENDATION:**

All deposits should be made in a timely manner in accordance with Countywide Policy 1062.

#### ***FIXED and CONTROLLED ASSETS***

The 1995 agreement with WFF transferred ownership of over 1,300 “historic items” from them to the County. Most of those items are either a fixed or a controlled asset. Therefore, they, along with other Farm assets, must be managed in accordance with Countywide Policy 1125, Safeguarding Property/Assets and Parks & Recreation Policy 120, Safeguarding Controlled and Fixed Assets. In general, we found that the Farm is not in compliance with key aspects of these policies.

Our specific findings in this area are:

- **As much as \$146,000 worth of antiques that were transferred to the County from WFF are not included on the County’s fixed asset records.**
- **Annual inventories of both the transferred items and other fixed and controlled assets have not been conducted.**
- **The Parks & Recreation policy on the Farm’s museum operations does not address Auditor’s Office notification of inventory changes and allows the Farm staff too much autonomy in making those changes.**

**As much as \$146,000 worth of antiques that were transferred to the County from WFF are not included on the County’s fixed asset records.** According to the Auditor’s office Accounting and Operation Division’s Policy 5.1, Management of Fixed Assets, antiques are to be capitalized and maintained on the fixed asset accounting records regardless of their cost. We reviewed the AFIN0801, Fixed Asset Inventory by Organization reports for both the Wheeler Farm and the Antique Collection organizations and found none of the transferred items on either of the lists. We discussed this with the Farm Curator who told us that they were not aware of the “all antiques are fixed assets” requirement.

In 1995, a 100 percent inventory of the items to be transferred from WFF to the County was conducted. We reviewed this inventory list and, using the Farm's nomenclature for classifying items on the list, identified 727 of them as antiques. In addition, 149 items were identified as needing to be researched further before a determination could be made as to whether or not they were antiques. The Curator told us that the necessary research has not yet been conducted.

According to information from the inventory list, all of the items discussed in the last paragraph cost almost \$146,000. Therefore, in addition to the items not being subject to the appropriate control procedures since becoming County property, the general fixed assets section of the County's financial records have been understated by as much as \$146,000 each year since 1995.

### **RECOMMENDATIONS:**

1. All items identified as antiques on the 1995 inventory should be transferred to the County's fixed asset records as part of the Antique Collection organization. The Auditor's Office Fixed Asset Group can be contacted for assistance with completing the transfer.
2. Research should be conducted as soon as possible on all items identified as requiring it to determine if they are antiques. Any items that are identified as antiques through this research should be added to the same records.
3. Items determined not to be antiques and those already identified as non-antiques which fit the definition of either a fixed or a controlled asset should be added to either the Farm's fixed asset records or their controlled asset list.

**Annual inventories of both the transferred items and other fixed and controlled assets have not been conducted.** Both the Countywide and the Parks & Recreation policies described above require organizations to conduct an annual inventory of their fixed and controlled assets. In addition, Parks & Recreation Policy 119, Authorization and Operation of the Wheeler Historic Farm Museum requires that Farm staff prepare an annual report. This report is to include an inventory of all items in the museum collection at the time of the report.

While discussing these requirements with Farm staff, they told us that they have not completed a museum collection annual report, with its accompanying inventory, since 1996. They also stated that they had not previously conducted an inventory of their controlled assets, but prior to our audit, the secretary had started inventorying them and entering them on the division's controlled asset logs. These logs were not completed as of the end of our audit work. In addition, a staff member in Accounting and Operations informed us that Wheeler Farm has not filed an official annual inventory (for fixed assets) since the Parks & Recreation "clean-up" inventories were completed in 1993.

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Since these inventories haven't been completed in several years, in addition to finishing the controlled asset inventory, the Farm should conduct a 100 percent inventory of all fixed assets and other items that were transferred from WFF as soon as possible. Proper procedures should then be followed to remove any fixed assets that are not found from the fixed asset records. The Curator mentioned to us that the Farm is planning on hiring a summer intern to assist with the inventory work this year. Management may want to consider doing this each summer so the Farm has someone available to help with the completion of these inventories on an annual basis.

### **RECOMMENDATIONS:**

1. All fixed and controlled assets, and any other museum collection items, should be inventoried as soon as possible. These inventories should then be completed each year.
2. PM-2's should be processed through the Auditor's Office and Contracts and Procurement for any fixed assets that are not located during the 100 percent inventory. A letter explaining why the items are to be removed from the fixed asset records and a description of the steps taken to locate them needs to accompany the PM-2's.

**The Parks & Recreation policy on the Farm's museum operations does not address Auditor's Office notification of inventory changes and allows the Farm staff too much autonomy in making those changes.** Two of the stated purposes of Parks & Recreation Policy 119 are to set guidelines for, "collecting museum objects" and "deaccessioning surplus items". While the policy does address these areas, we believe it allows the Farm staff too much independence in the acquisition and disposal processes. This is evidenced in section 2.4 of the policy which states, "The professional staff shall be responsible for all actions regarding historic item accessions,...and deaccessions."

As with the County's normal purchasing process, duties should be divided and review procedures should be in place. These steps are necessary to ensure that purchases are appropriate, items purchased are appropriately used, and funds generated from disposal are handled properly. The policy does state that the acquisition and disposal of museum items should be done in accordance with applicable County ordinance and procedure, but does not describe sufficiently the procedures that should be followed.

Countywide Policy 1003, Visual Art Acquisition and Countywide Policy 1004, Art Deaccessioning both address these issues for art pieces. These policies require a written recommendation from the Salt Lake County Fine Arts Advisory Board to the director of Contracts and Procurement for both purchases and disposals. Contracts and Procurement is then able to ensure that all appropriate procurement policies and procedures are followed.

The Farm could establish similar procedures for antiques. Purchases and deaccessions could still be initiated by the Farm staff but then could be reviewed by the Wheeler Historic Farm Museum

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Board . This Board could then submit written recommendations to the Contracts and Procurement director. We discussed this idea with the Contracts and Procurement director who agreed that it would be advantageous for purchases of over \$1,000 and all disposals. He stated that the Farm could follow normal small cost procedures for purchases that cost less than \$1,000.

The art policies also require that the Auditor's Office be notified each time there is an acquisition and deaccessioning of art. This is necessary since all art, like all antiques, are considered fixed assets regardless of their cost. A similar requirement should be added to Parks and Recreation Policy 119.

**RECOMMENDATIONS:**

1. Parks and Recreation Policy 119 should be modified in the areas of acquisition and deaccessioning as described above.
2. Provisions requiring Auditor's Office notification when antiques are purchased and deaccessioned should be added to the policy.

In closing, I would like to express appreciation to the Wheeler Farm staff for the cooperation and timely assistance they gave to our auditors. I trust that our work will benefit them as they endeavor to make changes that will strengthen internal controls at the Farm. If we can be of further assistance to you or the Wheeler Farm staff in this regard, please give me a call.

Sincerely,

David L. Beck  
Chief Deputy

Enclosure

cc: Dr. Glen Humpherys  
Paul Ross

# SALT LAKE COUNTY PARKS & RECREATION REFUND

Date: \_\_\_\_\_ Refund: \$ \_\_\_\_\_ Receipt # \_\_\_\_\_

Explanation for refund: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Cashier signature

\_\_\_\_\_  
Supervisor signature: