

Salt Lake County Auditor's Office

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Chief Deputy

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Glen Lu, Director
Parks and Recreation Division
2001 South State Street #S4400
Salt Lake City, Utah 84190

Dear Glen:

We recently completed an unannounced count of the petty cash and change funds at the Redwood Multi-Purpose Center. We also conducted a review of cash receipting and depositing, fixed and controlled assets, and inventory tracking for the Redwood Center.

Cash handling and fixed and controlled assets management are generally adequate but we found some areas where improvements are needed. Major findings and recommendations are discussed below.

CASH RECEIPTING AND DEPOSITING AND INVENTORY TRACKING

During our review of the cash receipting and depositing process, we found several items that should be improved.

- **The swimming pool has recorded shortages in excess of \$100 due to cash receipting errors.**
- **Some Redwood Center deposits were not made in a timely manner.**
- **Cash collection procedures can be improved by using modern technology.**
- **Sports registration forms do not always have a receipt number recorded on them.**
- **We commend Redwood's inventory tracking methodology but note that some purchases are excluded.**

The swimming pool has recorded shortages in excess of \$100 due to cash receipting errors. Swimming pool cashiering staff have difficulty balancing daily cash receipts and properly entering transactions into the cash register. We found 66 overages and shortages in June and July, ranging from \$.05 to \$213.54 in shortages, and \$.10 to \$10 in overages. The following seven amounts are shortages that exceeded \$20: \$20.47, \$21.00, \$23.10, \$33.85, \$68.74, \$84.65, and \$213.54.

Management blamed these outages on seasonal personnel who did not understand or follow established cash handling and balancing procedures. For example, one manager reported that a cashier had entered a check twice into the cash register, creating a shortage.

We found missing z-tapes, which summarize and close out cash collections prior to deposit preparation. Without z-tapes, it is not possible to verify daily receipts. On balancing sheets we found numerous arithmetic errors, misplaced numbers and misrecorded numbers, such as a check for \$14 that was recorded as \$.14.

Cashiers enter incorrect codes into the cash register and are unsure how to fix it. A pool cashier indicated on one of the balancing sheets that they need additional training and that none of the cashiers knew what they were doing when they were completing the balancing sheets. Many of the problems at the pool are due to inadequate training. We did note that cashiering improved as the summer wore on, with fewer outages.

RECOMMENDATIONS:

- 1. We recommend that pool cashiers correctly enter all cash receipts and receive additional training in balancing procedures.**
- 2. We recommend that all balancing sheets be accompanied by a corresponding z-tape.**

Some Redwood Center deposits were not made in a timely manner. The Redwood Center receives money from various programs offered there, including registration fees for basketball, softball and soccer teams, fees for use of the weight room and racquetball courts, and in summer, entrance fees for the outdoor swimming pool. Fees were collected for Daycare until this program was discontinued last spring. In our review of cash receipting and depositing, we found delays ranging from one to four days in depositing cash collections of \$250 or more. Funds that are not deposited on the day they are collected are more susceptible to conversion to personal use. Also, those funds

which are not deposited in a timely manner lose interest earnings that would have otherwise been gained from short-term investments.

Countywide Policy # 1062, Management of Public Funds, section 3.8.1.1 states, *Receipts of \$250 or more (\$50 in cash and \$200 in checks) will be deposited on a daily basis.*

The Redwood Center should make arrangements to ensure that deposits are made daily for receipts of \$250 or more. This would guard against the possibility of conversion of these funds to personal use as well as make the monies available for investment.

RECOMMENDATION:

We recommend that all cash collections totaling \$250 or more be deposited daily.

Cash collection procedures can be improved by using modern technology. General cash collections at the main counter are hand receipted, placed in a small envelope and the envelopes are then placed in a drop safe. Daily receipts are difficult to track using this manual system. For example, we could not find any receipt record for a deposit of \$73.25. In addition, there were three shortages ranging from \$30-\$60. No over/short log had been kept. Average daily collections at the main counter are \$635.

Countywide policy #1062, Management of Public Funds, states: *If total cash receipts are from \$250 to \$1000 per day, an off-line register with a locking cash drawer which produces a detail tape and double receipt tape is recommended .*

One recreation center has implemented the Sportsman on-line cash management system. Barring implementation of an on-line cashiering system such as Sportsman, Redwood should purchase a cash register.

RECOMMENDATIONS:

- 1. We recommend that the Redwood Center automate its cash receipting process by implementing the on-line Sportsman system or purchasing a cash register.**
- 2. We recommend that an over/short log be kept.**

Sports registration forms do not always have a receipt number recorded on them. Registration forms for activities such as golf and swimming lessons and softball leagues contain a space on which the receipt number can be entered. This is an important control that would help detect whether money was being diverted to personal use. Several years ago our office made the

recommendation that receipt numbers be recorded on registration forms to help ensure that all funds were properly receipted and deposited.

In our sample, we found 8 golf registration forms with missing receipt numbers, 11 softball league forms, and 14 swimming forms that did not have receipt numbers recorded on them. Golf registration was \$35 per individual, softball leagues were \$270 per team, and swimming lessons were \$25 per individual.

RECOMMENDATION:

We recommend that receipt numbers be recorded on all registration forms when payment takes place.

We commend Redwood's inventory tracking methodology but note that some purchases are excluded. Redwood compares its monthly inventory count, extended by unit price, to the net effect of beginning inventory plus purchases during the month, less sales. This methodology, correctly used, effectively tracks inventory to determine whether theft has occurred. By following this technique, Redwood has set an inventory control standard for other centers to follow. Pro-shop merchandise and concession items—soda pop and candy sold out of vending machines—form the inventoriable base.

However, hot dogs, nacho cheese and chips, and pre-mix syrup for fountain drinks sold out of a trailer during some softball games, are not counted or included in purchases, but are included in sales, thereby skewing expected inventory to make it appear that the actual count of items on hand is greater than it is. These items are not included in the monthly inventory count either.

We conducted our own inventory count and found the value of concession items to be \$512 more than it should have been when compared to beginning inventory plus purchases less sales. The total value of the items on hand we counted was \$2,029. The actual inventory value was \$1,517. Redwood personnel stated that since nachos and fountain drinks are not sold in precisely measured units, they cannot be inventoried. However, these items should be included in purchases to more closely resemble actual inventory on hand, and they should be counted. The addition of these items to purchases would create an expected inventory that would more closely approximate the actual inventory count.

Attributing the \$512 inventory difference to nachos, fountain drink and hot dog sales could not be verified since trailer sales also include bottled drinks and candy—items that are counted in inventory. Sales could not be distinguished among these items because no cash register is used. In fact, no receipting is used at all.

While the large discrepancy in inventory can be explained by the sale of non-inventoried items from the trailer, large differences could be used to mask the theft of concessions goods. Therefore the analysis should be perfected so that trailer sales do not skew expected inventory.

We further noted that pop and candy machine collections are not deposited intact. Excess coins that cannot be wrapped are tossed into a bag for the next deposit. The employee who prepares the deposit stated that the bank would only take wrapped coin. Banks should take all money given to them and Redwood should make all deposits intact with all coins included.

RECOMMENDATIONS:

- 1. We recommend that the Redwood Center purchase a cash register, to be used in the concessions trailer, that will distinguish between the various items sold.**
- 2. We recommend that Redwood include hot dog, nacho and pre-mix (for fountain drinks) purchases in its inventory analysis.**
- 3. We recommend that all coins from pop and candy vending machine collections be included in the deposit.**

FIXED AND CONTROLLED ASSETS

Fixed assets have a value greater than \$3000; controlled assets are items likely convertible to personal use valued at \$100 to \$3000. Our review of fixed and controlled assets resulted in the following findings:

- There are twenty controlled assets that are not listed on the Redwood Center's controlled asset list.**
- We were unable to locate one computer recorded on the controlled asset list.**
- There are six controlled assets that should be taken off the controlled asset list.**
- We located three fixed assets where the tag number on the AFIN 0801 fixed assets report referred to a location other than Redwood.**

There are twenty controlled assets that are not listed on the Redwood Center's controlled asset list. The following are controlled assets that were located at the Redwood Center, however, none of them are recorded on the controlled asset list:

- | | |
|--------------------------------|-------------------------|
| - 11 folding tables | - credit card terminal |
| - 2 kilnes | - basketball scoreboard |
| - 2 refrigerators | - pitching machine |
| - amplifier (under front desk) | - pool vacuum pump |

Countywide policy #1125, Safeguarding Property/Assets, section 2.2, *Property managers assigned by their Administrators are responsible for accounting for all controlled assets within the organization's operational and/or physical control.* Controlled assets are sensitive to conversion to personal use when they are not closely tracked by management and included on the asset list. Recording all assets, listed above, will ensure better asset management and control.

RECOMMENDATION:

We recommend the all controlled assets be tagged and listed on the Controlled Asset inventory report.

We were unable to locate one computer recorded on the controlled asset list. Of the six computers recorded on Redwood Center's controlled asset list, we were unable to locate/identify one of them—a Micron Computer, County tag # 89364 (Redwood tag JX35). The director at the Redwood Center believes the computer was sent to surplus; however, the PM-2 form could not be found.

RECOMMENDATION:

We recommend that the unlocated personal computer be reported as missing and removed from the controlled assets list if efforts to find it are unsuccessful.

There are six controlled assets that should be taken off the controlled assets list. The controlled assets that need to be removed are a Honda generator, three Motorola radios, and two Airtouch cellular phones. The generator and the radios were all reported stolen. The cellular phones were turned into a member of the Parks and Recreation Department; however we could not verify this, and management should ensure that the proper transfer was in fact made.

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RECOMMENDATION:

We recommend that controlled assets that are no longer in the custody of the Redwood Center be taken off the controlled asset list.

We located three fixed assets where the tag number on the AFIN 0801 fixed assets report referred to a location other than Redwood. During our audit of fixed assets we found a Risograph Digital Duplicator, a Star Trac treadmill, and a StairClimber located at the Redwood Center. However, the location identification number indicated on all of these assets did not correspond with the Redwood Center's location ID number (0545). No documentation was found that would indicate that these assets were transferred from another center to the Redwood center.

Countywide policy # 1125, Safeguarding Property/Assets, section 2.2.1 states, *Property managers assigned by their Administrators are responsible for accounting for all fixed asset within the organization's operational and/or physical custody as listed on the AFIN 0801 'Salt Lake County Fixed Asset Inventory by Organization' report.* Fixed assets that are not properly accounted for could be sensitive to theft, misuse or abuse.

RECOMMENDATION:

We recommend that the Redwood Center send a letter to the Auditor's Office requesting that the location identification numbers on the fixed assets be changed to the proper ID number (0545).

In closing, we express appreciation to the staff at the Redwood Center for the cooperation and assistance they gave to us during our audit. The staff was both friendly and helpful in completing this project and we found that management's attitude created an atmosphere for effective control over county assets. We are confident that our work will be of benefit to you and help you to strengthen internal controls throughout the recreation center. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

David L. Beck
Chief Deputy

cc: Maynard Koncar
Ron Butterfield