

Salt Lake County Auditor's Office

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June 19, 2002

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Dear Glen:

Our office received an E-mail notice from recreation administrator Pam Boyles about cash missing at the Fairmont Aquatic Center. Because of this theft we completed an unannounced count of all funds at the center. On the day of the count, petty cash and change funds were short by less than \$1.00. We also counted vending machine receipts, customer receipts accumulated for that day and Liberty Park Pool receipts being held at the Fairmont Center.

We followed up with interviews of the center director and staff concerning circumstances surrounding the missing cash. Security was suspect in that for the larger of two safes from which the theft occurred, a supervisor kept the combination in her Rolodex file. After the theft, she noticed that the card containing the combination had been moved from where it was normally placed. The director suggested that this exposure could have been the source for someone being able to enter the safe and taking funds from the lockbox within.

The center director provided this office with a memo which states, "May 8, 2002 \$400 cash was discovered missing out of four daily drop bags. The following day an additional \$25 was noticed missing from the Liberty Pool fund bag. A total of \$425 cash was apparently lost over the weekend of May 4, 2002."

The money was taken from customer receipts for Friday and Saturday May 3rd and 4th. The theft was discovered the following Wednesday May 8th. The receipts had been placed in the lockbox portion of the large safe by the cashiers. The director believes that someone entered the safe and opened the interior lockbox with a key that was kept inside the safe. No checks were taken, only cash in large bills, \$100s, \$50s and \$20s. There were two change bags in the safe, which were not disturbed. Management is of the opinion that a Fairmont employee is involved in the theft.

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The director outlined changes that have been made to ensure that this type of theft does not occur again. The key to the lockbox has been moved to a more secure location. The combination to the large safe has been changed and the combination is no longer kept on file at the center. Whereas collections made Friday evening through Sunday were not being deposited until days later, staff will now make night deposits during the weekends and no money will remain in the center for more than 24 hours.

REMINDER:

The safe should be locked at all times except when funds are actually being placed in or removed from the safe, the door nob should be spun to ensure it is closed and the drop slot should be checked to make certain envelopes and change bags fall into the lockbox.

We audited the receipting and depositing. We looked at a random sample of the deposit records and the over and short logs for the period January through the first week in May 2002. We compared the daily Z tapes from the cash register to the deposit totals. We found that except for the receipts of February 27, 28, and May 3 and 4, which were not made within the one to three day time frames as required by *County Wide Policy #1062*, deposits were timely and no significant overages or shortages were noted.

The director said that for the receipting and depositing process several changes have been made since the theft.

- < *A manager will daily (first item of business) reconcile the previous day's receipts.*
- < *The manager will do the above in a secure location, attended by another employee.*
- < *At the beginning and end of a cashier's shift, the change fund amount in the cash drawer will be verified by two employees.*
- < *The receipts for the shift will be verified by two employees.*
- < *The receipts for the shift will be placed in a sealed envelope, signed off by the two employees and placed in the safe.*
- < *Someone will come to the center on weekends to prepare deposits and make sure deposits are taken to the bank, so no money remains in the center for longer than 24 hours.*

The fact that a bank deposit had not been made for at least four days when the theft occurred was a glaring deficiency in the control of funds that requires correction by management. Timely depositing is a key element in reducing the exposure of funds to theft. In light of the several changes that were made to cash handling procedures following the theft, agency fiscal officers need to periodically review such procedures with agency staff.

County Wide policy #1062 3.7.2 states "...all public funds shall be deposited daily whenever practicable but not later than three days after receipt."

Per County Wide Policy #1062 2.8.3 "Periodic internal reviews conducted by agency fiscal officers are recommended as a routine activity to assure agency compliance with this policy..."

RECOMMENDATIONS:

- 1. We recommend that receipts be deposited daily whenever practicable.***
- 2. We recommend that periodic reviews of cash handling procedures be conducted by agency fiscal officers.***

We also made inquiries and observations regarding the operation of the vending machine. The vending operation involves managing one snack machine owned by the County. Inventory is stored in a locked location and a monthly aging and revenue report is prepared for the director's review.

SECOND THEFT REPORTED:

Another E-mail report was received Wednesday June 12, 2002, informing our office of a second theft at the center. A change bag containing \$100.00 is missing from another safe. Management believes an employee placed the change bag in the safe drop slot, but the bag did not fall into the safe, leaving it in plain view to anyone subsequently opening the drop slot door. The details of the theft are enumerated in a memo prepared by the center director Gene McIntyre.

Two custodial personnel are suspected in that they were in the building alone longer than normally would be expected for their shift.

One key issue is the ongoing problem with this type of safe, wherein the drop drawer does not always allow the inserted object to fall into the interior, which has been a problem at other sites. We noted that management has since taped a notice to the top of the safe requesting personnel to double check the drop slot after placing the money bag to ensure the bag actually dropped into the safe.

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RECOMMENDATION:

We recommend that management adequately train employees to double check the safe drop slot after placing a money bag to ensure that it dropped into the safe.

In closing, we would like to express appreciation to the Fairmont Aquatic Center staff for the cooperation and timely assistance which they gave to our auditors. We trust that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over these processes. If we can be of further assistance to you in this regard please feel free to call.

Sincerely

James B. Wightman
Director, Internal Audit Division

cc: Paul Ross
Pamela Boyles
Gene McIntyre
David E. Yocom