

## Salt Lake County Auditor's Office

Craig B. Sorensen, *AUDITOR*



October 16, 2002

David L. Beck  
*Chief Deputy*

Glen Lu, Director  
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Dear Glen:

Re: Audit of the Holladay-Lions Fitness and Recreation Center.

We recently completed an unannounced count of all the funds at the Holladay-Lions Fitness and Recreation Center located at 1661 East Murray-Holladay Road. On the day of the count, we examined operation and vending receipts, the petty cash fund, the fitness change fund, and the Crestwood Pool change fund. In addition we also audited the center's cash handling operations, and fixed and controlled asset management.

### **CASH COUNT**

During our cash counts we found the authorized change fund of \$800 was divided into several components. There were four change bags numbered 1 through 4. Three contained \$100, and one bag contained \$2, bringing the totals to \$302. In addition, a change machine contained \$119, the vending machine contained change of \$34.25, and lastly an envelope kept by the director contained \$228.50, for a total of all the components at \$683.75. The end result is that the change fund is short by \$116.25. Moreover, the authorized fund for the Crestwood Pool is recorded at the Auditor's Office at \$10; however the actual fund being held is \$20. Lastly, the current custodian has not been documented on County records. Therefore we found that:

- **The fitness center change fund is short by \$116.25 and needs to be replenished.**
- **The Crestwood Pool change fund has been increased from \$10 to \$20, and change in custodian has not been documented with the Auditor's Office.**

**The fitness center change fund is short by \$116.25, and needs to be replenished.** By way of explanation for the shortage, the director provided the following: One change bag

contained only \$2 because there had been a theft of \$98 on December 3, 2001. We secured a copy of a memo prepared by the director and sent to Parks and Recreation Administrator Pam Boyles on December 7, 2001, wherein she apprized Ms. Boyles of the theft. On September 10, 2002, the director sent a follow up memo requesting an update. As of the time of the audit nothing had been reported to the Auditor's Office concerning the theft nor had there been any request of the Auditor's Office to reimburse the stolen amount.

Countywide Policy #1304, *Discovery and Reporting of Thefts* section 1.1.1 states "...the division administrator...shall then notify...the Auditor's Office." Countywide Policy #1203, *Petty Cash and Other Imprest Funds* section 3.9 states "...The Auditor will reimburse requests to replenish accounts resulting from shortages if authorized by the mayor..."

The envelope containing \$228.50 was supposed to contain \$246.75. The envelope is kept in a large safe in the director's office. The director stated that the last time it was checked on September 1, 2002, the envelope contained \$246.75. The envelope was sealed and initialed by the director, and no one had opened it since, as far as she knew.

#### **RECOMMENDATIONS:**

- 1. We recommend that the change fund be replenished to its authorized level to make up for the shortage and the theft.*
- 2. We recommend reporting thefts as required by County policy #1304*

**The Crestwood Pool change fund has been increased from \$10 to \$20 and the change in custodian has not been documented with the Auditor's Office.** The director gave us a copy of the MPF Form-2 *Request for Change or Establishment of Petty Cash or Other Imprest Funds* dated May 22, 2001, wherein she requested that she be the replacement custodian and have the amount of the fund increased to \$20. She stated the form was forwarded to Parks and Recreation administration. As of the date of our audit the form had not been received by the Auditor's Office.

#### **RECOMMENDATION:**

*We recommend that the change in custodian and amount of the change fund be formalized as required by County policy.*

#### **CASH HANDLING**

On a positive note, we found that this center complies with Countywide Policy #1062 Section 5.2 in that shortages and overages are adjusted on the daily deposits rather than adjusting

the change fund, leaving the change fund intact as required. The center adjusts a category on the register report that corresponds to the amount of the over/short. For example, if the balance sheet prepared by the cashier is short \$4.50, then perhaps the selling of a lock category is adjusted. However, during our review of the cash receipting and depositing process, we found some processes that could be improved:

- **The over/short log is being used as a change fund transfer log rather than a record of individual daily cash discrepancies.**
- **The cash balance sheet format does not follow a logical arithmetic flow.**
- **Some cash balance sheets and voids are not reviewed by a supervisor.**

**The over/short log is being used as a change fund transfer log rather than a record of individual daily cash discrepancies.** An MPF Form 10, *Cash Over/Short Log* is kept in each of the four change bags as a transfer form. The form is intended to be used as a daily record of individual cashiers overages or shortages from their daily cash balancing.

**RECOMMENDATION:**

*We recommend that the individual over/short logs be used as intended.*

**The individual cash balance sheet format does not follow a logical arithmetic flow.** The format that is in use at the center directs the user to follow a format that does not bring the correct conclusion. One problem is in totaling cash and checks to a line that reads total credit card receipts.

**RECOMMENDATION:**

*We recommend that the cash balance sheets be revised to a format such as the one suggested in Attachment A.*

**Some cash balance sheets and voids are not reviewed by a supervisor.** We reviewed a sample of individual cash balance sheets completed by the cashiers. The forms require two signatures, but either the cashier signed in both places or only one signature appeared. We reviewed void slips prepared by the cashiers and found five slips in our sample that had not been signed by a supervisor. Voids should be reviewed and signed by a supervisor to prevent someone from voiding a valid transaction and pocketing the cash. Per Countywide Policy #1062 section 3.5.2.2 "...A supervisor not involved with the transaction will review and sign the void slip along with the cashier who initiated the void."

**RECOMMENDATION:**

*We recommend that all cash balance sheets and void slips be reviewed and signed by a supervisor.*

**CONTROLLED ASSETS**

To determine if controlled assets are adequately safeguarded and accounted for, we evaluated compliance with Countywide Policy #1125, *Safeguarding Property/Assets*. We obtained a copy of the controlled assets list provided by the center director. Parks and Recreation is to be complimented in their efforts to account for controlled assets by having a standardized, computer-generated program for those assets. From their list we chose a sample number of items to locate, and we were able to locate them all. We also compared the controlled asset list to the center's purchase requests for the year 2002 and found:

- **Purchased items had not been added to the controlled assets list.**

**Purchase items had not been added to the controlled assets list:** A Detecto weight scale and ten Soccer Goals had been purchased during the period January to August 2002, but had not been added to the list. However, the list was complete in that all the sample items were adequately described and in their location.

**RECOMMENDATION:**

*We recommend that assets be added to the list and tagged as they are received to establish accountability.*

In closing, we would like to express appreciation to the Holladay-Lions Fitness and Recreation center staff for the cooperation and timely assistance which they gave 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 CPA  
Director, Internal Audit Division

cc: Paul Ross  
Pamela Boyles  
Tracey Gines