



CELEBRATING OUR
SESQUICENTENNIAL
150 YEARS OF SERVICE
1852 – 2002

DAVID L. BECK
CHIEF DEPUTY

SALT LAKE COUNTY
GOVERNMENT CENTER
2001 S. STATE STREET
SUITE N3300
SALT LAKE CITY
UTAH 84190-1100
TELL (801) 468-3381
FAX (801) 468-3296

SALT LAKE COUNTY AUDITOR'S OFFICE
CRAIG B. SORENSEN, AUDITOR

September 23, 2003

Glen Lu, Director
Parks and Recreation Division
2001 South State Street S-4400
Salt Lake City, UT 84190

Dear Glen:

The Audit Division recently completed a review of cash collection, receipting and depositing at the Equestrian Park. In addition, we reviewed controls over fixed and controlled assets, the petty cash fund (including the Special Events/Fair imprest checking account), and accounts receivable. We found that internal controls are generally adequate. We found a considerable improvement in the management of accounts receivable since our last audit in 1999.

Accounts Receivable

The Equestrian Park has accounts receivable for the stall and tack rooms in which patrons board their horses or store their equipment and supplies. In addition, the park charges for horse trailer parking and hay storage areas. At this time, the Equestrian Park does not have a full-board program (in which the County would provide feed, stall cleaning and bedding). There are also short duration rentals (day-by-day or weekly rentals for shows or other special events). Only the month-to-month rentals have accounts receivable.

During our examination of the accounts receivable we found:

- **There has been considerable improvement in the management of accounts receivable since our last audit in 1999.**
- **An Equestrian Park employee regularly appears on the aging report as having a past-due account.**

There has been considerable improvement in the management of accounts receivable since our last audit in 1999. During our

previous audit work we found that “Even though patrons are given a 10 day grace period, 77.6% were at least three days past due at least one time during the year.” In addition, we found that patron balances were often allowed to increase for too long before any serious collection attempt was made.

Currently, there is an aging report updated and produced monthly. On August 26, 2003, there were 13 patrons on the aging report (4.3%) and four patrons whose accounts were at the County Attorney’s Office for collection (1.3%). The largest past-due account was only \$150. The largest account at the Attorney’s Office is \$402. Both the low numbers of past-due accounts, and the small dollar value of the amounts due, indicate an aggressive collection effort and good management oversight.

Equestrian Park staff and County Parks management are to be congratulated on the improvement in Accounts Receivable management.

An Equestrian Park employee regularly appears on the aging report as having a past-due account. During our work on accounts receivable and the aging report we found that an employee of the Equestrian Park was on the past due list. The amount due was only \$60, however, the disposition notation was that this was the third time the employee had appeared on the list.

While county employees are certainly entitled to avail themselves of County facilities on the same basis as the general public, it is important to avoid any appearance of preferential treatment. One such instance might be allowing chronically late payments by an employee while referring others in the same situation to the Attorney’s Office for collection.

RECOMMENDATION:

We recommend that Equestrian Park management impress upon all employees that rent stalls, the importance of staying current with rent payments.

Cash Collection, Receipting and Depositing

As part of the audit, we counted the change funds, reviewed procedures and controls and verified deposits for the past six months. In general, this aspect of Equestrian Parks operations functions without complication. However, we did find:

- **One change fund is missing.**

One change fund is missing. The Equestrian Park has two change funds listed, a \$25 fund established in 1990, and a \$1,500 fund established in December, 1999. The \$25 fund is missing. This fund was present during the fieldwork of our previous audit in October, 1998.

Discussions with the fund custodian, the Park Director, the Director and Assistant Director of Parks Operations did not provide any insight to the whereabouts or disposition of the fund.

Change funds should be safeguarded and their whereabouts known at any given time. If the change fund cannot be located, Countywide Policy 1304, Discovery and Reporting of Thefts, or Countywide Policy 1310, Discovery and Reporting of Non-criminal Wrongdoing, should be invoked as appropriate.

RECOMMENDATION:

We recommend that the change fund be located or a letter written outlining the circumstances of its disappearance, and a request made to delete it from the list of authorized funds.

Petty Cash and Imprest Checking

The Equestrian Park has both a Petty Cash Fund (\$1,000) and an Imprest Checking Account (\$50,000) that is used for the County Fair and other special events. Both funds are held at the Parks Operations office at 3383 South 300 East. A review of the Petty Cash utilization showed:

- **The Petty Cash Fund has not been used in the last three years.**

The Petty Cash Fund has not been used in the last three years. When we examined the Petty Cash fund, there were no current vouchers or requests for reimbursement that would indicate the fund was being used. A search of the Petty Cash expense line item in the County financial reports for the past three years showed no activity in the fund.

Petty Cash funds are established to allow county organizations to purchase small dollar (\$200 or less) miscellaneous items where the use of a purchase order is deemed as not cost effective. All funds are at some risk of theft or other loss. This risk should be weighed against the benefit the fund provides. In this case, the Petty Cash fund has provided no benefit for the last three years.

RECOMMENDATION:

We recommend that the Equestrian Park Petty Cash fund be eliminated, or the amount reduced to \$200 and the balance turned back in to the Auditor's Office.

Our review of the Imprest Checking Account showed that the fund is well-run and there was adequate backup for all expenditures. Our findings regarding Imprest Checking are:

- **Salt Lake County employees received compensation through checks drawn on the Imprest Checking account.**

- **Not all W-9 forms are completed.**

Salt Lake County employees received compensation through checks drawn on the Imprest Checking account. As we reviewed the check register for the 2003 County Fair, we found that eight Salt Lake County Sheriff's Deputies worked 72 hours as security officers at the fair. These deputies were paid from the Imprest Checking account and IRS Forms W-9 completed as appropriate for contract workers.

The issue is whether or not a deputy qualifies as an independent contractor when working for another county agency. The United States General Accounting Office (GAO) advised the State of Arizona in "Technical Bulletin 99-6," that "*When hiring a current (off-duty) employee of another State agency (the employee's primary agency) to perform duties substantially the same as his/her position at the primary agency, the individual is **not** considered an independent contractor for the secondary agency but a dual employee of the State. . . This will ensure that all Federal and State payroll taxes, unemployment insurance, applicable overtime, worker's compensation fees, etc., are properly paid.*" If we substitute the County for the State in the citation, it seems certain that the GAO considers individuals in this situation employees not contractors.

Since the citation above makes it clear that the deputies are employees, the issue of how to pay them comes into question. Salt Lake County Personnel Policies and Procedures #5420, "Overtime and Compensatory Time," states in Section 2.6, "*Where an employee in a single work-week works at two or more different types of work. . . both (all) agencies. . . shall be considered jointly for purposes of calculating overtime.*" The policy goes on in Section 6.4, "*Hours worked by employees outside of a primary employer's regular payroll unit shall be paid for such hours from their regular payroll unit. The regular payroll unit will make a journal voucher for reimbursement from the payroll unit for which the hours were actually worked.*"

If the County Fair wishes to continue the practice of paying off-duty Sheriff's Deputies as contractors, the approval of the County Personnel Division should be requested.

RECOMMENDATION:

We recommend that the County Fair consult with, and seek the specific approval of, the Salt Lake County Personnel Division prior to paying Sheriff's Deputies as contractors.

Not all W-9 forms are completed. The County Fair contracts with individuals during the fair for needed activities such as livestock judges, security or other operational activities beyond the scope of the permanent staff. When these people are contracted with, they complete a W-9 form that will provide the information necessary for the issuance of a Form 1099 at the end of the tax year.

As we reviewed the backup for the checks issued from the Imprest Checking account, we found that four of 43 (9.3%) of the W-9 forms were missing key information. We applaud the

County Fair staff for their efforts to collect 100 percent of W-9s required and encourage them to ensure the forms are complete.

RECOMMENDATION:

We recommend that all W-9 forms be checked for completeness before contract workers are paid.

Fixed and Controlled Assets

We also reviewed the practices regarding fixed and controlled assets. A fixed asset is an item costing \$5,000 or more with a useful life of two years or greater. Controlled assets cost between \$100 and \$5,000 and are easily converted to personal use. Communication equipment such as radios or cell phones are included as controlled assets. We found that Equestrian Park is completing their annual inventories and we commend their effort in this regard. During the audit we found that the practices regarding fixed and controlled assets are generally sound. Specifically, we noted that:

- **Controlled assets are listed and policies and procedures are being followed.**
- **Assets not located or sent to surplus are not being removed from the list in a timely manner.**

Controlled assets were listed and policies and procedures are being followed. The Equestrian Park has numerous controlled assets, including small tools and equipment to maintain the track, etc. We found a system in place to tag and enter into the system each asset as it is purchased. The tag numbers are unique and, on equipment where the tags are likely to be damaged through use, the number is etched onto the equipment. As indicated above, an annual inventory is completed.

Assets were not being removed from the list in a timely manner. During the audit we selected a sample of controlled assets to locate and verify. One of the assets, number JF00262, a DeWalt Cordless Drill originally purchased in 1999, could not be located. The asset list was annotated to indicate the drill had been stolen in January, 2000. No police report was filed and no Property Disposal/ Transfer/Internal Sale Form PM-2 was completed to remove the asset from the Controlled Asset List.

RECOMMENDATION:

We recommend that assets no longer in use be removed from the Controlled Assets list in a timely manner.

In closing, we appreciate the cooperation of the Equestrian Park staff and management. We hope our work there will be of benefit to you and help strengthen internal controls at the Equestrian Park. If we can be of further assistance to you in this regard, please contact us.

Glen Lu
September 23, 2003
Page 6

Sincerely,

James B. Wightman, CPA
Director, Audit Division

Cc:
Wayne Johnson
Garin Lamph
Heath Bateman
Thora Bell