



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

December 22, 2004

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

RE: Marv Jenson Fitness and Recreation Center Audit

Dear Glen:

We recently completed an unannounced count of the petty cash and change funds at the Marv Jenson Fitness Center. We also conducted a review of cash receipting and depositing, fixed and controlled assets, and inventory tracking for the Center. We felt that cash and asset handling operations, in general, were well managed, and findings within our letter were relatively minor and easily remedied. We compliment management for their efforts to ensure accuracy, integrity and efficiency at the Marv Jenson Fitness and Recreation Center

Cash handling and fixed and controlled assets management are generally adequate. However, we identified some areas where improvements are needed. They are not all inclusive of the scope of work performed. Other areas of concern have been discussed with the Center Director. The reader, therefore, should not assume that processes not discussed here are in compliance with countywide policy. 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.

- **Some petty cash vouchers did not have two signatures as required by Countywide Policy #1062.**
- **Void slips were not always completed properly.**
- **“No Money Taken” transactions were reviewed by management, but were not signed indicating this review.**

- **Marv Jenson's change fund exceeded the authorized amount indicated on the Auditor's Office Petty Cash Report.**

Some petty cash vouchers did not have two signatures as required by Countywide Policy #1203. Countywide Policy #1203, Petty Cash and Other Imprest Funds, Section 3.11.1, states, "*Vouchers are to be filled in completely, prior to releasing any cash. The voucher shall be dated and the reason for the expenditure explained. The total amount released to the individual receiving the cash (the payee) shall be recorded. It shall be signed by the payee and approved by the custodian.*"

According to the Center's director, the vouchers lacked a second signature because the petty cash custodian was out on maternity leave. Nonetheless, all vouchers should have both the custodian or the custodian's designee and recipient's signatures indicating that the release of petty cash funds was authorized and approved.

RECOMMENDATION:

We recommend that all petty cash vouchers be signed by both the recipient and the custodian of the fund prior to funds being released.

Void slips were not always completed properly. Countywide Policy, #1062, Management of Public Funds, Section 3.5.2.2, states, "*When it is necessary to void a receipt, all copies will be marked 'void,' including the original (customer) copy, if available. The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void. The voided receipt will be filed in proper numerical sequence and kept for audit purposes.*"

When a receipt is voided, the original receipt and a void slip are kept with the daily deposit paperwork. Each void slip contains lines for two approving signatures and an explanation.

During our audit we noted 26 void slips that were not completed properly. We found void slips that had not been signed by both the cashier and the supervisor. In addition, we found voids without an explanation and/or proper documentation and backup. Lastly, we found a large majority of the approving "signatures" were initials only.

The lack of a full, readable signature makes it difficult for an outside party or management to determine responsibility for the transaction. Without consistent supervisory approval, cashiers have ample opportunity to void a valid transaction and embezzle the corresponding funds.

RECOMMENDATION:

We recommend that a void slip, signed by the cashier, and reviewed and signed by the supervisor, be completed for all voided transactions.

“No Money Taken” transactions were reviewed by management, but were not signed indicating this review. Weight room certification and facility use by customers presenting gift certificates, appear as “No Money Taken” in the amount paid column of the z-tape report. Entering “No Money Taken” indicates that a gift certificate was received in exchange for services rendered, though this cannot always be assumed to be the case. Utilization of the “No Money Taken” function could also be used to conceal theft of funds.

The Center’s bookkeeper stated that she reviews all “No Money Taken” transactions appearing on the z-tape report. However, she does not affix her signature to the transaction indicating her review.

Any time a transaction occurs and money is not taken or is voided, the transaction should be reviewed by a supervisor. In addition, the reason for the “No Money Taken” transaction should accompany the signature of the supervisor verifying the transaction’s legitimacy. Supervisory review of “No Money Taken” transactions helps protect funds from being diverted to personal use through inappropriate use of such transactions.

RECOMMENDATION:

We recommend that Marv Jenson’s management review and affix their signature to “No Money Taken” transactions verifying their review and approval.

Marv Jenson’s change fund exceeded the authorized amount indicated on the Auditor’s Office Petty Cash Report. During our count of Marv Jenson’s change fund we discovered that the fund was \$50 over the authorized limited recorded on the Auditor’s Office Petty Cash Report. However, the Center’s Director stated that he had written a letter to the Auditors Office approximately five years ago requesting a \$50 increase in the fund. Furthermore, he stated that the request had been approved and the funds dispersed, thereby increasing the fund.

Each change fund in the County represents a balance sheet item. The total of change funds should always equal the balance sheet line item amounts within each organization. When change/petty cash funds are over/short it represents amounts that are unaccounted for on the County’s balance sheet. Funds that are unaccounted for are more at risk of being lost, stolen, or converted to personal use.

Although, the Center’s management stated that they had previously taken the appropriate steps to increase their change fund’s authorized amount, a miscommunication resulted in failure of the new, higher amount to be recorded on the Auditor’s Office Petty Cash Report. Countywide Policy #1062, Section 2.5.5, states, “*Any overage in the accounts of an Agency Cashier will be deposited in the appropriate fund through the normal process of regular depositing and listed as an overage on the Monthly Report of Cash Receipts and on MPF Form, CASH OVER/SHORT LOG.*” The overage in the change fund should be deposited in the appropriate fund to bring the change fund total down to its authorized amount, and the change fund increase should again be requested from the Auditor’s Office.

RECOMMENDATIONS:

1. *We recommend that the \$50 overage in Marv Jenson's change fund be deposited in the normal depositing process.*
2. *We recommend that Marv Jenson's Director re-submit a letter to the Auditor's Office requesting that their authorized change fund amount be increased from \$250 to \$300.*

FIXED AND CONTROLLED ASSETS

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County fixed and controlled assets, including compliance with Countywide Policy #1125, "Safeguarding Property/Assets." A fixed asset is an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year and a cost equal to or greater than \$5,000. A controlled asset is a property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization rate.

The controlled asset list for the Center was comprehensive and included furniture in addition to office equipment and exercise equipment. Each controlled asset in the database was assigned a unique number. In addition to the fixed assets listing for Marv Jenson, provided to us by the center director, he also provided us with a spreadsheet listing 310 controlled assets. We examined a random sample of 81 controlled assets. Based on our review of fixed and controlled assets, we found the following:

- **Two generators currently on the Center's controlled assets list were on loan to the Taylorsville Recreation Center, but no PM-3 had been completed to record the loan.**
- **The controlled assets list was not updated for items no longer at the Center.**
- **A fixed asset inventory has not been completed within the last year.**

Two generators currently on the Center's controlled assets list were on loan to the Taylorsville Recreation Center, but no PM-3 had been completed to record the loan. Policy #1125 states that when property is loaned from one facility to another, a PM-3 form is to be completed. "*Exhibit 2 (The PM-3 form) to this policy should be used for this purpose, it should be signed by both Property Managers involved in the 'loan.'*" Assets loaned between facilities and not confirmed by completing a PM-3 could be stolen or lost in the system, recorded at one facility but not located there or found at another facility but not recorded on the controlled asset list. The property manager should complete a PM-3 form when assets are transferred between facilities.

RECOMMENDATION:

We recommend that the Center complete a PM-3 form to recognize the loan of generators to the Taylorsville Recreation Center.

The controlled assets list was not updated for items no longer at the Center. Policy #1125, Section 2.2.3, states that the property manager should “*Maintain records as to current physical location of all fixed assets and controlled assets within the organization’s operational and/or physical custody.*” We were able to locate most of the assets on the random sample controlled assets list.

We noted a few instances where the controlled assets list needed to be updated to reflect changes in the disposition of items listed. A stolen computer and a CD player sent to surplus remained on the list. Paperwork declaring the theft had been completed properly, and a PM-2 was on file for the surplus item. Accurately updating the controlled assets list provides for greater control over assets for which management is responsible and has oversight.

RECOMMENDATION:

We recommend that items sent to surplus, loaned or stolen be removed from the controlled assets list.

A fixed asset inventory has not been completed in the last year. Policy #1125, Section 2.2.11, states, “*At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization.*” The most recent audit of fixed assets at the Marv Jenson Recreation Center was completed on March 3, 2003. By not completing an annual fixed asset inventory, the Center could lose track of items that more easily could be stolen due to a lack of vigilance by management. It is the responsibility of the property manager to conduct an annual inventory.

RECOMMENDATION:

We recommend that a yearly audit of fixed assets be performed and documented.

In closing, we thank you and your staff for your prompt and courteous attention in gathering documents for our audit team and answering their questions. We appreciate the overall concern for sound financial practices displayed by Marv Jenson employees, and the initiative they have taken to implement effective accounting procedures. The findings reported in this letter should not be considered all-inclusive of deficiencies in practice or failure to follow countywide policy. While we hope that operations are conducted honestly and according to countywide policy, we can never be assured that this is always the case in any office, division or agency. Implementation of recommendations in this letter will help to improve operations, ensure the security of County assets, and protect employees from the consequences of dishonest acts. If we can be of further assistance to you, please contact us.

Glen Lu, Director
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Sincerely,

James B. Wightman CPA
Director, Internal Audit Division

cc: Paul Ross
David Young
Chris Crowley
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