



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

March 22, 2005

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

RE: Wheeler Historic Wheeler Farm Audit

Dear Glen:

The Audit Division has completed an audit of the Wheeler Historic Wheeler Farm (Wheeler Farm). We reviewed the following: cash receipting and depositing, fixed and controlled assets, including antique assets (further identified as historic or museum-collection items), oil paintings, vending, the Country Store operation, and rent processing. We have also included comments on staffing issues.

For each of these areas, we addressed the effectiveness of internal controls and the processes employed by Wheeler Farm personnel, to determine compliance with Countywide policies. Our work was designed to provide reasonable, but not absolute, assurance that controls were adequate and appropriate according to prescribed management policies, and that asset records were current and monetary transactions valid. We have limited our comments to significant findings and recommendations, which are not all-inclusive of the scope of the work performed. Other areas of concern have been discussed with the management at the Wheeler Farm. The reader, therefore, should not assume that processes not discussed here are in compliance with Countywide Policy.

CASH RECEIPTING AND DEPOSITING

After reviewing a sample of deposits over the past year, we found that there were few errors in the amounts deposited, and deposit preparation records matched bank statements with only a few small exceptions. In those cases, the bank made corrections and credited or debited the Wheeler Farm's account to reflect the accurate amounts. The Wheeler Farm staff was using the McBee manual receipting system, which creates a tedious and significant duplication of effort. During our review of cash receipting and depositing, we made these findings:

- **The unannounced count of the change fund revealed a small overage, and subsequent review showed that transfer of the fund from one employee to another was not documented or acknowledged by signature.**

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- **The change fund composition unnecessarily included the coins in the vending machines.**
- **None of the cashiers were recording their overs and shorts on the MPF Form 11, "Over/Short Log."**
- **Wheeler Farm was duplicating its record of cash receipts, by first entering them into the cash register, and then manually in the McBee ledger.**
- **Some voids were not documented with an explanation, and none were signed by a supervisor.**
- **The petty cash disbursement process required by countywide policy was not being followed.**

The unannounced count of the change fund revealed a small overage, and subsequent review showed that transfer of the fund from one employee to another was not documented or acknowledged by signature. The unannounced count of the change fund exceeded the authorized amount by \$1.30. The change fund is authorized at \$1,200 and was distributed among six change bags of \$100 each, \$68 in two vending machines, and the balance in a change box. At the time of the unannounced cash count, the change box contained \$533.30, bringing the fund total to \$1,201.30, or an overage of \$1.30.

Countywide Policy #1062, "Management of Public Funds," Section 3.7.3.2, covering daily balancing procedures states, "*Change funds should be counted, restored to the established imprest balance and shorts and overs recognized and recorded on MPF Form 3, and on MPF Form 11, "Cash Over/Short Log."* Section 5.0, states, "*...Small overages and amounts for which ownership cannot be determined should be deposited consistent with Section 3.3 and accounted for as cash over in the MPF Form 3, "Cashier's Daily Cash Balance Sheet."*"

At the time of our count, each of the six \$100 change bags was intact. A periodic count of the total fund would prevent any build up of overages or shortages in the change box, which is only used as needed. The effect of the total fund not being periodically reconciled and reviewed is possible theft or misuse due to lack of supervisory review.

At the end of each shift, each cashier separates the change fund from collections and places the change bag in a different safe from the one used for collections. The bookkeeper retrieves the bag, verifies the fund amount and inserts a new daily balance sheet in preparation for the next day's work. Cashiers did not sign for receipt of the change fund, nor did they log the return of the funds to the safe at the end of their shift.

Policy #1062, Section 2.4.3, states, "*Each cashier will verify accountability for their cash advance daily. This will enable the cashiers to quickly detect and identify any*"

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discrepancies and promote appropriate attention to control over and accountability for county funds.” In addition, Section 2.6.1, states, “The agency cashier may advance funds to a Cashier...and must use MPF Form 7A “Fund Transfer Receipt”...” Section 2.7.1, states, “... The funds will be transferred back to the Agency Cashier using the procedures outlined above.”

By completing and signing the forms as required by policy, the cashier and supervisor certify that the fund has left the safe for use in the cash drawer, and that it has been returned to the safe at the end of the day. By failing to use transfer forms, the change fund is at risk of theft due to a lack of monitoring. An employee’s temptation to steal would be greatly reduced knowing that a paper trail provides documentation for movement of the fund.

Some agencies use MPF Form 7, “Funds Transfer Ledger,” which allows for several days of fund transfer activities to be recorded on a single page, and can be adapted to provide for a cashier and supervisor to sign the fund in and out. Form 7A, “Funds Transfer Receipt” is another alternative for recording transfers. However, the disadvantage of Form 7A, is that a separate form must be filled out for each transfer, creating wasted paper and inconvenience for staff completing a new form for each transfer.

ACTION TAKEN:

The overage was deposited--after discovery--with the next day’s collections to the Wheeler Farm bank account, which brought the change fund into balance with the authorized amount.

RECOMMENDATION:

We recommend that cashiers count their change fund at the beginning of their shift and document receipt of the fund and its subsequent return to the safe using MPF Form 7, “Funds Transfer Ledger” or a form with similar format and content. A copy of the MPF Form 7 is attached as Attachment A.

The change fund composition unnecessarily included the coins in the vending machines. Wheeler Farm owns a candy vending machine and also maintains a soft drink vending machine owned by Coca Cola. The change mechanisms in the machines have a total of \$68 in coins that are part of the authorized change fund.

The coins are difficult to get to because of their location in the machines. This lack of accessibility makes any regular verification difficult to accomplish. The control of this portion of the change fund is at risk because the money could erroneously be deposited with collections from vending sales. Though the \$68 may have been necessary for startup change when the machines were first installed, the continual flow of coins

from patrons purchasing items from the machines now makes use of this portion of the change fund no longer necessary.

RECOMMENDATIONS:

1. We recommend that the \$68.00 portion of the change fund be extracted from the vending machines and returned to the change fund, and that the change mechanism in the machine be replenished through coin deposits from patrons as they purchase candy or soft drinks.

2. We recommend that the option of contracting vending machine services with an outside company be considered as a means to relieve staff of accountability for vending machine sales.

None of the cashiers were recording their overages and shortages on the MPF Form 11, "Over/Short Log." Each cashier noted his or her daily over/short amount on a daily balance sheet. Some of the cashiers were using the over/short log during the first quarter of 2004, but no logs were on file after March, an indication that they were not used. Logs on file that we reviewed had no supervisor's signatures.

Policy #1062, Section 2.5.3, states, "*All overages and shortages, regardless of the amount must be recorded daily by the agency on MPF Form 11, "Cash Over/Short Log."*" The policy does not allow an alternative or substitute to this form.

Not using the MPF Form 11 is a violation of countywide policy, and removes the control step of both the employee and manager monitoring trends in cash balancing outages.

The MPF Form 11 provides a standard method for each cashier to record their over/shorts, initial their entries daily, and submit the form for review by a manager. The form also requires that the agent cashier and supervisor sign the form to attest that they have reviewed the log and verified that any differences between cash receipted and deposited are listed on the form. The benefit of consistent use of the form is that the cashier is reminded daily of any over/short problems, and problems are reviewed by a supervisor.

RECOMMENDATION:

We recommend that Wheeler Farm use MPF Form 11, "Cash Over/Short Log," as required by policy.

Wheeler Farm was duplicating its record of cash receipts, by first entering them into the cash register, and then manually in the McBee ledger. Wheeler Farm has a cash register at the front counter and one at the store. Many of the individual transactions at the front counter are entered again manually into the McBee ledger, a duplicative and time consuming process. The McBee ledger alone is used to receipt

collections from the vending machines, and is also used to record the lump sum of collections from the store register, which have already been recorded once in the cash register.

A part-time bookkeeper, who works every other day, prepares the deposit. Thus, the deposit is prepared on Monday, Wednesday and Friday and includes the prior day and collections up to the time the deposit preparation process starts the following day. In addition to preparing the deposit, the bookkeeper also processes the credit card summary report, a report that likewise covers at least two days' collection activities. Therefore, every deposit includes collections for prior days, collections for the day the deposit is prepared, and the credit card report.

Policy #1062, Section 3.7.3.1, states, "*Each day all County agencies should balance collections to register (or receipt log) totals and prepare a deposit, using MPF Form 3 or facsimile.*" Section 3.7.1.8.4, states, "*multiple deposits may be included in a single sealed bag...*"

A deposit covering prior days, and the part of the day the deposit is prepared, is a confusing process because of the difficulty in reconciling daily receipt totals to the deposit. Deposit slip totals do not correspond to receipt totals for any particular day. Typically, collections are balanced to a daily receipts report.

The bookkeeper at Wheeler Farm, as described above, totals all receipts in the McBee ledger from the time of the last deposit. This process complicates reconciliation of the daily sales report to bank deposit totals by administrative staff.

A better process to reconcile balance sheets, deposits, bank statements, and agency revenue reports would be to prepare a deposit, and run the credit card report for each day's business. Finally, though Wheeler Farm personnel feel that the McBee ledger serves a useful purpose in tying all transactions together, a fully-integrated and computerized cashiering system would eliminate duplicated effort and provide greater efficiency in operations.

RECOMMENDATIONS:

- 1. We recommend that a separate deposit slip be prepared listing each day's collections as a means of simplifying the reconciliation and administrative review process.*
- 2. We recommend that a fully integrated computerized cash register system be implemented to completely replace the manual McBee receipting system, and eliminate the duplication that currently occurs in maintaining both a cash register and a McBee receipt ledger.*

Some voids were not documented with an explanation, and none were signed by a supervisor. During our review of depositing, we also examined voided transactions. Out of 49 days' deposits we reviewed, there were 8 voids recorded. The voided McBee

receipts were attached to the ledger pages retained in the files, and there were some county-formatted void slips included with cashier balance sheets. Some of the voided receipts were marked void, and void slips had explanations, and were signed by the cashiers. None of them had a supervisor's signature to evidence review. There were also lined-through entries and changes in critical areas of the McBee pages, without any initials to indicate who made the modifications.

Policy #1062, 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 receipts will be filed in proper numerical sequence and kept for audit purposes.*"

Failing to receive a supervisor's review and approval could allow the cashier the opportunity to void a transaction and conceal a theft of funds. Therefore, an explanation and supervisor's review and signature, in addition to the cashier's signature, should appear on the voided receipt or void form.

RECOMMENDATION:

We recommend that both the cashier and supervisor sign a properly formatted void slip, with explanation, as evidence of adequate review and approval of any voided transactions.

The petty cash disbursement process required by countywide policy was not being followed. The petty cash fund balanced to its authorized amount of \$1,200 when we reviewed the corresponding cash, vouchers and four receipts in the cash box. These four receipts totaled \$116, but no corresponding vouchers had yet been prepared and attached. The director explained that the vouchers had not been prepared because work had been hectic at the time the funds were disbursed. Additionally, the completed vouchers on file were not numbered or signed by the custodian. We noted that the most recent reimbursement request copy did show that voucher numbers and signatures were included and all copies of completed receipts were attached.

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.*" Section 3.11.2 states, "*...the receipt...shall be attached to the voucher for supporting documentation.*"

When the process is not completed in the sequence required by policy and documented at the time each transaction occurs, confusion may result as to the chain of events in disbursing funds. This could create an opportunity for theft or misuse of funds.

RECOMMENDATION:

We recommend that petty cash vouchers be numbered and signed by both the payee and the custodian prior to cash being released.

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 defined as 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, currently, a cost equal to or greater than \$5,000.

A controlled asset is a personal property item, which is easily converted to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold amount. Personal communication equipment, such as a cell phone, is considered a controlled asset regardless of cost.

We secured a list of fixed assets assigned to Wheeler Farm and found that only three items, all farm tractors, had any potential for loss among the other items listed. The other listed fixed assets were immovably attached to the Wheeler Farm real estate, for example the parking lot.

We also obtained a list of controlled assets and selected a sample of those assets to locate. We were able to locate all of the assets from our sample. However, the following areas of concern need to be addressed.

- **Some recently purchased assets could not be traced to the controlled asset list.**
- **The Controlled Assets Inventory Form—Employee, was not being used.**

Some recently purchased assets could not be traced to the controlled asset list. We reviewed the Wheeler Farm purchase requests for the past year, and as we inventoried assets from our sample, we looked for items not listed. We found that two NEC computer monitors, and two IBM CPUs purchased in August of 2004, and a Casio cash register, purchased in November of 2004, had not been added to the controlled list.

The invoice for the computer equipment was so general in format that we could not determine if the new assets were those that we located. The invoice did not show enough identifying information to tie them to any asset. No notations were made on the invoice to enable tracing items back to the invoice.

Policy #1125, Sections 2.2 and 2.2.8, state, *“Property Manager’s duties- Property Managers assigned by their Administrators are responsible for the following... Coordinate with the organization’s Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established...”*

Newly purchased controlled assets are easy targets for conversion to personal use if they are not closely tracked by management and included on the controlled assets list. Newly purchased items should be added to the controlled assets list upon receipt. Without identifying the asset conclusively and tying it to the invoice at the time of receipt, the potential for loss is increased. Adequate identifying information, such as manufacturer, model, and serial number, either attached to or recorded on the invoice, or noted on the asset list, provides an easily referenced trail for review and audit.

RECOMMENDATION:

1. We recommend that the employee designated as property manager and the employee receiving newly acquired assets coordinate to insure that newly acquired assets meeting the “controlled” asset criteria are added to the controlled asset list at the time of receipt.

2. We recommend that asset identification information be included on both the purchase invoice and the controlled asset list to enable identification and accountability of controlled assets.

The Controlled Assets Inventory Form—Employee, was not being used.

Currently, there is a cell phone assigned to the Director which qualifies as a controlled asset, and it should be listed on a controlled asset list as required. The cell phone was not signed for by the employee who used it, using the prescribed form.

Policy #1125 Section 1.2, states, *“Due to the difficulty associated with centralized control of personal communication equipment... this category of property is considered to be ‘controlled assets’ regardless of the cost of the individual items, and is therefore subject to the controlled assets procedures...”*

Moreover Section 2.3.4, states, *“...at least annually, employees assigned fixed or controlled assets shall review the list of assigned assets and provide verification by his/her signature to the Property Manager as to the accuracy and completeness of the list.”* Such verification should be in the form as provided by Section 4.3.1, Exhibit 3 of the policy, or a form that contains substantially the same information.

Employees who exercise the greatest control over and most frequent use of certain controlled assets should have these assets assigned to them personally through completion of a “Controlled Assets Inventory Form—Employee.” A copy of this form is attached as Attachment B.

RECOMMENDATION:

We recommend that all employees, provided with individually assigned controlled assets, complete the “Controlled Assets Inventory Form—Employee,” and that these forms and assignment of the assets be reviewed and updated annually.

ANTIQUA ASSETS HISTORIC-COLLECTION ITEMS

Pursuant to a written agreement dated December 18, 1995, Salt Lake County accepted transfer, by donation from the Wheeler Farm Friends Inc. (The Friends), all historic personal property items then located at the Wheeler Farm. Prior to the agreement, the Friends organization had monitored and controlled all of the almost 5,500 items, and displayed them at the Wheeler Farm. These items have historically been characterized as antiques and other re-created props, replicating items from the period when Wheeler Farm was at its zenith of operation during the late 1800s to early 1900s.

There are certain restrictions on the use and care of these transferred items based not only on the agreement, but also on Parks and Recreation Division Policy #119, “Authorization and Operation of the Wheeler Historic Wheeler Farm Museum,” Countywide Policy #1006, “Gifts,” Salt Lake County Auditor – Accounting & Operations Division Accounting Policies & Procedures #5.1, “Management of Fixed Assets,” and Countywide Policy #1125, “Safeguarding Property/Assets.”

Items received from the Friends, termed “Collection Inventory,” along with items that were already owned by the County, and other items acquired since 1995, are presently exhibited in the various buildings on the Wheeler Farm, such as the Activity Barn, the Wheeler Farm House, and the Ice House. Some are stored in the basement of the Ice House, while others are displayed on the grounds or stored in various storage sheds on the premises.

A part-time employee, the Program Specialist, who has worked at Wheeler Farm for 20 years, is assigned to oversee the tracking of, caring for and arranging displays of all such items. She started at Wheeler Farm as a tour guide and has no formal training as a curator. A professional curator and historian, Dr. A. Glen Humphereys, retired in 2000. Thereafter, the Program Specialist evolved into the caretaker role and accepted responsibility. However, she has not received training as a curator to distinguish between the “antique” or “controlled” assets of the inventory or acquired computer skills to enable her to update the inventory.

The current list of historic items was compiled in 2001 and partially updated in 2002. However, none of the items acquired after 2001 has been added to the list. Likewise, lost or deaccessioned items have not been removed. We physically inventoried 100 percent of the 1,066 historic items on the 2001 list located in the Wheeler Farm House, and found all of them. There have been no new furnishings added to the House since 1995, with the exception of prop items, such as bed sheets and rugs that accessorize

the historic items. We also found all 29 of the assets we sampled from the Activity Barn, and all 12 of the items on the Auditor's Antique Collection List (AFIN 0806) dated December 31, 2003.

Our findings were much the same as the findings of the report released by our office dated December 2000, "A Performance Audit of Wheeler Farm."

- **The historic antique collection inventory transferred to the County from Wheeler Farm Friends in 1995 has never been properly reconciled and updated.**
- **The required annual update of the collection inventory was not performed for 2003 and 2004.**
- **Assets acquired after the 2002 inventory update had never been added to the collection inventory list.**
- **Proper acceptance documentation had not been completed for items donated to the Wheeler Farm since 1995.**
- **Employees were not trained in historic object handling as required by Parks and Recreation Policy #119.**
- **There were no records, such as Forms PM-2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form," to verify scrapping of, transfer, or surplus of any collection items.**
- **Adequate protection of some historic items was lacking.**
- **There was no annual reporting to the Wheeler Historic Wheeler Farm Museum Board as required by Parks and Recreation Policy #119.**

The historic antique collection inventory transferred to the County from Wheeler Farm Friends in 1995 has never been properly reconciled and updated.

Our previous Wheeler Farm audit report, dated December 2000, stated the following, "*The Auditor's Office fixed asset section stated that it would not be cost effective to capitalize all of the approximately 2000 antiques that were transferred [from the Friends].*" The list of historic objects we received for this audit contained over 5,500 items, a large number of which would probably not qualify as antiques. Our prior report goes on to say, "*As an alternative, the fixed asset section [of the Auditor's Office] will make an exception to the 'all antiques are fixed assets' requirement for Wheeler Farm only*" and "*fixed asset section personnel in cooperation with Wheeler Farm staff will develop criteria for distinguishing between 'fixed asset antiques' and 'controlled antiques' at the Wheeler Farm. The Auditor will capitalize those deemed to be fixed assets.*"

The Parks and Recreation response to our previous audit, dated January 10, 2001, contained the following assertion, *“This inventory is expected to be completed by June 2001 and will classify and number inventory items as fixed and/or controlled including items from the 1995 museum-collections inventory list. Completion of a 100 percent museum—collection inventory is the top priority for Wheeler Farm management. Wheeler Farm staff will complete an annual reconciliation of the fixed and controlled assets inventory as required by both Countywide and Parks and Recreation policies by June 2001 and every year thereafter. At the completion of museum-collection inventory, the appropriate inventory listings will be submitted to the Auditor’s Office Fixed Asset Group for designation as fixed or controlled assets by July 2001.”*

The corrective actions proposed by Parks and Recreation, have never been accomplished. The anticipated determination as to whether items are antiques or merely fixed or controlled assets has not been made. Parks and Recreation Policy #119, Section 2.2.1 states, *“The museum’s permanent collection care procedures shall comply with applicable professional guidelines established by the AAM.”* (American Association of Museums) Some items on the list we reviewed had AAM accession numbers, but since the departure of Dr. Humphereys, who established the system, nothing has been done to complete the numbering. AAM standards state that a properly operated museum must, *“Have a system for uniformly naming collections for cataloguing purposes using standard museum, scientific and/or archival practices.”*

Failure to correctly value and catalogue antiques is contrary to existing agreements and policies and detrimental to the collection itself, because the inattention to detail creates an atmosphere conducive to misuse, damage or theft.

RECOMMENDATIONS:

- 1. We recommend that a determination be made, with the assistance of a professional in the field, as to the status of each collection item, whether it is an antique, otherwise items should be added to the controlled, or fixed asset inventories, as appropriate, or disposed of according to policy.*
- 2. We recommend that the items determined to be valuable antiques be catalogued in accordance with American Association of Museum policies.*

The required annual update of the collection inventory was not performed for 2003 and 2004. The requirements of the property transfer agreement were that the transfer of the assets would be in conformity with Parks and Recreation policy #119, Section 2.5 which states, *“The professional staff shall prepare an annual report detailing all property changes and transactions, including an amended Historic Items Inventory of all articles currently in the museum collection.”* Countywide policies also require that fixed and controlled assets be inventoried annually. The Wheeler Farm is not in compliance with these requirements.

Lost or stolen antique items are in many cases irreplaceable, and decrease the value of the overall collection. This historic collection was established for the benefit and education of the public, and the preservation of our past. Therefore, an annual antiques inventory should be conducted, and well documented.

RECOMMENDATION:

We recommend that inventories of these potentially valuable, sometimes irreplaceable antiques, be conducted annually in accordance with the applicable policies, and documentation maintained on file for future reference.

Assets acquired after the 2002 inventory update had never been added to the collection inventory list. We reviewed “Declaration of Gift” forms for donated items received in 2002, and subsequent years, and found that the following items had not been added to the museum list:

Description	Quantity	Date Received
IH horse drawn mower	1	April 3, 2002
Hand made hay derrick	1	February 5, 2002
Mower	1	March 2002
McCormick binder	1	March 3, 2002
Two man saw, hydrant and blade	2	September 16, 2002
Allis Chalmers tractor	1	June 2004
Allis Chalmers tractor	1	May 22, 2004
John Deere sickle mower	1	May 22, 2004

Per Parks and Recreation Policy #119, these items should be noted as property changes in the annual report, and potentially as assets to be categorized as antiques. New acquisitions not properly controlled are at risk of loss because of failure to be properly inventoried.

RECOMMENDATION:

We recommend that new acquisitions be added to applicable lists and accounted for as required by policy.

Proper acceptance documentation had not been completed for items donated to the Wheeler Farm since 1995. “Declaration of Gift” forms reviewed for the period 2002 to the present were incomplete. None contained the required signatures including a signature indicating approval of the County Council for items whose value exceeded \$1,000, or the Mayor’s signature for donations valued at less than \$1000. Some forms

had no signatures at all, including the signature of the employee who accepted the gift. Several forms did not indicate the donor's name, and few indicated the donor's address.

Policy #1006, states *“that for gifts valued over \$1,000 a justification shall include a description of the gift, its value, life expectancy and purpose for which it will be used.”* Section 3.4.4 of Parks and Recreation policy #119 requires that, *“the declaration be submitted to and accepted by the Board of County Commissioners (Now the County Council) before gifts may be received into the museum collection.”*

Failure to use this declaration form and properly complete it creates a void in the documentation and understanding of what and by whom antique items were donated. Wheeler Farm has a form entitled “Wheeler Historic Wheeler Farm Object Collection Catalogue Worksheet” that should be completed when an item is received, and be retained as a source to fulfill all the inventory control requirements, including required signatures.

RECOMMENDATION:

We recommend that “Declaration of Gift” forms be completed properly and according to policy, the signature of the employee receiving the object, and the Mayor’s or Council’s acceptance signature, as appropriate. A copy of this form can be found at Attachment C.

Employees were not trained in historic object handling as required by Parks and Recreation Policy #119. The employee assigned to control the collection items has never had the formal training. Policy #119 provides that the care of the historic collection will be *“in the manner sufficient to meet the professional standards of museum accreditation prepared by the American Association of Museums.”* Further, those standards require that *“all staff and volunteers responsible for handling collections be trained in object handling by a professional registrar, curator or archivist.”* Insufficient training in the handling of antiques limits the person’s ability to monitor or control collection items assigned to them.

RECOMMENDATION:

We recommend that any persons assigned to account for and exercise control over the collection inventory be given the training necessary to effectively perform this function.

There were no records, such as Forms PM-2, “Salt Lake County Personal Property Transfer/Disposal/Internal Sale,” to verify scrapping of, transfer, or surplus of any collection items. In our review of the Forms PM-2 on file at Wheeler Farm, we found none related to museum collection category items. We were told that several years ago, some items were scrapped with the permission of the County’s Surplus Property division (County Surplus), but there was no evidence of that decision. The County Surplus section requires a completed Form PM-2 with any items sent to surplus.

Best practices require recording of property dispositions for future reference and evidence of asset accountability. The effect of not documenting the deaccessioning (disposal) of assets is the loss of accountability for those assets, and the possibility of theft or misuse of public property.

RECOMMENDATION:

We recommend that Forms PM-2 be used to record disposition of any assets that are deaccessioned, including any assets previously disposed of, if possible.

Adequate protection of some historic items was lacking. We found some pieces of Wheeler Farm equipment and other collection items that were stored outside, while others were placed in storage sheds on dirt floors. The Agreement of 1995 Section 2.B states, “...*nothing contained herein is intended to preclude the storage of properly inventoried items at some location other than the Wheeler Farm so long as such storage is not in individual offices or at other locations not reasonably considered storage areas.*” Patrons may gain a bad impression of Wheeler Farm management from viewing the manner or place in which some antiques are stored. The effect on items stored without proper shelter or protection is rapid deterioration from exposure to wind, water, and extreme temperature variations. Management should also consider whether some historic items could be transferred or sold to other museums, if these items cannot be displayed in protected areas or otherwise adequately stored.

RECOMMENDATIONS:

- 1. We recommend that adequately protected displays or proper storage sites be used to protect and preserve antique items from weather-related damage.*
- 2. We recommend that other museums be contacted for sale or transfer of Wheeler Farm equipment or other historic items which are not in use or on display.*

There was no annual reporting to the Wheeler Historic Wheeler Farm Museum Board as required by Parks and Recreation Policy #119. Per policy #119, the Wheeler Farm staff is supposed to “*prepare an annual report detailing all property changes and transactions, including an amended Historic Items Inventory of all articles in the museum collection... present the annual report to the Wheeler Historic Wheeler Farm Museum Board for approval and acceptance. The report shall become part of the Wheeler Farm records to remain permanently with the museum’s historical documents.*”

The requirement to provide an annual report of historic-items inventory should provide an added incentive to Parks and Recreation management to prepare an updated cataloguing of historic items. Producing and presenting the report to the Museum Board would provide an opportunity for valuable communication that should result in better historic preservation practices and accountability for the historic antiques collection.

RECOMMENDATION:

We recommend that the annual report required by Parks and Recreation Policy #119 be prepared and delivered to the Wheeler Historic Wheeler Farm Museum Board.

VENDING AND COUNTRY STORE

Our objective in reviewing vending and Country Store operations was to ascertain whether internal controls were in place to protect and properly account for inventories, and verify that receipts from sales were processed according to accepted internal control methods. As a result of our audit work, we found the following:

- **Vending and store inventory accounting and reporting functions were not performed according to accepted inventory control methods.**
- **Two people were not present when collections were removed from vending machines.**

Vending and store inventory accounting and reporting functions were not performed according to accepted inventory control methods. Currently several reports are produced each month for store and vending operations, including reports of revenues by type and details of items purchased. These reports of revenue and purchases provide cumulative data and could be useful management information. However, the relevant inventory reports were only prepared sporadically since July of 2004. The inventory reports lack essential information to track and account for inventories, such as a count of items on hand as a benchmark for a periodic physical inventory count.

Best practices for controlling and tracking merchandise inventory require that a beginning balance be documented as of the start of the period. Throughout the year purchases and sales are recorded and a final inventory taken at the end of the year. This provides an audit trail for transactions affecting the inventory on hand. Cost of sales is the number of items sold multiplied by their purchase price. Purchases recorded in the system can be compared to vendor invoices to determine whether all newly acquired items were entered into inventory. The net result of beginning inventory, plus purchases, less the cost of goods sold equals the ending inventory and can be used as a benchmark to monitor the amount of shrinkage due to employee theft or shoplifting. The count of items on hand, compared to ending inventory, per the accounting records, could reveal discrepancies that warrant further investigation.

Merchandise theft, or shoplifting, can be easily perpetrated in an environment of lax controls. Therefore, management should take preventative measures by conducting regular inventories and instructing employees to be vigilant, reporting any theft that may come to their attention. County Parks and Recreation is in the business of retail sales. Thus, management could improve internal controls by accounting for inventories in the

accepted manner, conducting inventory counts periodically, keeping accurate records, and producing inventory reports as a benchmark for periodic physical inventories.

RECOMMENDATIONS:

1. We recommend that management adopt best business practices to control and account for merchandise inventories, by conducting inventory counts consistently and or on a periodic (quarterly) basis comparing the physical count to the computed inventory, per the accounting records.

2. We recommend that Wheeler Farm and Parks and Recreation consult with County I/S to purchase a computer software program to control and account for merchandise inventories.

Two people were not present when collections were removed from vending machines. One person, the program manager, currently stocks the vending machines and counts the cash receipts. She also has primary access to the inventory storage area. The Wheeler Farm Director also has access to the storage area. The vending machines are located across the hall from the cashier's counter. When the machines are emptied, the funds are taken directly to the cashier to be receipted in the McBee ledger. However, the cashier may not always be present at the time the machines are stocked or cash collections removed to witness the cash count.

Best practices require that adequate controls be in place over both vending machine physical inventories and accounting for cash collections. Physical controls, such as having the inventory stored in a locked area, and having only a limited number of persons controlling the keys, are in place at Wheeler Farm. However, a break down in the control was having only one person present when the cash was taken from the machines and the machines were restocked. One employee should restock the vending machine and the other count the cash to separate the duties. Cash is the most liquid asset at Wheeler Farm, and as such is the most susceptible to untraceable theft. Therefore, cash counts should be adequately documented and inventories regularly conducted to ensure that product sales and cash collections are recorded.

RECOMMENDATION:

We recommend that two persons work separately, one to count cash from the machines, and the other to restock the inventory to jointly verify that the funds removed reconcile to the inventory replaced.

RENTAL POLICIES AND AGREEMENTS

Wheeler Farm rents all of its facilities, including the buildings and grounds, for a variety of private and public events. In addition, Wheeler Farm offers daily activities, such as tours and wagon rides, seasonal events and special holiday programs. All fees for

rental of facilities are prepaid, and reservations are completed by patrons signing a formal written agreement. For reserved events, a deposit or full payment is required before the event start date.

We reviewed 40 rental agreements covering the period October of 2003 through November of 2004. We did not find any that had been paid after the event start date. Thus no accounts receivable were outstanding, a commendable aspect of Wheeler Farm operations. Deposits or full payments were made at the time of reservation, and any balance due was paid on or before the date the event occurred. Required cleaning deposits were paid timely and refunds of those deposits were paid timely, in the correct amount and approved before being processed. If there was a cancellation, the nonrefundable portion of the fee was retained and the balance refunded according to the written policy and the agreement signed by the patron.

The agreement forms and policies, which are different for each venue because of the nature of events held at each venue, are in process of being revised. During our work we found the following:

- **Present and proposed policies and agreement forms lacked necessary information to adequately describe terms of the rental agreement.**

Present and proposed policies and agreement forms lacked necessary information to adequately describe terms of the rental agreement. There are some needed wording revisions, or lack of information, on the present and/or proposed policies and agreement forms. For example, under the heading "Fees" on the policy statement for renting the Ice House, the following payment terms are set forth, "*Rental Price \$30.00 per hour with a 2 hour minimum.*" In the same paragraph another provision states, "*The fee is determined by the number of hours the building is rented for.*" The two statements do not agree. Under the first statement, there would be a minimum \$60 fee no matter the amount of time facilities were rented, and under the second statement, a party could conceivably pay as little as \$30 if facilities were only used for an hour.

Another example showing the need for additional wording is reflected on the Activity Barn policy statement under "Fees," "*...any remaining fees that are due must be paid one month in advance of the scheduled rental.*" Our review of completed agreements showed that occasionally there was less than a month between the time of reservation and the event itself. There appears to be a need for a statement to cover such eventualities.

Best practices suggest that a high level of specificity is helpful to parties to the agreement. The more clearly and simply stated each provision of the agreement is, the more easily parties understand their obligations.

RECOMMENDATION:

We recommend that the rental agreements be revised to clarify the per-hour fee and to specify the instances where scheduling may occur less than 30 days prior to the event.

STAFFING AND RELATED ISSUES

Our work led us to make some general observations regarding staffing at Wheeler Farm. Wheeler Historic Farm does not have enough employees to accomplish its mission, and adequately comply with the County and agency policy and procedures outlined in this report. There are common findings with many of the audits that we have conducted at Parks and Recreation. These common findings lead us to conclude that recurring problems in County recreation centers are due to inadequate staffing to segregate cash handling from bookkeeping duties, manage and account for county assets, and enforce proper internal controls.

As additional recreation centers have been built, and other venues have been added to Parks and Recreation, adequate funding has not been provided for staffing, technological upgrading, and training. The funding for and focus on people and productivity tools have not kept pace with the added complexities of a larger organization. We have worked to identify why policy and procedures designed to ensure sound internal control and fiscal management are not enforced. We conclude that adequate staffing levels, staff training, and updated technology are needed.

Wheeler Farm is a good example of the lack of focus on operational internal controls because of inadequate staffing. At present, there are three merit administrative employees: the director, the program manager, and the supervisor of farm operations. There are several part-time employees performing various duties such as the cashiering and bookkeeping, and volunteers who perform farm chores and provide visitor demonstrations.

The two employees doing the bookkeeping are temporary. One of them, a retiree, admitted that he has no prior experience in accounting. He was working every other day to prepare deposits. The cashiers are temporary employees, and they too are retirees. The person who oversees the collection inventory is also part-time, but has been at Wheeler Farm for twenty years. She started as a tour guide, and when the museum curator left several years ago she just evolved into the position of caring, accounting for, and arranging displays of collection items. She has no formal training in historic object handling, and minimal computer skills. She has the desire to complete and update the inventory, but her lack of training, despite her repeated requests, has hindered her performance. The farm operations supervisor has to rely on part-time high school student employees or volunteers, but none remain long enough to gain sufficient knowledge in farm operations.

In our interviews with employees they expressed frustration with management's unreasonable expectations. Increased demand for services, many requiring greater customer skills and focus, pushes employees to the point of stretching them over too many tasks. A point of diminishing returns comes into play. Otherwise good employees feel under the gun, not able to give adequate focus to all of their duties. In the end, the customer pays the price of poor service and inadequately maintained facilities.

The burden placed on the current staff is evidenced by comments they made to us like, "I just can't do it all." Management needs to analyze the operational and service demands to accomplish its historic preservation mission, and determine whether staffing and technological support are adequate.

RECOMMENDATIONS:

- 1. We recommend recruiting at the local colleges and high schools for students interested in working, for example, as a part-time bookkeeper.*
- 2. We recommend recruiting proactively when schools are offering recruiting opportunities, such as "Job Fairs."*
- 3. We recommend that Wheeler Farm consider revising ticket prices and rental rates to provide the increased revenue to support hiring better qualified employees.*

We appreciate the cooperation and assistance received from Wheeler Historic Wheeler Farm staff during our audit, and the opportunity to have been of service, and hope that the information presented here will benefit the Wheeler Farm to help them more fully comply with Countywide policy. If we can be of further assistance to you please contact us.

Sincerely,

James B. Wightman CPA
Director, Internal Audit Division

cc: Vicki Rodman
Paul Ross
Thora Bell
Maynard Koncar
Chris Crowley
Linda Hamilton

CASH OVER/SHORT LOG

DIVISION _____

MONTH/YEAR _____

EMPLOYEE _____

DAY	AMOUNT OVER/SHORT	INITIALS OF CASHIER
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____
10	_____	_____
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27	_____	_____
28	_____	_____
29	_____	_____
30	_____	_____
31	_____	_____
ACCUMULATIVE OVER/(SHORT)		\$ _____ -

Approved by Agent Cashier _____

I have reviewed the above log for propriety and certify that anyt differences between cash receipted and deposited are listed above.

Supervisor's Signature _____

Title _____

DECLARATION OF GIFT (OVER \$1,000)

I, _____, irrevocably give, and where appropriate transfer, title to the property described below to Salt Lake County to become permanent property of Salt Lake County and to be administered in accordance with its established policies. I assign and transfer all rights, including any copyrights that I possess on these properties to Salt Lake County, without restrictions or conditions except those noted below under "Other provisions or restrictions".

Description of gift: _____

Value (estimated by the donor): _____

Date of transfer of title and delivery: _____

Other provisions or restrictions: _____

Department/Division Director or Elected Official

Donor

Date: _____

Address _____

Salt Lake County hereby accepts the above gift under the conditions specified within this Declaration of Gift form, but makes no judgment as to the value of the gift.

ATTEST:

SALT LAKE COUNTY COUNCIL:

Sherrie Swensen, County Clerk _____

Chair

Date