

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
PETER CORROON, MAYOR



An Audit of the Key Controls of
County Ice Center
December 31, 2012

GREGORY P. HAWKINS
SALT LAKE COUNTY AUDITOR

Audit reports are available at
<http://auditor.slco.org/cfml/IntAudit/IntAuditPubs.cfm>



GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LLM
Chief Deputy Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org

December 31, 2012

Ben McAdams, Mayor
Salt Lake County
2001 South State Street N2100
Salt Lake City, UT 84114-4575

Re: A Key Controls Audit of the County Ice Center

Dear Mayor McAdams:

We recently completed an analysis of financial records of the County Ice Center (the "Ice Center") in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached. Management response to our findings is attached as Appendix A.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and the system of internal controls was adequate. In some cases, we reviewed a statistically significant random sample; there may be inaccurate or incomplete financial records that were not selected for review. There may be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at the Ice Center and the cooperation from John Barenbrugge, Facility Manager, and Daryl Bacon, Program Coordinator, for answering our questions, gathering the necessary documents and records, and allowing us access to the Ice Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Brenda Nelson, MBA, CISA
Senior Deputy Auditor

By Michael Anderson, JD
Deputy Auditor

cc: John Barenbrugge, Facility Manager
Tracey Gines, Recreation Section Manager
Paul Ross, Fiscal Manager



Audit Report
County Ice Center
Key Controls Audit

Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and processes of the Ice Center. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that have been identified as key to good financial management. We also sought to identify areas of material risk. Countywide policies referenced included 1062, *Management of Public Funds*, and 1125, *Safeguarding Property/Assets*.

Conclusion

Ice Center management has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified are minor and would not be expected to result in the material loss of County assets. The risks discovered dealing with capital asset inventory (Finding #1) and asset accountability forms (Finding #2) have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding #1: An annual capital asset inventory was not completed in 2011.

Level: Moderate

Countywide Policy #1125, *Safeguarding Property/Assets*, Section 2.2 states:

“Property Managers assigned by their Administrators are responsible for the following: ...2.2.11 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. This is not necessarily conducted as of December 31st each year.”

No capital asset inventory was completed of the Ice Center during 2011. One capital asset, a Zamboni, was replaced since the last capital asset inventory was completed. The remaining four capital assets were found onsite. Failure to do a yearly inventory can lead to lack of control over assets, which, in turn, could lead to asset misappropriation and loss.

Recommendation

We recommend a yearly capital asset inventory be completed and submitted to the Mayor’s Office – Financial Administration section.

Management Response

See Appendix A

Finding #2: Controlled asset forms were not used to record who was responsible for assets.

Level: Moderate

Countywide Policy #1125, Safeguarding Property/Assets, Section 4.3 states:

“The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures...‘Controlled Assets Inventory Form – Employee’ is used for those assets that due to their nature, are used by and therefore readily assignable to an individual.”

The auditors observed property that was assigned to individual employees. However, the “Controlled Assets Inventory Form – Employee” was not being used to record responsibility for these items. Failure to track which employee is responsible for assets that are individually assigned increases the risk of asset misappropriation and loss.

Recommendation

We recommend the property manager implement use of the form “Controlled Asset Inventory – Employee,” which can be found in Countywide Policy #1125. In addition, we recommend the property manager conduct annual interviews with employees that are assigned assets in order to update the form and maintain employee accountability.

Management Response

See Appendix A

Finding #3: Credit card refunds were issued without a supervisor’s signature.

Level: Low

Regarding credit card refunds, Countywide Policy #1210, *Refund of Payments Made Through Debit or Credit Cards*, Section 2.3.3 states:

“The employee issuing the refund shall sign the credit voucher retained on-site, and a supervisor shall also sign the voucher as approval of the refund transaction. 2.3.4 An explanation for the refund shall be written on the credit voucher retained onsite.”

Of the refunds examined during the audit, most had been reviewed and signed by a supervisor. However, a few refunds within the sample were found without supervisor signatures. In addition, not all refunds reviewed in the random sample included the refund form. While, supervisory staff did review and sign off on the daily deposit, they did not consistently ensure that refunds referenced on the report were accompanied by a signed authorization. When refunds are not reviewed and properly authorized, there is an increased risk of errors, omissions, and misappropriation of funds.

Recommendation

We recommend requiring employees to seek supervisor approval whenever a credit card refund is done. In addition, we recommend that management ensure that all refunds on the Sportsman Daily Report be accompanied by a signed refund form, prior to signing off on the deposit.

Management Response

See Appendix A

Finding #4: Alterations to the employee schedule were not permanently recorded.

Level: Low

Salt Lake County Human Resources Policy #5410, *Payroll*, Section 2.1 states:

“Salt Lake County shall maintain a payroll record containing the following information for each employee...2.1.7 Time of day and day of week on which the employee’s workweek begins, 2.1.8 Basis on which wages are paid (such as \$5.00/hr., \$40/day, \$200/wk, \$1200/mo.) 2.1.9 Total wages paid each pay period, 2.1.10 Date of payment and the pay period covered by payment...”

The audit sample determined that Ice Center management checks individual time cards and ensures bona fide employees were paid for work actually performed. However, the payroll record was incomplete. The Center keeps a copy of the employee schedule in the front desk to allow for changes in employee scheduling. Employees make hand-written changes to this schedule. The audit review determined that certain employees’ time cards (although signed by a supervisor) did not match the schedule. No copy of this schedule with changes that were made to it is kept and the permanent record does not record these modifications.

When records supporting the accuracy and completeness of payroll are not maintained, there is an increased risk that employees could be paid for work they are not authorized to do by management. This risk is largely mitigated by management’s review of each employee’s time card.

Recommendation

We recommend a copy of the modified employee schedule be kept as part of the Ice Center’s payroll file.

Management Response

See Appendix A

Finding #5: Credits (such as coupons) were not adequately recorded by cashiers.

Level: Low

Parks and Recreation Division Policies and Procedures for Cash Handling, Section 2.1.2 states:

“All point of sale locations will give a receipt for every transaction to patrons, regardless of the amount due. A sign must be visible to facility patrons stating, ‘*It is our policy that a transaction is not complete until a receipt is given to the patron.*’ (This includes free passes, gift certificates, discounted passes, etc. All are entered into the till.)”

Management stated during an interview that coupons are received at the Center, but no record of the coupon is created in Sportsman. This creates two risks. First, the recorded number of customers utilizing the Center, and the value of the coupons redeemed is not accurate or complete. Second, although cashiers know that they should treat coupons like cash, there is no way to know if all coupons collected were retained. In this case, there is a risk that coupons received might be misappropriated or reused, diminishing the amount of revenue collected by the Ice Center. For example, it is possible for cashiers to collect payment from a patron and then claim a coupon was redeemed.

Recommendation

We recommend that management determine the best way to record coupon use in Sportsman and train cashiers to use that function.

Management Response

See Appendix A

Additional Information

Background

Opened in December, 1999, the Salt Lake County Ice Center is a year-round, indoor ice skating facility located in the heart of Murray just south of Murray Park. It was the second ZAP (Zoo, Arts and Park) tax funded facility to open in Salt Lake County.

The Ice Center was also utilized as a practice venue, primarily for women's hockey, during the 2002 Olympic Winter Games. In October, 2012, the Center hosted the U.S. Figure Skating regional. The winners of this competition become the competitors for sectionals, nationals, and (depending on the year) the Olympics.

The Ice Center is staffed by four full-time and 30-35 part-time employees.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change funds
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered twelve months ending September 2012. In addition to reviewing financial records, we reviewed and examined current practices through observation. Statistical sampling of controlled assets and daily cash deposits were performed to assess compliance with Countywide policy and standard business and internal control practices.

John Barenbrugge
Salt Lake County Ice Center
5201 S. Murray Park Lane
Murray, UT 84107

Response to Salt Lake County Auditor's Report

December 18, 2012

Finding #1: An annual capital asset inventory was not completed in 2011.

As discussed in our audit closing meeting, I don't prepare an annual inventory report for capital assets, and never have. I only have 4 capital assets in the facility. Typically in the spring of each year, Thora Bell from Parks & Recreation Administration will send a listing of those capital assets to me, and ask me to verify that we still have them. This is not hard to keep track of, as we only have 4. I assume she does the same thing with all the centers in our division. I've also assumed, perhaps incorrectly, that Thora completes the annual inventory report for the capital assets. I've never been asked to do so, and it has never come up as an issue in any past audit. I am happy to do so, if necessary. I just need for someone to provide that instruction. It won't take much – it's 4 items.

This is different than the controlled assets, as I do keep a perpetual inventory of those 234 items, and send a signed and updated copy of that report to Thora every May.

Finding # 2: Controlled asset forms were not used to record who was responsible for assets.

There are a number of issues related to this:

1. The report form in use was provided by Parks & Rec administration many years ago. It does include a section to indicate the location of the item, but nothing to indicate who is responsible for the item. And to the best of anyone's knowledge, it is also the same form used by all the other Parks & Rec facilities.
2. My current report, all 18 pages of it, is arranged by inventory tag numbers (1-234). Other than that, there is no organizational rhyme or reason to the report. To change the report so that it is organized by order of who is responsible for the items, would require a major overhaul of the report forms. It would also make it much harder to find an item on the report, as, instead of being in numerical order as they are now, the tag numbers would be all over the place.
3. The majority of the items on the report cannot reasonably be assigned to any of the other merit staff in the building (i.e. benches and tables in the lobby, tables and chairs in the staff room, TV in the lobby, etc.). Currently, as the facility's property manager, I am essentially responsible for all controlled assets in the facility.

Given the points listed above, it is unlikely I will be changing the format of my controlled assets report.

Finding # 3: Credit card refunds were issued without a supervisor's signature.

The majority of our credit card refunds do include a supervisor's signature, and that is our policy. I'm not sure how some of the refunds went through without a signature, but from this point forward it will be our priority to make sure all credit card refunds include a supervisor's signature.

Finding # 4: Alterations to the employee schedule were not permanently recorded.

Daryl Bacon, program coordinator in the facility, manages and schedules most of the seasonal staff. She keeps the original version of each schedule on file, but the final versions (the versions that includes and changes to the schedule), are discarded. From this point forward, she will keep the final version, with the changes, and discard the original.

Finding # 5: Credits (such as coupons) were not adequately recorded by cashiers.

We are looking into creating some method that will enable cashiers to more adequately record such credits. We hope to have something in place within 60 days.