

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Gene Fullmer Fitness and Recreation Center

April 16, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 16, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Gene Fullmer Fitness and Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Gene Fullmer Fitness and Recreation Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to 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.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Gene Fullmer Fitness and Recreation Center and the cooperation from Brad Pitcher, Facility Manager, Judy Judd, Office Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Gene Fullmer Fitness and Recreation 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 Anita C. Kasal
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director
Nancy Albiston, Fiscal Coordinator
Thora Bell, Manager
Brad Pitcher, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Gene Fullmer Fitness and Recreation Center (GFFRC). Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

GFFRC has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over change fund and cash receipting procedures have a higher likelihood of leading to a loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - The entire change fund was not counted daily.

Risk Level: High

Countywide Policy #1062 "Management of Public Funds," Section 3.8.2 states:

"Change funds should be counted, restored to the established imprest balance, and any daily shortages or overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log."

A \$50.00 change fund bag, the "Sunday Fund", was not counted daily. A \$37.00 shortage was noted on February 24, 2013. Management could not determine who was accountable for the shortage and it was unknown when the shortage occurred.

When a change fund is divided and any part of the total is not counted daily, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that GFFRC management count and document the count of the entire change fund daily.

Management Response

We originally had (3) change bags of \$50.00 each at the front desk as startup funds for the front desk. One of the money bags was used for Sundays only, so we would always have change for the weekend. We have done away with the Sunday bag of \$50.00 and we have made (2) bags of startup money of \$75.00 each. These bags are used and counted daily, as well as the change fund of \$550.00 in the large safe. This took place immediately prior to the audit in April.

Finding # 2 - Receipts could be reprinted for prior transactions.

Risk Level: High

Standard business practice regarding electronic receipts is that cashiers should not be able to reprint receipts.

A GFFRC cashier reprinted a receipt upon auditor request, which was identical to the original receipt.

When cashiers can reprint a receipt, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the ability for cashiers to reprint a receipt for a prior transaction be disabled.

Management Response

This recommendation, to disable cashiers from reprinting a receipt after a transaction, is not capable on the current Sequel (Peak Software) program. This issue may be suggested in the future to Sportsman as they update their system. This is a county wide issue.

Finding # 3 - The Controlled Assets Inventory Form-Employee had not been completed or signed by each employee.

Risk Level: Moderate

Countywide Policy #1125 "Safeguarding Property/Assets," Section 4.3.3 states that:

"The 'Certification' on [Controlled Assets Inventory Form-Employee] states that the employee (for assets assigned to employees), [is] accountable for all property assigned to them."

Section 2.3.4 further states the duties for all employees assigned fixed or controlled assets:

"...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."

GFFRC employees assigned fixed and controlled assets are not annually verifying property assigned to them.

When employees do not verify their assigned assets by signing a Controlled Assets Inventory Form-Employee annually, assets are at a higher risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that GFFRC employees that are assigned fixed or controlled assets, annually verify all property assigned to them by signing the Controlled Assets Inventory Form-Employee.

Management Response

This recommendation has been taken to Administration and talked about in our Program Managers meeting item # 4 on March 26, 2013. This recommendation is being considered by our department.

Finding # 4 - An independent review on a cashier's cash balance sheet was not happening.

Risk Level: Moderate

Standard business practice requires an independent review over a cashier's cash balance sheet.

A GFFRC cashier was preparing the deposit with no independent review of her own cash balance sheet.

When the person preparing the deposit reviews their own cash balance sheet, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that another GFFRC supervisor perform an independent review of this cashier's cash balance sheet.

Management Response

A GFFRC supervisor verifies and reviews the cashiers balance sheet and money prior to her making the deposit.

Finding # 5 - A supervisor was not signing the void vouchers at the time when were voided.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.7.3 states:

"A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt [voucher], along with the cashier who initiated the void. All voided receipts [vouchers] will be attached to the daily cash balance sheet for audit purposes"

A GFFRC supervisor was not signing the void vouchers at the time the receipt was voided. Voids were being signed during deposit preparation by the deposit preparer.

When voided transactions are not reviewed and signed at the time initiated, funds are at greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a GFFRC supervisor reviews and signs voided receipts and vouchers at the time they are voided.

Management Response

A GFFRC supervisor is signing the void voucher at the time the receipt is being voided as recommended.

Finding # 6 - Capital and controlled asset lists were not accurate.

Risk Level: Moderate

Countywide Policy #1125 "Safeguarding Property/Assets," 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 asset inventory list maintained by the Facility Manager contained assets that had been sent to surplus, transferred, or were otherwise no longer accounted for. Some of the surplus assets were delivered to surplus in December 2002. The Agency Property Manager was not providing a copy of the completed and authorized PM-2 forms to the Facility Manager so inventory list could reflect only assets retained at GFFRC.

Inaccurate controlled asset lists place assets at a greater risk of being lost, stolen or diverted for personal use.

Recommendation

We recommend that GFFRC Property Manager provide Facility Manager with completed and authorized PM-2 documentation or written notice to remove assets listed on the annual controlled asset inventory, which have been sent to surplus, transferred, or are unknown as to their location.

Management Response

Copies of all completed PM-2 forms are filed at GFFRC prior to taking equipment to surplus or another facility. Completed PM-2s are then filed at the Administration offices in Thora Bells office.

All equipment on the Program Managers inventory list is accounted for, and is sent in once a year to Administration. The latest version of this was sent April 4, 2013 by the Facility Manager.

Finding # 7 - The safe at the cashiers station was occasionally left unsecured.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 2.3.1 states:

"Based on a cost-benefit analysis addressing adequate security, a locking cashbox, safe, or vault shall be provided by County Agencies. The County Agency's Fiscal Manager will ensure that individual accountability and effective security is established and maintained for funds entrusted to each Cashier..."

The safe holding the change fund was not always locked when the custodian was not present. On two occasions, the safe door was shut, but the combination lock had not been "spinned-off" to lock the door. On another occasion the safe door was left open. The Monday after a shortage was detected, the safe was not locked.

When the safe is not fully closed, locked, and secured, funds are at a greater risk of being lost, stolen, or diverted for personnel use.

Recommendation

We recommend that the safe be closed, locked, and secured at all times when not being accessed for a business purpose.

Management Response

During some shifts the safe was opened during a cashier's entire shift. This employee received a written warning for not following the cash handler training policy. The safe has been moved to the back office in a more secure location and is locked all the times. We are also getting a new camera in the money handling room that will enable us to see both the deposit area as well as the safe location.

Finding # 8 - The authorized \$500 petty cash fund was excessive.

Risk Level: Low

Countywide Policy #1203 "Petty Cash and Other Imprest Funds," Section 3.1.4 states:

"The requested imprest amount should be sufficient to provide adequate operating funds for 2 months."

GFFRC expended for 2012: Quarter 1 \$132.11; Quarter 2 \$172.18; Quarter 3 \$142.75; and Quarter 4 \$42.50 from their \$500 petty cash fund.

Excessive petty cash funds are at a greater risk because timely reviews of disbursements by agency management are delayed.

Recommendation

We recommend that GFFRC reduce the petty cash fund to provide adequate operating funds for 2 months.

Management Response

We already reduced the Petty Cash fund from \$1,000.00 to \$500.00 last year. The reason we have not used this fund as much is because most of our staff are visa cardholders. We want to continue with the \$500.00 petty cash fund, and will replenish it in on a quarterly basis.

Finding # 9 - Sequential numbering of receipts was not maintained.

Risk Level: Low

Countywide Policy "Management of Public Funds," Section 3.5.6 states:

"The online cashiering system shall produce receipts in a sequentially numbered order."

GFFRC's receipting system skipped receipt numbers, when transactions were not completed.

During our examination of thirty days, over 100 of 2,179 receipt numbers were missing and could not be identified.

When receipt numbers are missing without reason or sufficient supporting documentation, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that GFFRC complete transactions and then void receipts so sequential numbering is maintained.

Management Response

This is a Peak Software issue that we have no control over. Receipt numbers are set up on a daily basis, and if more than one till is opened, each transaction from all tills is given a number in accordance to when the transaction took place, this includes internet transactions as well.

Finding # 10 - Original itemized receipts on purchasing card activity were not retained and maintained by the cardholder.

Risk Level: Low

Countywide Policy #7035 "Purchasing Cards Authorization and Use," Section 6.1 states:

"Original itemized receipts showing the detail of the goods and/or services purchased shall be retained and maintained for inspection by the Cardholder. The Cardholder shall provide the Agency fiscal manager unrestricted access to the receipts for review."

The GFFRC purchasing cardholder did not retain and maintain original itemized receipts.

Parks and Recreation requires original itemized receipts and other documentation be retained and maintained by Agency fiscal management.

It is a violation of current County policy when original itemized receipts are not retained and maintained by the Cardholder.

Recommendation

We recommend that GFFRC purchasing cardholders comply with current Countywide policy, or establish written Agency policy for alternative procedures.

Management Response

All original receipts are maintained by Cheryl Crook in the Administration office. Administration is aware of this and may establish a written Agency policy so that just copies of receipts are maintained at each facility.

Finding # 11 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3 "Information Technology Security Policy: Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

Parks and Recreation Agency did not maintain a current software inventory.

Because software has not been inventoried, there is an increased risk of unlicensed software on Parks and Recreation computers, which could result in fines and penalties. In addition, software licenses available may not be fully utilized.

Recommendation

We recommend that Parks and Recreation Agency maintain a current software inventory.

Management Response

Most computers for the Recreation Section are purchased from the Recreation Equipment Replacement Fund at the Division level. The inventory for the initial software setup of computers purchased from that fund will be maintained at the division level in compliance with Countywide Policy #1400-3. All other software inventory will be maintained at the facility level in compliance with the same policy. Implementation for this inventory control will be no later than November 1, 2013.

Finding # 12 - The authorized change fund amount was excessive.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 1.2 defines change fund as:

"A cash fund kept on the Agency's premises and maintained at a fixed amount to provide change for over-the-counter transactions, and other purposes outlined in Countywide Policy #1301, "Acceptance of Checks."

GFFRC's authorized change fund total was \$700. Only \$150 is circulated for over-the-counter transactions each day. Occasionally, the remaining amount is used for making change for large bills.

When excess funds are retained, funds are at a greater risk of being lost, stolen, or diverted for personal use. In addition, County cash flow is restricted.

Recommendation

We recommend that GFFRC management reduce the change fund to a more efficient level.

Management Response

We have taken this into consideration however during registration for our sports programs all funds are needed for change for the front desk and vending machines. It is not possible to reduce the amount lower than \$550.00 during these registration times. All money in the change fund is used during these deadlines. (\$120.00 of the change fund is in quarters for the vending machines).

Finding # 13 - Refunds, or a void wherein a patron receives cash or a cash equivalent, were not signed by the patron.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 6.1.1 states that:

"...The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency."

GFFRC deposit documentation did not show that patrons signed for same-day refunds.

When refund receipts are not signed and documented with daily deposits, then funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that GFFRC have patrons sign a refund receipt to be retained with the deposit documentation.

Management Response

The recommendation has been implemented. The patrons now sign the refund slip and it is retained with the void slip. Whenever possible the patron will sign for the credit card refund.

Finding # 14 - Petty cash receipts were not retained by the custodian.

Risk Level: Low

Standard business practice regarding petty cash expenditures is to retain a copy of the receipt and a copy of the voucher showing recipient and custodian approval of the transaction.

GFFRC custodian of petty cash was not retaining copies to verify the expenditures from the fund and was sending originals with the log requesting reimbursement.

When an original or copy of original receipt is not retained for record by the custodian then records are incomplete.

Recommendation

We recommend that GFFRC retain a copy of receipts and payment vouchers for twelve months for expenditures made by the petty cash custodian.

Management Response

The Petty Cash custodian will retain a copy of the petty cash receipts on location for twelve months.

Finding # 15 - Original receipts obtained in voided transactions were not marked VOID.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.7 states:

"All copies will be marked "VOID," including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution."

GFFRC cashiers did not mark original receipts with "VOID" when voiding a transaction.

When original receipts are voided but not marked as "VOID," funds remain at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that GFFRC mark all copies of available receipts as "VOID" when voiding a transaction.

Management Response

We will mark all voided receipts with a "VOID" as recommended.

Finding # 16 - An SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ and that GFFRC keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Management Response

Administration is aware of the situation and our taking steps to resolve the issue (see Appendix A).

Additional Information

Background

GFFRC is named after Gene Fullmer who has held the title of Middleweight Boxing Champion of the World. GFFRC is a part of the Salt Lake County Parks and Recreation Division and is located at 8015 South 2200 West, in West Jordan. Salt Lake County Parks and Recreation was formed and came into existence on May 11, 1946. Ten days later the organization dedicated its first park, today over 50 years later -- 104 parks, and over 20 recreation facilities are in operation.

Scope

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

- Change fund
- 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 up to twelve months ending February 28, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Parks & Recreation Agency Response to Audit Finding – An SAQ representing Parks and Recreation’s compliance with PCI has not been completed and is not on file.

The Payment Card Industry’s Data Security Standard (PCI-DSS) was established approximately thirteen years ago, and the Parks and Recreation Division began practices at that time to safeguard data as information became available. As information was obtained from the Payment Card Industry throughout the years practices were changed to accommodate securing cardholder data as much as possible within the division. In early 2010 - 2011, the Auditor’s Office began looking at this standard for the entire county as much of these standards that had been identified were beyond the knowledge of the county’s departments and division’s on determining merchant levels and completing the SAQ’s. Committees were set up, audits were conducted at each location, and the County was proceeding smoothly in determining policy and procedures, Information Services responsibilities, along with what each division’s SAQ status would be. It was determined at that time that Attestation of Compliance needed to be signed off by the County as a whole once a letter was received by the Mayor from Chase Paymentech regarding our responsibilities to complete the SAQ’s and completing the Attestation of Compliance, along with scans of the systems (A company has one year to complete the SAQ and Attestation of compliance from the date the letter is received). The Auditors were pulled from this development of policy and procedures for data security so each department/division was thrust into working on this again individually. The Parks and Recreation Division has continued working with Information Services in trying to establish what type of SAQ to complete, update and reinforce our firewall system, and make every effort to strengthen our compliance with the industry’s standards as the majority of questions are to be determined/completed by Information Services. In 2011 it was determined that the division would complete the SAQ –D form, however, making changes to cardholder data not being stored on the computer system has moved the division from a D to a possible C or C-Virtual.

In 2012, the golf courses were moved to a new accounting program and service provider with the expectation that the SAQ C and Attestation of Compliance will be completed, signed, and submitted by the end of April 2013. What is being done with the golf courses will become the standard for all other departments and division within the county. The recreation centers will be next for Information Services and the division to work together to complete SAQ’s and establish more practices and procedures to provide complete and ongoing compliance for the division.