

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



An Audit of the Key Controls of
Salt Lake County Sports Office

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 31, 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 Salt Lake County Sports Office

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Salt Lake County Sports Office 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 Salt Lake County Sports Office and the cooperation from Eliza Schofield, Todd Wood, Lyndsey Henderson, Stace Hemingway, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Salt Lake County Sports Office 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 Todd Livingston
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director
Eliza Schofield, Facility Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Salt Lake County Sports Office. 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

The Salt Lake County Sports Office has put into place several key controls for managing public funds. Most risks identified were minor and are not expected to result in material loss. Deficiencies in certain internal controls over controlled assets, purchasing cards, and receipting have a higher likelihood of leading to a loss of County property. Previous audits reports for the County Sports Office were released to the public in March 2012, November 2012, and December 2012.

Findings and Recommendations

Finding # 1 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) ... [the] '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 "Controlled Assets Inventory Form-Employee" was not used to manage controlled assets that were assigned to employees.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Salt Lake County Sports Office use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

Finding # 2 - Cashiers did not maintain a daily over/short log.

Risk Level: Low

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."

Cashiers did not record their daily overages or shortages on an over/short log.

When overages and shortages are not recorded on an over/short log, balancing trends may go unnoticed by management, and needed remediation may be missed.

Recommendation

We recommend that all daily overages or shortages be entered onto a monthly MPF Form 11, "Cash Over/Short Log."

Finding # 3 - Voids were not handled in accordance with Countywide policy.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

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

During a 30-day period of deposit review, we noted three voids per the Sportsman POS reports. Of the three voids, two were not conducted according to Countywide policy. One void was not signed by a supervisor, and the other was not documented or signed by a supervisor.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that VOID be written on the front of voided receipts, that cashiers document and sign voided receipts, that supervisors sign voided receipts as evidence of review, and that voided receipts be attached to the daily cash balance sheet.

Finding # 4 - "No-sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.

Risk Level: Low

Salt Lake County Parks & Recreation Division, "Policies & Procedure for Cash Handling," Section 1.1 states that:

"Agent Cashiers for the Parks & Recreation Division are defined as Program Managers, Assistant Section Supervisors, Director of Recreation..."

In addition, Section 4.17 states:

"The agent cashier shall independently review all transactions for the day and report all inconsistencies, errors, or questionable transactions to the facilities program manager."

The Salt Lake County Sports Office did not document or have supervisory review of "no-sale" or "no money taken" transactions.

When cashiers can open their cash drawers without documenting the reason and without review by a supervisor, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.

Finding # 5 - Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.1.6 states:

"The duties of opening the mail and summarizing the daily receipts of checks should be separated from the duty of posting payments in the cash receipts journal unless Agency Management determines that doing so is operationally burdensome. If operationally burdensome, Agencies shall adopt compensating internal controls to insure that the posting of payments to accounts is consistently overseen and reviewed by Agency Management or Fiscal Manager."

We observed that checks received by mail were not recorded in a log and the same employee who received payments through the mail also processed the transactions.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a log of checks received through the mail be kept and that the duties of posting and receiving payments be separated, or that compensating controls be adopted.

Finding # 6 - An SAQ representing the Parks and Recreation's compliance with PCI-DSS 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 in the Policy Statment that:

"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-DSS had not been completed and was not on file.

When an agency is not compliant with PCI-DSS, there is an increased risk of cardholder data breaches, fines, and the inability to accept credit cards as payments.

Recommendation

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

Finding # 7 - The "Controlled Assets Inventory Form - Organization" was not signed or dated.

Risk Level: Low

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

"The 'Certification' on Exhibit ... 4 [Controlled Assets Inventory Form-Organization] ... states that the ... Property Manager (for assets not assigned to individual employees) [is] accountable for all property assigned to them."

The "Controlled Assets Inventory Form-Organization" was not signed by the Property Manager as evidence of accountability for assets not assigned to individual employees.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Property Manager sign and date the "Controlled Assets Inventory Form-Organization" to certify the assets not assigned to individuals.

Finding # 8 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3, "Information Technology Security: 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."

The Salt Lake County Sports Office did not maintain a current software inventory.

Failure to maintain a software inventory increases the risk of unlicensed software on Parks and Recreation computers, which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

Recommendation

We recommend that the Sports Office maintain a current software inventory.

Finding # 9 - Purchasing cards were not immediately signed by the Cardholders.

Risk Level: Low

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 2.1 states:

"Immediately, upon receipt of the P-Card, it shall be signed by the Cardholder."

Of the four purchasing cards reviewed at the Salt Lake County Sports Office, two cards were not signed on the back by the cardholders.

When a purchasing card is not signed, the cardholder cannot be easily verified by a vendor when making transactions.

Recommendation

We recommend that the cardholders sign the back of their purchasing card.

Finding # 10 - A purchasing card was not adequately safeguarded.

Risk Level: Low

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 2.2 states:

"The Cardholder shall be responsible for authorized and allowable use and safeguarding of the P-Card."

A purchasing card was kept in a folder on top of a desk in an open cubicle area.

When purchasing cards are not safeguarded, cards may be stolen, and/or used for unauthorized purchases.

Recommendation

We recommend safeguarding purchasing cards by keeping them in a secured location.

Additional Information

Background

The Salt Lake County Sports Office is located at 5201 South Murray Park Lane in Murray. It offers a variety of Countywide competitive and recreational team sports for both adults and youth. Also offered are specialized programs such as Skiing and Youth Camps and Clinics. The County Sports Office is also in charge of facilitating the Summer and Winter Corporate Games.

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 November 30, 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.

Management response to findings in this report, when received, will be attached as Appendix A.



**Parks & Recreation Division Response to
Summary of Findings and Recommendations
For Sports Office Audit Dated: 12/02/13**

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	The controlled Assets inventory Form – Employee was not used.	We recommend that the Salt Lake County Sports Office use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an Individual.	<ul style="list-style-type: none"> • The controlled asset inventory form-employee will now be used. • This action will take place starting in April 2014 when the Facility Manager does the annual controlled asset inventory and thereafter. • The Facility Manager will be the responsible party for the implementation.
2.	Cashiers did not maintain a daily over/short log.	We recommend that all daily overages or shortages be entered onto a monthly MPF Form 11, "Cash Over/Short Log."	<ul style="list-style-type: none"> • Sports Office will enter in all overages and shortages into a monthly MPF Form 11-Over/Short Log. • This action will take place immediately. • The Facility Manager will delegate to the Office Coordinator to be the responsible party to insure that the new over/short document is implemented. Facility Manager will verify to make sure this is done monthly.
3.	Voids were not handled in accordance with Countywide policy.	We recommend that VOID be written on the front of voided receipts, that cashiers document and sign voided receipts, that supervisors sign voided receipts as evidence of review, and that voided receipts be attached to the daily cash balance sheet.	<ul style="list-style-type: none"> • VOID will be written on the front of voided receipts, cashiers will document and sign voided receipts, and supervisors will sign voided receipts as evidence of review, and all voided receipts will be attached to the daily cash balance sheet. • This action will take place immediately. • The Facility Manager will delegate to the Office Coordinator to be the responsible party to insure that the new void process is implemented. Facility Manager will verify to make sure this is done monthly.
4.	"No-sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.	We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.	<ul style="list-style-type: none"> • Cashiers will document each "no-sale" and/or "no money taken" transaction and we will have a supervisor review each transaction. • This action will take place immediately. • The Facility Manager will delegate to the Office Coordinator to be the responsible party to insure that the cashiers document all no-sale transactions. Facility Manager will verify to make sure this is done monthly.
5.	Internal controls over payments	We recommend that a log of checks received through the mail be kept and that the duties	<ul style="list-style-type: none"> • Sports Office will implement a log for the checks to be entered on as the mail is opened. We will have a separate person enter the checks into Sportsman.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
	received through the mail were not adequate.	of posting and receiving payments be separated, or that compensating controls be adopted.	<ul style="list-style-type: none"> • This action will take place immediately. • The Facility Manager will be the responsible party for the implementation.
6.	The SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.	We recommend that Parks and Recreation management complete and sign an annual SAQ, and that the Sport's Office keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.	<ul style="list-style-type: none"> • Administration is aware of the situation and our taking steps to resolve the issue. • This action is in the process now. • Recreation Administration will be the responsible party for the implementation. Facility Manager will make sure that the Sports Office complies with all PCI requirements after direction from Administration is given.
7.	The "Controlled Assets Inventory form- Organization" was not signed or dated.	We recommend that the Property Manager sign and date the "Controlled Assets Inventory Form-Organization" to certify the assets not assigned to individuals.	<ul style="list-style-type: none"> • The Sports Office original Controlled Assets Inventory Form-Organization was signed, but sent to Admin. For now on Sports Office will keep a copy signed on hand. • This action will take place starting in April 2014 when the Facility Manager does the annual Controlled asset inventory and thereafter. • The Facility Manager will be the responsible party for the implementation.
8.	No Comprehensive software inventory was on file.	We recommend that the Sports Office maintain a current software inventory.	<ul style="list-style-type: none"> • The Sports Office will institute procedures to ensure compliance with maintaining a current software inventory. • This action will take place starting February 1st, 2014 after all the current documentation is gathered. • The Facility Manager will be the responsible party for the implementation.
9.	Purchasing cards were not immediately signed by the Cardholders.	We recommend that the cardholders sign the back of their purchasing card.	<ul style="list-style-type: none"> • Card holders signed the back of their cards. • This action was completed January 15, 2014. • The Facility Manager witnessed the signing of the cards.
10.	A purchasing card was not adequately safeguarded.	We recommend safeguarding purchasing cards by keeping them in a secured location.	<ul style="list-style-type: none"> • All cardholders have been instructed to keep cards in a secure location. • This action was completed January 15, 2014. • The Facility Manager instructed all purchasing card holders in person.

**Eliza Schofield - Facility Manager
Sports Office**

DATE PREPARED: January 15, 2014