

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Millcreek Recreation Center

July 11, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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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 Millcreek Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Millcreek 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 Millcreek Recreation Center and the cooperation from Shawn Lavender, Facility Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Millcreek 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 Scott Ball
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director
Shawn Lavender, Facility Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Millcreek Recreation Center. 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

Millcreek Recreation Center has put into place key controls for managing public funds, including controls over capital and controlled assets, purchasing cards, petty cash, and payroll. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, the risks discovered dealing with compliance with Payment Card Industry requirements, software inventory, void and refund forms, sequential receipt numbering, and timely deposits have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - Voids were not always handled in accordance with Countywide policy.

Risk Level: **Moderate**

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

"The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction...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 purpose."

Millcreek Recreation Center Management did not include the voided receipt with deposit documentation, the reason for voided transactions on front of the voided receipt, or indicate cashier and supervisory review by their signatures.

Without evidence of review and explanations for voids in deposit documentation, transaction reversals could easily be made as a way to conceal theft.

Recommendation

We recommend that a copy of the signed receipt used to support voids be included with deposit documentation.

We also recommend that the cashier sign, and a supervisor review and sign all void receipts.

Management Response

Have been using void slips, but not including the voided receipt. We will begin to include voided receipts with the void slips as the recommendation given.

Finding # 2 - Refund forms were not signed by patrons.

Risk Level: Moderate

Standard business practice requires the patron sign a refund form, which is retained and included in deposit documentation.

The refund forms provided by the Millcreek Recreation Center were not signed by patrons.

When refund receipts are not signed by the patron, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Millcreek Recreation Center have patrons sign a refund form to be retained with the deposit documentation.

Management Response

We have not always had patron come into the center to fill out a refund request, especially when it has been due to a cancellation on our part. We will implement the recommendation and begin to have all patrons fill out and sign a refund request form.

Finding # 3 - There was no PCI SAQ on file.

Risk Level: Moderate

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy" Section 3.0, under Policy Statement 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 management's compliance with PCI had not been completed and was not on file.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and an inability of accepting credit cards as payments.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ and that Millcreek Recreation Center 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 situation and working towards resolving issue. Nancy Albiston has drafted a letter in response and is in Admin file.

Finding # 4 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy 1400-3, "Software Licensing" 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 Parks and Recreation management did not maintain a current software inventory.

Millcreek Recreation Center staff were not aware of the software inventory policy requirement.

Because software has not been inventoried, there is an increased risk of unlicensed software on Millcreek Recreation Center 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 Management create and maintain a current software inventory.

Management Response

All programs on our computers came installed upon purchase when opening facility. No additional programs have been purchased or installed on any county computer.

Finding # 5 - Sequential number of receipts was not maintained.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.5.6 states:

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

The Millcreek Recreation Center's receipting system skipped receipt numbers.

Sportsman does not maintain a sequential numbering of receipts when transactions are aborted or otherwise not completed.

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

Recommendation

We recommend that the Millcreek Recreation Center not abort transactions, but rather complete the transaction and void receipts so sequential numbering is maintained.

Management Response

This is a Peak Software issue that cannot be remedied in the center. 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 # 6 - Deposits were not always made within three days of receipt.

Risk Level: Low

Countywide Policy #1062, Management of Public Funds, Section 3.7.2 states:

"As required by Section 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable but not later than three days after receipt."

Two out of 30 deposits examined were deposited more than three days after receipt. This is based on the deposit slip date compared to the bank posting date.

Funds deposited late were typically during a week containing a holiday.

Funds that are not deposited on a timely basis are more susceptible to loss or theft, and interest that might otherwise have accrued is lost.

Recommendation

We recommend that funds be deposited on the same day whenever practicable, but no later than three days after receipt.

Management Response

As indicated, the funds in doubt were based on a holiday weekend with the holiday falling on a Monday. Our facility is closed on Sundays and therefore if a deposit is not done on Saturday then we fall short of the three day timeframe. We will whenever possible try to schedule someone to do a deposit on the Saturday that falls on a holiday weekend. Otherwise we always attempt to do daily deposits M-F.

Additional Information

Background

The Millcreek Community Center, which opened on April 11, 2012, houses three major agencies – Library Services, Parks and Recreation, and Aging Services. The Millcreek Community Center is a multiple use, shared facility, and is the first cooperative effort in Salt Lake County of three County entities housed in one building.

The one-of-a-kind recreation/library/senior center is located in East Millcreek. However, there are four communities that use the services offered at the Center. The township residents of Millcreek, East Millcreek, Canyon Rim, and Mt. Olympus are served by the Center. The name Millcreek Community Center was chosen based on the regional service it provides to the larger neighborhood population.

A Memorandum of Understanding between Library Services, Aging Services, and Parks and Recreation was established concerning the ongoing operations and maintenance of the Millcreek Community Center. Each Division is responsible for all operations in the portion of the facility occupied by the respective agency (i.e., Library Services for the Library, Aging Services for the Senior Center, and the Recreation Section of Parks and Recreation for the Recreation Center). Although a combined schedule of monthly activities is available for citizens, each facility is governed by its own agency's policies and business operations. The Parks Section of Parks and Recreation is responsible for the overall maintenance of the Community Center, including the main floor in the lobby. Parks is also responsible for maintenance of the common outside area, parking areas, and walkways. The budget for the shared expenditures is budgeted by Parks, and each agency is billed quarterly by Parks and Recreation for their portion of the maintenance and utility costs.

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.