

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of  
Center for the Arts

March 28, 2013

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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March 28, 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 Center for the Arts

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Center for the Arts 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 Center for the Arts and the cooperation from Brian Fuller, Brian Fast, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Center for the Arts 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 Larry Decker CPA, CIA  
Sr. Deputy Auditor

cc: Phil Jordan, Director  
Blair Fuller, Fiscal Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Center for the Arts. 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 Center for the Arts has many processes in place to reconcile event settlements and collections for ticket sales at three different venues. We found that deposit documentation needs to be more organized and follow a more logical flow to ensure that all collections are accounted for. Also, a report of all transactions occurring during the day needs to be printed, if feasible, to allow for better monitoring by management and to provide for a clearer audit trail.

## Findings, Recommendations, and Management Responses

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***Finding # 1 - The sum of individual balance sheet totals frequently did not match actual deposited amounts.***

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**Risk Level: High**

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.2 states:

"A 'master' balance sheet may be prepared to accumulate totals of individual cash balance sheets from each cash register. With any balancing procedure, the cash count total, including the breakdown by cash and check composition, should match the deposit slip total."

From our testing of bank deposits we noted that cashier balance sheets frequently did not match the grand total of collections reported for the day. Generally, we isolated these differences to credit card transactions. Most collections at Center for the Arts are by credit card, and not cash. Checks are no longer accepted.

The differences likely resulted from missing balance sheets or instances where a balance sheet was not completed at all. Where only credit card payments are made and no cash is collected, the cashier may not see the need to complete a balance sheet. We also noted the lack of an orderly process for grouping balance sheets by day, sometimes making them difficult to locate.

Cashier theft or errors cannot be discovered if their balance sheets are not included with deposit documentation.

## Recommendation

We recommend that each "seller," or cashier complete a balance sheet and that documentation for each deposit be grouped by date, and include the deposit slip copy, balance sheets, and the report of system collection totals.

### ***Management Response***

See Appendix A

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### ***Finding # 2 - Documentation for voids and refunds was not included with deposit documentation.***

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#### **Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.1, 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 purposes.

Section 6.1.1 of this same policy states:

"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."

Center for the Arts Management did not include a form with deposit documentation to note the reason for voided or refunded transactions, and indicating cashier and supervisory review by their signatures. A signed refund form was generated, but it was filed separately, apart from deposit documentation.

Refund forms are filed separately for ticket tracking purposes, and inventory of reserved theater seating for scheduled shows and events.

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

#### ***Recommendation***

We recommend that a copy of the signed form used to support refunds or voids of ticket sales be included with deposit documentation to support reversals shown in system transaction detail.

### ***Management Response***

See Appendix A

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### ***Finding # 3 - Personnel had not attached property tags to some capital assets.***

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#### **Risk Level: Moderate**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.8 states one of the property manager's duties as follows:

"Coordinate with the organization's Purchasing Clerk to ensure ... fixed assets are tagged and capitalized."

In our capital assets inventory we found 4 out of 30 items examined with no County property tag attached.

The Center for the Arts has capital assets at three different venues. Tagging of equipment can be easily overlooked. Moreover, many large capital assets arrive in various components, or components may be replaced. This could allow for tagging to be overlooked, or difficulty in determining how or where the tag should be affixed.

Equipment that is not tagged is more likely to be stolen as it would not be readily identified as missing.

### ***Recommendation***

We recommend that all current capital assets without a tag have a County property tag attached them, and that new equipment have the County property tag affixed in a timely manner.

### ***Management Response***

See Appendix A

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### ***Finding # 4 - The balance sheet did not include a line for entering the system recorded collection total.***

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#### **Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1 states:

"All County Agencies should balance collections to cash register...totals...using MPF Form 3A, Cash Balance Sheet, or a similar form developed for... the specific Agency."

Cashiers did not enter Tessitura system collection totals on their individual balance sheets to arrive at an over, short, or no difference amount in daily balancing.

Management formulated an abbreviated balance sheet one quarter the size of a regular piece of paper. While it does include a line to enter an over or short, no comparison between system totals and actual counts to arrive at these variances is made on the balance sheet.

Without entering the Tessitura system collection total, comparison to actual collections is not readily made, and the balance sheet does not mirror the balancing procedure envisioned in Countywide policy.

***Recommendation***

We recommend that an additional line be added to the cashier balance sheet allowing for the Tessitura system collection total to be entered for comparison against actual collection counts in arriving at an over, short, or no difference amount in balancing.

***Management Response***

See Appendix A

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***Finding # 5 - Some deposits were made more than three days after receipt of funds.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 4.1.1 states:

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

We noted 10 instances out of 30 deposits examined in our sample where the bank posting date was more than three days from the deposit slip date.

Management realizes that deposits are sometimes not timely. Deposits collected on a late Friday evening are not deposited until the following Monday. Also, a courier service retrieves the deposit for delivery to the bank.

Deposits not made in a timely manner lose interest otherwise accrued, and are at greater risk of theft by not being in the bank.

***Recommendation***

We recommend that deposits be made at least daily, but not longer than three days after receipt of funds, and that the importance of this procedure be reviewed with the courier.

***Management Response***

See Appendix A

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***Finding # 6 - A report of daily collections by transaction number was not printed or kept with deposit documentation.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Sections 2.4.1.3 and 2.4.1.3.2 state:

"Agency Management shall provide an on-line register with the following features...The capability to generate a report of all transactions by amount and transaction number, both by individual cashiering station, and by all cashiering stations combined."

The Tessitura system does generate sequential receipts numbers, but management did not print a daily transaction report showing collections by receipt number to verify the sequencing and allow for ready referencing of transactions.

Management decided not to print a detail report due to the amount of paper involved. Because of the many shows and events at Center for the Arts venues, thousands of transactions may occur on any given day.

Without a detailed transaction report, or a report that shows excluded transactions numbers, missing receipts or transaction reversals that could be used to cover theft might remain undiscovered.

### ***Recommendation***

We recommend that a daily collection report by individual transaction number, or an exception report of transaction numbers out of sequence, be printed for deposit documentation, as resources allow.

### ***Management Response***

See Appendix A

## **Additional Information**

### **Background**

The Center for the Arts manages Capitol Theater, Rose Wagner Theater, and Abravanel Hall. They sell tickets for events and shows at each of these venues. They also rent space at these facilities for administrative use by various arts groups, such as Ballet West. Each year, the Center for the Arts collects millions of dollars in ticket sales, but pays most of this money back to performing groups in a settlement process at the end of a show or event. Cashiers are referred to as "sellers." In 2012, the Center for the Arts reported revenue of \$2.4 million.

### **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 January 31, 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.



Date: Tuesday, March 26, 2013

To: Larry Decker, Auditor's Office

From: Blair Fuller, Administrative and Fiscal Manager

Brian Fast, Associate Administrative and Fiscal Manager

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## Responses to Findings and Recommendations

### ***Finding # 1 – The sum of individual balance sheet totals frequently did not match actual deposited amounts.***

We have asked each cashier/teller who creates an open batch on Tessitura to complete a daily balance sheet and attach to it their daily Tessitura Activity report. Their balance sheet will now reflect both cash and credit card sales thus allowing us to balance to the system activity on a daily basis.

We also will continue to create a daily report for web sales even on days when ArtTix locations are closed. Some Sundays and all County recognized Holidays the web is still processing transactions even though employees have the day off. This allows daily to reconcile every transaction through the system.

### ***Finding # 2 – Documentation for voids and refunds was not included with deposit documentation.***

Our procedures have been changed to keep the refund/void transaction documentation attached to the daily deposit documentation. This will allow for quick review by management and auditors. The current refund forms do list a reason for voided or refunded transactions; they are signed by the teller, a shift supervisor and final review and approval by the ArtTix Manager or Assistant Manager.

### ***Finding # 3 – Personnel had not attached property tags to some capital assets.***

Our property manager will have new tags created for the assets that currently have no tag. We will review the entire fixed asset inventory. If no tags exist we will generate replacement tags to affix to the asset.

Since the date of his hire, Brian Fast, the CFA property manager, is affixing all inventory tags to capital assets as they are placed into service. This will ensure, at least, going forward that all new assets are being tagged in conspicuous places on each asset.



***Finding # 4 – The balance sheet did not include a line for entering the system recorded collection total.***

We have revised the Agency specific balance sheet to include a Tessitura system generated total to allow for ease of comparison between drawer total and system totals

***Finding # 5 – Some deposits were made more than three days after receipt of funds.***

We have a contract with an armored car service for daily pick-up of the prior day's deposits. We have not scheduled pick-ups for Saturdays or Sundays. All daily receipts are picked up by the armored car service within the three day guideline. For example all Friday deposits are picked up on Mondays, with exception to Banking Holidays. However the date the bank shows as having processed the deposit is most often Tuesday or Wednesday for Friday Deposits. This is an item not under our control and is a result of transit time for the armored car and daily bank deposit cutoff times.

***Finding # 6 – A report of daily collections by transaction number was not printed or kept with deposit documentation.***

This control has been mitigated in the design of the Tessitura System. Any transaction that is completed within the systems (i.e. tickets issued and payment received) cannot be voided or deleted from the system. The only way to change that transaction is to create a refund that reverses the effect of the original transaction but both are recorded in the system.

The Tessitura system records any refunds created by any cashier in the system and summarizes them on each individual cashier daily report. Tellers or cashiers by policy cannot process refunds. They initiate the process with a form documenting the need for a refund and then the refund is completed by a supervisor in that supervisor's daily batch. The supervisor's daily report then shows refund transactions and totals and they must be documented by the approved and signed forms which then receive final approval from the ArtTix manager.

Thus at the end of each day, all refunds are accounted for and have been reviewed by two levels of management. The controls within the Tessitura system of not allowing the deletion or voiding of any completed transaction make the printing of this report unnecessary.