

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



An Audit of the Key Controls of
Salt Lake City Sports Complex

March 07, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 07, 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 City Sports Complex

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Salt Lake City Sports Complex 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 City Sports Complex and the cooperation from Clark Littleton, SLC Sports Complex Director, Jonathan Davis, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Salt Lake City Sports Complex 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

A handwritten signature in blue ink that reads "Larry Decker". The signature is written in a cursive style.

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Michele Nekota, Parks and Recreation Director
Paul Ross, Parks and Recreation Associate Director
Clark Littleton, SLC Sports Complex Director



Objectives

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

At the Salt Lake City Sports Complex, we found documentation lacking in some cases to support variances from Countywide policy or expected outcomes. This included the lack of Over/Short Logs, and cashier or supervisor signatures on balancing sheets, void and refund forms. We also found a few missing or inadequately documented controlled assets. Overall, we found minor risks that would not be expected to result in a material loss of County assets.

Findings, Recommendations, and Management Responses

Finding # 1 - Cashiers did not keep 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, shortages, or no differences, on an Over/Short Log. While they did record them on the Cash Balance Sheet, Countywide Policy requires them to be recorded on an Over/Short Log, as well.

Sports Complex management deemed recording the overs or shorts on the individual balance sheet as sufficient. Despite the requirement in Countywide Policy, no need was seen to record them elsewhere.

If overages and shortages are not recorded in an Over/Short Log, then personnel miss the scrutiny and overview in balancing trends otherwise achieved. Significant trends may not be brought to the cashier's or management's attention without the log.

Recommendation

We recommend that all daily overages, shortages, or no differences be entered onto a monthly MPF Form 11, Cash Over/Short Log, with lines for each day of the month, and that the log be signed by the cashier and supervisor.

Management Response

See Appendix A

Finding # 2 - Sports Complex personnel did not list some new equipment purchases on their controlled asset list.

Risk Level: Low

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 all newly acquired property is identified and accountability is appropriately established, and fixed [capital] assets are tagged and capitalized."

We reviewed several invoices from 2012 and found five purchases that the property manager, contrary to Countywide Policy, had not included on the controlled asset list.

These newly acquired assets had not been tagged because personnel who purchased them did not communicate the acquisitions to the property manager.

If assets are not listed and tagged, they become more subject to theft because employees would not know to search for them in case they went missing.

Recommendation

We recommend that the property manager tag all newly acquired controlled assets and list them on the controlled asset list.

ACTION TAKEN: The SLC Sports Complex Director tagged these assets once we brought them to his attention, and he sent us photographs to so indicate.

Management Response

See Appendix A

Finding # 3 - Cashiers did not complete the documentation process for some voids and refunds.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.3 and 6.1.1 state:

"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...The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor..."

During our review of 59 sampled deposits we noted several voids where, contrary to Countywide Policy, the supervisor had not signed the attached void slip. We also noted some refunds where the Sportsman-generated refund form was not included in deposit documentation.

While Countywide Policy requires a supervisor signature on voided or refunded transactions, cashiers occasionally forgot to generate the necessary documentation or ask a supervisor to review and sign the void or refund.

Without a supervisor's signature, or without generating the necessary forms, reversals can be used in a way that conceals theft.

Recommendation

We recommend that a void slip or refund form generated from Sportsman accompany all voids or refunds, and that these completed forms be reviewed and signed by a supervisor.

Management Response

See Appendix A

Finding # 4 - Supervisors occasionally did not sign cashier balance sheets.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.1 states:

"...the cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted." While Policy does not require a supervisor signature, as part of Parks and Recreation procedure, a supervisor signature line is included on all balance sheet forms.

Out of 260 balance sheets we examined, the supervisor did not sign 49 of them. In some cases, cashiers also did not sign their own balance sheets.

Despite the designated approval process, supervisors occasionally were not available to sign the balance sheet, or they forgot to sign it.

Without proper signatures, Sports Complex management and anyone reviewing the cashiering process cannot establish accountability for balancing and funds received.

Recommendation

We recommend that both cashiers and supervisors sign individual cashier balance sheets.

Management Response

See Appendix A

Finding # 5 - The deposit preparer did not generate a system totals report in the deposit preparation process.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.3 states:

"A report of total collections may be in the form of an...online, cash-registering system generated report..."

The deposit preparer did not print and use the Sportsman "Cash Register Deposit Batch Report" in the deposit preparation process. This report shows all tills opened during the day and combined till totals by cash, check, and credit card designation.

Personnel were not aware of this report and its use in the balancing procedure. They only printed reports for each individual cashier and not a report of total collections as discussed in Countywide Policy.

Without the "Cash Register Deposit Batch Report," the deposit preparer, or anyone reviewing depositing, needs to sum individual cashier system totals or Z-tapes. In addition, the deposit preparer has no accounting for which tills were opened during the day.

Recommendation

We recommend that the Sportsman "Cash Register Deposit Batch Report" be printed and filed for each deposit, and used to account for collection totals and for all tills opened during the day.

Management Response

See Appendix A

Finding # 6 - The bank frequently posted deposits more than three days after the Sports Complex collected funds.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 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 found 27 out of 59 deposits in our sample (46%) that did not comply with Countywide Policy because they had a bank posting date more than three days after the deposit slip date. An armored car service retrieves funds from the Sports Complex each day, so a time lag would not be expected.

Surprised by the time lag, Sports Complex personnel could not provide any explanation since the armored car service retrieves their deposits daily.

Deposits not delivered in a timely manner are more subject to theft, and funds lose interest otherwise accrued.

Recommendation

We recommend that the time lag in deposits be discussed with the armored car service to arrive at more timely delivery to the bank.

Management Response

See Appendix A

Finding # 7 - Sports Complex personnel did not know the whereabouts for some capital and controlled assets.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 2.2.1, 2.2.2, and 2.2.5 list some duties of the property manager as follows:

"Accounting for all fixed assets within the organization's operational and/or physical custody...Accounting for all controlled assets within the organization's operational and/or physical custody...Prepare 'Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form PM-2' in advance for all fixed asset property transfers, disposal or sales between the Property Manager's organization and any other organization."

From eight total capital assets listed by the Mayor's Office accounting section, we could not locate a copier, nor did Sports Complex personnel have a Form PM-2 on file to document its disposal. In addition, we could not locate three controlled assets, based on our search for 66 sampled controlled assets out of 227 listed by the Sports Complex.

Sports Complex personnel reported that the copier was traded in for another copier. Therefore, they may have overlooked completing a Form PM-2, which surplus would have required had the copier been sent to surplus. Concerning controlled assets, management reported they likely disposed of one of these items some time ago. They likely sent the other two items to surplus but did not keep the Form PM-2 on file.

When Sports Complex personnel do not complete and file a Form PM-2 to document asset disposal, no assurance can be made that items were not stolen or converted to personal use.

Recommendation

We recommend that disposal of all capital and controlled assets, whether through transfer to surplus, trade-in, or destruction, be documented using a Form PM-2, or other appropriate method where controlled assets are concerned.

Management Response

See Appendix A

Additional Information

Background

The Salt Lake City Sports Complex and Steiner Aquatics Center started as an aquatics center only, built in 1990. A new addition to the building that included the ice sheets was completed in 2000. Salt Lake City owns, but Salt Lake County manages the facility. With two Olympic-sized swimming pools – one indoor and one outdoor – and two state-of-the-art Olympic ice sheets, several cardio machines, and a pro-shop, the Complex is equipped for many activities. During the 2002 Salt Lake City Winter Olympic Games, it served as the practice venue for speed and figure skaters, including such notable Olympians as Apollo Anton Ohno and Sarah Hughes. Revenues from fees in 2011 were \$1,824,451.

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 September 30, 2012. 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.

Summary of Audit of Key Control Findings and Recommendations SLC SPORTS COMPLEX

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Cashiers did not keep a daily over/short log	All daily overages, shortages, or no differences be entered on a monthly MPF Form 11, with lines for each day of the month, and that the log be signed by the cashier and supervisor.	<p>While there was no specific log, we do keep a cashier bag check in and check out which I check daily and compare against the daily transmittals. I also go through the transmittals page by page checking for explanations for discrepancies. As noted in the audit, many times the cashier and/or supervisor would note the differences on the cash balancing sheet itself. I mistakenly took this as being satisfactory since it was in writing and attached to the specific transmittal.</p> <p>ACTION TAKEN: MPF Form 11 will be implemented and will be available for management to reference at any time per recommendation of SLCO Auditor's Office.</p>
2.	Sports Complex personnel did not list some new equipment purchases on their controlled asset list	The property manager tags all newly acquired controlled assets and list them on the controlled asset list.	<p>The SLC Sports Complex Director tagged these assets once we brought them to his attention, and he sent us photographs to so indicate. Assets purchased by individual program managers were not tagged in part because of poor communication between myself and the coordinators</p> <p>ACTION TAKEN: Upon purchase of a new item requiring tagging, personnel will contact me for tags and email the correlating information so I can input immediately into the controlled asset log. It has been suggested that a file also be kept with proper and possibly photographic documentation for items not directly tagged such as a cellphone.</p>
3.	Cashiers did not complete the documentation process for some voids and refunds	A void slip or refund form generated from Sportsman accompany all voids or refunds, and that these completed forms be reviewed and signed by a supervisor.	<p>Void slips were filled out without two signatures. Some lacked a point of sale printed receipt attached. Refund request forms were attached to transmittals sent to County and not copied and attached to transmittals kept in house giving the impression of lacking documentation. Often explanations for voids were noted on the cash balancing sheet rather than a void slip.</p> <p>ACTION TAKEN: All voids and refund requests will be accompanied by a point of sale generated receipt indicating proper forms and reversals are being implemented. I will personally retrieve any missing signatures from cashiers lacking proper documentation.</p>

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
4.	Supervisors occasionally did not sign cashier balance sheets	Both cashiers and supervisors sign individual cashier balance sheets.	Some unsigned cash balancing sheets I signed myself after reviewing for correct reconciliation. Others I left with only the cashier's signature. Most instances were due to supervisors being in a hurry and not taking the time to properly fill out the forms. And my mistake of thinking my review was sufficient. Action Taken: I will require two signatures on all cash balancing sheets establishing more accurate accountability for funds being received. I will not sign the cash balancing sheets unless I personally have checked in the cash bag and dropped the deposit myself.
5.	The deposit preparer did not generate a system totals report in the deposit preparation process.	The Sportsman "Cash Register Deposit Batch Report" be printed and filed for each deposit, and used to account for collection totals and for all tills opened during the day.	Upon closing a till, Sportsman automatically prints out three documents for balancing. Reconciling the entire day I generate a cash till balance report, cash till balance detail report and a financial activity GL summary report and attach to transmittal of funds for deposit. I have never before heard of or knew how to generate a "Cash Register Deposit Batch Report". ACTION TAKEN: I have learned the process for generating a deposit batch report: main menu, select cash register, select tills to be included, click ok button to create deposit report. I will attach a deposit batch report to all transmittals sent to Government Center.
6	The bank frequently posted deposits more than three days after the Sports Complex collected funds.	The time lag in deposits will be discussed with the armored car service to arrive at more timely delivery to the bank.	Deposits are picked up at facility by armored truck Monday through Friday. ACTION TAKEN: Discuss with armored car service importance of deposits being deposited no later than three days after receipt. I will also make sure that I am not causing the delay by reconciling the previous day in time to send on the following day.
7.	Sports Complex personnel did not know the whereabouts for some capital and controlled assets.	The disposal of all capital and controlled assets, whether through transfer to surplus, trade-in, or destruction, be documented using a FORM PM-2, or other appropriate method where controlled assets are concerned.	Items found on controlled asset list were unable to be accounted for due to improper disposal and/or documentation. Some items were traced back as far back as 1998 and the construction/opening of facility. ACTION TAKEN: All personnel will use Form PM-2 when transferring items to surplus. Documentation will be kept on file with main controlled asset log. Controlled asset log will be updated more regularly.

NAME AND TITLE OF PERSON RESPONDING:


 Wade Smith
 PROGRAM MANAGER
 S.L.C.S.C
 3/1/13

DATE PREPARED: