

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



An Audit of the Key Controls of
Magna Recreation Center and Outdoor Pool

October 16, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 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 Magna Recreation Center and Outdoor Pool

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Magna Recreation Center and Outdoor Pool 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 Magna Recreation Center and Outdoor Pool and the cooperation from Jan Donchess, Brittney Russell, Shawn Ashby, Stacey Trexley, Lesley Shaw, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Magna Recreation Center and Outdoor Pool 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
Jan Donchess, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Magna Recreation Center and Outdoor Pool. 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 Magna Recreation Center and Outdoor Pool 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 cash depositing, credit card refund procedures, and receipting have a higher likelihood of leading to a loss of County property. A report of the prior audit was released to the public in September 2007.

Findings and Recommendations

Finding # 1 - Credit card refund vouchers were not signed by the patron.

Risk Level: Moderate

Countywide Policy #1210, "Refund of Payments Made Through Debit or Credit Cards," Sections 2.3 and 2.3.1 state:

"The refund shall be issued by reversing all or part of the original card payment, as required...The electronic system also produces a credit voucher as evidence of the amount refunded. The individual to whom the refund is issued shall sign the credit voucher."

Of the seven refund credit card vouchers reviewed, five were not signed by patrons.

When refund credit card vouchers are not signed by patrons, there is an increased risk of falsifying transactions in order to conceal the misappropriation of funds.

Recommendation

We recommend that all refund credit card vouchers be signed by the patron.

Finding # 2 - Concessions inventory at the Magna Outdoor Pool was not tracked.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets" states in the purpose that:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed -- meaning, controlled, inventoried and protected."

The Magna Outdoor Pool did not track concessions inventory.

When inventory is not properly tracked and reconciled, revenue and inventory on hand are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Magna Outdoor Pool track and reconcile the concessions inventory.

Finding # 3 - Receipts at the Magna Recreation Center and Outdoor Pool could be reprinted.

Risk Level: Moderate

Standard business practice restricts cashiers' ability to reprint receipts from prior transactions.

Receipts at the Magna Recreation Center and Magna Outdoor pool could be reprinted.

When receipts can be reprinted, the accuracy and completeness of transactions cannot be ensured. The risk of errors and misappropriation of funds is increased.

Recommendation

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

Finding # 4 - The Magna Recreation Center and Outdoor Pool change funds had a total overage of \$68.25.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.1 states:

"All overages shall be deposited into the Agency's depository account and reported on MPF Form 3A, Cash Balance Sheet, MPF Form 11, Cash Over/Short Log, and on the Monthly Report of Cash Receipts."

When the Magna Recreation Center and Outdoor Pool change funds were counted, a total overage of \$68.25 was found. The vending machine coin fund was over \$18 and the Magna Outdoor Pool change fund was over \$50.25.

Staff stated that \$50.00 from the rec center vending machine was used to supplement the outdoor pool change fund.

When the change fund is over the authorized amount, there is lack of proper fund management and excess funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the overage be recorded on the appropriate forms and deposited into the Magna Recreation Center and Outdoor Pool depository accounts.

We recommend that the vending machine collections not be used to supplement the outdoor pool change fund.

Finding # 5 - Cashiers were not individually accountable for overages and shortages.

Risk Level: Low

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

"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 concession cash drawer at the Magna Outdoor Pool was shared by multiple cashiers.

Multiple cashiers accessing a single cash drawer increases the difficulty of tracking potential problems. Additionally, cashiers may feel less responsible than they would if they were wholly responsible for their cash drawer. Moreover, access by multiple cashiers to the same cash drawer increases the risk of County funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Magna Outdoor Pool cashiers do not share a cash drawer. If this is not possible, we recommend that compensating controls be put in place to ensure accountability and effective security of the funds.

Finding # 6 - Cash Over/Short Logs were not signed by a supervisor.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.3 states:

"The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor."

An MPF Form 11 "Cash Over/Short Log" was not signed by the cashier supervisor from June 2012 to Dec 2012.

When overages/shortages are not verified by a supervisor's signature, individual accountability for the overages/shortages is not ensured. Also, trends may not be recognized and needed training and/or remediation may not occur.

Recommendation

We recommend that the Magna Recreation Center and Outdoor Pool cashier supervisor sign all MPF Forms 11 "Cash Over/Short Logs" as evidence of review.

Finding # 7 - Fund Transfer Ledgers were not used to record the retrieval of funds from the safe.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 2.7.3 states:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

Fund transfer ledgers were not used to log when funds were retrieved from or returned to the two safes located at the Magna Outdoor Pool.

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

Recommendation

We recommend that the Magna Recreation Center and Outdoor Pool use MPF Form 7 "Fund Transfer Ledger," or a similar log to record retrievals and returns of funds from all safes that secure the change funds.

Finding # 8 - Deposits were made more than three days after receipt.

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."

Twenty-four of 30 deposits were deposited more than three days after receipt.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft.

Recommendation

We recommend that Magna Recreation Center and Outdoor Pool deposit funds daily whenever practicable, but no longer than three days after receipt.

Finding # 9 - 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 the Magna Recreation Center and Outdoor Pool keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Additional Information

Background

The Magna Recreation Center and Outdoor Pool are located at 3270 South 8400 West in Magna, UT. The center was built in 1997 and is a 42,000 square foot facility. It includes a gymnasium, fitness room with cardio, circuit, and weight lifting equipment, indoor running track, aerobics studio, and State of Utah licensed full-time child care. The Outdoor Pool offers a zero degree entry, two diving boards, two waterslides, a splash pad and a concessions stand.

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 July 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.

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



Parks & Recreation Division Response to Summary of Findings & Recommendation

For Magna Fitness and Recreation Center Audit Dated: October 7, 2013

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Credit card refund vouchers were not signed by the patron.	All refund credit card vouchers be signed by the patron.	Agree. All credit card refunds have been processed by either the center manager or the office specialist; no other person has the password to do this. <i>Action: We have begun having all patrons sign credit card "credit" slips.</i>
2.	Concessions inventory at the Magna Outdoor Pool was not tracked.	Track and reconcile the concessions inventory.	Agree. <i>Action: We will begin doing a thorough and complete inventory starting summer season 2014.</i>
3.	Receipts at the center and pool could be reprinted.	The ability for cashiers to reprint a receipt for an existing transaction be disabled.	Our day passes are good for the entire day. At times, a patron will lose their receipt while in the building and stop at the front desk for a duplicate, as they intend to return in the evening. We also have times when a childcare parent needs a duplicate receipt (often to prove payment to another individual). Also, simply reprinting a receipt does not change the transaction – that transaction cannot be manipulated. This process is done very seldom. The convenience of doing this immediately at the front desk is a standard we think is an important customer service function. <i>Action: According to audit responses of other recreation center managers, the Sportsman SQL system does not allow for this to be disabled, however this does provide for customer service, the few times it is requested. Re-printed receipts are now being approved by a supervisor.</i>
4.	Center and Pool change funds had a total overage of \$68.25	We recommend that the overage be recorded and deposited. The vending machine collections not be used to supplement the outdoor pool change fund.	In the past, we used our existing center change fund for the center operation and the seasonal pool operation. We did not have a sufficient amount in the past, as business increased and the start-up fund at the center and pool increased accordingly. <i>Action: The overage was deposited properly. We have, since the audit, increased the change fund so that we do have the amount needed for the seasonal operation of the pool.</i>
5.	Cashiers were not individually accountable for overages and shortages.	The outdoor pool cashiers do not share a cash drawer. If this is not possible, we recommend compensating controls be put into place to ensure accountability and effective security of the funds.	We never schedule two cashiers for one cash drawer. However, we do only have one cash register at all front desk operations: center, pool gate, and pool concessions. At times, the cashiers need to use the restroom or may need to step away for other reasons. In those times, that cashier logs off and the substitute cashier logs in under his/her name. Each transaction on all tills record the person who executed the transaction.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
			<i>Action: Cashiers log off any time they step away from their till. There are only minimal times and very few transactions when this happens. The logging in as each person takes over in a till is sufficient for accountability and security, given the few times this happens at all of our cashier desks.</i>
6	Cash over/short logs are not signed by a supervisor.	Supervisor sign all MPF Forms 11 "cash over/short logs" as evidence of review.	The supervisor had not signed <u>all</u> of the logs reviewed. However, the cashier and the supervisor do review and sign every till report which also shows the over/short amounts. <i>Action: The supervisor will sign all over/short logs for the previous month at the start of the next month.</i>
7.	Fund transfer ledgers were not used to record the retrieval of funds from the safe.	Use MPF Form 7 "Fund transfer ledger" or a similar log to record retrievals and returns of funds from all safes that secure change funds.	Agree. <i>Action: We have instituted this recommendation.</i>
8.	Deposits were made more than three days after receipts.	Deposit funds daily whenever practicable, but no later than three days after receipt.	Agree. We do our best to meet this standard. <i>Action: We have trained, since the audit, a temporary to cover the days that our ¾ time office specialist is not working or on leave.</i>
9.	A SAQ representing Parks and Recreation's compliance with PCI had not been completed and was not on file.	PKRC management complete and sign an annual SAQ and that Magna center and pool keep a copy on file to show they are aware of and compliant with PCI requirements.	<i>Action: Recommendation forwarded to PKRC division administration.</i>

NAME AND TITLE OF PERSON RESPONDING:

Jan Donchess

DATE PREPARED: 10-11-13