

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



An Audit of the Key Controls of
South County Outdoor Pool

August 18, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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August 18, 2014

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 South County Outdoor Pool

Dear Mayor McAdams:

We recently completed an analysis of the financial records of South County 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 South County Outdoor Pool and the cooperation from Ron Preece, Facility Manager, Josh Reusser, Aquatics Coordinator, Mary Weinle, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to South County 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 Scott Ball
Deputy Auditor

cc: Martin Jensen, Division Director
Andrew Keddington, Associate Director Administration
Kristin Riker, Associate Director Recreation
Ron Preece, Facility Manager
Josh Reusser, Aquatics Coordinator

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of South County 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 South County Outdoor Pool has put into place key internal controls for managing public assets, including controls over payroll and safeguarding personally identifiable information. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, deficiencies discovered dealing with receipting and depositing have a higher likelihood of leading to a loss of County property. Our last audit of South County Outdoor Pool was released to the public in October 2013. In this audit we found that a cash register was not being safeguarded and no-sale transactions were not handled in accordance to Countywide policy. Our revisit of these findings revealed that a new cash register had been received, though it had not been connected and utilized, and a method of tracking no-sale transactions had still not been implemented.

Findings and Recommendations

Finding # 1 - Public funds were not physically secured.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.3. states that:

"...The County Agency's Fiscal Manager will ensure that...effective security is established and maintained for funds entrusted to each Cashier."

A previous audit conducted in September 2013 found that the cash register keys were left in the cash register lock, allowing anyone to open the drawer at any time by pressing the manual button. A retest of this finding showed that the key was still stuck in the cash register lock.

Management stated they had received a replacement cash register, but that it had not yet been connected so the old cash register was still being used.

When public funds are not physically secured, there is an increased risk that funds may be lost, stolen, or diverted for personal use.

Recommendation

We recommend that the South County Outdoor Pool effectively secure funds entrusted to each cashier.

Finding # 2 - Receipts could be reprinted for prior transactions.

Risk Level: Low

Standard business practice is that cashiers should not be able to reprint receipts from prior transactions.

A previous audit conducted in September 2013 found that cashiers were able to reprint receipts that were identical to the original receipt. A retest of this finding showed that receipts were still able to be reprinted.

When receipts can be reprinted, the accuracy of transactions cannot be ensured and the opportunity for misappropriation of funds is increased.

Recommendation

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

Finding # 3 - "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."

A previous audit conducted in September 2013 found that "no sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor. A retest showed that "no sale" transactions were still not documented and signed by a supervisor as evidence of review.

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 # 4 - Deposits were not always made in a timely manner.

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 no later than three days after receipt."

We found that two of the deposits reviewed for a 30-day period were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

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

Additional Information

Background

The South County Outdoor Pool is located at 12765 South 1125 West in Riverton. The outdoor pool offers swim lessons, water aerobics, aqua sports, and pool rentals. The pool has two diving boards, a 50 meter lap area, and a shallow area for small children and beginner swimmers. The onsite concession stand sells a wide variety of food and beverages. The pool is open 7 days a week from May 24th until September 1st.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending June 18, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

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



2014 Summary of Audit of Key Control

Findings and Recommendations

For (South County Swimming Pool) Audit Dated: July 29, 2014

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	<p>Public funds were not physically secured.</p> <p>A previous audit conducted in September 2013 found that the cash register keys were left in the cash register lock, allowing anyone to open the drawer at any time by pressing the manual button. A retest of this finding showed that the key was still stuck in the cash register lock.</p>	<p>We recommend that the South County Outdoor Pool effectively secure funds entrusted to each cashier.</p>	<p>The cash register with the stuck key has been replaced.</p>
2.	<p>Receipts could be reprinted for prior transactions.</p> <p>A previous audit conducted in September 2013 found that cashiers were able to reprint receipts that were identical to the original receipt. A retest of this finding showed that receipts were still able to be reprinted.</p>	<p>We recommend that the ability for cashiers to reprint receipts be disabled.</p>	<p>We have contacted Peak Software regarding how the reprint receipt function can be disabled on our Sportsman Legacy software at South County Pool. We are not certain that it can. Plus the reprint receipt function occasionally serves a purpose for patrons, whose original receipt has been damaged (wet); and for staff when we have to process refunds.</p>
3.	<p>"No-sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.</p> <p>A previous audit conducted in September 2013 found that "no sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor. A retest showed that "no sale" transactions were still not documented and signed by a supervisor as evidence of review.</p>	<p>We recommend that cashiers document each "no-sale" or "no money taken" transaction and have a supervisor review that transaction.</p>	<p>We have implemented a log for this purpose. The log is utilized by cashiers when they have a "no-sale" transaction. The log is reviewed and signed-off on by supervisors. Office Coordinator, Mary Weinkle created and implemented this log.</p>
4.	<p>Deposits were not always made in a timely manner.</p> <p>We found that two of the deposits reviewed for a 30-day period were deposited more than</p>	<p>We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.</p>	<p>This is always the intent. In these cases, a miscommunication between the bookkeeper, supervisor, and office coordinator occurred leading to the delayed</p>

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
	three days after receipt of collections.		deposits. The requirement has been reemphasized, as has the need for better communication.

NAME AND TITLE OF PERSON RESPONDING: Ron Preece, Facility Manager, JL Sorenson Recreation Center

DATE PREPARED: 08/07/14