

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



An Audit of the Key Controls of  
The Equestrian Park and Event Center

November 17, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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November 17, 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 The Equestrian Park and Event Center

GREGORY P. HAWKINS  
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.  
Chief Deputy Auditor

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Dear Mayor McAdams:

We recently completed an analysis of the financial records of The Equestrian Park and Event 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 The Equestrian Park and Event Center and the cooperation from Jon Daich, Susan Hayward, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to The Equestrian Park and Event 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 Larry Decker CPA, CIA  
Sr. Deputy Auditor

cc: Erin Litvack, Director of Community Services  
Lori Okino, Fiscal Manager of Community Services  
Dan Hayes, General Manager  
Jon Daich, Finance Director  
Susan Hayward, Facility Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of The Equestrian Park and Event Center (Equestrian Park). 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

In our audit of the Equestrian Park, we found that deposit documentation did not include system reports for cash collected in some ticket booth and County Fair parking sales. Also, we found a few instances where deposit slips did not match amounts deposited in the bank. Monthly depository account bank reconciliations were not performed, and deposit documentation lacked a supervisor's signature as evidence of review. Some corporate card transactions were not supported by receipts. In addition, internal controls over mail-in payments were inadequate, and a monthly accounts receivable reconciliation was not performed. Our last audit of the Equestrian Park was released to the public in December 2013. In this audit, we found that deposits were not always made in a timely manner, and an SAQ showing compliance with PCI-DSS was not completed and on file. Our revisit of these findings revealed that the SAQ was still not completed and on file, and a few deposits were not made within the required three-day time limit. As of January 1, 2014, the Equestrian Park is now managed by SMG, a Pennsylvania company, which also manages the Salt Palace and South Towne Center.

## Findings and Recommendations

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***Finding # 1 - Receipts were not on file to support some corporate card transactions.***

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### Risk Level: **Moderate**

Countywide Policy #7035, "Purchasing Cards," Section 6.1 states:

"Original itemized receipts showing the detail of the goods and/or services purchased shall be retained and maintained for inspection by the Cardholder. The Cardholder shall provide the Agency fiscal manager unrestricted access to the receipts for review."

A charge of \$104.85 on a Corporate American Express Card was reimbursed to the cardholder twice. The first reimbursement, check #1272 dated August 13, 2014, included the original receipt with the expense report. The second, check #1360 dated September 11, 2014, included a copy of the statement with the charge highlighted and listed on the expense report.

Without original receipts to support corporate card expenditures, duplicate reimbursements could occur.

***Recommendation***

We recommend that original vendor receipts be maintained on file to support all corporate card transactions.

We recommend that SMG collect the duplicate payment from the cardholder.

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***Finding # 2 - Documentation was incomplete for some deposits.***

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**Risk Level: Moderate**

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

"All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit, using MPF Form 3A, Cash Balance Sheet, or a similar form developed for and produced by the specific Agency."

We reviewed nine cash deposits, totaling \$71,700, for parking collections from the County Fair and ticket booth sales for a derby. Cashier balancing reports in support of two of these deposits did not equal the amount deposited. In one case, the underlying balance sheets totaled \$1,145 less than the amount of the deposit. In the other case, balance sheets totaled \$669 less than the deposit amount. In addition, we reviewed deposits over a 30-day period and found one for \$283 that did not have supporting documentation from receipts or a system report to verify the accuracy of this amount.

Management stated that they were aware of County Fair parking receipts problems. SMG management stated they are working to address this issue.

Without balancing the bank deposit to ticket sales reports, theft could easily occur. Additionally, the accuracy of the amount deposited is not verified since there is no way to know whether all cash was deposited.

***Recommendation***

We recommend that all ticket collections and parking revenue deposits be balanced to ticket sales reports.

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***Finding # 3 - Some deposit slips did not match the amount deposited.***

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**Risk Level: Low**

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

"With any balancing procedure, the cash count total, including the breakdown by cash and check composition, should match the deposit slip total."

We reviewed the deposit documentation file and found five deposit slip totals that differed from the master balance sheet total and the amount received by the bank. In one case, the deposit slip amount was \$5,732, and the bank receipted amount was \$4,583, a difference of \$1,149. Conversely, in another case, the bank receipt of \$18,869 exceeded the deposit slip total amount of \$17,887 by \$982.

Management stated that the cash counting machine they used was old, and counted different amounts for different deposits. Finally, the bank counted a different amount on their own counting machine.

Large inconsistencies between the deposit slip, balance sheet, and amount deposited in the bank, could indicate theft.

#### ***Recommendation***

We recommend that the deposit slip, balance sheet, and bank receipted amounts reconcile and match.

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

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#### **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 6 out of 30 deposits examined were deposited more than three days after receipt of collections.

Management stated their surprise at this finding. Since the bookkeeper works part-time, this could have contributed to a lack of timeliness.

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.

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#### ***Finding # 5 - The deposit documentation lacked a supervisory signature as evidence of review.***

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

Countywide Policy #1062, "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

Deposit documentation was examined for January 2014 through August 2014. We found that 30 out of 30 deposits reviewed were missing supervisor signatures as evidence of review.

Management stated that they were unaware of the need for a supervisor signature. They also stated that lack of personnel prevented supervisor verification.

When deposit records are not verified by a supervisor, or other employee designated by management, there is an increased risk of error, misstatement, and misappropriation of funds.

***Recommendation***

We recommend that a supervisor, or other employee designated by management, sign the master balance sheet as verification of funds deposited.

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***Finding # 6 - Depository account bank reconciliations were not performed.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 4.7.2 states:

"A bank reconciliation shall be performed at least monthly by an employee designated by Agency Management. Cashiers or employees who prepare deposits shall not perform the bank reconciliation."

We examined deposits for January 2014 through August 2014 and found that bank reconciliations were not performed on the depository account.

Management stated that the transfer of Equestrian Park management to an outside management company at the beginning of 2014 resulted in some tasks not being clearly defined. Management was not sure who received or had access to the bank statements.

When bank accounts are not reconciled monthly, errors and/or irregularities are not discovered. In addition, delays in monthly reconciliations allow errors to remain unresolved.

***Recommendation***

We recommend that bank reconciliations be performed monthly.

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***Finding # 7 - An SAQ representing Equestrian Park's compliance with PCI-DSS had not been completed and was not on file.***

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**Risk Level: Low**

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy," Section 3.0 states under the Policy Statement that:

"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."

A previous audit conducted in December 2013 found that an SAQ representing Equestrian Park's compliance with PCI-DSS had not been completed and was not on file. During a retest of this finding, we found that an SAQ had still not been completed and was not on file.

When an agency is not compliant with PCI-DSS, there is an increased risk of cardholder data breaches, fines, and the inability to accept credit cards as payments.

***Recommendation***

We recommend that Equestrian Park management complete and sign an annual SAQ, and that Equestrian Park keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

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***Finding # 8 - Internal controls over payments received through the mail were not adequate.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

We observed that checks received by mail were not recorded in a log that identified the date, customer, amount, and employee receiving the check.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that a log of payments received by mail be established or a compensating controls be adopted.

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***Finding # 9 - Accounts receivable reconciliations were not documented and signed by an independent party.***

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**Risk Level: Low**

Countywide Policy #1220, "Management of Accounts Receivable and Bad Debt Collection," Sections 5.3.2 and 5.3.4, state:

"The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step. ... The employee who maintains the accounts receivable ledger shall be separate from the employee who prepares invoices and the employee who collects payments. In the event that staffing levels prevent such a segregation of duties, a supervisor, or second responsible employee, shall review and sign the monthly reconciliation, as a control on the process."

An accounts receivable reconciliation was not documented and signed by an independent party as evidence of review.

When accounts receivable are not reconciled and reviewed on a monthly basis, misappropriation and errors are more likely to occur and remain undetected.

***Recommendation***

We recommend that a monthly reconciliation of accounts receivable be performed and signed by an independent party as evidence of review.

## **Additional Information**

### **Background**

Horse shows provide the primary focus of the Equestrian Park and Event Center. The Equestrian Park sits on approximately 120 acres in South Jordan with mountain landscapes providing a backdrop. The centerpiece of the Park is the state-of-the-art 45,000 square foot Event Center. Additional amenities include the Laurel Brown Racetrack. The racetrack hosts the world-class Quarter Horse racing, a race featuring many of the industry's top horses, trainers and jockeys. The Polo field is a large and stately lawn, surrounded by a white rail fence and mature trees. Rental of the 300 horse stalls on-site provides large revenue sources. Currently, 270 boarders contract with the Park to use these stalls. The Park features non-equestrian events as well, including BMX competition, and a circus. The largest event is the annual County Fair in August. The entry fee to the fair is \$10 per car. The Equestrian Park has 10 full-time employees, and any number of temporary employees on an as-needed basis.

### **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 August 31, 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.





November 17, 2014

Larry Decker  
Salt Lake County Auditor's Office  
Audit Division

Re: Response to Equestrian Park Audit Findings

Below are our responses to the Audit findings in your Audit of the Key Controls of the Salt Lake County Equestrian Park dated November 4, 2014.

Finding #1 – Receipts were not on file to support some corporate card transactions

The receipt in question was initially thought to have been lost and an alternate manual receipt was substituted. It was later discovered it was not lost but was confused with another receipt and included in a prior expense report. Our policy is to reimburse with original receipts. The duplicate reimbursement has been reimbursed from the cardholder.

Finding #2 – Documentation was incomplete for some deposits

One issue discovered was a problem with the cash counting machine. Cash was counted with this machine and the currency was run through it more than once. Upon delivery to the bank, the amount was discovered to be different. On a separate item, there were cash out sheets prepared for ticket sellers but due to miscommunications, the sheets were misunderstood and not used correctly. Additional training will be provided to correct this problem. A third item involved County Fair event tickets that were not printed with a numerical sequence and in turn did not provide for proper reconciliation. This has been addressed and tickets will be prepared with numerical sequence and will be affixed one to another.

Finding #3 – Some deposit slips did not match the amount deposited

As stated in finding #2 the cash counting machine seemed to be inconsistent and not working properly. This machine was borrowed from Western foods at South Towne and is not one that was in regular service. Before this can be used again the machine needs to be calibrated to insure proper functioning.



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Appendix A  
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A SALT LAKE COUNTY OWNED FACILITY



Staff has been instructed to insure that deposit slips, balance sheets, and bank receipts be reconciled and matched.

Finding #4 – Deposits were not always made in a timely manner

We have provided additional training and emphasis of the importance of timely deposits and have indicated that deposits are to be made no later than three days after receipt.

Finding #5 – The deposit documentation lacked a supervisory signature as evidence of review

Current practices of making deposits, recording deposits and reconciling deposits are done by two independent employees who provide the oversight of deposits. One employee will prepare the deposit and a supervisor will sign and review. It was discovered that the preparer of the deposit was not signing and the signature on the forms was that of the supervisor. This has been corrected and the review forms will contain both signatures.

Finding #6 – Depository account bank reconciliations were not performed

There was a misunderstanding of responsibility of this account by the accounting manager at the Equestrian Park. A review has been done and reconciliations have begun.

Finding #7 – An SAQ representing Equestrian Park's compliance with PCI-DSS had not been completed and was not of file.

We have just completed the PCI-DSS compliance at the Salt Palace and South Towne and will now complete the Equestrian Park compliance process.

Finding #8 – Internal controls over payments received through the mail were not adequate

There has been a check log system provided to the staff at the Equestrian Park. They have been instructed on its use and will begin to use it immediately.

Finding #9 – Accounts receivable reconciliations were not documented and signed by an independent party.

This procedure is out of date and should be reviewed to determine if it should continue as a policy that auditors should measure by. Policy makers should consider eliminating this as a requirement. With electronic accounting systems the programming ensures posting to accounts receivable is correct. The review process for invoices and cash receipts have alternate review process to ensure they are accurate and entered into the accounting system appropriately.