

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



An Audit of the Key Controls of  
The Salt Palace Convention Center

November 14, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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November 14, 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 Salt Palace Convention 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 Salt Palace Convention 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 Salt Palace Convention Center and the cooperation from Dan Hayes, Jon Daich, Stacy Page, Dan Spencer, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to The Salt Palace Convention 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 of the Salt Palace  
Jon Daich, Salt Palace Director of Finance





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of The Salt Palace Convention Center. 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 Salt Palace, we found that a supervisor did not review and sign documentation for large cash deposits from box office receipts. As additional findings, we could not locate some controlled assets, while other controlled assets were not recorded on the Controlled Assets Inventory list. Our last audits of the Salt Palace were released to the public in April 2013 and December 2013. In the December audit we found that deposits were not always timely and an SAQ representing compliance with PCI-DSS was not completed and on file. Our revisit of depositing revealed that deposits were still not timely. In addition, an SAQ had still not been completed.

## Findings and Recommendations

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***Finding # 1 - Deposits were not always made in a timely manner.***

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### Risk Level: **Moderate**

Countywide Policy #1062, 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."

A previous audit conducted in December 2012 found that deposits were not always made in a timely manner. During a retest of this finding, we found that 20 out of 30 deposits examined were deposited more than three days after receipt of collections.

Management stated that the courier comes only three times a week to collect money for the bank deposit.

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 # 2 - The box office 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 for October 2013 through September 2014 was examined. We found that 2 out of 30 deposits reviewed were missing supervisor signatures as evidence of review. These two deposits related to box office collections. One of these totaled \$30,000. Box office collections occur infrequently, but generally draw a large sum of money.

Management stated that lack of supervisory review and signature was an oversight due to cash collection infrequency in the administrative office, where box office collections are processed.

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 deposit documentation, specifically the deposit slip copy, as verification of funds deposited.

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***Finding # 3 - An SAQ representing the Salt Palace'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 2012 found that an SAQ representing the Salt Palace's compliance with PCI-DSS had not been completed. During a retest of this finding, an SAQ representing Salt Palace compliance with PCI-DSS was still not completed and 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 Salt Palace administration complete and sign an annual SAQ, and that the Salt Palace 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 # 4 - Accountability for some controlled assets was not properly established.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that property managers are required to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

Of the 25 controlled assets we reviewed, 6 could not be found on-site at the Salt Palace.

Management stated that one of these assets, a laptop computer, was stolen. They stated that the other four assets were designated as "inactive" in their database, but no Form PM-2 was referenced or completed.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use without agency detection.

***Recommendation***

We recommend that Salt Palace administration properly account for all controlled assets.

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***Finding # 5 - Some controlled assets were not found on the controlled asset list.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.2 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms: [The] 'Controlled Assets Inventory Form – Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee."

We reviewed five controlled assets on-site and found three that were not included on the controlled asset list. Two of these three items did not have inventory control tags.

Management stated that controlled assets occasionally are not recorded due to the large Salt Palace floor area, and the extensive amount of coordination required.

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

***Recommendation***

We recommend that Salt Palace inventory records include all controlled assets.

## **Additional Information**

### **Background**

The Calvin L. Rampton Salt Palace Convention Center, with its near 1 million square feet of floor space, plays host to a number of conventions and meetings. Originally built in 1969 as an arena and convention facility, the Salt Palace was entirely rebuilt in the mid-1990s, with additions made in the early 2000s. Together with an existing structure from 1984, the Salt Palace became the large meeting facility, without an arena, that it is today. The twice yearly Outdoor Retailer Convention provides the staple of Salt Palace revenues, and the popular ComicCon convention, which held its first event in 2013, enhanced revenues in a previously unforeseen marketing boon. As Utah is headquarters to many multi-level marketing companies, the Salt Palace finds itself hosting a number of lucrative conventions from these groups, including NuSkin, USANA, doTerra, and Zija. Starting in September 1990, the County has contracted with SMG, a private management group headquartered in Pennsylvania, to manage Salt Palace operations. The County pays SMG both a management and an incentive fee. There are approximately 120 Salt Palace employees. Two major contractors, Utah Foods and Western Foods, provide all catering and concessions operations.

### **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 September 30, 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 11, 2014

Larry Decker  
Salt Lake County Auditor's Office  
Audit Division

Re: Response to Salt Palace Audit Findings

Below are our responses to the Audit findings in your Audit of the Key Controls of the Salt Palace Convention Center dated October 24, 2014.

Finding #1 Deposits were not always made in a timely manner

Response: We established a process of making deposits online for our checks we received and felt that a daily deposit pick up would not be as necessary. In as much as this has caused a delay in the cash deposits we will consider changing and request a daily pick up from Brinks in an effort to ensure more timely deposits.

Finding #2 The box office deposit documentation lacked a supervisory signature as evidence of review

We will outline for our subcontractor who handles the box office operations an expanded process which will include proper supervisory signature and review by them and our office.

Finding #3 An SAQ representing the Salt Palace's compliance with PCI-DSS had not been completed and was not of file.

The PCI –DSS compliance was completed on November 3, 2014 and will be good for one year. This is required to be renewed each year and we will do that.

Finding #4 Accountability for some controlled assets was not properly established

During the next year we will make additional efforts to update and control accountability for controlled assets, including two person teams to validate counts, expanded training on identification and tagging controlled assets and more frequent reporting to managers of their asset lists.





Finding #5 Some controlled assets were not found on the controlled asset list

This finding will be addressed in the same manner as Finding #4.