

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



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

May 22, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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May 22, 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 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, John Davis, 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

By Larry Decker CPA, CIA  
Sr. Deputy Auditor

cc: Martin Jensen, Acting Director Parks and Recreation  
Andrew Keddington, Associate Director  
Clark Littleton, Facility Manager





## 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

In our audit of the Salt Lake City Sports Complex we found two significant balancing differences in concessions sales, one an overage of \$165.85, and the other, a shortage of \$35. As additional findings, a merchandise inventory count had never been performed in the pro shop, and the inventory value was not known because item costs were not included on the list. Accounts receivable reconciliations were not performed. One contract for ice sheet rental was not signed, and a high school was charged a rate for outdoor swim lane usage that was not specified in their contract. Reports of recent audits of the Sports Complex were released to the public in March 2013 and November 2013. In the March audit we reported that we could not locate a few controlled assets. In our revisit of controlled assets, we could not locate one item. Also, the Controlled Assets Form - Employee was not used.

## Findings and Recommendations

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***Finding # 1 - Merchandise inventories were not effectively managed.***

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### **Risk Level: Moderate**

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

The Sports Complex was not tracking the cost of their merchandise inventory, and they were not performing periodic inventory counts to determine any unexplained shrinkage. Management estimated merchandise inventory value to be between \$12,000 and \$15,000. While inventory values were not tracked, item counts were tracked in the same software management system used for cashiering. Many items listed showed negative count values.

Management stated that unresolved issues and dissatisfaction with the software used to track inventory created many of the problems just stated. They realized that inventory counts had not been conducted, and stated their intention to perform these periodically.

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 dollar value of merchandise inventories be attached and shown on the inventory list.

We recommend that periodic merchandise inventory counts be conducted to determine the amount of any unexplained loss.

We recommend that negative inventory counts in the software system be examined for accuracy and corrected, as needed.

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***Finding # 2 - A contract for use of the East Ice Rink was not signed.***

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**Risk Level: Low**

Standard contract forms used by the Sports Complex include signature lines for a Salt Lake County representative and a representative from the organization renting the ice sheet.

We reviewed a rental agreement for the East Ice Rink, and found that it had not been signed. The Sports Complex maintains their own rental contracts that are not processed through the County's Contracts and Procurement Division.

Management stated that obtaining signatures on the contract was overlooked.

When a contract is not signed, the validity of contract terms could more easily be disputed by either of the two parties.

***Recommendation***

We recommend that all Sports Complex rental contracts be signed by both parties, as designated.

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***Finding # 3 - Significant differences occurred in concessions sales balance sheet totals.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Sections 3.8.1.4 and 5.3.1 state:

"An 'over/short' or 'no-difference' amount between the cash count (cash and checks only, not payment card amounts), and recorded receipt totals shall be generated by the software application, or manually entered on the designated line of the MPF Form 3A ... . When a significant shortage or a pattern of shortages occurs in the accounts of any Cashier, Agency Management shall conduct an investigation of the circumstances and report their findings to the Auditor's office."

We reviewed 151 balance sheets from April 2013 through March 2014, and found two where a \$35 shortage and a \$165 overage were not reported or explained. The balance sheets in question related to deposits of concessions sales revenues. Concessions sales are recorded in an off-line cash register, but totals are then transferred to the on-line Sportsman management system. We compared cash register Z-tape totals to Sportsman totals, and found the differences stated above.

Management stated that balancing differences were due to lack of personnel training in use of the concessions off-line cash register. In one case, management stated that summer temporary employees had gone back to school. Regular staff members were left to operate the cash register. Faced with long lines of customers purchasing drinks and snacks, personnel punched buttons and entered any amounts just to get the cash drawer open. In some cases, payment was accepted without the transaction being recorded in the cash register.

When large overages and shortages are not reported and explained, there is increased probability that they could relate to theft of funds.

#### ***Recommendation***

We recommend that adequate training in the off-line concessions cash registers be made, and that differences be recorded and explained in deposit documentation.

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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 the 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."

A previous audit conducted in March 2013 found that three controlled assets could not be located. During a retest of this finding, we reviewed 30 controlled assets and found that only one could not be located, an upright bike, property tag #ZC-00576.

Management stated that they did not know where the upright bike was located, but that they would continue to look for it.

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 all controlled assets be accounted for as to physical location.

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***Finding # 5 - The "Controlled Assets Inventory Form - Employee" was not used.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... [The] 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The "Controlled Assets Inventory Form-Employee" was not used to manage controlled assets that were assigned to employees.

Management stated that they were aware of the Controlled Assets Inventory Form - Employee, but they were waiting for further discussion and direction from Parks and Recreation management before implementing it.

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 the Sports Complex use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

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***Finding # 6 - A high school swim team was charged a rate not specified in the contract.***

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**Risk Level: Low**

A contract with the Salt Lake City School District for swimming pool usage by a high school team, paragraph 3.1 states:

"User Fees. The established school district user fee for swimming lanes at the facilities shall be \$12.50 per hour."

One of the high school swim teams that uses the Sports Complex pool was charged \$15 per lane per hour for use of the outdoor pool, when the established contract rate was \$12.50. The team primarily uses the indoor pool at the established contract rate, but they occasionally use the outdoor pool. The contract rate of \$12.50 per lane per hour did not distinguish between indoor and outdoor pool usage. In the past 12 months, out of \$7,294 billed to this high school, \$653 represented outdoor pool usage.

Management stated that they wanted a separate outdoor pool usage rate since an outdoor rate was not specified in the contract. They further stated that the Sports Complex is unique among all other recreation centers because they keep their pool open until the end of October; the other pools are closed after Labor Day. The high school swim team is therefore able to take advantage of the larger outdoor pool.

When the contracted rate is not applied for high school swim team pool usage, the high school could claim that it was overcharged and request a refund.

### ***Recommendation***

We recommend that contracted rates be complied with for use of Salt Lake City Sports Complex facilities, including swimming pools.

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### ***Finding # 7 - Accounts receivable reconciliations were not performed monthly.***

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

Countywide Policy #1220, "Management of Accounts Receivable," 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."

The accounts receivable ledger was not being reconciled, documented, or signed monthly.

Management stated that they were not aware of the requirement in Countywide policy for a monthly accounts receivable reconciliation.

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

***Recommendation***

We recommend that the accounts receivable ledger is reconciled monthly, and signed by an independent party as evidence of review.

## **Additional Information**

### **Background**

The Salt Lake City Sports Complex and Steiner Aquatic Center opened in February 2001. Built by Salt Lake City, but managed by Salt Lake County, the Sports Complex gained early notoriety as a figure skating and short track speed skating practice facility during the 2002 Salt Lake Winter Olympic Games. Among other skaters, noted gold medalists Sarah Hughes and Apolo Anton Ohno practiced there. The Complex's two ice sheets attract regional, national, and international skating events, including two national championships that will be hosted there this year. A year-round indoor pool, and a large outdoor pool, open from May 1 to October 31st, are popular with the public and high school and private swim teams alike. Individual contracts are entered into with groups that rent the pools and ice sheets on a recurring basis. Also, the County has entered into an agreement with the University of Utah to manage the Spence Eccles indoor Fieldhouse located across the street. Sports Complex personnel schedule and receive payments from groups that use this facility. The Sports Complex features aerobic exercise and strength training equipment for use by patrons. They have 8 merit and 130 temporary employees, which includes 19 employees handling cashiering duties at the front desk.

### **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 March 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.





## 2014 Summary of Audit of Key Control

### Findings and Recommendations

#### Salt Lake City Sports Complex

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Merchandise inventories were not effectively managed.	Dollar value of merchandise inventories be attached and shown on the inventory list. Periodic merchandise inventory counts be conducted to determine the amount of any unexplained loss Negative inventory counts in the software system be examined for accuracy and corrected as needed.	Pro Shop and concession inventories will have a physical hand count quarterly. The inventory will include costs. Implemented 6/1/2014. Shannon Schmidt.
2.	A contract for use of the east ice sheet was not signed.	All Sports Complex rental contracts be signed by both parties, as designated.	All agreements will have two signatures and will be kept on file Implemented: 6/1/2014 Clark Littleton
3.	Significant differences occurred in concessions sales and balance sheets.	Adequate training in the offline concessions cash registers be made, and that the differences be recorded and explained in the deposit documentation.	Cash handling training and more thorough training on concession point of sale will happen quarterly with merit staff taking part in the training to ensure accuracy. Implemented: 6/1/2014 John Davis
4.	Accountability for some controlled assets was not properly established.	All controlled assets are accounted for as to a physical location.	We are missing one seven year old asset: upright exercise bike. We are further investigation whether it ended up in surplus or was used for parts on existing equipment. Implemented: 6/1/2014 Kristen O'Brien
5.	The controlled assets inventory form "employee" was not used.	The Sports Complex use the controlled asset inventory form-employee to manage controlled assets readily assignable to an individual.	The SLSC will follow the direction of Division Administration as this is an issue in all of Parks and Recreation. Parks & Recreation Administration will ensure all facilities are using asset inventory form-employee by December 31, 2014.
6	A high School swim team was charged a rate not specified in	That the contracted rates be compiled with for use of the Salt Lake City Sports Complex facilities , including swimming pools.	Contract specifies indoor pool rates only we will work with Kristen Riker to get an addendum for outdoor pool use for Salt Lake City School District. Implemented: 6/1/2014 Clark Littleton

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
	the contract		
7.	Accounts receivable reconciliations were not performed monthly.	That the accounts receivable ledger is reconciled monthly, and signed by an independent party as evidence of review.	Ice rental, field rental, and pool rental invoices will be reconciled and reviewed by the Office Coordinator on a monthly basis. Implemented: 6/1/2014 Clark Littleton, Katelyn Chambers, Colin O'Connor, Morgan Smith, John Davis.
8.			
9.			
10.			

**NAME AND TITLE OF PERSON RESPONDING:** Clark Littleton, Facility Director Salt lake City Sports Complex

**DATE PREPARED:** 5/20/14