

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



An Audit of the Key Controls of
Taylorsville Recreation Center

May 20, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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May 20, 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 Taylorsville Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Taylorsville Recreation 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 Taylorsville Recreation Center and the cooperation from Charlotte Watson, Office Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Taylorsville Recreation 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 James Fire MBA/Acc
Deputy Auditor

cc: Martin Jensen, Acting Director
Andrew Keddington, Administration Associate Director
Ron Butterfield, Center Director

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Taylorsville Recreation 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

We reviewed several key internal control areas during our audit of Taylorsville Recreation Center including cash handling and depositing, capital and controlled assets, purchasing and proprietary cards, vending machine management, and fraud. We also retested the six findings listed in the April 2013 audit report. Of those findings, two were re-issued in this report. Additionally, deficiencies were found in deposit documentation, voided transactions, and timeliness of deposits.

Findings and Recommendations

Finding # 1 - No inventory was maintained of concessions stand food products.

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."

A previous audit conducted in April 2013 found that management did not maintain a list of food products purchased for the pool concessions stand, and they did not count or inventory these items and compare the count to actual sales. A retest showed these steps have still not been taken.

Food products are particularly vulnerable to theft. Without an inventory list and a regular count, theft could easily occur without detection.

Recommendation

We recommend that a list be maintained of concession food products on hand that is updated each time new products are purchased.

We recommend that administrators conduct an inventory of food products at least annually and compare the value of their count to actual sales.

Finding # 2 - 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 2 out of 17 deposits examined 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.

Finding # 3 - Voided receipts were not marked "Void."

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.7.1 and 3.7.3 states:

"Cashiers making errors on manually prepared or electronically generated receipts shall not make corrections such as strikeovers, erasures, or alterations of any kind. The erroneous receipt shall be voided by writing "VOID" across the front of the receipt, and a new receipt reflecting the correct information will be issued. ... All voided receipts will be attached to the daily cash balance sheet for audit purposes."

In the sample examined, all of the voided receipts were not marked with "VOID."

Receipts that are not marked with "VOID" could be re-used to request fictitious refunds.

Recommendation

We recommend that all voided receipts be marked "VOID" and included with the deposit documentation.

Finding # 4 - Deposit documentation did not include tear-off tabs from deposit bags.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 4.5.1 states:

"Therefore, balance sheets, deposit slip copies, plastic pre-numbered tabs removed from the deposit bag, and any other supporting documents or materials, shall be retained for 7 years from the date of the deposit, either on-site or at the County Records' storage warehouse."

During the examination of the January 2014 deposits, 2 of the 17 deposits did not include the tear-off tab from the sealed tamper-proof deposit bags.

Without the tear-off tabs included in deposit documentation, there is not a reasonable assurance that deposits were sealed prior to armored truck pickup.

Recommendation

We recommend that deposit documentation be reviewed for completeness with supporting documents or materials.

Finding # 5 - An SAQ representing Parks and Recreation's compliance with PCI-DSS 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 in 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 April 2013 found that an SAQ representing Parks and Recreation's compliance with PCI-DSS had not been completed and was not on file. A retest showed that the SAQ is still 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 Parks and Recreation management complete and sign an annual SAQ, and that Taylorsville Recreation Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Additional Information

Background

The Taylorsville Recreation Center and Pool includes a basketball court, climbing wall, and fitness room with tread mills and other weight and cardio machines. The outdoor pool is open from Memorial Day through the end of August. The concessions stand is located at the pool and operates only when the pool is open. An additional indoor pool was envisioned when the Center was built, but construction never started due to lack of funding priority. The Center collects patron fees for admittance to the facility and also for various athletic programs, including Junior Jazz basketball.

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 April 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

Taylorsville Fitness & Recreation Center

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	No inventory was maintained of concessions stand food products	A list is maintained of concession food products on hand that is updated each time new products are purchased. Administrators conduct an inventory of food products at least annually and compare the value of their county to actual sales.	Jason Kehr, Program Coordinator at Taylorsville, will complete an inventory of the pool concession stand by May 24 th 2014 and update this inventory each time product is purchased. Jason will also conduct a monthly comparison of inventory to actual sales.
2.	Deposits were not made in timely matter	Recommend funds be deposited on the same day, whenever practicable, but no later than three days after receipt.	Charlotte Walton, Office Coordinator, will deposit funds daily as outlined in County Policy #1062 effective May 15, 2014
3.	Voided receipts were not marked "Void."	All voided receipts be marked "VOID" and included with the deposit documentation.	Charlotte Walton, Office Coordinator, will ensure all voided receipts are marked "void" and will be attached to the daily cash balance sheets effective May 15 th 2014.
4.	compliance with PCI-DSS had not been completed and was not on file	Management complete and sign an annual SAQ and that Taylorsville Recreation Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.	The Payment Card Industry's Data Security Standard (PCI-DSS) was established approximately thirteen years ago, and the Parks and Recreation Division began practices at that time to safeguard data as information became available. As information was obtained from the Payment Card Industry throughout the years practices were changed to accommodate securing cardholder data as much as possible within the division. In early 2010 - 2011, the Auditor's Office began looking at this standard for the entire county as much of these standards that had been identified were beyond the knowledge of the county's departments and division's on determining merchant levels and completing the SAQ's. Committees were set up, audits were conducted at each location, and the County was proceeding smoothly in determining policy and procedures, Information Services responsibilities, along with what each division's SAQ status would be. It was determined at that time that Attestation of Compliance needed to be signed off by the County as a whole once a letter was received by the Mayor from Chase Paymentech regarding our responsibilities to complete the SAQ's and completing the Attestation of Compliance, along with scans of the systems (A company has one year to complete the SAQ and Attestation of compliance from the date the letter is received). The Auditors were pulled from this development of policy and procedures for data security so each department/division was thrust into working on this again individually. The Parks and Recreation Division has continued working with Information Services in trying to establish what type of SAQ to complete, update and reinforce our firewall system, and make every effort to strengthen our compliance with the industry's standards as the majority of

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
			<p>questions are to be determined/completed by Information Services. In 2011 it was determined that the division would complete the SAQ –D form, however, making changes to cardholder data not being stored on the computer system has moved the division from a D to a possible C or C-Virtual.</p> <p>In 2012, the golf courses were moved to a new accounting program and service provider with the expectation that the SAQ C and Attestation of Compliance will be completed, signed, and submitted by the end of April 2013. What is being done with the golf courses will become the standard for all other departments and division within the county. The recreation centers will be next for Information Services and the division to work together to complete SAQ's and establish more practices and procedures to provide complete and ongoing compliance for the division.</p>
5.	<p>Deposits did not include tear off tabs from deposit bags.</p>	<p>Recommend the deposit documentation to be reviewed for completeness with supporting documents or materials.</p>	<p>After Charlotte Walton, Office Coordinator, completes deposits, a Program Coordinator will review all supporting documents and materials to verify completeness, including the inclusion of the tear-off tabs from deposit bags, effective May 15th 2014.</p>
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NAME AND TITLE OF PERSON RESPONDING: Ron Butterfield Facility Manager

DATE PREPARED: May 15th, 2014