
A Report to the
Citizens of Salt Lake County
The County Mayor and the
County Council

A Financial Audit of the
Salt Lake County
Parks and Recreation
Division



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

November 2017
Report Number 2017-07

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Salt Lake County
Parks and Recreation Division

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Scott Tingley, CIA, CGAP
SALT LAKE COUNTY AUDITOR

Cherylann Johnson, MBA, CIA, CFE, CRMA
CHIEF DEPUTY AUDITOR

AUDIT MANAGER:
Larry Decker, CPA, CIA

AUDIT STAFF:
James Fire, MBA/Acc
Leonardo Flores, CIA
David Lewis, CPA, CMA, CIA



OFFICE OF THE SALT LAKE COUNTY AUDITOR
AUDIT SERVICES DIVISION

OUR MISSION

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.



SCOTT TINGLEY
CIA, CGAP

Salt Lake County Auditor
STingley@slco.org

CHERYLANN JOHNSON
MBA, CIA, CFE
Chief Deputy Auditor
CAJohnson@slco.org

ROSSELL ROGERS
Senior Advisor
RRogers@slco.org

STUART TSAI
JD, MPA
Property Tax
Division Administrator
STsai@slco.org

**OFFICE OF THE
SALT LAKE COUNTY
AUDITOR**
2001 S State Street, N3-300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711
1-866-498-4955 / fax



Date: November 1, 2017

To: The Citizens of Salt Lake County, the County Mayor and the County Council

From: Scott Tingley, Salt Lake County Auditor

Re: A Financial Audit of the Salt Lake County Parks and Recreation Division

TRANSMITTAL LETTER

Transmitted herewith is our report, ***A Financial Audit of the Salt Lake County Parks and Recreation Division*** (Report Number 2017-07). An Executive Summary of the report can be found on page 1. The overall objectives of the audit were to examine business processes and financial transactions to provide assurance that:

- Internal controls were designed properly and functioning as intended to ensure that financial transactions were recognized, recorded, and reported accurately and completely.
- Financial transactions and business processes complied with all applicable standards, policies, ordinances, statutes, and laws.
- Management provided proper fiscal oversight, including monitoring the control environment, over financial transactions and business operations to ensure that transactions were valid and appropriate.

We reviewed the business processes at Parks and Recreation, specifically in the areas of revenues and collections, purchases and payments, payroll and personnel, inventory, and capital asset acquisition and financing. In our report, we identify issues and recommend actions to improve business processes, strengthen the internal control environment, and better safeguard county assets against fraud, waste, or misuse.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. This focus should not be understood to mean that we did not find various strengths and accomplishments at Parks and Recreation. We truly appreciate the time and efforts of the employees of the Parks and Recreation Division throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification, or to better facilitate the implementation of the recommendations.

Respectfully submitted,


Scott Tingley, CIA, CGAP
Salt Lake County Auditor

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Executive Summary

Background and Purpose

We recently completed a financial audit of the Salt Lake County Parks and Recreation Division (“Parks and Recreation”). A financial audit provides reasonable, but not absolute assurance that financial data in County records is presented fairly and that operational results are adequately captured and summarized. A financial audit also examines adherence to Countywide policies, and management of assets for legitimate and authorized transactions and activity.

The Salt Lake County Parks and Recreation Division dates to the 1940’s, and includes five organizational units:

- Recreation
- Parks
- Golf
- Millcreek Canyon
- Open Space

Parks and Recreation provides facilities for the use, betterment, rejuvenation, and health of its patrons and citizens of Salt Lake County. They operate programs, classes, and sporting events for individuals of all ages, from youth to senior citizen. Facilities include swimming pools, basketball courts, softball diamonds, golf courses, ice rinks, fitness equipment, and picnic areas. Patrons can participate in any number of classes, such as aerobics and gymnastics. Youth can enroll in summer camps, softball leagues, Junior Jazz basketball, and other organized sporting events.

What We Found

Time reporting fraud occurred with two employees who were hired and paid but never came to work. (p. 18).

A recreation center supervisor hired two personal friends that never worked at the recreation center. Their supervisor reported and authorized time for them. The center director discovered the fraud through the high number of hours reported for one of the individuals, and inquiry of other recreation staff on-site. A Parks and Recreation administrator reported the fraud to our office. The fraud resulted in nearly \$18,000 being paid to these individuals.

Administrators overpaid two contracted program coordinators by \$1,000. (p. 19). The overpayment occurred in a youth summer camp program. The school district and County received a percentage of the revenues collected for the camp, and the contractors who organized and conducted the camp received the remainder. Administrators perform calculations for camp funds distribution by hand on a manual form, which contributed to the calculation error.

The inventory on-hand at the Salt Lake City Sports Complex was materially inaccurate. (p. 22).

We found a negative inventory balance of \$16,000 in the Salt Lake City Sports Complex pro shop, as reported in their electronic inventory management system. Normally, the inventory should have a positive balance. In addition, our count of 17 out of 20 items differed from the expected count produced by the inventory management system. Contributing to these deficiencies were the staff's limited knowledge of the inventory module within the system, and a lack of defined procedures in place to track and manage merchandise inventory items in the store.

Inventory balances for the Salt Lake County golf courses were not reported on the County's annual financial statements. (p. 21).

An internally tracked golf pro shop inventory balance of \$162,000 was not reported in the County's financial statements. Instead, all items purchased were expensed and not recorded as an asset, or on the County's Statement of Net Assets. An internal Parks and Recreation fiscal policy mandated the handling of inventory in this manner. However, the inventory represents a measurable economic resource that holds benefit for the County and therefore should be reported as part of the County's set of Comprehensive Annual Financial Reports as an asset of the County.

Parks and Recreation did not document purchases in such a way to allow reconstruction of the purchase decision from the County financial system. (p. 14).

The employee who originated a purchase could not be readily determined from available documentation. A higher administrative level of approval appeared in the County's PeopleSoft accounting system, but the original request either was not available or not easily accessible.

Personnel had not performed a monthly reconciliation of accounts receivable invoices and payments. (p. 10).

Accounts receivable, or amounts owed to the County, mainly occurred in day care operations. Personnel recorded amounts owed and paid by patrons on physical ledger cards, or in electronic spreadsheets. Payments were also recorded in the Sportsman management system. County policy requires a reconciliation between the accounts receivable ledger, invoices and payments, and we found that this was not occurring.

What We Recommend

To prevent overpayment to contractors:

We recommend that an electronic documentation system be implemented for youth camp payout computations and processing.

To ensure more accurate merchandise inventory tracking:

We recommend that management perform a complete monthly physical inventory count until December 31, 2017 to provide assurance that the single inventory location is accurately tracking the receipt and sale of merchandise inventory.

To provide more complete reporting of pro shop merchandise inventory:

We recommend that Mayor's Financial Administration report the year-end inventory balances of the golf courses on the County's financial statements.

To provide more complete documentation for purchases:

We recommend that Parks and Recreation Management develop a formal process to document purchases in such a way to allow reconstruction of the purchasing decision from the County financial system.

To reconcile accounts receivable records:

We recommend that management designate an employee to prepare a monthly reconciliation of accounts receivable invoices and payments.

Please refer to the main sections in the report for more details about these and other findings and recommendations.

Summary of Agency Response

We received a response to the audit from Parks and Recreation regarding the recommendations given. An action plan was outlined that included the action management will take to remediate the issue, the person responsible for implementing the action plan, and a due date for the completion of the action plan. The detailed agency response we received from Parks and Recreation can be found at the end of this report.

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Introduction

Background

Financial Audits

We recently completed a financial audit of the Parks and Recreation Division. A financial audit provides reasonable, but not absolute assurance, that financial data in County records is presented fairly and that operational results are adequately captured and summarized. A financial audit also examines adherence to Countywide policies, and management of assets for legitimate and authorized transactions and activity.

The Parks and Recreation Division

Parks and Recreation operates different types of facilities and programs for the enjoyment and physical activity of the community. Types of facilities in use or managed by Parks and Recreation are the following:

Recreation Centers: Parks and Recreation operates a total of 18 recreation centers throughout Salt Lake County. Patrons pay a fee to use the facilities, which may feature exercise equipment, basketball or handball courts, swimming pools, aerobic rooms, and ice rinks. Patrons pay a fee each time they enter the facility, or they may purchase monthly or annual use passes. Some of the recreation centers also have daycare facilities on-site for patrons to use.

Figure 1. The Northwest Recreation Center.



The Northwest Recreation Center is one of 18 County recreation centers in operation throughout the county.

Golf Courses: Parks and Recreation operates six County owned golf courses within the County. Five of the courses are 18-hole courses and one is a 9-hole course. Golf course operations include collecting green fees, and maintaining and improving the courses. In addition, each golf course operates a golf pro shop, offering clubs, balls, shirts, shoes, caps, and many other items for sale.

Swimming Pools: Parks and Recreation operates 10 outdoor and 9 indoor pools, with all indoor pools located in recreation centers. Most of the outdoor pools are located adjacent to recreation centers, but some are stand-alone facilities several miles from a recreation center.

Ice Centers: Ice centers provide opportunities for public skating, venues for skating competitions and shows, and locations for competitive hockey leagues. The Salt Lake City Sports Complex houses one of the ice centers, while the other two are stand-alone facilities.

Parks: The County operates 72 parks, which are free to the public and may include playground equipment, picnic tables, and pavilions. Reserving a pavilion requires payment of a fee. A few of the parks also include softball diamonds. A unique facility within the parks system is Wheeler Historic Farm, which has farm animals for public viewing, and land for planting and harvesting crops. Parks also operates trails, most notably the Jordan River Parkway and the Parley's Canyon Trail.

Millcreek Canyon: The County has a cooperative lease agreement with the US Forest Service, which owns Millcreek Canyon. Parks and Recreation handles picnic area reservations, collects a fee from vehicles exiting the canyon, and remits a portion of the fee to the Forest Service.

Open Space: The County buys and maintains large tracts of land in an undeveloped and pristine state to enhance the environment.

In addition to physical facilities, Parks and Recreation operates several recreational programs, including:

Recreational Leagues: The Sports Office offers competitive leagues in both youth and adult basketball, softball, and volleyball, for a fee.

Classes and Programs: In conjunction with local school districts, Parks and Recreation offers youth summer camps and clinics. In wintertime, the "Snow Blitz" program provides ski instruction to youth at a local resort. In addition, recreation centers provide aerobics, fitness, swimming, and other types of classes year-round for people of all ages. All programs require payment of a fee.

Adaptive Recreation: Recreation centers offer physically active programs to patrons with challenging physical or mental abilities.

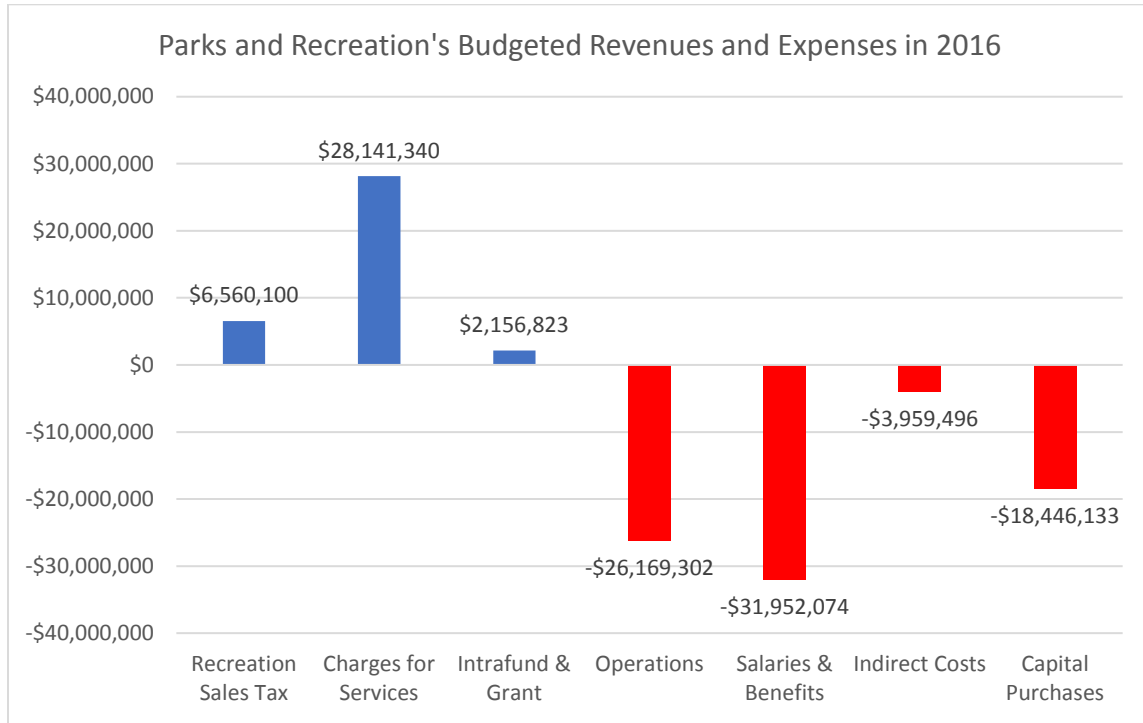
For a list of recreation facilities, see Appendix A, "Golf Courses and Recreation Center Sites."

Budget and Financial Information

Parks and Recreation's budgeted expenses for 2016 totaled \$80,527,005. Salaries and benefits were the largest component of budgeted expenses at \$31.9 million, followed by general operating expenses of \$26.2 million. Capital expenditures totaled \$18.4 million, and related to both bond and Tourism, Recreation, Cultural, and Convention Center (TRCC) tax expenditures.

Budgeted revenues for 2016 were \$36,745,905. Charges for services, including use fees totaled \$28.1 million, and comprised the largest revenue component by type. Figure 2, shows budgeted revenues and expenses for Parks and Recreation in 2016.

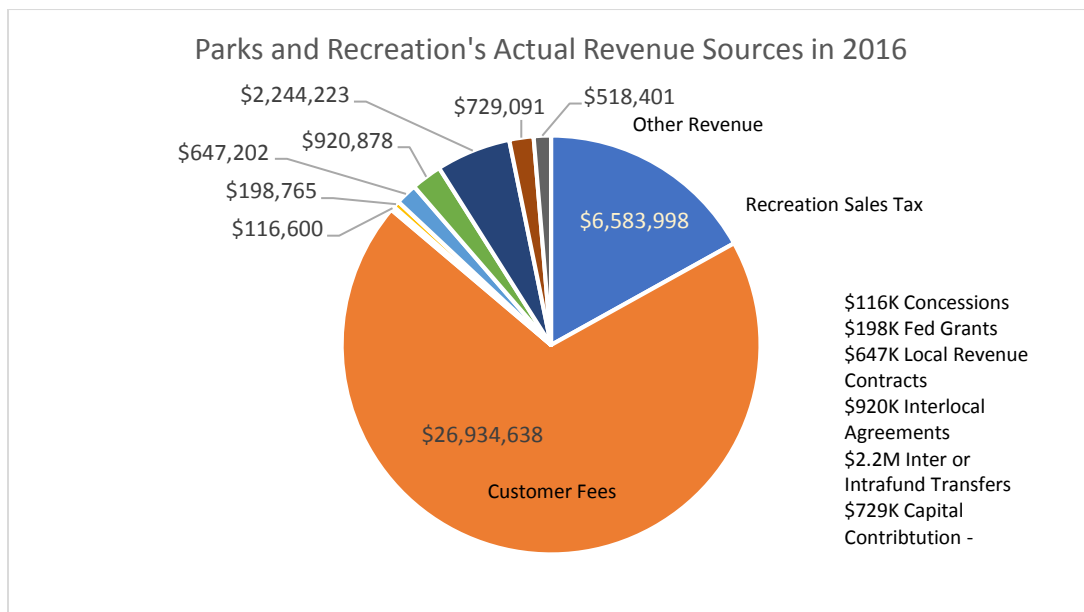
Figure 2. Parks and Recreation's Budgeted Revenues and Expenses in 2016



Parks and Recreation's budgeted expenses exceeded budgeted revenues by \$43.8 million in 2016.

Actual revenues totaled \$38,893,796 in 2016, which included \$2.2 million of intra-fund transfers and various grants revenue received. Revenue sources for 2016 are shown in Figure 3.

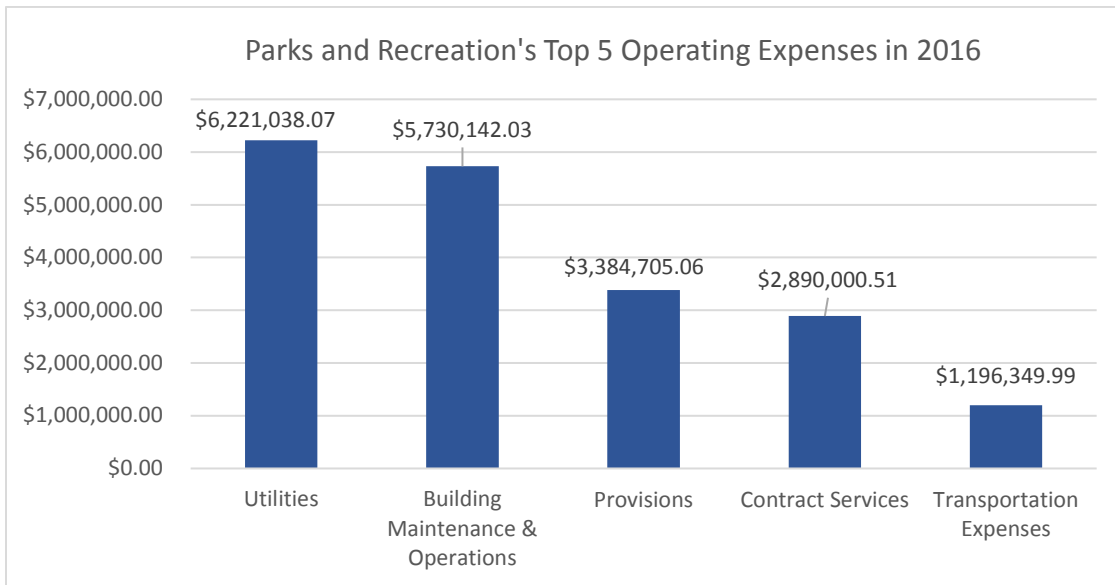
Figure 3. Parks and Recreation's Actual Revenue Sources in 2016



Parks and Recreation collected \$26.9 million in customer fees for activities or services in 2016.

Actual expenditures in 2016 were \$74,011,761. The top five expenditures, not including payroll, capital, and indirect costs are shown in Figure 4.

Figure 4. Parks and Recreation's Top Five Operating Expenses in 2016



Provisions expenses included items such as recreational supplies, commissary, food, clothing, and other related items.

Objectives

The overall objectives of the audit were to examine business processes and financial transactions at Parks and Recreation, to provide reasonable assurance that:

- **Internal controls were designed properly and functioning as intended to ensure that financial transactions were recognized, recorded, and reported accurately and completely.**
- **Financial transactions and business processes complied with all applicable standards, policies, ordinances, statutes, and laws.**
- **Management provided proper fiscal oversight, including monitoring the control environment, over financial transactions and business operations to ensure that transactions were valid and appropriate.**

Scope and Methodology

Our audit covered the period from January 1, 2016 through December 31, 2016. Our audit work included a formal examination of financial records and documents related to the following major business cycles:

- Revenue and Collections
- Procurement and Expenditures
- Payroll and Personnel
- Inventory

➤ Capital (Fixed) Asset Acquisition and Financing

In addition to examining financial records at Parks and Recreation, we observed business processes and tested the internal controls surrounding them. We performed substantive tests of transactions and detailed tests of balances to determine if financial transactions in each of the areas above, were recognized, recorded, and reported accurately and completely. We interviewed Parks and Recreation fiscal staff and managers, and queried information from the County's financial system as well.

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Audit Results

Revenue and Collections

Audit Objective:

- **To determine if internal controls governing the revenue and collections business cycle were sufficient to prevent fraud and provided reasonable assurance that financial statement accounts fairly and accurately depicted the financial condition of Parks and Recreation.**

The revenue and collections business cycle includes the sale of goods and services, granting credit to customers, and ultimately receiving payment for what was sold. Parks and Recreation sells a large variety of diverse goods and services. These include items such as recreation center passes, rounds of golf, sports merchandise, and more. The agency uses the Sportsman SQL sales system, developed by Peak Software, to manage and record sales transactions. The golf courses use their own sales system, Fore! Reservation, for the same purpose.

Management is responsible for developing, implementing, and monitoring internal controls over the revenue and collections cycle to provide assurances that:

- The risk of fraud is minimized,
- Revenues reported occurred, and
- Revenues reported were complete and accurate.

The recording and tracking of accounts receivable, or amounts owed to the County for services performed, primarily occurs in childcare operations. Six recreation centers offer childcare for patrons using the facilities. We observed that each of these six recreation centers had adopted their own methods to invoice, collect, and report accounts receivable. We found hand-written ledger cards at some recreation centers and electronic spreadsheets at others for tracking amounts owed and payments made by patrons. One daycare facility had implemented a software program to perform this function.

For the entire Parks and Recreation organization, we examined financial documents, performed tests of internal controls, and performed tests of transactions and account balances. These tests encompassed operations related to sales, accounts receivable, and the balance of cash. Based on the results of these tests our audit provided reasonable assurance that transactions and account balances associated with the revenue cycle fairly depicted the financial condition of Parks and Recreation.

Our audit findings and recommendations regarding the revenue and collections cycle were as follows:

Finding 1.1: Personnel had not performed a monthly reconciliation of accounts receivable invoices and payments.

We reviewed four recreation center childcare sites to determine if they complied with County accounts receivable policy. We found that the monthly reconciliation of accounts receivable invoices

and payments was not being performed at any of the daycare sites. However, one recreation center performed a reconciliation of payments, but not invoices.

CWP 1220, “Management of Accounts Receivable and Bad Debt Collection,” Section 5.3.2 and 5.3.4 states:

“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.”

Recreation center employees stated they were not aware of the County policy requirement of performing monthly reconciliations. Without a monthly reconciliation of invoices and payments, errors can occur and go undetected, resulting in lost childcare revenues.

Recommendation

We recommend that management designate an employee to prepare a monthly reconciliation of accounts receivable invoices and payments.

Finding 1.2: Customer accounts did not balance between Parks and Recreation software and customer ledgers.

We examined a sample of 30 childcare accounts at the Millcreek Community Center (“Millcreek”). The purpose was to determine if invoices and payments matched between Sportsman management software and the Excel spreadsheet customer ledgers. The bookkeeper stated that the spreadsheet ledgers were the primary sources for maintaining all account activity and are relied on for accuracy. Of the 30 accounts reviewed, 4 did not balance, which resulted in Sportsman overstating customer account balances by \$2,013.29. See Table 1 below.

Table 1. Management software account balances were overstated.

Comparison of management software to ledger balances		
Sportsman Balance	Ledger Balance	Differences
\$244.00	-\$116.00	\$360.00
\$911.29	\$0.00	\$911.29
\$400.00	\$0.00	\$400.00
\$342.00	\$0.00	\$342.00
\$1,897.29	-\$116.00	\$2,013.29

Each of these line items represented different childcare patrons.

CWP 1220, “Management of Accounts Receivable and Bad Debt Collection,” Section 5.3.1 states:

“The ledger of accounts receivable shall include, at a minimum, the name of the debtor, the amount owed, the invoice date, the amount of any interest charges assessed, a listing of

payments and the dates those payments were received, and a running total of individual account balances.”

Adjustments such as billing, rate changes, attendance, and Utah Division of Workforce Services (DWS) changes, were recorded on the Excel spreadsheet ledgers but not updated in the management software accounts. Inaccurate balances between the two systems create confusion and can open opportunities for theft of childcare funds.

Millcreek Activity Center is in the process of modifying Sportsman to implement accounts receivable functionality for a childcare setting. None of the other centers have used Sportsman for recording childcare accounts receivable balance. Therefore, none of the other centers would experience reconciling differences between Sportsman and electronic spreadsheets or paper ledgers showing childcare accounts receivable balances.

Recommendation

We recommend that childcare accounts be updated in Sportsman software to reflect the Excel ledger activities.

Finding 1.3: A monthly accounts receivable aging report was not prepared.

We requested a current accounts receivable aging report from the Millcreek Activity Center. They did not have one on file and had not prepared one during the past year.

CWP 1220, “Management of Accounts Receivable and Bad Debt Collection,” Section 5.5 states:

“An aged analysis of accounts receivable ledger balances (aged schedule) shall be prepared each month. The aging schedule shall be maintained in a manner that provides information as to which amounts are 30 days old or less at the beginning of the month, which are 31 to 60 days old, 61 to 90 days old, 91 to 120 days old, and over 120 days old. The aging will be based on the date of the invoice.”

Without an accounts receivable aging report, management cannot determine how current customer accounts are in their payments and how to direct collection efforts. The bookkeeper stated she was unaware of the requirement for a monthly accounts receivable aging report.

Recommendation

We recommend that an accounts receivable aging report be prepared for management review each month and retained on file.

Procurement and Expenditures

Audit Objective:

- **To determine if all activity related to purchases was captured and recorded in financial statements, and that personnel or systems did not create errors or cause unauthorized events to occur outside of Countywide policy.**

The procurement and expenditures cycle encompasses the authorization of requests for goods or services, the recording in County financial records of invoices not yet been paid, and the payment of invoices for goods or services received at the County. Invoices may be paid through a purchasing card held by any number of Parks and Recreation personnel, or through the accounts payable section of the Mayor’s Office of Financial Administration (“Mayor’s Finance”), which issues a check or electronic funds transfer to the vendor.

Small cost purchases less than \$5,000 may be paid using the purchasing card, but purchases \$5,000 or greater require processing through the Contracts and Procurement Division. Formal bidding and Request for Proposals (“RFP”) procedures may occur at that point.

Administrators are responsible to ensure the adequate management and processing of purchases and payments, including:

- Goods or services purchased have a County business purpose.
- Purchases are authorized by designated County personnel or departments.
- Payments are recorded in County financial records at the appropriate amount.

County financial records divide Parks and Recreation into organizational sections, with Golf in its own fund entirely separate from the others. Table 2 shows purchases, or expenses, for 2016 by organization.

Table 2. Purchases or Expenses by Parks and Recreation Organization in 2016

Purchases or Expenses by Parks and Recreation Organization in 2016			
Organization	Amount	Organization	Amount
Recreation	\$33,277,539	Parks Equip Replacement	\$612,808
Parks	\$13,663,157	Recreation Equip Replacement	\$692,825
Golf	\$7,286,699	Golf Capital Projects	\$7,518,455
Millcreek Canyon	\$481,210	Recreation Bond Projects	\$52,263
Open Space	\$475,114	Parks Bond Projects	\$5,424,508
Parks Rec Capital Improvement	\$4,527,182		
		TOTAL	\$74,011,760

Capital Improvement and Equipment Replacement are financed through and part of the TRCC fund.

To determine the propriety and proper financial statement presentation of purchases, we compared purchases recorded in the PeopleSoft financial system to invoices on file, determined whether vendors were authorized to do business with the County, and examined any supporting documentation for receipt of goods ordered. We examined purchasing card transactions for authorization and propriety of goods or services acquired, and to determine whether any amounts exceeded the \$5,000 threshold.

Our audit findings and recommendations regarding the procurement and expenditures cycle were as follows:

Finding 2.1: Parks and Recreation did not document purchases in such a way to allow reconstruction of the purchasing decision from the County financial system.

We reviewed the purchasing process at Parks and Recreation. When an organization follows standard purchasing procedures the following is documented:

- Purchase requests
- Authorization of requests
- Purchase Orders
- Receipt of goods or services
- Invoice of goods or services
- Payment Authorization
- Payment of Invoice

The purchasing decision is documented with purchase requests, authorization of requests, and purchase orders. We reviewed a sample of 146 transactions of which totaled to \$1,474,009.53. Documentation found in the County financial system did not allow reconstruction of the purchasing decision for all transactions. The financial system had information showing the entry and approval of purchases by fiscal personnel at the administration level. The transactions also included invoices or payment applications from vendors. However, there was no record of purchase requests, authorizations, or orders from those making the purchasing decision. Those making the purchasing decisions were typically line employees at different Parks and Recreation locations.

Not all purchases require a request and authorization prior to ordering of goods or services. Because of the nature of operations in some organizations the purchasing decision can be recorded after goods or services have been ordered. Be that as it may, the purchasing decision is still formally documented for later reconstruction.

The County financial system had no record of purchase requests, authorizations, and orders from those making the purchasing decision.

Countywide procurement policy requires proper documentation of purchases:

CWP 7010, "Procurement," Section 16.0, states:

Sufficient records should be kept to allow reconstruction of a decision at a later date. Good records are valuable for efficient operation of the division.

Parks and Recreation fiscal personnel were interviewed to discuss the cause of the issue. As the County transitioned to a new financial system, prior controls and processes were discontinued. A formal process to document the purchasing decision did not convert to the new financial system; resulting in limited documentation.

Sufficient records are valuable for efficient process and operations. When standard procurement policies and procedures are not followed there is an increased risk of error, fraud, waste, or abuse in purchasing of goods or services.

Recommendation

We recommend that Parks and Recreation Management develop a formal process to document purchases in such a way to allow reconstruction of the purchasing decision from the County financial system.

Finding 2.2: An employee paid sales tax on a p-card purchase and remediation of the issue was not completed.

We identified and flagged a total of 370 transactions that might have included tax in the purchase. We reviewed a sample of 10 purchases. Of the 10, we found tax was paid on one transaction. Parks and Recreation fiscal personnel identified the transaction and a request to reverse the entire purchase was sent to the vendor. The vendor provided a credit memo document describing a credit for the full purchase would be applied, however, credit was not applied to the P-card used. Fiscal personnel never follow-up to ensure the purchase was reversed.

Countywide P-card policy prohibits the payment of tax with purchases:

CWP 7035, "Purchasing Cards Authorization and Use," Section 4.1.1, states:

County purchases are exempt from sales tax. Therefore, if sales tax is mistakenly paid and the tax to recover is worth the cost of the recovery effort, the cardholder shall take actions to obtain a credit to the PCard account for the tax paid. Otherwise, the cardholder may be held responsible, at the discretion of their county agency management, for reimbursing the county for the amount of the sales tax.

The County is a governmental entity and therefore is exempt from paying sales tax on purchases. Paying sales tax would effectively create a double taxation on the citizens of Salt Lake County, since tax revenue was used to pay sales taxes. Additionally, paying sales tax would marginally increase County expenditures unnecessarily.

Recommendation

We recommend that Parks and Receptions fiscal personnel take action to obtain full reimbursement for the purchase.

Action Taken:

Parks and Recreation fiscal personnel has contacted the vendor to obtain a full reimbursement for the purchase.

Payroll and Personnel

Audit Objective:

- **To determine whether payroll reflected actual activity, was authorized by proper individuals, and payments were accurately captured and reported in financial statements.**

The payroll and personnel cycle focuses on reporting and authorization of employee time worked, payments to employees, and calculation of taxes. Parks and Recreation uses TimeForce software for employee time recording and tracking. Each Parks and Recreation building has an electronic

timeclock machine where employees enter their sign-in and sign-out times using a keypad. A biometric scan of the employee’s fingerprint allows access to the timeclock system.

At the end of each payroll period, administrators download TimeForce data to the County’s PeopleSoft general ledger for processing of payments to employees. Parks and Recreation handles time reporting, but Mayor’s Financial Administration processes payments, taxes, and benefits.

Administrators in both Parks and Recreation and Mayor’s Financial Administration have the responsibility to ensure complete and accurate reporting of payroll, including:

- All payroll activity is captured and reported in financial statements.
- Employee time is authorized by designated personnel.
- Payments to employees are for the correct amount based on hours worked or pay status.

Payroll is found within five Parks and Recreation organizations. Table 3 shows total payroll for each of these five in 2016.

Table 3. Payroll Salaries and Benefits in 2016

Payroll Salaries and Benefits in 2016	
Organization	Salaries & Benefits
Recreation	\$19,083,618
Parks	\$8,019,244
Golf	\$3,269,180
Millcreek Canyon	\$70,683
Open Space	\$100,135
TOTAL	\$30,542,860.16

Recreation comprises 62% of payroll among all Parks & Recreation organizations.

To determine the accuracy and legitimacy of payroll in financial statements, we compared hours worked to employee payments issued, observed employees using the timeclock system to record their time, verified whether employees signed-in to work were on-site, and reviewed authorization of employee time worked. We recalculated tax withholding recorded in County financial records, examined duplicate addresses, social security numbers, and deposit account numbers, and reviewed canceled checks to verify issuance to a legitimate County employee. Most payments are direct deposit in the employee’s account, but some employees request a physical check.

In addition, Parks and Recreation has 669 contracted workers, or 593 officials and 76 program contractors, who serve as sporting officials and referees, or who conduct recreational classes, camps, clinics, and programs. We examined contracts and supporting documentation for payments to a sample of these contract workers.

Our findings and recommendations regarding the payroll and personnel cycle were as follows:

Finding 3.1: Time reported as worked by some employees was not properly authorized.

We examined time reported by 50 out of 2,012 Parks and Recreation employees for the semi-monthly payroll period ending December 15, 2016. We found that management did not authorize

An employee authorized her own time worked, and another employee's time was not authorized.

time reported for 2 out of the 50 employees. In one case, the employee approved her own time, and in the other case, approval was missing altogether. Approvals appear as electronic signatures and a green check mark in the TimeForce time reporting software. The approval space was left blank for the employee whose time was not

approved.

Parks and Recreation administration has a verbal policy requiring another employee, generally someone of higher authority than the employee, to approve time in TimeForce at the end of each payroll period. For example, a recreation center supervisor approves a staff employee's time, and the center director in turn approves the supervisor's time. An associate division director then approves the center director's reported time.

TimeForce does not generate an exception report for the approval space left blank or for employees approving their own time. Management relies on visual payroll review to ensure correct and complete approval.

At the end of the pay period, the Parks and Recreation internal services manager and fiscal manager together review time reported by each employee, but in these cases, they either overlooked the errors in approval or did not take the time to remedy them. In their review, they primarily focus on hours reported, and ensure that merit employees reported 40 hours each week. The internal services manager expressed surprise when we discovered these two errors. Lack of authorization or authorization by the same employee allows for reporting and payment of time not worked.

Recommendation

We recommend that TimeForce be programmed to issue exceptions for the approval space left blank or employees approving their own time.

Finding 3.2: All employees signed-in to work in the electronic timeclock system were not found on-site.

We examined attendance to determine that employees signed in for work were accounted for and present. We found that all employees were not present at their worksite when the timeclock system indicated they should have been. To complete our examination, we visited 11 recreation centers and golf courses. From the TimeForce system, we found 119 employees at these locations signed-in for work. Of these 119 employees selected, we could not find 3 individuals in our search.

HR Policy 3-300, "Standards of Conduct," Section 1.d., states:

Employees will fulfill their job duties, act professionally, and comply with policies and procedures. Inappropriate and unprofessional behavior includes, but is not limited to, the following ... Neglect of duty.

Employee absence may have been for a legitimate County purpose, but their absence could also indicate engaging in non-work-related activities, thereby being paid for not working or fulfilling their

duties. All three employees not located worked at the same location. Neither the manager nor any of the other employees we spoke with at this site knew of their whereabouts.

Recommendation

We recommend that management reinforce work attendance requirements with employees relating to hours signed in and reported as worked.

Finding 3.3: Time reporting fraud occurred with two employees who were hired and paid but never came to work.

Coincidental with the start of our audit in May 2017, a Parks and Recreation administrator reported to us the division's investigation of the fraudulent hiring of two employees. A supervisor at one of the recreation centers hired them, but the two never reported to work.

One of these individuals was on the County payroll from October 2016 through April 2017, and received \$16,081 in pay. The other employee only appeared on the payroll for one payroll period in April 2017, and received \$1,145. The individual on payroll for the longest period had the title of private swim lesson supervisor, and the other individual had the title of recreation program supervisor. The center director reported that none of the employees on-site had ever seen the employee with the longer payroll tenure. They did report seeing the other employee on-site, but he had not performed any work.

HR Policy 3-300, "Standards of Conduct," Section 1d., states:

Employees will fulfill their job duties, act professionally, and comply with policies and procedures. Inappropriate and unprofessional behavior includes, but is not limited to, the following ... Neglect of duty.

Hiring these two individuals resulted in a loss to the County of over \$17,000 in fraudulent wages. The recreation center director discovered the fraud when he saw a continually large weekly time report, close to 40 hours, for the longer tenured employee. Exceeding 1,500 hours for the measuring period would require health benefits be extended to this temporary employee.

The recreation center aquatics supervisor hired these two individuals, reported their time on a manual time sheet, and signed-off on their reported time in TimeForce. Management reported that the two individuals hired were friends of the aquatics supervisor who felt sorry for them because they were on hard times and needed money. Parks and Recreation removed the two individuals from County employment in April 2017. They terminated employment of the aquatics supervisor in June 2017, and reported the incident to law enforcement officials.

Recommendation

We feel that Parks and Recreation took appropriate actions regarding this finding, and therefore no additional recommendation is given.

Finding 3.4: Administrators were not renewing contract worker agreements in writing as required.

The 669 contract workers include personal trainers, aerobics instructors, and referees for many types of classes, activities, and sporting events, including basketball, softball, and volleyball. Parks and Recreation uses standard or boiler plate contracts to enter into agreements with these individuals or businesses to perform services for Parks and Recreation.

The standard contract for classes and programs, such as classes taught by a personal trainer, have a one-year term. Contract clauses allow renewal in one-year increments for an additional four or five years. Administrators continued these contracts for the full four or five-year term, but did not enter into a written agreement with the contracted party to add one-year increments each additional year. We found contracts renewed for at least the last five years without a signed written agreement. We examined a sample of 25 contracts and found 15 with renewable options, but none renewed in writing.

Standard contract language, Section 5, states:

The Term of this Agreement shall commence upon the date provided in Paragraph 3(B) and shall terminate one year later (“Initial Term”). Renewals will be initiated at the sole discretion of County and completed in writing with mutual agreement by both Parties.

When contracts are not renewed in writing every year as required, the efficacy or meaning of contract terms could be questioned should any dispute arise between the County or its contracted parties. Administrators stated they sent emails to contractors to ask them if they wanted to renew, and upon their agreement, the contract was continued. A Parks and Recreation administrator has formatted a document for contract renewals that can be signed by both parties, but administrative review has delayed its implementation.

Recommendation

We recommend that a written, signed agreement be entered into between the County and contracted parties for yearly renewals as provided for in contract.

Finding 3.5: Administrators overpaid two contracted coordinators by \$1,000.

We examined sample 25 payments to contract workers, including referees, instructors, and other parties who conducted or officiated Parks and Recreation classes and activities, and found one where the contractors were overpaid by \$1,000.

CWP 1060, “Financial Goals and Policies,” Section 3.6.1, states:

The County shall establish and maintain a high standard of accounting practice.

The \$1,000 overpayment related to a summer youth camp payout to two contractors that conducted the camp, and originated at the Sports Office. Administrators there attributed the \$1,000 difference to a mathematical error.

Payouts are supported by a signed voucher and Sportsman printout of revenues collected on behalf of the contractors. Recreation centers send this documentation to the Parks and Recreation administrator who processes and authorizes payments. However, unlike other recreation centers, the administrator only receives the voucher and not the Sportsman printout or other calculations from the Sports Office. If she had received this documentation, the error could have been caught and corrected.

Also, camp payouts are processed only at the Sports Office. The Sports Office includes an additional handwritten form to show calculations in arriving at the payout amount. On the form, revenue from Sportsman is shown, followed by percentage allocations to the County and the school district that sponsors the camp. In this case, the calculated amount totaled \$7,004, but \$8,004 was paid out to the two contractors, \$1,034 and \$6,970.

In contemporary society, available electronic technology can be used to avoid many mathematical errors. The Sports Office would benefit from performing calculations electronically instead of manually and by remitting its documentation to the administrator who authorizes payments.

Recommendations

- ***We recommend that the Sports Office send Sportsman revenue printouts and calculation sheets to Parks and Recreation administration when requesting contractor payout.***
- ***We recommend that an electronic documentation system be implemented for youth camp payout computations and processing.***

Inventory

Audit Objective:

- **To determine if internal controls over the inventory business cycle were sufficient to prevent fraud and provided reasonable assurance that the financial statements fairly and accurately depicted the financial condition of Parks and Recreation.**

The inventory business cycle includes the procurement, physical storage, and sale of inventory items. The County golf courses were responsible for most inventory transactions that took place in 2016 and carried the highest balances of inventory on-hand. Most recreation centers also sold inventory, but the items were generally held in a limited quantity and were less valuable compared to inventory held for resale at the golf courses.

For example, a recreation center with a pool may sell swim diapers and goggles to pool patrons, which are both inexpensive and disposable, or non-durable items. Whereas, the golf course pro-shops maintain and sell inventory items such as sets of golf clubs, golf clothing and apparel, and golf shoes, which can be expensive and valuable. In our audit work, we performed more substantive work at the golf courses in the area of inventory, based upon this higher level of risk and materiality.

Management is responsible for developing, implementing, and monitoring internal controls over the inventory cycle to provide assurances that:

- The risk of fraud was minimized, and
- Inventory balances were complete and accurate.

We examined financial documentation, performed tests of internal controls, and performed tests of transactions and account balances. These tests encompassed operations related to inventory purchases, the physical safeguarding of inventory, the sale of inventory, and inventory obsolescence. We found multiple issues within the inventory cycle that need to be addressed by the management of Parks and Recreation.

Our audit findings and recommendations regarding the inventory cycle were as follows:

Finding 4.1: Inventory balances for the Salt Lake County golf courses were not reported on the County’s annual financial statements.

We reviewed the inventory accounting practices at Parks and Recreation to determine if they complied with generally accepted accounting principles (GAAP). We found that an internally tracked ending inventory balance of \$161,766 was not reported on the County’s financial statements as an asset. Instead, inventory was immediately expensed upon purchase due to an internal fiscal policy set forth by Parks and Recreation management. This caused assets to be understated and expenses overstated for 2016. Table 4 shows the 2016 ending inventory balance for each golf course.

Table 4. 2016 Ending Inventory Balances for Golf Courses

2016 Ending Inventory Balances for Golf Courses		
Course	Balance	
Old Mill	\$	61,452
South Mountain	\$	38,000
Riverbend	\$	21,207
Mountainview	\$	19,700
Meadowbrook	\$	14,206
Mick Riley	\$	7,201
Total	\$	161,766

Inventory was not reported as a current asset on the CAFR.

The Salt Lake County golf courses are classified as an enterprise fund, a type of proprietary fund for governmental accounting purposes, on the County’s comprehensive financial statements.

GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, Section 92 states:

“Proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets should be presented using the economic resources measurement focus and the accrual basis of accounting.”

Inventory is considered a current asset since it is expected to be sold within the current accounting period. Any amounts held at the end of the accounting period is considered an economic resource

that holds future benefit for the County and should therefore be reported on the Statement of Net Assets. Although we noted that the amount of inventory reported may not materially affect the financial statements, it is our opinion that the ending balance of inventory for the golf courses is significant enough to warrant reporting.

Recommendations

- ***We recommend that the management of Parks and Recreation report the year-end inventory balances of the golf courses to Mayor's Financial Administration.***
- ***We recommend that Mayor's Financial Administration report the year-end inventory balances of the golf courses on the County's financial statements.***

Finding 4.2: Management allowed incompatible job duties to exist over the inventory function at the SLC Sports Complex.

We reviewed the job functions of individual employees involved with the inventory function at Parks and Recreation. Our objective was to determine if the duties of employees involved with inventory were appropriately segregated to safeguard against fraud. We found that the pro shop supervisor at the SLC Sports Complex was given the ability to authorize purchases, receive, and reconcile inventory. This occurred due to lax management practices within Parks and Recreation.

According to the AICPA:

"Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Within a single job function no individual should be able to authorize the purchase of assets, maintain custody over those assets, and perform the recordkeeping function for those assets. The pro shop supervisor was given sole responsibility over these duties. This greatly increased the risk that inventory could be lost or stolen without detection.

Recommendations

- ***We recommend that SLC Sports Complex management immediately separate the pro shop inventory authorization, custody, and recordkeeping duties among different employees.***
- ***We recommend that Parks and Recreation management conduct an internal investigation to ascertain if inventory fraud occurred at the SLC Sports Complex.***

Finding 4.3: The inventory amount on-hand reported by the sales system at the SLC Sports Complex was materially inaccurate.

We performed a physical inventory count of items on-hand at a sample of recreation centers. We compared the amount of inventory reported on-hand to an observation of a physical count performed by employees. We found the inventory balance at the SLC Sports Complex was highly inaccurate. We examined the amounts on-hand listed in the Sportsman point-of-sale system inventory module. It showed a large amount of inventory items with a negative balance. The total negative balance for these items totaled \$16,276. Appendix B shows an itemized list of these items. We also observed 17/20 (85%) inventory items that had a physical count that differed from what was recorded in the inventory module.

We determined two main reasons for these occurrences: (1) the staff had limited knowledge of how to use the inventory module, and (2) control weaknesses existed within the inventory function. The Sportsman inventory module is currently only used by the Sports Complex. The remainder of Parks and Recreation does not track inventory within Sportsman. As such, substantive training was never provided to staff on the functionality and use of the software. This, combined with a lack of segregation of duties at some locations (see finding 4.2) increased the risk that inventory could be lost or stolen.

The Sportsman inventory module has the capability of tracking multiple inventory locations. This function works well when these locations are separated. In other words, the same location the inventory is received is also where it is sold. The Sports Complex created two inventory locations within the center: the pro shop and the recreation center. The problem with the negative inventory balances arose when an item received in one area was sold in another. Whichever location the inventory was sold from is where the software would deduct the item balance. This effectively tracked only the sale of inventory while leaving the items on-hand balance negative in one location and overinflated in the other.

The problem was further enhanced when employees performed physical counts and adjusted balances in one location. When inventory cannot be appropriately tracked it further increases the risk for error and loss.

According to Tompkins, a respected international supply chain management company:

“It is more costly to address inventory discrepancies after they have had a negative impact on operation than it is to resolve them proactively avoiding disruptions in the normal flow of processing.”

We brought this issue to the attention of the SLC Sports Complex management. They contacted Peak Software, the developers of Sportsman, for assistance. Peak sent a representative to the Sports Complex and determined the best course of action was to use a single inventory location for the center. This was implemented prior the release of this report.

Recommendation

We recommend that management perform a complete monthly physical inventory count until December 31, 2017 to provide assurance that the single inventory location is accurately tracking the receipt and sale of inventory.

Finding 4.4: Top management did not provide uniform training and guidance to staff regarding inventory management practices and the functionality of Sportsman.

During our audit we reviewed the internal policies and procedures surrounding the inventory function and interviewed staff to gain an understanding of their knowledge of inventory and the use of the Sportsman point-of-sale software. We found that the procedures used by recreation center staff concerning the inventory function varied from center to center.

We found that some recreation centers performed inventory counts either periodically throughout the year or at year-end. Others simply ordered new inventory once the current stock was depleted and performed a count when it was received. Both methods are appropriate and sufficient to provide assurance against excess loss when consistently performed. However, when these practices are not uniform across the organization top management will not be able to effectively measure the performance of internal controls consistently across multiple locations. This increases the risk that inventory may be lost or stolen as management at one location may implement less substantial internal controls. There is also reduced assurance that the balance of inventory is accurate and expenses were legitimate.

We found that inventory tracking documentation differed from center to center. For example, the Office Coordinator at JL Sorenson uses detailed excel spreadsheets to track the history of inventory purchases. In contrast, other recreation centers will keep inventory receiving records but will not track detailed purchases throughout the year. A member of upper management reviewing inventory at different locations would have to learn the specific procedures at each location, decreasing both the efficiency and effectiveness of monitoring practices.

Finally, we spoke with multiple office coordinators to ascertain their level of knowledge regarding the Sportsman point-of-sale system. We found that each had different levels of knowledge concerning the functionality and use of the system. Some office coordinators were capable of performing more complex tasks, such as running specialized reports, while others felt they had little understanding of how to use the software. They stated they had received no training from top management concerning the most appropriate way the software should be utilized. This indicates that a uniform set of policies and procedures, along with additional training, would be beneficial to the employees of Parks and Recreation.

According to the Pacific Crest Group, a popular business consulting firm:

“A ‘Policy’ is a predetermined course of action, which is established to provide a guide toward accepted business strategies and objectives. In other words, it is a direct link between an organization’s ‘Vision’ and their day-to-day operations. Policies identify the key activities and provide a general strategy to decision-makers on how to handle issues as they arise. This is accomplished by providing the reader with limits and a choice of alternatives that can be used to ‘guide’ their decision making process as they attempt to overcome problems.”

Effective policies should contain the following characteristics:

- Written, clear, concise, simple language.
- Aligned with organizational strategies and objectives.

- Readily available and authority is clear.
- Designated “policy experts” are readily available to interpret policies and resolve problems.
- Represent a consistent, logical framework for action.

Effective procedures should contain the following characteristics:

- Tied to policies.
- Developed with the end user in mind.
- Understandable, feasible, and methodical.

Both the management of Parks and Recreation and its employees will benefit by developing a formal set of uniform policies and procedures. They will provide specific guidance to employees that will govern their job functions, reduce ambiguity, and provide a measurable indicator to management that internal controls are functioning properly and business objectives are met.

Recommendation

We recommend that Parks and Recreation, in cooperation with facility directors and employees, develop and implement a set of formal policies and procedures and training encompassing:

(1) the inventory management function, and

(2) the use of the Sportsman point-of-sale software by June 30th, 2018.

Capital Asset Acquisition and Financing

Audit Objective:

- **To determine if capital assets and bonds were presented in County financial statements to reflect current value and status.**

The capital asset acquisition and financing cycle captures activity in the acquisition and tracking of capital assets, and financing of capital assets through issuance of bonds, or the county’s normal procurement process. Capital assets are furniture, fixtures, and equipment, or any betterments to property that cost \$5,000 or more. Capital assets for all County organizations, including Parks and Recreation, are recorded within the PeopleSoft financial system. Mayor’s Financial Administration maintains the database of all capital assets, records newly purchased assets, and issues numbered tags that Parks and Recreation personnel attach to assets on-site. Designated proceeds from bond issuances were used to purchase many capital assets.

Management oversees capital assets and bond issuance to ensure the following:

- All capital assets are accounted for and used in Parks and Recreation operations.
- Capital assets are written down for impaired value when required.
- New purchases \$5,000 or greater are recorded as capital assets.

Capital asset oversight by Parks and Recreation is limited to ensuring that items assigned to them are on-site and protected, annual inventories are performed and reported to Mayor’s Financial

Administration, and disposal or transfer of obsolete capital assets to the surplus division is properly documented. Recording capital assets in the general ledger, marking them down for impaired value, and tracking depreciation is the responsibility of Mayor’s Financial Administration.

Table 5 shows capital asset values at organizations within Parks and Recreation.

Table 5. Net Book Value of Parks & Recreation Capital Assets in 2016

Net Book Value of Parks & Recreation Capital Assets in 2016	
Organization	Net Book Value
Golf	\$1,479,203
Recreation	\$672,622
Parks	\$609,568
Rec Equip Replacement	\$325,084
Parks Equip Replacement	\$26,087
TOTAL	\$3,112,564

Golf has the highest capital asset valuation due to course care equipment, including mowers.

To examine the management of and procedures in place to safeguard capital assets, we searched for all capital assets at eight recreation sites, examined purchases greater than \$5,000 for capitalization of items purchased, searched for any assets disposed of or sold, and recalculated depreciation. Also, we reviewed freight charges for inclusion in the capital acquisition cost, and looked for any impaired assets whose value had not been written down.

In addition to capital assets, we reviewed outstanding bonds associated with Parks and Recreation. We recalculated interest and principal payments based on bond terms, and determined if payment amounts were posted in PeopleSoft financial statements.

We found all capital assets on-site, and determined that they were properly managed. We also found that bond payments were made according to terms.

We noted no significant findings regarding the capital asset acquisition and financing cycle.

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Appendix A: Golf Course and Recreation Center Locations

Recreation Centers:

1. Central City Recreation Center
2. Copperview Recreation Center
3. Dimple Dell Recreation Center (includes indoor pool)
4. Fairmont Aquatic Center (indoor pool)
5. Gene Fullmer Recreation Center (includes indoor pool, and “West Jordan” outdoor pool)
6. Holladay Lions Recreation Center (includes indoor pool)
7. J.L. Sorenson Recreation Center (includes indoor pool)
8. Kearns Recreation Center
9. Magna Recreation Center (includes outdoor pool)
10. Marv Jenson Recreation Center (includes indoor pool)
11. Millcreek Activity Center
12. Millcreek Community Center
13. Northwest Recreation Center (includes indoor pool)
14. Northwest Community Center
15. Redwood Recreation Center (includes outdoor pool)
16. SLC Sports Complex & Spence Eccles Field House (includes ice rinks & both indoor & outdoor pool)
17. Sorenson Multi-Cultural Center (includes indoor pool, “Steiner West Pool”)
18. Taylorsville Recreation Center (Includes outdoor pool)

Ice Centers (see also above)

19. Acord Ice Center (includes Centennial pool)
20. County Ice Center

Pools (see also above)

21. Crestwood Pool
22. Liberty Park Pool
23. Draper Pool
24. South County Pool

Wheeler Farm (under Parks)

25. Wheeler Farm

Golf Courses

26. Riverbend
27. Old Mill
28. Meadowbrook
29. Mountain View
30. Mick Riley
31. South Mountain

Millcreek Canyon (not in Parks)

Sports Office

32. Sports Office

Parks – 72 Parks in total

Park Operations Office
Sugarhouse Park

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Appendix B: Negative Inventory Listing at the SLC Sports Complex

Item	Count	Amount	Balance to Adjust
Sport County White White	-9	\$6.00	(\$54.00)
Bottled Water	-12	\$2.00	(\$24.00)
Exercise Mini Bands	-15	\$5.00	(\$75.00)
Master Lock 1590D	-51	\$9.00	(\$459.00)
Bauer Wheel Bag	-2	\$75.00	(\$150.00)
CCM V6 Elbow	-5	\$25.00	(\$125.00)
Spring Fling Puck	-2	\$4.00	(\$8.00)
Hockey Laces Wht Ctn 120" White/120"	-2	\$3.00	(\$6.00)
Hockey Laces Wht Ctn 96"	-8	\$3.00	(\$24.00)
Hockey Laces Pink 72"	-1	\$3.00	(\$3.00)
Laces White Referee 108"	-5	\$3.00	(\$15.00)
Laces White Referee 120"	-4	\$3.00	(\$12.00)
Laces White Referee 96"	-5	\$3.00	(\$15.00)
NHL Mini Goal Set-2 Goals	-4	\$32.00	(\$128.00)
NHL Puck	-2	\$6.00	(\$12.00)
Orange Ball	-5	\$3.00	(\$15.00)
Bauer Prodigy	-3	\$48.00	(\$144.00)
Clear Puck Case	-14	\$5.00	(\$70.00)
Skate Mate II	-19	\$8.00	(\$152.00)
Hockey Player Socks	-42	\$10.00	(\$420.00)
PG: Sweet Stick	-18	\$15.00	(\$270.00)
PG: Acme Thunder Referee	-6	\$13.50	(\$81.00)
TPS Elbow Sr. Med	-1	\$23.00	(\$23.00)
Woodwax Wax	-1	\$5.00	(\$5.00)
CCM Lightning Hoodie	-10	\$60.00	(\$600.00)
Lightning Hats 16-17	-11	\$15.00	(\$165.00)
Lightning B Jersey	-2	\$45.00	(\$90.00)
PG: Blade Mates	-95	\$8.50	(\$807.50)
PG: Blade Mates Tiger ADL Tiger/Adult	-3	\$8.50	(\$25.50)
PG: Water bottle carrier black	-12	\$25.00	(\$300.00)
PG: ProGuard Hockey Lace	-10	\$4.00	(\$40.00)
Referee Lace	-3	\$4.00	(\$12.00)
Bauer 8" Shin Pad Gray	-4	\$22.00	(\$88.00)
Bauer 9" Shin Pad Gray	-3	\$22.00	(\$66.00)
Foam Hockey Balls/Pucks	-267	\$2.00	(\$534.00)
NHL Composite Hockey	-30	\$23.00	(\$690.00)
Sherwood: PANTS	-20	\$35.00	(\$700.00)

Sherwood Rekr 9 JR	-1	\$36.00	(\$36.00)
Sherwood 11" Shin White	-13	\$22.00	(\$286.00)
Sherwood 13" Shin White	-8	\$22.00	(\$176.00)
Sherwood 7"Shin Pad	-2	\$20.00	(\$40.00)
Sherwood 8" Shin Pad	-2	\$22.00	(\$44.00)
Sherwood 9" Shin Pad White	-3	\$24.00	(\$72.00)
Sherwood Elbow Jr Small White	-2	\$16.00	(\$32.00)
Sherwood Elbow Jr XL White	-1	\$16.00	(\$16.00)
Sherwood T50 Shoulder	-10	\$21.00	(\$210.00)
Sherwood 10" Glove Black	-9	\$23.00	(\$207.00)
Sherwood N8 Youth	-3	\$36.00	(\$108.00)
Sherwood T70 Goal 26"	-1	\$95.00	(\$95.00)
Sherwood 12" Shin White	-2	\$23.00	(\$46.00)
Sherwood Gloves 11" Black	-3	\$23.00	(\$69.00)
Sherwood PP19 PW Right	-4	\$15.00	(\$60.00)
Sherwood T100 Goalie Black	-1	\$58.75	(\$58.75)
Sherwood T50 Jr Bag Black	-7	\$60.00	(\$420.00)
Sherwood T50 Sr Bag Black	-1	\$65.00	(\$65.00)
Sherwood T70 UCL	-2	\$60.00	(\$120.00)
Sherwood T90 60 left Black	-2	\$120.00	(\$240.00)
Sherwood T90 85 Left Black	-3	\$125.00	(\$375.00)
Sherwood T70 27"	-1	\$80.00	(\$80.00)
Sherwood T90 70 Left	-1	\$125.00	(\$125.00)
Sherwood T90 Youth Left	-14	\$39.00	(\$546.00)
TPS 12" Shin White	-3	\$22.00	(\$66.00)
TPS 10" Shin White	-7	\$22.00	(\$154.00)
TPS R1 Jr Pink Left	-1	\$20.00	(\$20.00)
Youth XL Pants	-4	\$35.00	(\$140.00)
Shoc Doc Girls Small Black	-1	\$33.00	(\$33.00)
Shock Doc Hybrid Jock	-5	\$35.00	(\$175.00)
Shoc Doc Braces Blue	-10	\$19.00	(\$190.00)
Riedell 113 Ladies White	-3	\$85.00	(\$255.00)
Guard Dog Fuzzy Blade Cover	-10	\$18.00	(\$180.00)
Riedell 13 JR White	-15	\$75.00	(\$1,125.00)
Riedell 133 Ladies White	-11	\$145.00	(\$1,595.00)
Riedell 33 Junior White	-15	\$130.00	(\$1,950.00)
Speedo Competition Nose Clip	-11	\$6.00	(\$66.00)
Speedo Kids Hydrosplex	-8	\$14.00	(\$112.00)
Speedo Hydrosity	-15	\$14.00	(\$210.00)
Speedo Nose Clip	-14	\$5.00	(\$70.00)
Total			(\$16,275.75)

Agency Response

We received a response to the audit from Parks and Recreation regarding the recommendations given. An action plan was outlined that included the action management will take to remediate the issue, the person responsible for implementing the action plan, and a due date for the completion of the action plan. The detailed agency response we received from Parks and Recreation is included on the following pages of this report.

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October 31, 2017

Mr. Tingley,

Salt Lake County Parks and Recreation received the findings of a financial audit conducted by Larry Decker and his staff, James Fire, Leonardo Flores and David Lewis dated September 2017. Please see our responses with set dates by when recommendations will be implemented.

Ben McAdams
Salt Lake County Mayor

Holly Yocom
Community Services
Department Director

It has been a pleasure to work with Larry and his team to improve our services to County residents. Feel free to contact me directly with any questions.

**PARKS & RECREATION
DIVISION**

Thank you.

Martin Jensen
Division Director

A handwritten signature in blue ink that reads 'Martin Jensen'.

Martin Jensen
Director Salt Lake County Parks and Recreation

Salt Lake County
Government Center
2001 South State Street
Suite S-4700
Salt Lake City UT 84190

"Improving Lives, Through, People, Parks and Play."
www.recreation.slco.org

801 / 468-2299
801 / 468-2579 fax

2017 RESPONSES TO FINDINGS AND RECOMMENDATIONS OF FINANCIAL AUDIT OF THE PARKS AND RECREATION DIVISION


#	FINDING	RECOMMENDATION	AGREE OR DISAGREE	ACTION TAKEN FOR IMPLEMENTATION WITH TARGET DATE
REVENUE FINDINGS				
1.1	Personnel had not performed a monthly reconciliation of accounts receivable invoices and payments.	We recommend that management designate an employee to prepare a monthly reconciliation of accounts receivable invoices and payments.	Agree	The Parks and Recreation Division ('PKRC') will create a Standard Operating Guideline ('SOG') for facilities operating childcare programs in accordance with Countywide Policy ('CWP') 1220 to ensure adequate tracking, reconciliation and final review. Target Date: February 28, 2018
1.2	Customer accounts did not balance between Parks and Recreation software and customer ledgers.	We recommend that childcare accounts be updated in Sportsman software to reflect the Excel ledger activities.	Agree	PKRC facilities operating childcare programs will comply with Countywide Policy ('CWP') 1220 to ensure adequate reconciliation and final review. Target Date: February 28, 2018
1.3	A monthly reconciliation aging report was not prepared.	We recommend that an accounts receivable aging report be prepared for management review each month and retained on file.	Agree	PKRC will create a SOG for facilities operating childcare programs in accordance with Countywide Policy ('CWP') 1220 to ensure adequate reconciliation, aging of accounts and final review. Target Date: February 28, 2018
PURCHASING FINDINGS				
2.1	Parks and Recreation did not document purchases in such a way to allow reconstruction of the purchasing decision from the County financial system.	We recommend that Parks and Recreation Management develop a formal process to document purchases in such a way to allow reconstruction of the purchasing decision from the County financial system.	Agree	PKRC will create a SOG to document the approval process of all purchases. The SOG shall provide a clear path for the reconstruction of the purchasing approval chain and shall reference the purchase request number and include a signed invoice, when appropriate. Target Date: February 28, 2018
2.2	An employee paid tax on a P-card purchase and remediation of the issue was not completed.	We recommend that Parks and Recreation fiscal personnel take action to obtain full reimbursement for the purchase.	Agree	The PKRC fiscal team has initiated collection of the purchase outlined in the audit. PKRC will create a SOG in accordance with CWP 7035 to ensure timely action is taken in the future. Target Date: February 28, 2018

#	FINDING	RECOMMENDATION	AGREE OR DISAGREE	ACTION TAKEN FOR IMPLEMENTATION WITH TARGET DATE
PAYROLL FINDINGS				
3.1	Time reported as worked by some employees was not properly authorized.	We recommend that TimeForce be programmed to issue exceptions for the approval space left blank or employees approving their own time.	Agree	PKRC will request that Internal Services support staff assigned to TimeForce ('TF') work with the software developer on options for a hard exception for unapproved time and a system-wide block against approving one's own time. Currently PKRC's fiscal team has implemented a post-payroll check for unapproved time and are requiring a signed paper timesheet in those cases where the approval space is left blank or an employee has approved his/her own time. Target Date: February 28, 2018
3.2	Time reporting fraud occurred with two employees who were hired and paid but never came to work.	No recommendation is made.	N/A	N/A
3.3	Administrators were not renewing contract worker agreements in writing as required.	We recommend that a written, signed agreement be entered into between the County and contracted parties for yearly renewals as provided for in contract.	Agree	PKRC will create a SOG for this process which shall incorporate existing PKRC Internal Policy PR138 'Soliciting, Selecting, and Contracting with Recreational Program Instructors'. Target Date: February 28, 2018
3.4	Administrators overpaid two contracted coordinators by \$1,000.	We recommend that the Sports Office send Sportsman revenue printouts and calculation sheets to Parks and Recreation administration when requesting contractor payout. We recommend that an electronic documentation system be implemented for youth camp payout computations and processing.	Agree	The Sports Office has maintained these records and will now submit them to administration when requesting contractor payout. Additionally, Sportsman calculates the total revenue and that documentation will be submitted to administration, along with the voucher noting the proper calculation and percentage of payout. Target Date: December 1, 2017

2017 RESPONSES TO FINDINGS AND RECOMMENDATIONS OF FINANCIAL AUDIT OF THE PARKS AND RECREATION DIVISION

#	FINDING	RECOMMENDATION	AGREE OR DISAGREE	ACTION TAKEN FOR IMPLEMENTATION WITH TARGET DATE
INVENTORY FINDINGS				
4.1	Inventory balances for the Salt Lake County golf courses were not reported on the County's annual financial statements.	We recommend that the management of Parks and Recreation report the year-end inventory balances of the golf courses to Mayor's Financial Administration.	Agree	PKRC will report the year-end inventory balances of the golf courses to Mayor's Financial Administration. Target Date: January 31, 2018
4.2	Management allowed incompatible job duties to exist over the inventory function at the SLC Sports Complex.	We recommend that SLC Sports Complex management immediately separate the pro shop inventory authorization, custody, and recordkeeping duties among different employees. We recommend that Parks and Recreation management conduct an internal investigation to ascertain if inventory fraud occurred at the SLC Sports Complex.	Agree	PKRC will create a SOG for the inventory process. Effective immediately, SLC Sports Complex management will separate the pro shop duties and a inventory report will be submitted to the recreation manager for review monthly. PKRC shall also investigate if fraud has occurred at the SLC Sports Complex. Target Date: February 28, 2018
4.3	The inventory amount on-hand reported by the sales system at the SLC Sports Complex was materially inaccurate.	We recommend that management perform a complete monthly physical inventory count until December 31, 2017 to provide assurance that the single inventory location is accurately tracking the receipt and sale of inventory.	Agree	One inventory listing will be maintained at SLC Sports Complex and an inventory report will be submitted to the recreation manager for review monthly. Discrepancies will be investigated and mitigated. Target Date: February 28, 2018
4.4	Top management did not provide uniform training and guidance to staff regarding inventory management practices and the functionality of Sportsman.	We recommend that the top management of Parks and Recreation, in cooperation with facility directors and employees, develop and implement a set of formal policies and procedures and training encompassing (1) the inventory management function, and (2) the use of the Sportsman point-of-sale software by June 30th, 2018.	Agree	PKRC will create a SOG for the inventory process. In 2017, PKRC and Peak Software has provided merit staff quarterly Sportsman training and will continue to do so. PKRC staff may also call Peak Software anytime they have specific questions. Target Date: June 30, 2018

#	FINDING	RECOMMENDATION	AGREE OR DISAGREE	ACTION TAKEN FOR IMPLEMENTATION WITH TARGET DATE
	<p>CAPITAL INVESTMENT ACQUISITION AND FINANCING FINDINGS</p>			
	<p>No significant findings in the area of Capital Investment Acquisition and Financing.</p>		<p>N/A</p>	<p>N/A</p>

Submitted by: 
 Date Submitted: 10/31/17