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

An Audit of Key Controls  
at the Central City  
Recreation Center



OFFICE OF THE  
SALT LAKE COUNTY  
AUDITOR

SCOTT TINGLEY  
COUNTY AUDITOR

June 2018  
Report Number 2018-2

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# An Audit of Key Controls at the Central City Recreation Center

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#### 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.

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**Office of the  
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Scott Tingley, CIA, CGAP**

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June 2018**

**An Audit of Key Controls at the  
Central City Recreation Center**

We recently completed an audit of key controls at the Central City Recreation Center ("Central City"). The purpose of the audit was to examine critical internal controls related to petty cash and other imprest funds, cash receipts and deposits, county asset management, and purchasing cards at West Jordan to determine if those key controls are implemented properly and functioning as intended.

We performed tests of those controls to provide assurance that accounting records were accurate and reliable, financial transactions and business processes complied with established policies, procedures, and regulations, and that county assets were adequately safeguarded against the risk of loss, theft, waste, or abuse. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included the Salt Lake County Parks and Recreation Division's own internal policies and procedures, as well as countywide policies such as Countywide Policy 1203, "*Petty Cash and Other Imprest Funds*," Countywide Policy 1062, "*Management of Public Funds*," Countywide Policy 1125, "*Safeguarding Property/Assets*," Countywide Policy 7035, "*Purchasing Card Authorization and Use*."

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

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**Scope and Methodology**

Our audit covered the period from March 1, 2017 through February 28, 2018. Our audit work included an examination of financial records related to the following operational areas:



- Petty Cash and Change Funds
- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Purchasing Cards

In addition to examining financial records, we observed business practices and tested the internal controls surrounding them. We examined daily cash deposits and monthly reconciliations, interviewed employees, conducted an inventory count of capital and controlled assets, performed a count of petty cash, examined purchasing card (p-card) transactions and daily cash collections.

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## Audit Results

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### Petty Cash and Change Funds

#### Audit Objectives:

- Determine if the petty cash fund is intact and maintained at the authorized amount.
- Determine if petty cash purchases are appropriate (for the intended use of the funds) and comply with countywide policies.
- Determine if the change fund is maintained at its authorized amount.
- Determine if the change fund is properly safeguarded against loss, theft, or misuse.

We performed a surprise count of the \$500 petty cash fund and \$100 change fund at Central City and found that both funds were intact and maintained at their authorized amount. We also interviewed the staff at Central City and observed the petty cash reconciliation procedures. We examined petty cash vouchers and original receipts from purchases made since October 2017. We found that all purchases were for a legitimate county business purpose, did not exceed the single petty cash purchase limit of \$200, and that they were reviewed and approved by management.

#### Findings and Recommendations

*We noted no significant findings in the area of petty cash and change funds.*

### Cash Handling and Daily Deposits

#### Audit Objectives:

- Determine if cash handling and daily deposit procedures at Central City comply with countywide policies.
- Determine if cash receipts and daily deposits are properly safeguarded against theft, loss, or misuse prior to being deposited at the bank.
- Determine if there are adequate segregation of duties in both the cash receipting and depositing business processes.
- Provide assurance that cash receipts are recorded and reported accurately, and that management provides proper fiscal oversight over the cash receipts accounting process.

Our audit examined whether daily collections, cash handling, and depositing procedures at Central City complied with Countywide Policy 1062, *“Management of Public Funds.”* Central City receives payments from patrons for its childcare operations. Any payments received during the day are prepared for deposit by the Office Coordinator and reviewed by the Facility Manager.

To achieve the audit objectives, we examined a sample of daily cash deposits throughout 2017. We compared the amounts recorded in Central City’s Sage point-of-sale system against individual cashier balance sheets, the daily aggregate master balance sheet, and compared those amounts to deposit receipts from the bank. We found that all cash receipts recorded in the point-of-sale system matched the master balance sheets and bank deposit receipts.

In addition, we reviewed cashier overages/shortages, voided transactions, and no-sales within our sample. We found no overages/shortages, one voided transaction that complied with Countywide Policy, and that the total number of no-sale transactions was appropriate for the volume of transactions occurring at the center.

### **Findings and Recommendations**

*We noted no significant findings in the area of cash handling and daily deposits.*

## **Capital and Controlled Assets**

### **Audit Objectives:**

- Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.
- Determine if capital and controlled assets are properly safeguarded against loss, theft, or misuse.

Our audit included an examination of capital and controlled asset management. Countywide Policy 1125, *“Safeguarding Property/Assets,”* establishes the policies and procedures for the proper management of County capital (“fixed”) and controlled (“expensed”) assets, including procedures for accounting for, protecting, and disposing of those assets.

Countywide Policy 1125 defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets. Therefore, controlled assets require additional procedures to ensure that they are properly safeguarded against theft or misuse.

The property manager at each County organization is responsible for accounting for all controlled assets within the organization’s custody. In addition, Countywide Policy 1125 defines an employee’s duties and responsibilities when capital (“fixed”) or controlled assets are provided for their use or are readily assignable to them.

We obtained a copy of Central City's controlled asset list, dated October 4, 2017, stating that an inventory of capital and controlled assets was conducted, with the initials of the property manager. From the list of 202 controlled assets, we selected a sample of 20 controlled assets to perform our audit tests on. We also included the sole capital ("fixed") asset located at Central City in the sample as well. We ensured that the assets in our sample were identified accurately, physically present, and accounted for properly by the staff and management at Central City. We also verified that appropriate safeguards were in place to minimize the risk that those assets in our sample could be lost, stolen, or misused. We found 19 of the 21 assets in our sample on-site and that the asset descriptions, asset ID tags, and asset locations matched the information recorded on Central City's asset list. The remaining two (2) assets in the sample could not be located or had been disposed of and not recorded in Central City's asset records.

When controlled assets are removed from a County facility, the property manager is required to complete and maintain a Form PM-2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form." This form describes the controlled asset that has been transferred, disposed of, or sold internally, and states its current condition, how it was disposed of, and an authorization signature from management. Management was unable to provide PM-2 forms for these missing assets to us during our audit.

## Findings and Recommendations

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### **Finding 3.1: Central City's controlled asset list had not been updated to reflect that two controlled assets from our audit sample had been disposed of, even though a complete asset inventory had been conducted as recently as late 2017.**

We performed a physical examination of controlled assets at Central City. Based on our judgment, we selected a sample of 20 controlled assets to review from a total population of 202. We found that two (2) out of the 20 controlled assets (or 10%) in our test sample could not be located on-site.

During the audit, the new Facility Manager at Central City inquired of the previous Facility Manager regarding the location of the assets. She stated that one, a foosball table purchased in 1994, was discarded due to its poor condition. The other, a projector, she believed was stolen or otherwise lost. We requested to review any Form PM-2s, for the missing controlled assets as well. Management was unable to provide these PM-2 forms for the two missing controlled assets. The new Facility Manager at Central City stated that he would follow-up with the previous manager and ensure that PM-2 forms would be completed for the two missing controlled assets, and that he would retain copies of them for Central City's records.

Countywide Policy 1125, Section 2.2 states:

*"Property Manager's Duties - duties may be appropriately delegated to a subordinate, however consistent with basic management principles, Property Managers and County Administrators*

*remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following:"*

Section 2.2.2, states:

*"Accounting for all controlled assets within the organization's operational and/or physical custody in accordance with paragraph 4.0 of this policy..."*

Even though the controlled assets list stated that a complete controlled asset inventory was conducted on October 4, 2017, and management had acknowledged that the inventory was completed by initialing the asset list, the list was not updated to reflect that at least two of the assets were no longer on-site and could not be accounted for. When controlled assets are not accurately accounted for, it increases the risk they could be lost or stolen without detection.

### **Recommendation**

We recommend that the current Facility Manager update the controlled asset list and complete Form PM-2s to account for the foosball table and projector that are either missing or no longer located on-site.

## **Purchasing Cards**

### **Audit Objectives:**

- Determine if purchasing and proprietary card procedures complied with Countywide Policy.
- Determine if purchasing and proprietary cards are properly safeguarded.

During the audit, we reviewed purchasing card ("p-card") purchases made by cardholders at Central City and assessed the internal controls over those purchases to ensure that purchases complied with countywide policies, and that safeguards were in place to help prevent and detect any inappropriate purchases or abuse. Countywide Policy 7035, "*Purchasing Cards Authorization and Use,*" establishes policies and procedures that govern p-card transactions and the proper use of p-cards for county business.

We inquired of Central City's management as to which employees had a p-card issued to them, and requested purchasing records, receipts, invoices, and credit card statements to conduct our audit tests. We observed that the employees that had been issued p-cards at Central City kept the cards either on their person or in a secure area when not in use, according to county policy. We also compared cardholder names against a list of authorized cardholders provided by the Salt Lake County Contracts and Procurement Division to determine if the cardholders at Central City were authorized to have a p-card, had attended all mandatory training on the appropriate use of p-cards. We found that all cardholders at Central City were authorized to have the cards and had attended all the mandatory p-card training.

We examined a sample of 158 p-card purchases that cardholders had made during 2017. We found that all purchases in the sample appeared to be for legitimate county business purposes, were within the

authorized purchase amounts, had been reviewed and approved by the employee's supervisor, and had proper documentation including original purchase receipts, invoice copies, and other types of supporting documentation.

### **Findings and Recommendations**

*We noted no significant findings in the area of purchasing cards.*

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## Conclusion

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We appreciate the time spent by the staff at the Central City Recreation Center answering our questions, gathering the necessary documentation and records, and allowing us access to the facility during our audit. The staff were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

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Agency Response

**Agency Response  
Central City Recreation Center**

**Finding 3.1: Central City’s controlled asset list had not been updated to reflect that two controlled assets from our audit sample had been disposed of, even though a complete asset inventory had been conducted as recently as late 2017.**

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
<p><b>We recommend that the current Facility Manager update the controlled asset list and complete Form PM-2s to account for the foosball table and projector that are either missing or no longer located on-site.</b></p>	<p>Agree</p>	<p>The two assets have been listed on PM-2 Form 40968 and will be removed from the current asset list at Central City.</p>	<p>Completed</p>