

**A Report to the Citizens
of Salt Lake County and the
Board of County Commissioners**

August 1998

A Performance Audit of the

Fine Arts Division

Craig B. Sorensen

County Auditor

A PERFORMANCE AUDIT

of the

FINE ARTS DIVISION

AUGUST 1998

CRAIG B. SORENSEN

Salt Lake County Auditor

Audit Performed by:

Cherylann J. Johnson

Kaylene Eldridge

Dal Lawson

Executive Summary

Background

The primary function of the Fine Arts Division is to manage and maintain the physical facilities at Abravanel Hall, the Capitol Theatre, the Rose Wagner Performing Arts Center, and the Salt Lake Art Center. The Salt Lake Art Center is leased in whole and operated by the *Salt Lake Art Center* (one of six resident tenants). The remaining facilities are operated by the Fine Arts Division for use by the other resident tenants as well as others.

The other resident tenants include the *Utah Symphony, Utah Opera Company, Ballet West, Ririe-Woodbury Dance Company, the Repertory Dance Theater,* and the *Gina Bachauer International Piano Foundation.*

The 1997 adopted operating budget for the Fine Arts Division was \$5,010,581. The Division has 32.5 full-time equivalents (FTE's) to support its operations. The County subsidizes the Fine Arts Division with approximately one half of its budget.

In 1994, the State Legislature established the *Tourism, Recreation, Cultural, and Convention Facilities (TRCC)* tax which provided some funding for the Fine Arts Division. TRCC funds are received from a tax on room rentals, car rentals, and prepared food. In 1997, the State Legislature established a separate tax fund to provide money for cultural organizations. The *County Option Funding for Botanical, Cultural, and Zoological Organizations* tax (known as the Zoo, Arts, and Parks Fund, or referred to as ZAP) comes from a percentage of local sales tax.

Findings and Recommendations

- C** We reviewed the box office and other cash handling operations and found that adjustments to ticket sales are inadequately recorded. In addition, the majority of the Albertson's ArtTix outlets do not always forward deposit information to Fine Arts or make deposits in a timely manner.
- C** We also found that some resident tenants do not pay their settlement invoices in a timely manner and that tenant rent payments are frequently delinquent.
- C** In our review of contract compliance we found the following:
 - Some agreements are not current.
 - Some resident tenants are not current with rental

payments at the time their contracts are renewed.

S Fine Arts rents office and storage space to resident tenants at a substantial discount while paying market rates for their own office and storage space.

C Fine Arts is not conducting annual inventories of fixed and controlled assets, and is not updating their controlled asset lists. They do not have written policies and procedures for controlled assets, and some fixed and controlled assets could not be located.

C Maintenance of the Fine Arts facilities is adequate.

C Fine Arts may have unique security requirements; however it appears that security at Abravanel Hall and Capitol Theatre should be improved. Negotiations between Fine Arts and County Protective Services concerning security needs at the Fine Arts facilities were at an impasse, but have recently been renewed.

Please refer to Section III for more details about these and other findings.

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A Performance Audit of the Fine Arts Division

*This report is divided
into the following sections:*

- I. Introduction*
- II. Scope and Objectives*
- III. Findings and
Recommendations*

*The County subsidizes the
Fine Arts Division with
approximately one half of
its budget.*

I. Introduction

The primary function of the Fine Arts Division is to manage and maintain the physical facilities at Abravanel Hall, the Capitol Theatre, the Rose Wagner Performing Arts Center, and the Salt Lake Art Center. The Salt Lake Art Center is leased in whole and operated by the *Salt Lake Art Center* (one of six resident tenants). The remaining facilities are operated by the Fine Arts Division for use by the other resident tenants as well as others.

Abravanel Hall, formerly known as Symphony Hall, is used almost exclusively by the *Utah Symphony*. The Capitol Theatre is home to *Utah Opera Company*, *Ballet West*, and *Ririe-Woodbury Dance Company*. The *Repertory Dance Theater* primarily uses the Rose Wagner Performing Arts Center. The *Gina Bachauer International Piano Foundation* leases office and storage space at the Rose Wagner Performing Arts Center and rents Abravanel Hall for its piano competitions. Any other use of Abravanel Hall, the Capitol Theatre, and the Rose Wagner Performing Arts Center is scheduled around the days used by the resident tenants. In addition to the space provided for the six tenant organizations, Brigham Young University/KBYU leases space for a recording studio in Abravanel Hall.

The 1997 adopted operating budget for the Fine Arts Division was \$5,010,581. The Division has 32.5 full-time equivalents (FTE's) to support its operations. The organizational structure of the Fine Arts Division is presented in Appendix A.

The County subsidizes the Fine Arts Division with approximately one half of its budget. See Appendix B for a table showing the subsidy amount for 1993 to 1997. In 1993, the subsidy was funded from a transient room tax which was collected by the State. In 1994, the State Legislature established the *Tourism, Recreation, Cultural, and Convention Facilities* (TRCC) tax. This tax provided the County with funds from taxes on room rentals, car rentals, and prepared food. Funds for both the Fine Arts Division and cultural organizations (including the resident tenants) were provided from the TRCC tax funds until 1996. In 1996, funding for cultural organizations out of the TRCC tax fund was discontinued. At that time, the County Commissioners allocated some funds from Statutory and General (general tax funds) to the cultural groups. In 1997, the State Legislature established a separate tax fund to provide money for

cultural organizations. The *County Option Funding for Botanical, Cultural, and Zoological Organizations (ZAP)* tax comes from a percentage of local sales tax. Funding to the resident tenant groups from the ZAP tax fund is intended to supplement the groups' revenues, not be the major source of revenue.

A Fine Arts Advisory Board of 15 members has been appointed to provide a voice from the public in the decision making process. According to the Board's mission statement, the purpose of this board is to:

- c encourage broad participation and the support of County cultural activities and facilities for all County residents,
- c educate and advocate for the support of art organizations and facilities within Salt Lake County,
- c advise the Commission, Community and Support Services Director, and Fine Arts staff on policies regarding the facilities management, usage and bookings.

The Salt Lake community and its fine arts facilities attract touring Broadway musicals, visiting opera companies and theater groups as well as local performing artists. The Capitol Theatre was built in 1912 as a facility to host touring vaudeville shows. The County purchased the facility in 1975. The Theatre was renovated and reopened in 1978. The Capitol Theatre offers excellent facilities for theater, dance, and opera productions. Abravanel Hall was created specifically to provide an environment of acoustical excellence and is designed strictly as a concert hall.

The Salt Lake Art Center presents international, national, and local art exhibitions in its two galleries. In addition, the Art Center operates Kidspace, a hands-on activity center for children and families, the Triangle Gift Shop, and the Art Center School.

The tradition of Salt Lake County providing its citizens with quality arts facilities has continued with the development of the Rose Wagner Performing Arts Center. Phase I of the project, completed in January 1997, includes a 150 seat black box theater plus office and rehearsal space. Upon completion of Phase II of the project, the County will have a facility with additional rehearsal space, a 500-700 seat theater, and a lobby. Phase II is still in the planning stage and an expected completion date has not been established.

II. Scope and Objectives

The scope of this audit included a review of the operations in the Fine Arts Division. Accordingly, our work was designed to achieve the following audit objectives:

- C Determine if box office operations and other cash handling functions are in compliance with Countywide Policy #1062, *Management of Public Funds*.
- C Determine whether resident tenants and concession vendors comply with the terms of their contracts with Salt Lake County.
- C Determine if Fine Arts organizations are receiving TRCC and ZAP tax funds in accordance with applicable regulations.
- C Determine if the Fine Arts facilities are adequately maintained.
- C Evaluate the adequacy of controls over fixed and controlled assets in accordance with Countywide Policy #1125, *Safeguarding Property/Assets*.
- C Evaluate the extent of compliance with applicable County policies and procedures regarding payroll and purchasing.
- C Determine whether security provided at Fine Arts facilities is adequate.

Although we performed work designed to address each audit objective, comments are limited to those which address material operational issues and concerns.

III. Findings and Recommendations

1.0 Box Office and Other Cash Handling Operations

We found that:

- C *Only three of the eight Albertson's ArtTix outlets consistently deposit ticket sales receipts within three banking days as required in their contract.*
- C *Not all of the Albertson's outlets forward a copy of their daily deposits to Fine Arts in a timely manner.*

Some Albertson's outlets are consistently late in depositing ticket sales receipts.

C *At times, adjustments to ticket sales are inadequately recorded.*

1.1 Only three of the eight Albertson's ArtTix outlets consistently deposit ticket sales receipts within three banking days as required in their contract.

The Fine Arts division has contracted with Albertson's Grocery Stores to provide eight ArtTix outlets. These outlets are online with the Capitol Theatre's box office computer. The online capability enables the outlets and the main box office to sell tickets simultaneously without double selling a seat. The contract between Fine Arts and Albertson's requires that each Albertson's outlet deposit all ticket sales receipts (price of ticket plus surcharges) daily or within three banking days into the County's account.

By means of statistical sampling, we reviewed the deposits of the eight Albertson's outlets for January through November 1997. We found that only three of the eight outlets are making their cash deposit within three banking days. Two outlets are consistently late. Other outlets are not consistent in making timely deposits. (See Appendix C for details.)

1.2 Not all of the Albertson's outlets forward a copy of their daily deposits to Fine Arts in a timely manner.

The contract between the Fine Arts Division and Albertson's also requires the outlets to forward a copy of all daily deposit slips to Fine Arts in a timely manner, but no later than ten days after the end of the month.

Not all of the outlets are forwarding their copies to Fine Arts within the specified time. During our testing of sample days we were unable to test December because as of January 16, some outlets had not sent their copies of deposit slips to Fine Arts.

The untimely response by outlets causes unacceptable delays at Fine Arts in compiling and processing data for their monthly financial reports. This problem also delays the reconciliation process of Fine Arts' deposits with the County Treasurer's Office.

The contract's language of "in a timely manner" does not convey the importance of the information arriving on time to Fine Arts. The contract should be re-worded to emphasize the due date for copies of deposits to Fine Arts.

Supervisors are making adjustment entries with little or no documentation of the transaction.

1.3 At times, adjustments to ticket sales are inadequately recorded.

During the day, tickets are sold at the ticket window at the Capitol Theatre box office and over the phone. At times, it is necessary for the supervisor to make an adjustment to a sale. An adjustment is used to correct an error made by the seller or for a customer service issue. For example, a patron might be told erroneously over the phone that their tickets were for a certain night. Without looking at the tickets closely when they are received in the mail the patron goes to the Theatre on the wrong night. If a supervisor determines that it was a bonafide mistake made by a seller, the patron would be issued new tickets for that night at no additional cost. The transaction is entered as an adjustment.

Adjustments are supposed to be authorized by the box office manager, and according to Fine Arts' Policies and Procedures manual, a daily log of all adjustments made is supposed to be sent to accounting. Currently, no log is being kept. Based on our observations, current practice is for supervisors to make an online note in the customer's computer account. Often, the notes are not self explanatory and they do not show who authorized the adjustment.

Improved record keeping of these adjustments through the use of a log needs to be made. In addition, the box office supervisor needs to review the adjustments to ensure that no unauthorized adjustments are being made.

1.4 Recommendations

We recommend that:

- C *Fine Arts enforce their contract with the Albertson's ArtTix outlets.*
- C *When the contract with Albertson's is renewed, the language should be revised to emphasize the importance of forwarding deposit information to Fine Arts by the due date.*
- C *The box office maintain a log of all adjustments that explains why the adjustment was made and who approved the adjustment. Periodically, this log should be reviewed by the box office manager.*

2.0 Contract Compliance

We found that:

- C *Some agreements are not current.*
- C *Some resident tenants are not current with rental payments at the time their contracts are renewed.*
- C *Rent payments from some resident tenants are frequently delinquent.*
- C *Some resident tenants do not pay their settlement invoices in a timely manner.*
- C *Rental rates are well below market.*
- C *There is a lack of policy with respect to subsidies for the use of Fine Arts facilities.*

2.1 Some agreements are not current.

The last agreements for *Ballet West*, *Ririe-Woodbury*, *Utah Opera*, and *Utah Symphony* were signed in 1992. The agreements state that they can be renewed for four additional one year periods at the election of the resident tenant. The four additional periods expired in 1997 and the contracts have not yet been renewed.

The fact that these organizations can continue to use County facilities without a valid contract indicates that they have less than an “arms length” relationship with the County.

Fine Arts is operating on a month to month concessions contract. The contract was first negotiated in 1989 when Fine Arts was associated with the Salt Palace. That contract was extended by a Commission letter dated October 24, 1994 to be on a month to month basis until the Salt Palace renovation project was completed. The renovation has been completed and the contract has not been renewed.

2.2 Some resident tenants are not current with rental payments at the time their contracts are renewed.

Tenant agreements state that “Said lease may be renewed...upon the same terms and conditions...provided the tenant is at the time of renewal, current on

Some tenant contracts and the contract for concessions are not current.

payment of lease payments and rental fees.” Several of the resident tenants have not been current at the time of renewal. (See Table 1, below.)

Delinquent Rent at Contract Renewal						
	1993	1994	1995	1996	1997	
Utah Symphony	X	X			X	
Utah Opera	X	X	X			
RDT	X	X	X		X	
Ririe-Woodbury		X	X	X	X	
Ballet West	X		X	X	X	
SL Arts Center	X	X	X	X	X	

Table 1. Resident tenants that have been delinquent in rent payments at the time of contract renewal.

Again, the fact that contracts are renewed despite incidents of non compliance, is an indication of less than an “arms length” relationship with the County.

2.3 Rent payments from some resident tenants are frequently delinquent.

A review of the Fine Arts statement of accounts for the resident tenants covering the years 1993 through 1997 shows that the majority of tenants have been delinquent in lease and rental payments continually over the entire period. The average amount due at the end of the month for all resident tenants combined was \$66,640 in 1996 and \$108,471 in 1997. This data is shown by month for each organization in Appendix D. Table 2, below, shows an example of an aged accounts receivable for one resident tenant.

Delinquent Payments					
Days from Billing					
Description	Billing date	0-30	31-60	61-90	91-120
Finance Charges	12-31	\$224			
Production	12-31	\$25,185			
Dec. Studio Rent	12-31	\$302			
Nov. Studio Rent	12-01		\$422		

Delinquent Payments					
Days from Billing					
Dec. Rent	12-01		\$1,998		
Finance Charges	11-30		\$122		
Production	11-21		\$9,635		
Oct. Studio Rent	11-05		\$405		
Nov. Rent	11-01			\$2,018	
Finance Charges	10-31			\$ 21	
Production	10-09			\$ 9,859	
Oct. Rent	10-01				\$2,280
Finance Charges	09-30				\$2
Sept. Rent	09-01				\$2,313
Finance Charges	08-31				\$70
Long Distance	08-29				\$200
Totals		\$25,711	\$12,582	\$11,898	\$4,865
Due	12-31				\$55,056

Table 2. Example of an accounts receivable aging report for the year ending 1997.

2.4 Some resident tenants do not pay their settlement invoices in a timely manner.

When a resident tenant performs a production, the tenant is reimbursed weekly for the tickets that ArtTix sells. Upon completion of the show, Fine Arts prepares and sends an invoice to the tenant for the use of the facilities. Tenants are given 30 days to pay their invoices which is a special privilege compared to non-tenant shows. With non-tenant (commercial) shows, the cost of the show is netted against the ticket proceeds before those proceeds are distributed to the promoter.

We found that some of the resident tenants are consistently delinquent in paying their invoices. The **average** number of days to pay an invoice in 1997, ranged from a high of 149 days to 12 days, (see Figure 1 on page 9). In our opinion, Fine Arts should not be expected to finance these organizations for, in some cases, up to five months.

Some resident tenants take as many as 180 days to pay their settlement invoices.

Days to Pay Event Invoices

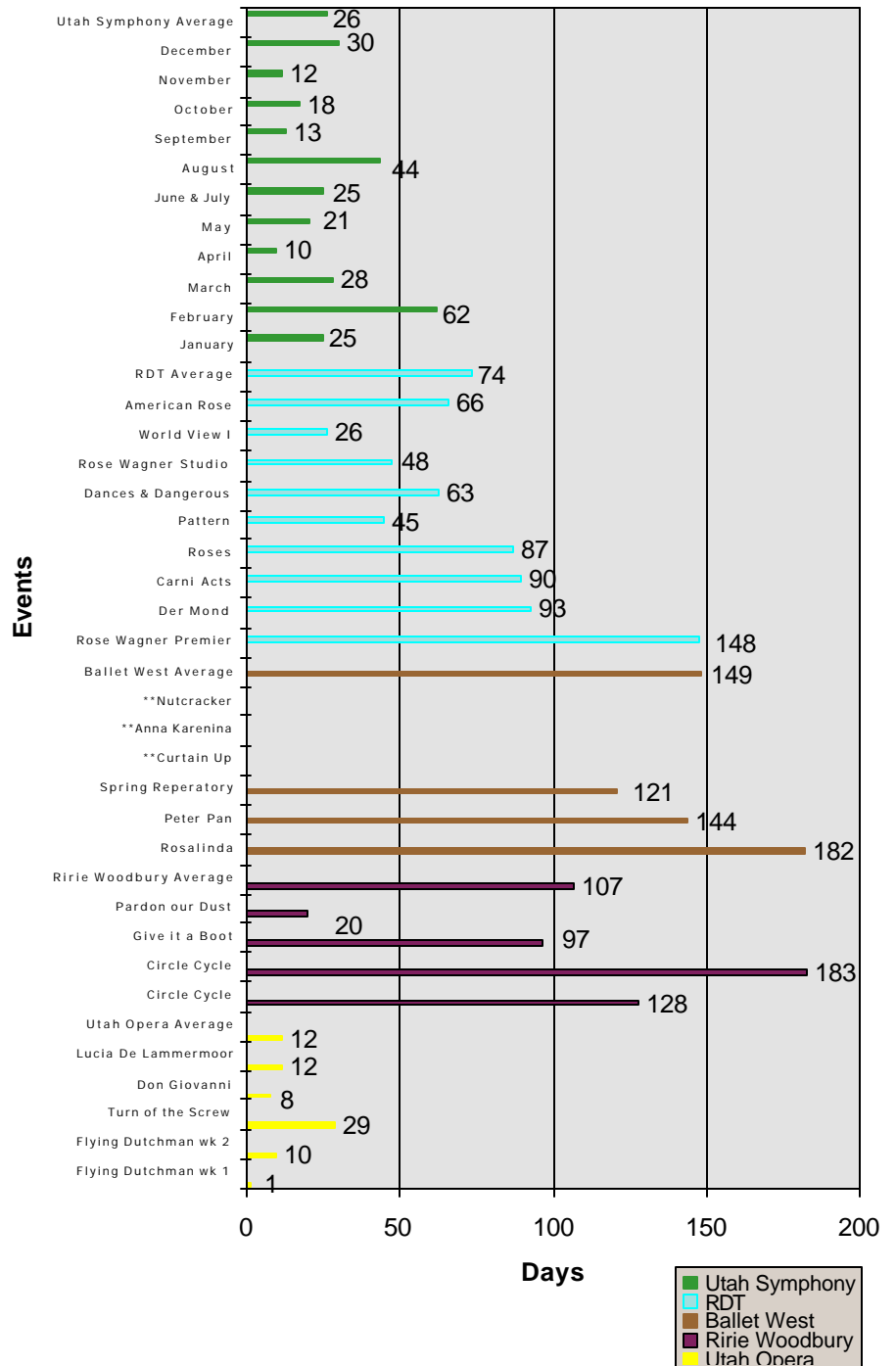


Figure 1. Days to pay an invoice. Some tenants are very delinquent in paying their invoices for event performances. (Events marked with ** were not paid as of 3/1/98)

2.5 Rental rates are well below market.

Currently, the *Utah Opera, Ballet West, and Ririe-Woodbury Dance Company* rent office space at the Capitol Theatre at a significantly reduced rate. The Fine Arts Division also has office space at the Capitol Theatre. However, because of the crowded conditions and the fact that resident tenants occupy the majority of available office space, the Fine Arts Division must rent some of its office space from an adjoining business. Fine Arts must rent its additional office space at \$13.00 per square foot, while the resident tenants pay \$3.95 per square foot. The last increase in rent for office and storage space for resident tenants was a five percent increase in 1994.

Also, the current rate for resident tenant's use of the Capitol Theatre is well below the commercial rate. For example, under the current rental system a tenant organization pays the following rates for Capitol Theatre:

5 performances @ \$400 each	2,000
2 rehearsals @\$100 each (@\$200 each after first 6)	200
<u>14</u> other days occupied, but no activity (differs with each tenant)	<u>0</u>
21 total days	\$2,200

Currently, commercial rates are \$2,000 per day for every day of occupancy. In the above example, a commercial organization would pay \$42,000 for 21 days. The rate for non-profit organizations is \$1,500 for performances and \$750 for rehearsal days, or \$9,000 for 21 days.

The Fine Arts Advisory Board appointed a Task Force from among its members to study rental charges at Capitol Theatre and Abravanel Hall. The Task Force recommended that performance rates be increased incrementally over a five year period to about half the commercial rate. Rehearsal and matinee rates would also be increased. The Task Force also recommended that rental rates for office and storage space be increased over five years to about one half the current market rate.

2.6 There is a lack of policy with respect to subsidies for the use of Fine Arts facilities.

Fine Arts falls well short of generating sufficient revenues to offset expenses. In 1996, Fine Arts had a deficit of \$1,329,210 and \$2,494,050 for 1997. Deficits, or the amount of subsidy to organizations which used facilities over the past five years is shown in Appendix B.

In addition to outdated contracts, past due amounts at contract renewal, and delinquent payments for rent and services, resident tenants rent office and storage space at rates well below market rates. Also, as indicated above, resident tenants receive an exceptionally low rental rate for performances. All

of these factors, along with others relating to commercial and non-profit organizations' use of facilities, result in the subsidies as mentioned above.

In past years, resident tenants have also received direct contributions from the County, paid from the TRCC fund. Now, ZAP funds are available to support arts organizations (TRCC and ZAP fund allocations are discussed in the next section). With implementation of the ZAP tax, it is not clear what, if any subsidy the resident tenants and other users of the arts facilities should continue to receive from the County. There is little or no public policy dealing with this issue. Some tenant organizations indicated to us during interviews, that ZAP funds are intended to allow expanded programs, particularly education programs within the various school districts of the State.

The County Commission may wish to establish policy in this area by way of establishing a given level of subsidy to tenant organizations as well as commercial and non-profit organizations.

2.6 Recommendations

We recommend that:

- C *Fine Arts establish a more businesslike relationship with resident tenants by keeping agreements current and insisting that rent payments be made on time.*
- C *Expired tenant contracts be expeditiously renewed.*
- C *Office and storage space be rented at market rates.*
- C *Performance rental rates for the Capitol Theatre and the Rose Wagner Performing Arts Center be applied on the same basis as commercial rates, but at a discount, e.g., twenty percent of the commercial rate.*
- C *A new concessions contract be competitively bid.*
- C *Fine Arts consider establishing procedures with each tenant that would allow Fine Arts to deduct performance costs from weekly ticket proceeds when a tenant becomes delinquent in paying their invoices.*

3.0 Distribution of TRCC and ZAP Funds

We found that:

- c *TRCC and ZAP funds are distributed in accordance with applicable regulations.*

3.1 TRCC fund distribution.

Funding from the TRCC tax is determined by budget needs and adjustments as needed throughout the year. See Figure 2 for distribution of funds for 1996 and 1997.

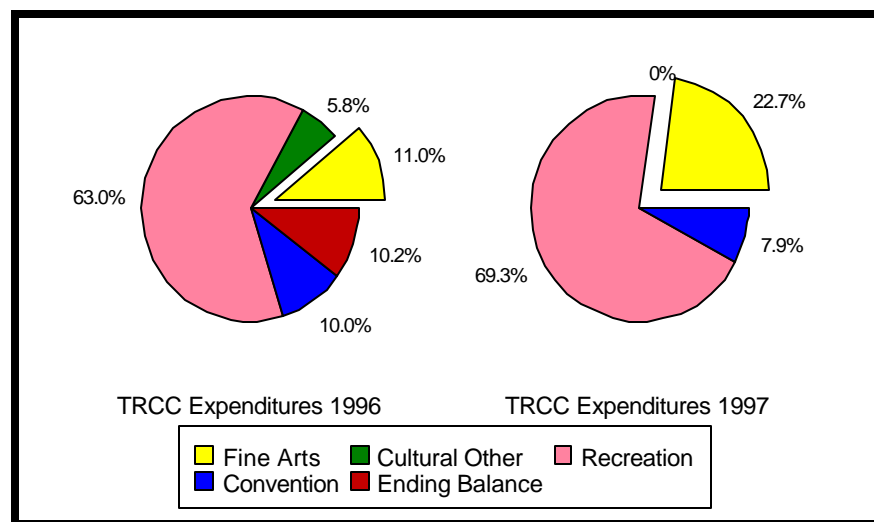


Figure 2. TRCC funds distribution by percentage to each major category, with Fine Arts separated.

3.2 ZAP fund distribution.

The revenues collected by the County from the ZAP tax are distributed to cultural organizations based on their annual operating expenses. Cultural organizations with average annual operating expenses of more than \$250,000 are considered Tier I organizations; 52.5 percent of the revenue collected is distributed to Tier I organizations. Five percent of the revenue collected is distributed to organizations with average annual operating expenses of less than \$250,000 (Tier II organizations). Since the program’s beginning on January 1, ZAP funds have been distributed in accordance with State Statutes. The distributions have been made as shown in Table 3, below.

ZAP Revenue Allocation 1997		
Category	Percentage	Amount
Tier I	52.5%	6,684,946
Tier II	5%	636,662
Parks & Rec.	30%	3,819,970
Zoo	12.5%	1,591,654
Administration*	1.5%	193,907
Total	100%	12,927,139

Table 3. 1997 ZAP Revenue Allocation.

**Administration amount is from total. Other categories are computed net of Administration amount.*

4.0 Maintenance of Fine Arts Facilities

We inspected the physical facilities at each location and reviewed the maintenance records of each. In our opinion, the facilities are adequately maintained. The Fine Arts Division Director and Operations Manager were interviewed and toured the facilities with us. In addition, the Director of Facilities Management was interviewed and agreed that the facilities are adequately maintained. Tenant organization principals were interviewed and the majority agreed that the maintenance is good. Fine Arts has annual and five year maintenance plans that are current and which anticipate future maintenance and upgrade requirements.

5.0 Fixed and Controlled Assets

We found that:

- C *Fine Arts is not conducting annual inventories of fixed and controlled assets, and is not updating their controlled asset lists.*
- C *Fine Arts does not have written policies and procedures for controlled assets.*
- C *PM-2 forms are not completed properly when an asset is transferred.*
- C *Fine Arts is not updating the inventory lists of assets assigned to each employee.*

- C *Some of Fine Arts fixed assets do not have county inventory tags on them.*
- C *Some of Fine Arts fixed assets have a controlled asset tag on them.*

5.1 Fine Arts is not conducting annual inventories of fixed and controlled assets, and is not updating their controlled asset lists.

The Fine Arts division does not conduct an annual inventory of their fixed and controlled assets. The inventories that have been conducted in the past were done at the request of the Auditor's Office as follow up inventories on their fixed assets. A follow up inventory was done in June or July of 1997. At the conclusion of our audit some items from the 1997 inventory were still outstanding.

Countywide Policy #1125 *Safeguarding Property/Assets*, states that these inventories need to be done annually for both controlled and fixed assets. This is to ensure complete accountability for all property owned by or assigned to an organization.

There are some old, obsolete, and fairly new assets that are on Fine Arts fixed and controlled assets lists that are unaccounted for. Based on a statistical sample, we were unable to locate about 11 percent of Fine Arts fixed assets and about 6 percent of their controlled assets. For fixed assets, our sample was taken from the Fine Arts LGFS 0801 report dated 3/11/98. Our sample for controlled assets was taken from Fine Arts controlled asset inventory lists.

5.2 Fine Arts does not have written policies and procedures for controlled assets.

There is no formal division policy on the handling of controlled assets. The procedures that are followed are verbal policies. Each building is assigned one person who is responsible for the assets of that building; however, the handling of the assets is unique for each building.

The major discrepancy is what to tag and what not to tag. One building assigns a tag number to every item, down to wooden mop handles, where other buildings only tag higher dollar items.

When items are transferred from building to building there is no procedure of how to assign responsibility to the asset. The asset lists are not being updated. Some buildings will re-tag the item with their generic tag and others will leave the old building's tag number on the item.

Additionally, Fine Arts does not have any policies or procedures that would ensure all new controlled assets are added to inventory lists. When new

There is no annual inventory of fixed or controlled assets.

About 11 percent of fixed assets and about 6 percent of controlled assets are missing.

controlled assets are acquired, the items are sent directly to the building from where the request was made. There is no central receiving area for the Fine Arts Division as a whole. There is no master list of controlled assets or new assets received. Each building has a supervisor who is responsible for the assets when they are received. Fine Arts relies on this individual to receive the item, tag the item, and add it to that building's controlled asset list.

There is no step in the receiving process that would act as a check to make sure all items ordered and received are added to the inventory list.

5.3 PM-2 forms are not completed properly when an asset is transferred.

The Fine Arts Division is not properly filling out PM-2 forms when they transfer or dispose of fixed assets. When assets are ready to be surplus they are sent to the manger of the inmate work release program, who holds the assets until there is enough items to make a trip to surplus. The manager fills out the PM-2. Often the tag number is not attached to the old equipment or it is not visible. The manager does not have access to the fixed asset list which he needs to research the tag number. Therefore, the tag number is not included on the PM-2 form.

When there is no tag number or serial number on the PM-2 form, it is impossible for the Auditor's Office to know which item to remove from Fine Arts fixed asset list. The division should ensure that the proper tag number is provided on the PM-2 form. This will avoid the problem of old, surplus assets being left on the Fine Arts asset list.

When controlled assets are disposed of, they are not taken off of the controlled asset lists. These lists need to be updated when any change occurs in Fine Arts controlled assets.

5.4 Fine Arts is not updating the inventory lists of assets assigned to each employee.

During the summer of 1997, an intern compiled a list of equipment that was assigned to each employee. Since that time, the list has not been updated. Each employee is supposed to verify with their signature that they have the equipment assigned to them. This should occur at least annually or upon termination or transfer.

The list that was compiled last year does not include asset tag numbers. This information should be provided on the list to assist in tracking items from the master asset list.

PM-2 forms lack vital asset information.

Asset lists are not updated.

Not all County fixed assets are tagged with a County tag number.

5.5 Some of Fine Arts fixed assets do not have County inventory tags on them.

When we reviewed a sample of Fine Arts fixed assets, we found some items were missing County tag numbers. Out of the 45 items reviewed, six assets were missing numbers. Only one of these six items is a new asset for which Fine Arts is waiting for a tag number. The other five items were older assets which were never tagged to begin with or their tag numbers have been removed.

When fixed assets are not tagged with a County tag number these assets could be mistaken for controlled assets. This causes confusion when the assets are transferred or surplused. If the Auditor's Office is not provided with the tag number of the asset being surplused or transferred, that item will remain on the fixed asset list.

5.6 Some of Fine Arts fixed assets have a controlled asset tag on them.

At times, generic controlled asset tag numbers are assigned to fixed assets.

Our review of Fine Arts assets also revealed that Fine Arts is putting generic controlled asset tag numbers on fixed assets. This procedure is contrary to Accounting Policy and Procedure 5.3, Section 3.1.2, *Use of Generic Tags for Controlling Property*, which states "note that in no case should generic tags be applied to fixed assets; i.e., those assets recorded on the LGFS centralized fixed asset accounting system."

If a fixed asset is identified with a controlled asset number, the item could be mistaken for a controlled asset. Problems may arise when these assets are surplused or transferred. If a controlled asset tag number is identified on the PM-2 form, the Auditor's Office will assume the item is a controlled asset and it will remain on the fixed asset list.

5.7 Recommendations

We recommend that:

- C *Fine Arts conduct annual inventories of both fixed and controlled assets, and that they make their inventory lists current and update them regularly.*
- C *Fine Arts draft a written policy on controlled assets that assigns accountability to individuals who have responsibility for these assets. The policy should also establish a system to capture controlled assets when they are received. This system should ensure that the assets are added to the controlled asset list and that they are tagged.*

- C *Every PM-2 form be completely filled out before an asset is surplused, including the tag number.*
- C *An annual review be made by each employee of the assets assigned to them, and that the employee acknowledges accountability for the items by signing the list. These lists should include the asset tag numbers. Also, the lists need to be updated when an employee leaves, changes positions or when assets are surplused.*
- C *All fixed assets be examined and that Fine Arts request replacement tag numbers for any fixed assets that are missing a County tag.*
- C *All controlled asset tag numbers be removed from fixed assets.*

6.0 Security

We found that:

- C *Security at Abravanel Hall and Capitol Theatre should be improved.*
- C *Fine Arts may have unique security requirements.*
- C *Fine Arts is working with County Protective Services to find solutions to security problems.*

6.1 Security at Abravanel Hall and Capitol Theatre should be improved.

At the present time, there is only one security person on duty at any given time at Abravanel Hall and only one at the Capitol Theatre. In our opinion, the increased use of these facilities over the past few years, prior to, during, and after performances, warrants the presence of more than one person on duty.

6.2 Fine Arts may have unique security requirements.

Fine Arts facilities are generally used for cultural activities which attract a more refined clientele. Some of these patrons view the need for uniformed security personnel as inappropriate and not in keeping with the expected decorum. The Fine Arts management would prefer appropriate civilian attire for security personnel who are on duty during performances. This practice is not uncommon. For example, we have observed that security personnel at the Delta Center do not wear uniforms during events at that facility. Also, Fine Arts management would like security personnel to perform other incidental

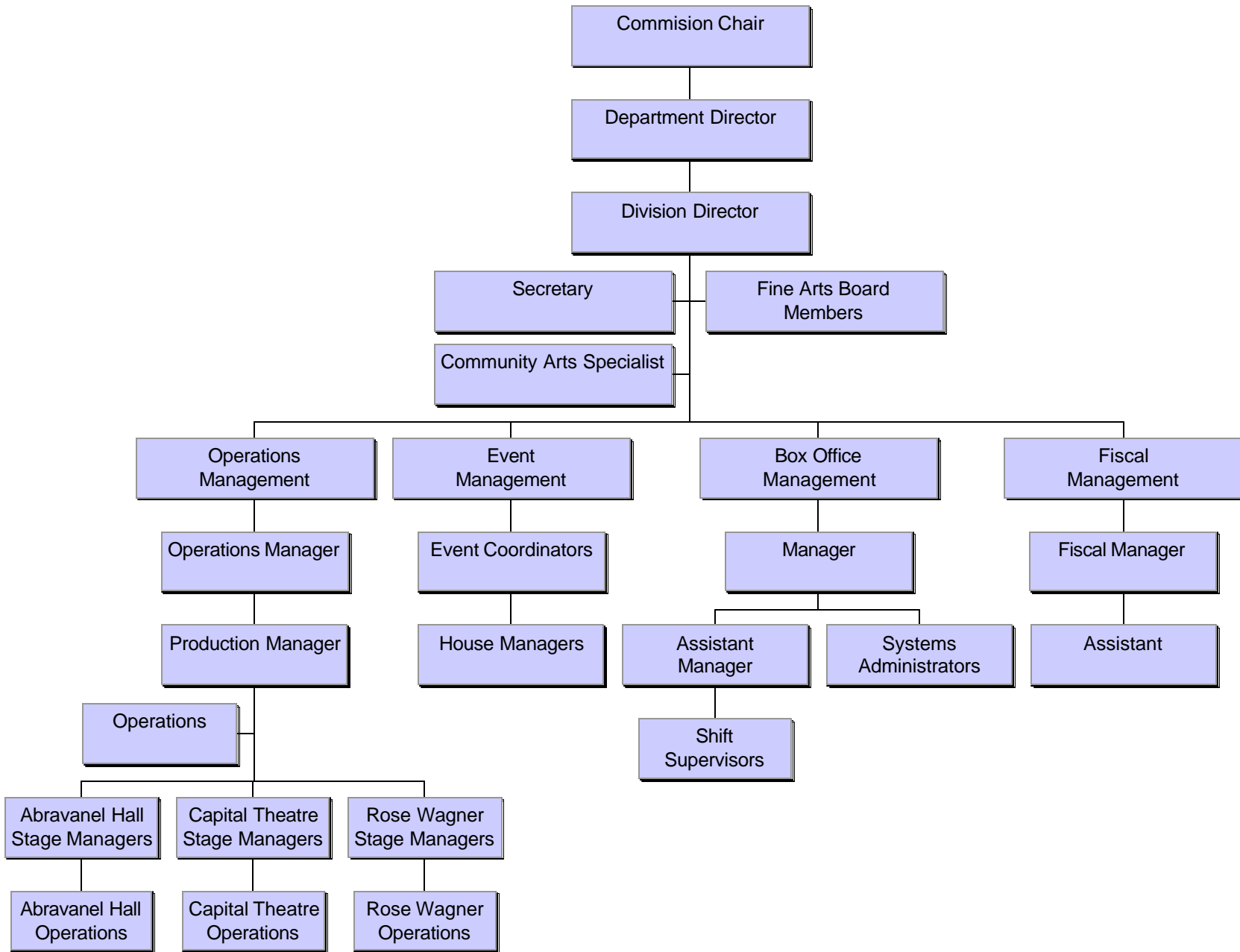
Security procedures need to be updated at the Fine Arts facilities.

functions while on duty, but Protective Services management objects to using security personnel for such other duties.

6.3 Fine Arts is working with County Protective Services to find solutions to security problems.

Fine Arts is in the process of discussing the matters of security, uniform, and duties with County Protective Services. Negotiations were at an impasse, but have recently been renewed. If there is no timely agreement, the County may need to hire a consultant to survey security needs at Fine Arts facilities, and advise the County as to how those needs can best be met.

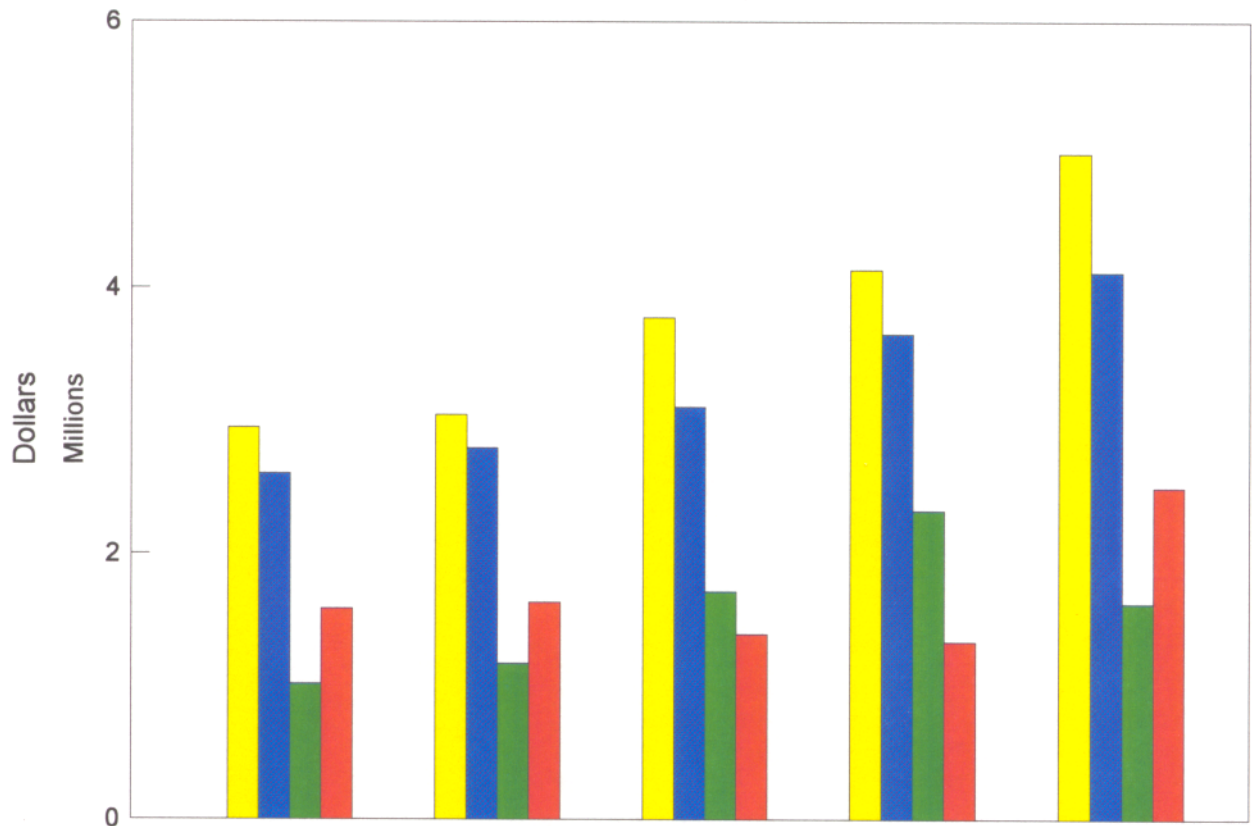
Salt Lake County Fine Arts Division



APPENDIX A

Fine Arts Division

Funding Comparison 1993 - 1997



	1993	1994	1995	1996	1997
■ Budget	2,946,921	3,043,474	3,777,244	4,134,759	5,010,581
■ Expenditure	2,598,072	2,793,993	3,098,888	3,649,984	4,116,495
■ Revenues	1,014,581	1,166,612	1,710,478	2,320,774	1,622,445
■ Subsidy	1,583,491	1,627,381	1,388,410	1,329,210	2,494,050

Albertson's ArtTix Outlets' Depositing History on a Sample of 45 Days

Business Day	21st South Outlet		Ft. Union Outlet		Orem Outlet		Park City Outlet		Ogden Outlet		Bountiful Outlet		West Valley Outlet		Taylorsville Outlet	
	Date	Business Days Held	Date	Business Days Held	Date	Business Days Held	Date	Business Days Held	Date	Business Days Held	Date	Business Days Held	Date	Business Days Held	Date	Business Days Held
1/22/97	1/27/97	3	1/23/97	1	1/23/97	1			1/23/97	1			1/24/97	2		
1/23/97	1/27/97	2	1/24/97	1	1/23/97	-			1/24/97	1			1/27/97	2	1/31/97	5
1/24/97	1/27/97	1	1/27/97	1	1/28/97	2			1/27/97	1	1/29/97	3				
2/1/97	2/10/97	6			2/3/97	1					2/5/97	2		2/6/97	3	
2/5/97	2/10/97	3	2/6/97	1	2/6/97	1			2/6/97	1						
2/7/97	2/10/97	1	2/10/97	1	2/12/97	3			2/10/97	1				2/13/97	4	
2/11/97	2/18/97	4	2/12/97	1	2/12/97	1			2/12/97	1	2/14/97	3		2/13/97	2	
2/14/97	2/18/97	1	2/18/97	1	2/19/97	2			2/19/97	2	2/19/97	2				
2/19/97	2/24/97	3	2/20/97	1	2/20/97	1			2/20/97	1				2/20/97	1	
2/24/97	3/4/97	6	2/25/97	1	2/25/97	1					2/26/97	2	2/26/97	2	2/27/97	3
3/4/97	3/7/97	3	3/5/97	1	3/5/97	1	3/11/97	5					3/6/97	2	3/6/97	2
3/13/97	3/14/97	1	3/14/97	1					3/14/97	1	3/14/97	1			3/18/97	3
3/24/97	4/9/97	12	3/25/97	1	3/25/97	1			3/26/97	2						
4/3/97	4/9/97	4	4/4/97	1	4/4/97	1			4/4/97	1						
4/5/97	4/9/97	3	4/7/97	1	4/8/97	2	4/8/97	2	4/7/97	1	4/14/97	6	4/8/97	2		
4/9/97	4/16/97	5	4/10/97	1	4/11/97	2			4/10/97	1			4/14/97	3		
4/14/97	4/16/97	2	4/15/97	1	4/16/97	2	4/15/97	1	4/15/97	1						
4/17/97	4/22/97	3	4/18/97	1	4/18/97	1	4/28/97	7	4/18/97	1	4/23/97	4				
4/19/97	4/22/97	2	4/21/97	1	4/21/97	1										
4/29/97	5/5/97	4			5/1/97	2	5/1/97	2	4/30/97	1	5/9/97	8			5/1/97	2
5/14/97	5/19/97	3									5/23/97	7				
5/21/97	5/23/97	2											5/23/97	2		
5/23/97	6/2/97	5			5/27/97	1	5/27/97	1							5/29/97	3
5/31/97	6/9/97	6	6/2/97	1												
6/11/97	6/16/97	3	6/13/97	2												
6/14/97	6/17/97	2			6/16/97	1	6/17/97	2	6/16/97	1			6/17/97	2	6/16/97	1
6/16/97	6/17/97	1	6/17/97	1	6/17/97	1	6/17/97	1	6/17/97	1			6/24/97	6	6/19/97	3
7/3/97	7/7/97	1	7/7/97	1	7/7/97	1	7/9/97	3	7/8/97	2					7/10/97	4
7/22/97	7/29/97	4	7/23/97	1	7/25/97	2	7/23/97	1	7/23/97	1	7/23/97	1	7/25/97	2	7/31/97	6
7/25/97	7/29/97	2	7/25/97		7/29/97	2	7/29/97	2	7/25/97	-	7/28/97	1			7/31/97	4
8/23/97	8/29/97	5			8/25/97	1	8/27/97	3							9/9/97	11
9/5/97			9/8/97	1	9/8/97	1	9/8/97	1			9/10/97	3			9/9/97	2
9/17/97	9/22/97	3	9/18/97	1	9/19/97	2	9/19/97	2	9/19/97	2	9/19/97	2	9/19/97	2	9/30/97	9
9/20/97	9/26/97	5	9/22/97	1	9/24/97	3	9/25/97	4			9/26/97	4	9/24/97	3	9/30/97	7
9/26/97	10/1/97	3	9/29/97	1	9/29/97	1	10/3/97	5			9/30/97	2				
9/27/97	10/1/97	2	9/29/97	1	9/29/97	1	10/3/97	5			9/30/97	2				
10/2/97	10/7/97	3	10/6/97	2	10/6/97	2	10/3/97	1	10/3/97	1			10/3/97	1	10/15/97	8
10/22/97	10/24/97	2	10/23/97	1	10/23/97	1	10/24/97	2			10/23/97	1	10/24/97	2	10/28/97	4
10/24/97	10/29/97	3	10/27/97	1	10/27/97	1	10/28/97	2			10/27/97	1			10/28/97	2
11/5/97	11/7/97	2	11/6/97	1	11/10/97	3	11/7/97	2			11/10/97	3	11/6/97	1	11/18/97	8
11/7/97	11/13/97	3	11/10/97	1	11/10/97	1									11/18/97	6
11/12/97	11/24/97	8	11/13/97	1	11/13/97	1	11/13/97	1			11/13/97	1	11/13/97	1	11/18/97	4
11/15/97	11/24/97	8	11/17/97	1	11/17/97	1	11/17/97	2					11/18/97	2	11/18/97	2
11/18/97	11/24/97	4	11/20/97	2	11/20/97	2	11/21/97	3			11/20/97	2	11/24/97	4	11/25/97	5
11/25/97	12/2/97	4	11/26/97	1	11/26/97	1	12/1/97	3			11/26/97	1	12/2/97	4	12/2/97	4
Average Days Until Deposited		3.48		1.08		1.40		2.52		1.09		2.70		2.37		4.21

Fine Arts Division

Statement of Accounts Receivable 1996

Resident Tenant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Average
A	61,068	75,812	86,473	91,427	94,097	5,319	8,367	10,586	12,603	27,886	40,075	68,557	44,790
B	9,078	2,314	17,110	17,300	0	0	0	4,332	6,619	9,570	13,510	10,598	6,956
C	1,943	3,536	6,207	0	0	2,866	2,839	5,417	8,488	11,362	14,575	18,648	5,837
D	7,186	8,096	7,900	9,324	10,078	11,539	8,801	7,144	5,631	5,291	7,104	6,937	7,310
E	0	0	0	0	147	0	0	0	0	0	2,509	2,530	398
F	9,086	291	8,082	78	0	0	0	0	0	0	0	0	1,349
Totals	88,361	90,049	125,772	118,129	104,322	19,724	20,007	27,479	33,341	54,109	77,773	107,270	66,640

Statement of Accounts Receivable 1997

A	71,308	84,023	86,635	110,367	113,255	116,117	119,090	11,154	2,586	14,747	26,929	55,062	62,405
B	11,164	23,610	25,983	26,179	1,700	1,700	1,700	5,806	6,782	1,156	1,156	12,579	9,193
C	18,022	20,837	23,799	26,400	24,121	26,910	29,511	32,347	34,935	36,685	39,688	37,132	26,952
D	2,491	5,568	6,299	7,722	10,651	7,026	8,320	1,428	1,020	8	0	1,130	3,974
E	21	2,272	2,291	8,491	8,562	13,769	71	1,142	5,139	3,176	1,972	4,570	3,959
F	9,253	128	8,227	0	0	0	0	0	0	8,242	0	0	1,988
G	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	112,259	136,438	153,234	179,159	158,289	165,522	158,692	51,877	50,462	64,014	69,745	110,473	108,471

This table shows the balances due Fine Arts at the end of each month by the resident tenants for the years 1996 and 1997

Responses to recommendations in the Fine Arts Audit Report

Box Office and Other Cash Handling Operations

We recommend that:

- C *Fine Arts enforce their contract with the Albertson's ArtTix outlets.*
- C *When the contract with Albertson's is renewed, the language should be revised to emphasize the importance of forwarding deposit information to Fine Arts by the due date.*

Fine Arts reported, "We will continue to work with Albertson's to enforce the contract and will implement consequences in the contracts with them."

We recommend that:

- C *The box office maintain a log of all adjustments that explains why the adjustment was made and who approved the adjustment. Periodically, this log should be reviewed by the box office manager.*

Fine Arts reported that the ArtTix Box Office "will begin to use a log to note these adjustments and each box office supervisor will review these adjustments."

Contract Compliance

We recommend that:

- C *Fine Arts establish a more businesslike relationship with resident tenants by keeping agreements current and insisting that rent payments be made on time.*

Fine Arts reported, "Short of evicting the tenants, I do agree that a more business type relationship would be desirable. There are strategies we will take to help the tenant organizations stay in compliance."

We recommend that:

- C *Expired tenant contracts be expeditiously renewed.*
- C *Office and storage space be rented at market rates.*

The tenant contracts have been renewed for the period of June 30, 1997 - July 1, 1998. In 1998, a special task force of the Fine Arts Advisory Board was set up to review rental rates for performance, office, and storage space. Fine Arts reported, "Salt Lake County Commissioners asked the Fine Arts Board to discuss

the proposed rates with the tenant organizations. We hope to have new recommendations for Commission approval by September 1998.”

We recommend that:

- C *Performance rental rates for the Capitol Theatre and the Rose Wagner Performing Arts Center be applied on the same basis as commercial rates, but at a discount, e.g., twenty percent of the commercial rate.*

Fine Arts reported, “The Fine Arts Advisory Board acknowledges that government subsidies for non-profit arts organizations are appropriate and the amount of the subsidy will always be subjective. The Board suggests that tenant organizations cannot be totally sheltered from market forces and the board acknowledges that the tenants need to take on a more equitable portion of the financial responsibility for rental rates.”

We recommend that:

- C *A new concessions contract be competitively bid.*

In 1999, the Fine Arts Division will ask for competitive bids for the concessions contract.

We recommend that:

- C *Fine Arts consider establishing procedures with each tenant that would allow Fine Arts to deduct performance costs from weekly ticket proceeds when a tenant becomes delinquent in paying their invoices.*

Fine Arts reported, “The recommendation to deduct performance costs from the weekly ticket proceeds for the organizations that are delinquent in paying their invoices has been discussed with one of our tenant organizations. This is a common procedure and one that ensures the facility expenses are paid in a timely manner.”

Fixed and Controlled Assets

We recommend that:

- C *Fine Arts conduct annual inventories of both fixed and controlled assets, and that they make their inventory lists current and update them regularly.*
- C *Fine Arts draft a written policy on controlled assets that assigns accountability to individuals who have responsibility for these assets. The policy should also establish a system to capture controlled assets when they are received. This system should ensure that the assets are added to the controlled asset list and that they are tagged.*

- C *Every PM-2 form be completely filled out before an asset is surplus, including the tag number.*
- C *An annual review be made by each employee of the assets assigned to them, and that the employee acknowledges accountability for the items by signing the list. These lists should include the asset tag numbers. Also, the lists need to be updated when an employee leaves, changes positions or when assets are surplus.*
- C *All fixed assets be examined and that Fine Arts request replacement tag numbers for any fixed assets that are missing a County tag.*
- C *All controlled asset tag numbers be removed from fixed assets.*

Fine Arts reported, "I agree with your recommendations and I will work with our staff to implement your recommendations."

Security

- c *Fine Arts is in the process of discussing the matters of security, uniform, and duties with County Protective Services. If there is no timely agreement, the County may need to hire a consultant to survey security needs at Fine Arts facilities, and advise the County as to how those needs can best be met.*

Fine Arts reported, "Improvements to the security systems at Abravanel Hall and Capitol Theatre are nearly complete. The Division is requesting funds in 1999 for additional security improvements and event security and all front of house procedures are being reviewed. Negotiations with County Protective Services are continuing and we are seeing positive results."