

**Salt Lake County Auditor's Office**

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Sept. 20, 2002

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Glen Lu, Director  
Parks and Recreation Division  
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Dear Glen,

The Audit Division recently completed a review of fixed and controlled assets and of cash collection, receipting, and depositing functions at the Dimple Dell Fitness and Recreation Center. Additionally, we examined the Center's petty cash and change funds. We found internal controls to be generally adequate. In addition, during our review of cash handling procedures we noted that documentation maintained on file for voided transactions was good. We found that a void slip was attached to the cash register till Ztape reports. Voided receipts were signed by the person initiating the voided transaction and by the person reviewing the void. In addition, the reason for the voided transaction was noted on the voided receipt. However, during our review we noted some cash handling procedures which could be improved. In addition, some improvements regarding controlled assets are needed. We found that:

- ! Checks are accepted in amounts greater than the amount of purchase.**
- ! Cash/check composition on the deposit slip did not always match the totals for cash and checks on the cash register till Ztape reports.**
- ! Adjustments made to the cash register till Ztape reports were not reviewed and signed by the office manager.**
- ! The Center is not following County policy regarding accounting for overages and shortages.**

- ! **The combination to the small safe needs to be changed.**
- ! **There is not a current inventory list of controlled assets for each employee.**
- ! **The physical locations of some controlled assets listed on the *Controlled/Fixed Assets Inventory Log* need to be updated.**
- ! **County policy should be followed for reporting missing assets.**
- ! **County policy should be followed when disposing of assets.**

**Checks are accepted in amounts greater than the amount of purchase.** We found several cash register Ztape reports which had notes by a transaction indicating that a check was received and some cash was given back to the patron. Countywide Policy #1301, *Acceptance of Checks*, states, "Checks shall not be accepted in amounts greater than the amount of purchase (i.e., the amount of direct goods or services being paid for by the issuer)." When checks are accepted for more than the amount of purchase and cash is given back, the cash/check composition of the till does not match the cash/check composition as indicated on the cash register till Ztape report. In addition, the integrity of revenue collections cannot be ensured. To maintain the best internal control over cash receipts, checks should only be accepted for the amount of purchase.

**RECOMMENDATION:**

*We recommend that checks not be accepted in amounts greater than the amount of the purchase.*

**Cash/check composition on the deposit slip did not always match the totals for cash and checks on the cash register till Ztape reports.** The cash/check composition on the deposit slip did not match the composition from the cash register till Ztape reports for 22 percent of the deposits tested. Although the grand total of the individual reports matched the total on the deposit slip, an accurate record of cash and check amounts is not represented in the cash register till Ztape reports which were attached to the deposit slip. One reason for the cash/check composition on the deposit slip to be different than the amounts on the individuals' cash register till Ztape reports is that occasionally cashiers enter the wrong form of payment when completing a transaction. Another reason for the difference in the reporting of amounts for cash, checks, and credit cards is due to patrons paying for a single transaction with a mix of cash/check, cash/credit card, or check/credit card. The Sportsman System software used by the Dimple Dell Fitness and Recreation Center does not allow a mix of payment sources to be input into the computer. Cashiers are instructed to input any mix as a check,

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entering the check number and adding information about cash or credit at the time the transaction is completed.

When the accounting clerk prepares the deposit and determines the actual amounts for checks, cash, and credit cards, the changes are written on the individual cash register till Ztape reports. However, when the cash/check composition on the deposit slip does not match the composition on the individual cash register till Ztape reports, it can indicate a manipulation of funds. Cashiers should be instructed in the importance of entering the correct form of payment for transactions.

#### **RECOMMENDATION:**

*We recommend that cashiers carefully enter the correct form of payment for transactions whenever possible.*

**Adjustments made to the individual cash register till Ztape reports were not signed by the office manager.** In addition, there were several adjustments which had no explanation for the changes to the cash, check, or credit card total amounts. Without a signature, we could not be sure if someone is reviewing and approving the adjustments, and without a written explanation for the adjustment, the circumstances warranting the adjustment were not ascertainable. To establish better accounting control over the funds and operations, a detailed explanation for all adjustments should be included on the cash register till Ztape reports. In addition, the office manager or someone not involved in making the adjustments should review and sign all adjustments.

#### **RECOMMENDATIONS:**

1. *We recommend that adjustments to the cash register till Ztape report have sufficient detail to document the reason for the adjustment.*
2. *We recommend that adjustments be reviewed by the office manager and that the review be documented with the office manager's signature.*

**The Center is not following County policy regarding accounting for overages and shortages.** Dimple Dell Recreation Center does not deposit excess funds with their regular daily deposit, nor do they withhold shortages from deposit totals. The overages and shortages are not reflected in the deposit as required by County policy, but are added to, or taken away from, the amount in the change fund. Instead of accounting for overages and shortages in the daily deposits, an alternative procedure of reflecting overages and shortages in the change fund has been directed by the Parks and Recreation management to their facilities and needs to be resolved by Parks and Recreation

officials. However, this alternative is contrary to Countywide Policy #1062, *Management of Public Funds* (MPF). Countywide Policy #1062, Section 5.2, states, "Any overages will be deposited into the agency's depository account and reported on MPF Form 3, *Daily Cash Balance*, MPF Form 10, *Cash Over/Short Log* and on the Monthly Report of Cash Receipts. Shortages will be withheld from the deposit to maintain the change fund at the authorized level and will be reported on the MPF Form 3, and MPF Form 10. MPF Form 10 must be maintained, and a copy signed by the immediate supervisor shall be attached to the Monthly Report of Cash Receipts that is sent to the Auditor's Office."

Additionally, the over/short logs are not consistently maintained and do not accurately reflect the overs and/or shorts from the cashiers' individual daily balance sheets. We examined seven months of overages and shortages in 2002 and found that the totals on MPF Form 11, *Cash Over/Short Log*, did not match the individual employee logs in six of those months. We also found that cashiers are not signing their individual over/short logs when amounts are recorded on the logs. Prior to February 2002, the *Cash Over/Short Log* was kept on one sheet with a total of all cashiers' overs and shorts totaled per day. Beginning in March 2002, the office manager began using a separate log for each cashier and totaling those amounts on the monthly log. The consolidated over/short log should reflect the total of the amounts on the individual cashiers' over/short logs. Also, cashiers should initial the sheet for any over/shorts on their individual logs.

#### **RECOMMENDATIONS:**

- 1. We recommend that the Dimple Dell Recreation Center follow the County policy of accounting for overages and shortages with deposits, or, in the alternative, Parks and Recreation officials should ask for an exception to the policy so the Center will be in compliance.***
- 2. We recommend that the individual over/short logs be maintained correctly and the total amounts accurately reflected in the monthly over/short log.***

**The combination to the small safe needs to be changed.** The Dimple Dell Fitness and Recreation Center has two safes, a large safe in the back room where the cashiers drop the daily deposits at the end of their shift and a small safe in the front office, where the cashiers pick up the change fund bags prior to their shift. The combination to the small safe has not been changed since the Center opened approximately two years ago. All cashiers, current and former, have the combination to this safe, in addition to the director, office manager, and bookkeeper.

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**RECOMMENDATION:**

*We recommend management change the combination of the safes at least once a year, and at each instance when a cashier or other person with knowledge of the combination leaves Center employment.*

**There is not a current inventory list of controlled assets for each employee.** The Center has not completed the controlled asset inventory forms for employees who have items which are readily assignable to them, as described in Countywide Policy #1125, *Safeguarding Property/Assets*. According to Countywide Policy #1125, Section 4.3, "The property manager shall maintain records to manage controlled assets using the following forms and procedures: *Controlled Assets Inventory Form-Employee*." Because the '*Controlled Assets Inventory Form - Employee*' is not used, the employees have not signed forms indicating their acceptance of responsibility for the assets they have been assigned.

The Center has a list of controlled assets for the entire facility. However, the director at the Dimple Dell Fitness and Recreation Center did not have a copy of the *Controlled Assets Inventory Form-Employee*, and was not aware that those employees with assignable assets should each complete a separate inventory form.

**RECOMMENDATION:**

*We recommend that the property manager use the 'Controlled Assets Inventory Form-Employee' (Exhibit 3 of Countywide Policy #1125) for the records of controlled assets and have each employee who has been assigned specific assets complete and sign the form.*

**The physical locations of some controlled assets listed on the *Controlled/Fixed Assets Inventory Log* need to be updated.** We found that some of the controlled assets on the *Controlled/Fixed Assets Inventory Log* did not have the correct location listed on the log because employees moved assets without notifying the property manager. Control over the assets is compromised when assets are moved or transferred to different locations without the new location noted on the *Controlled/Fixed Assets Inventory Log*. Countywide Policy #1125, Section 4.3.6 states, "Although it may be impractical to define exact locations on the forms in circumstances where property is used by more than one employee, or where it is frequently moved or re-assigned, property managers should use exact locations whenever possible (and update them as needed) to establish better control." The asset inventory lists should be dynamic documents. They should be continually updated as new items are purchased or items are surplus. They should also be updated when the location of an asset is changed. Procedures and controls should be in place at the Dimple Dell Fitness and

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Recreation Center to keep the inventory lists of controlled assets current. Employees should be reminded that if assets are moved or transferred, they should inform the property manager of the new location to enable the *Controlled/Fixed Assets Inventory Log* to be updated.

#### **RECOMMENDATION:**

*We recommend that the property manager ensure the timely updating of the controlled assets list.*

**County policy should be followed for reporting missing assets.** The Dimple Dell Fitness and Recreation Center has not reported the theft of a white vinyl bench from the pool area. The vinyl benches that surround the pool are lightweight, are not attached to the cement in any way, and are moved easily. The director informed us that in the past, the custodial personnel removed one of the benches and placed it on the loading dock for their personal use. The director instructed the custodial personnel to return the bench to its appropriate place, which they did at that time. According to the director, the bench was accounted for at the most recent inventory conducted by the Center management, but was found to be missing when we conducted an inventory of assets on September 6, 2002.

Countywide Policy #1304, *Discovery and Reporting of Thefts*, Section 2.1, states, “An employee making a report of theft or other wrongdoing in the County workplace shall report the incident to the employee’s division administrator or some other person designated by the division administrator to act in his or her absence.” By not reporting items as missing, items can be misappropriated without Parks and Recreation administration being aware of the situation.

#### **RECOMMENDATION:**

*We recommend that the steps in Countywide Policy #1304, Discovery and Reporting of Thefts, be followed whenever an employee becomes aware of the loss of County property.*

**County policy should be followed when disposing of assets.** A computer monitor was surplussed and subsequently purchased by an employee of Dimple Dell Fitness and Recreation Center. Neither the Center director nor Parks and Recreation administration have a copy of the PM-2 (*Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form*) showing that the computer monitor has been surplussed. Countywide Policy #1125, *Safeguarding Property/Assets*, Section 2.3.3 states, “When employees determine property they are using is no longer needed it should be disposed of under supervision of the property manager in accordance with Countywide Policy #1100 on Surplus Property.” Control over assets is compromised when assets are removed from the

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Center without documenting the action with a PM-2 Form. A PM-2 Form should be completed for all assets which are removed from the Center and sent to the surplus warehouse.

**RECOMMENDATION:**

*We recommend that a PM-2 form be completed for all assets which are removed from the Center and sent to the surplus warehouse.*

We appreciate the cooperation we received at the Dimple Dell Fitness and Recreation Center and the efforts of you and your staff to implement our audit recommendations. We hope our work will be of benefit to you. If you have any questions, please contact me.

Sincerely,

James B. Wightman, CPA  
Director, Internal Audit Division