



SALT LAKE COUNTY AUDITOR'S OFFICE

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**CELEBRATING OUR
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150 YEARS OF SERVICE
1852-2002**

August 27, 2003

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Glen Lu, Director
Parks and Recreation Division
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RE: Magna Recreation Center and Pool Cash Audit.

Dear Glen:

We recently completed an audit of cash handling operations and controlled asset management at the Magna Recreation Center and Pool that included an unannounced count of all collections and imprest funds on-site. On the day of the count, we examined collections and vending receipts, the petty cash fund, the center change fund, and the pool change fund.

CASH COUNT

The center has one cashier station and an authorized change fund of \$50. Our count of collections balanced to the Z tape run for us at the time of our audit, and the \$50 change fund was intact and balanced to its limit. We counted the collections in the two vending machines and the coins in the change mechanisms of these machines owned and operated by the County. In addition, the petty cash fund balanced to its authorized \$1000 limit when counting cash and vouchers in the petty cash box.

The pool has an authorized change fund of \$100, with \$50 of this amount assigned to the pool admissions area, and \$50 to the concessions stand area. At the time of our count the concessions stand was not open but the fund located in the pool office safe, balanced to its designated \$50 limit.

The pool till was 50¢ over, when we compared our count to Z tape totals, and we found an additional 37¢ under the cash drawer and around the register. During our count of funds at the Magna Recreation Center and Pool, we discovered the following:

- **The vending machine change funds were not authorized in accordance with Countywide Policy.**
- **An unauthorized “slush fund” of \$122.61 was discovered at the pool.**

The vending machine change funds were not authorized in accordance with Countywide Policy. Vending machines retain \$34.25 in coin from customer receipts, for use in making change. These coins are not considered part of the authorized change fund as they are in other centers.

We met with the Parks and Recreation Associate Director, Assistant Fiscal Manager, and Recreation Section Manager to discuss vending machine operations. We suggested contracting with an outside provider in much the same way soft drink machines are currently contracted.

Though the change fund in these machines is not authorized according to Countywide Policy, it is nonetheless handled in the most practical way possible by allowing patron coin deposits to fill the change box, and the resulting overflow to be counted as revenue. Typically, change and petty cash funds should be designated and authorized by the Auditor’s Office, despite any prohibition in Countywide Policy of unauthorized funds. Though not specifically prohibited, unauthorized funds lack oversight and accountability and therefore should not exist.

Despite the inadvisability of unauthorized funds, vending machines are designed to allow for customer coin deposits to replenish the change mechanism. The mechanism itself is difficult to access, a control that prevents theft, but also an obstacle to accountability if coins were to be apportioned from the authorized change fund. Therefore, the current process should remain in place, with customer coin deposits replenishing the change mechanism.

RECOMMENDATIONS:

1. *We recommend that the option be considered of contracting candy vending machines to outside parties.*
2. *We recommend that the change fund in candy vending machines be supplied through ordinary coin deposits from customers instead of a separate apportionment from the change fund.*

An unauthorized “slush fund” of \$122.61 was discovered at the pool. According to the pool manager, the fund was an accumulation of overages and undeposited pool collections that occurred when the computer system was down for several days. Deposits did not occur at that time because reports were not available from which revenues to individual programs could be assigned.

The pool manager stated that where he had worked before, at a non-county establishment, overages were used for a season ending employee party. He brought his notion of overages with him when he came to the County, establishing this “slush fund.” Nevertheless, failing to deposit collections is itself contrary to Countywide policy, and maintaining a “slush fund” circumvents accounting controls designed to prevent theft or misappropriation of funds.

ACTION TAKEN:

The “slush fund” has been terminated and corresponding funds have been deposited to the County bank account.

CASH HANDLING

We reviewed a sample of deposits for the period June 2002 through June 2003 and compared individual cashier balance sheets with the transmittal records, bank deposit slips, and Z tape reports prepared by the Sportsman program. We found agreement in the amounts reported between Z tapes, balance sheets and deposit slips for each of the sample days examined. As a result of our work we found the following:

- **Overages and shortages were being eliminated through the “slush fund.”**
- **None of the cashiers were preparing The MPF form 10, Cash Over/Short Log.**

Overages and shortages were being eliminated through the “slush fund.” Since the beginning of the season this year, the pool manager has been preparing the deposit reconciliations and reviewing the cashier balance sheets. None of the cashiers were showing overages or shortages, and overages were being put into the “slush fund” mentioned previously. Conversely, deposit shortages were eliminated by taking money out of the “slush fund.”

By the time we arrived to conduct our audit, the bookkeeper and director had met to discuss the matter of the “slush fund” and agreed that it was improper and should be deposited into the bank account. As discussed in the prior section, this unauthorized fund severely compromises the integrity of collections. At no time should an unauthorized fund be established to even out overs and shorts in the daily collections.

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Countywide Policy # 1062, "Management of Public Funds," Section 5.2 states, "*Any overages will be deposited into the agency's depository account... Shortages will be withheld from the deposit to maintain the change fund at the authorized level...*"

RECOMMENDATIONS:

We recommend that overages and shortages be reflected in the deposit in accordance with Countywide Policy.

None of the cashiers were preparing The MPF form 10, Cash Over/Short Log. Neither cashiers at the center nor at the pool have been completing the form. The bookkeeper does prepare a consolidated over/short log, based on individual balance sheets, that is reviewed by the center director and forwarded to the Parks and Recreation fiscal office. However, individual cashiers are not documenting their own overs/shorts in an over/short log.

Policy 1062, Section 2.5.3, states, "*All overages and shortages, regardless of the amount must be recorded and reported daily on MPF Form 10, Cash Over/Short Log.*" The form is designed for use by each cashier of the agency to maintain and complete an individual log on a daily basis. The form is intended to be used to monitor trends or significant patterns of shortages or overages.

RECOMMENDATION:

We recommend that the individual MPF form 10 Over /Short Log be used in accordance with Countywide Policy.

CONTROLLED ASSETS

Our purpose for this portion of the audit was to determine if management of County controlled assets was in compliance with Countywide Policy #1125, "Safeguarding Property/Assets." We obtained a copy of the controlled assets list provided by the center director. From that list we chose a sample of items to locate. We also compared the list to the center's purchase requests for the period January 2003 to June 2003.

A controlled asset is an individual property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization rate. Personal communication equipment is considered to be a controlled asset regardless of the cost of an individual item. We found that:

- **Individually assigned cellular phones are not being listed or controlled according to Countywide Policy.**
- **The controlled assets list does not reflect newly acquired assets, does not list some assets on the premises, and some assets listed could not be found.**

Individually assigned cellular phones are not being listed or controlled according to Countywide Policy. The director and two program coordinators have cellular phones which are neither listed on a controlled assets list nor on individual assignment forms. Policy #1125 Section 2.3.4 requires that “...*at least annually, employees assigned fixed or controlled assets shall review the list of assigned assets and provide verification by his/her signature to the property manager as to the accuracy and completeness of the list.*”

Also Section 4.3.1 states, “... ‘*Controlled Assets Inventory Form _Employee_*’ is used for those assets that due to their nature, are used by and therefore readily assignable to an individual.”

RECOMMENDATION:

We recommend that all employees that have individually assigned assets complete the appropriate forms and review them annually.

The controlled assets list does not reflect newly acquired assets, does not list some assets on the premises, and some assets listed could not be found. Newly acquired assets such as a receiver/transmitter, a microphone, two storage baskets, a contributed dumbbell rack and an Iris game station were not listed. Assets in place, but not listed, were two candy vending machines. Assets listed but either missing or not located at the time of our search were two Micron computers, a Microwave and a Harman amplifier.

RECOMMENDATION:

We recommend that the controlled assets list be kept current, that assets be tagged as they are received, and that an attempt be made to discover the disposition of any missing items.

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In closing we would like to express appreciation to the Magna Recreation Center and Pool staff for the cooperation and timely assistance which they gave our auditor. We trust that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over these processes. If we can be of further assistance to you in this regard please feel free to call.

Sincerely,

James B. Wightman CPA
Director, Internal Audit Division

cc: Paul Ross
Thora Bell
Bruce Henderson
Larry McKinney