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SALT LAKE COUNTY AUDITOR'S OFFICE
CRAIG B. SORENSEN, AUDITOR

October 15, 2003

Glen Lu, Director
Parks and Recreation Division
2001 South State Street S-4400
Salt Lake City, UT 84190

Dear Glen:

The Audit Division recently completed a review of cash collection, receipting and depositing at the Sports Office and Cottonwood Softball Park Concessions stand. In addition, we reviewed controls over fixed and controlled assets and the petty cash fund at the Sports Office. We found that internal controls are generally adequate.

Cash Collection, Receipting and Depositing

As we reviewed the cash collection at the Cottonwood Concessions, we found the operations to be functioning without complication. However, we did find:

- **Cashiers were not aware of how to handle cash shortages.**
- **The cash/check composition of the deposit never matched.**
- **MPF Form 11, Cash Over/Short Logs were not being used.**
- **There were some questionable delays in depositing.**

Cashiers were not aware of how to handle cash shortages. As we queried the head cashier about the operations at the concessions stand, he was not fully aware of the requirement to reduce the deposit for the amount of any shortage. During our conversation he indicated that, on one occasion, a twenty-dollar shortage had been made-up out of pocket.

Countywide Policy #1062, Management of Public Funds, 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 11, 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 MPF Form 3, and MPF form 11."

The cash/check composition of the deposit never matched. As we compared the cash register end-of-day "Z tape" to the deposit slips we found that all transactions, regardless of payment type, were rung in as cash. A key internal control is to monitor the cash/check composition. In the absence of the source document that provides this information, management cannot be sure that a scheme to substitute checks for cash is not taking place.

MPF Form 11, Cash Over/Short Logs were not being used. No over/short documentation was found other than the daily cash summary, or in other words, the balance sheet. Even though the daily cash summaries were completed for each day of operation, without an over/short log there is no month-by-month summary of cash outages. In addition, we found that there is no place on the daily cash summary form used by the concessions for the preparer's signature. Therefore, there is no clear method to trace cash discrepancies to their source.

Countywide Policy #1062, *Management of Public Funds*, also in Section 5.2 states, "MPF Form 11 (the Cash Over/Short Log) 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." The presence of the Cash Over/Short Log, signed by a supervisor, provides the assurance that the cash collection and depositing activity is being reviewed by management. This action, coupled with a preparer's signature on the Daily Cash Balance report, provides individual accountability for the collection of cash.

RECOMMENDATIONS:

1. *We recommend that overs and shorts be reflected in the deposit, such that the deposit is reduced for a shortage and increased for an overage.*
2. *We recommend that training be provided to ensure that cash and checks are keyed into the cash register correctly.*
3. *We recommend that the use of the Cash Over/Short Log (MPF Form 11) be implemented.*
4. *We recommend that a preparer's signature be required on the Daily Cash Balance Report (MPF Form 3).*

There were some questionable delays in depositing. As we reviewed the deposit activity for the period April through July, 2003, we found that eight of 28 deposits (29 percent) were made three or more days after the date the funds were collected. Five of those deposits were four or more days delayed. In addition, we found that the deposit is taken to the bank in a

zippered bank bag rather than per Policy #1062, Section 3.7.4, which states, “*All county agencies will prepare their own deposit and seal it in a plastic, tamper proof deposit bag.*”

Part of the cause of the delay is that the concession stand closes well into the evening, sometimes as late as 10:30 p.m. The soonest these funds could be deposited is the next day, and this occurred ten times in our sample (36 percent). Another factor in the delay is that the cashier frequently does not make the deposit until after the bank’s business day is over (4:00 p.m.) and the deposit is recorded the following day. However, deposits made two days after collection are delayed in transit. The safety of funds delayed in transit becomes an issue.

Policy #1062, Section 3.7.2, states “*As required by Section 54-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable but not later than three days after receipt.*” Having a deposit prepared, and not taking it to the bank violates this section just as if the deposit had never been prepared.

A reasonable solution is to place the deposit in the night drop at the bank. There is a Wells Fargo bank located approximately six blocks from the softball complex at 4740 South 900 East, in the Ivy Place shopping center. Making the deposits there, or at any other night drop location would add timeliness to the process and provide less risk of an untoward event with the funds not deposited.

RECOMMENDATION:

We recommend that the funds collected at the concessions be deposited daily via the night drop at the bank using the tamper-proof bags.

Sports Office

Cash collection receipting and depositing at the Sports Office is generally functioning without complication. However, we did find several procedural discrepancies, including:

- **Checks were not restrictively endorsed upon receipt.**
- **Cash Over/Short Logs were not maintained.**
- **No identification was required of patrons presenting personal checks for payment.**

Checks were not restrictively endorsed upon receipt. When we counted the cash drawer at the Sports Office we found that none of the checks accepted had been restrictively endorsed.

Countywide Policy #1062, *Management of Public Funds*, Section 3.6.1, states “*All checks and other negotiable instruments received by the Agency Cashier should be restrictively endorsed immediately upon receipt using the agency’s approved endorsement stamp.*” This

restrictive endorsement greatly reduces the opportunity for the check to be used in any scheme to defraud the County or any other party.

Cash Over/Short Logs were not maintained. When we inquired about the location of the Cash Over/Short Log, the cashiers were not aware of the form or its use. As discussed above, this is a tool that gives management the opportunity to review one of the key elements of the cash receipting function in a month-by-month summary.

No identification was required of patrons presenting personal checks for payment. As we counted the cash drawer, we found no evidence that any identification had been requested of those patrons paying with a personal check.

Countywide Policy #1301, *Acceptance of Checks*, Section #3.0, states “*Except as otherwise provided herein, . . . it is the policy of Salt Lake County, When receipting payments for user fees and other revenues, to require that “over-the-counter” receipts. . . be in the form of a personal check accompanied by a valid form of identification.*” A valid form of identification is defined in section 2.2 as “*The following forms with a current expiration date: Driver’s license, Utah identification card, or check guarantee card.*”

As with the issues discussed above, the cashiers were not aware of this requirement or the existence of the policy. Each of these issues can be traced to training. The cashiers at both the Softball Complex and the Sports Office should receive additional training in cash handling procedures.

RECOMMENDATIONS:

- 1. We recommend that cashiers restrictively endorse checks when received.***
- 2. We recommend that management implement the use of Cash Over/Short Logs (MPF Form 11).***
- 3. We recommend that cashiers require valid identification from patrons paying with personal check.***
- 4. We recommend that additional cashiering training be provided for staff at both locations.***

Action taken: When notified of the requirement for immediate endorsement and Cash Over/Sort Logs, management implemented both requirements at the Sports Office.

Fixed and Controlled Assets

We also reviewed fixed and controlled assets management. A fixed asset is an item costing \$5,000 or more with a useful life of two years or greater. Controlled assets cost between \$100 and \$5,000 and are easily converted to personal use. Communication equipment such as

radios or cell phones are included as controlled assets. The Cottonwood Softball Complex had no fixed assets, the Sports Office had one, a copier, which was tagged.

Controlled assets for both locations are under the management of the individual program managers. As we assessed compliance with countywide policy we found:

- **Controlled asset lists were not current.**
- **Some program managers were not familiar with basic provisions in Countywide Policy #1125.**
- **There was no formalized turnover of asset custody when program managers were replaced.**

Controlled asset lists were not current. As we requested the asset lists, one of the program managers was not able to supply any list and another had not updated the list to reflect recent activity.

Countywide Policy #1125, *Safeguarding Property/Assets*, Section 2.2.3, states that Property Managers shall “*Maintain records as to current physical location of all fixed and controlled assets within the organization’s operational and/or physical custody.*” This requirement mandates a listing of controlled assets that is current as to the assets in the property managers program and their location.

Some program managers were not familiar with basic provisions in Countywide Policy #1125. When the requested list was not forthcoming, a discussion followed about the requirements of Countywide Policy #1125. During the conversation it became apparent that the program manager was not at all familiar with the requirements of the policy.

Countywide Policy #1125, in Section 2.2, states: “*Property Manager’s Duties may be delegated to a subordinate, however consistent with basic management principles, Property Managers and County Administrators remain ultimately responsible for the management of County property.*”

There was no formalized turnover of asset custody when program managers were replaced. Because program managers also function as Property Managers for the assets within their program, the custodial responsibility passes from one to another as the program managers change. An inventory of fixed and controlled assets should be conducted before a new property manager assumes his/her duties.

RECOMMENDATIONS:

1. ***We recommend that Program Managers assigned property management responsibilities be trained and made aware of their responsibilities per Policy #1125.***

2. *We recommend that controlled asset lists be kept current.*
3. *We recommend that a formal turnover of assets be completed when property manager responsibilities shift to another individual by conducting an inventory of fixed and controlled assets.*

In closing, we appreciate the cooperation we received at the Sports Office and Cottonwood Softball Complex. We trust our work will be of benefit to you and strengthen internal controls. If we can be of further assistance to you in this regard, please do not hesitate to call.

Sincerely,

James B. Wightman, CPA
Director, Audit Division

Cc:
Paul Ross
Maynard Koncar
Nancy Taylor
Thora Bell