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1852 – 2002

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CRAIG B. SORENSEN, AUDITOR

April 19, 2004

Ron King, Director  
Salt Palace Convention Center  
100 South West Temple  
Salt Lake City, UT 84111

Dear Ron:

We recently completed a limited scope audit of the Salt Palace Parking Department. Our audit included a count of the change and petty cash funds, a review of the depositing activity for the past year, cash handling procedures and fixed and controlled assets.

To accomplish our fieldwork, we tested a statistically valid random sample of deposits. We did not test each transaction and therefore, cannot make any statement as to the accuracy of the deposits as a whole. However, we did find that there are many positive features in the system of internal control within the Parking Department. Specifically, we found:

- A professional staff, aware of the need for strong internal controls over cash handling and depositing.
- Good physical security of funds.
- Good segregation of duties with regard to cash collection, depositing and reconciliation.
- Segregation of duties in the collection, depositing and posting of monthly pass sales done through the mail.

We did find some areas in which internal controls could be strengthened.

#### **CASH COLLECTION RECEIPTING AND DEPOSITING**

- **Records of usage were not reconciled to amounts actually collected.**

- **Lack of automation at one of the gates creates an opportunity for un-recorded entry.**
- **Pre-numbered tickets were not adequately safeguarded.**
- **Transfers of funds were not properly documented.**
- **Cash and check composition of daily activity was not noted.**
- **Cash overages and shortages were not logged on the appropriate Management of Public Funds Form.**
- **The change fund did not match the authorized amount.**

**Records of usage were not reconciled to amounts actually collected.** Parking attendants use the “Complimentary Parking Sign-in Sheet” to document any complimentary entries into the parking lot. Some reasons for complimentary entry include maintenance vehicles, new employees (first day only), snow removal vehicles, and county vehicles on county business. When a complimentary entry takes place, the attendant notes on the sign-in sheet the time of entry, the name of the person entering, the reason for the entry and then initials the line to complete the transaction. In addition, credit card sales are logged because the cash register system does not have a method for recognizing the credit card payments.

At the end of the shift, the “Complimentary Parking Sign-in Sheet” is returned to the supervisor with the Daily Sales Report and the proceeds of the shift’s activity. The supervisor, as part of the reconciliation process notes the number of complimentary entries and signs the Complimentary Parking Sign-in Sheet to indicate that they have reviewed the sheet and compared to the no-sale line on the cash register tape.

During our audit, we reviewed 22 days of activity. Seven of the days we reviewed had discrepancies which could indicate entry into the lot without the corresponding log entry. No documentation was found indicating the reason(s) for the discrepancies.

These unexplained gate lifts could indicate instances in which the attendant received cash, allowed entry into the lot, but did not ring the transaction into the cash register.

This finding is identical to the “Vehicle Count Reconciliation” finding in our October 7, 2002 letter report.

**RECOMMENDATIONS:**

- 1. We recommend that a space on the Daily Sales Report be provided to reconcile no-sales per cash register to the Complimentary Parking Sign-in Sheet.**
- 2. We recommend that any discrepancies between the Complimentary Parking Sign-in Sheet and the cash register tape be investigated and documented on the Daily Sales Report.**

**Lack of automation at one of the gates creates an opportunity for un-recorded entry.** The parking booth at gate 4B in the West parking lot, (the North gate) has no cash register system. When this entry gate is in use, the attendants are issued pre-numbered hard copy tickets. The start and end numbers of the tickets issued are recorded and then reconciled to the amounts collected and tickets returned at the end of the shift.

When a patron enters the lot at this gate, the hard copy ticket is stamped with the day's date, torn in half at the perforation, and half is given to the patron to place on the dash board of their vehicle. There is no gate-lift counter on the gate which would provide the number of entries to compare to tickets sold. This gate is one of three which allow access to the West lot. Therefore, not all vehicles would be expected to have a ticket stub on the dash board to facilitate audit activity. In addition, there is no "Please take ticket before entering" or similar type of sign to encourage patrons to require a ticket before they enter the lot.

The control weakness is that attendants could easily allow vehicles to enter the lot after payment without issuing the ticket. The funds from these transactions could be diverted to personal use.

**RECOMMENDATION:**

**We recommend that gate 4B be automated to, at a minimum, record the number of times the gate is lifted to provide a comparison for tickets sold reconciliation.**

**Pre-numbered tickets were not adequately safeguarded.** The hard copy tickets noted in the finding above are received in a multi-box shipment from the printer. Groups of tickets pulled from the boxes for issuance to the attendants are kept in a locked cabinet in the supervisor's office. The boxes of ticket stock are stored, un-secured in the restroom of the parking department offices. Anyone using the restroom has access to these tickets.

In addition, the ticket numbers are not tracked via any issuing log. A diversion of these tickets would likely go un-noticed.

Countywide Policy #1062, Management of Public Funds, Section 3.5.1.1, states, "*The supply of un-issued counter receipts will be kept in a safe, locked drawer or secure*

*area. The first and last numbers of the receipts should be verified by the Agency Cashier and entered into a receipt log maintained by the agency. As blank receipts are released to cashiers for use, the log should be updated accordingly.”*

The potential exists for parking services staff to access the stored tickets, take one or more, and substitute those pilfered tickets in manual transactions and divert the cash to personal use. As the customer would still be receiving a ticket, there would be no reason for the customer to suspect any malfeasance, and therefore, the possibility of a customer reporting a variance is reduced.

#### **RECOMMENDATIONS:**

**1. We recommend that Parking Services Staff inventory the pre-numbered tickets in storage and note the ticket numbers in a log. Subsequent issuance of these tickets should also be noted in the log.**

**2. We recommend that ticket stock be secured in a locked, limited access area.**

**Transfers of funds were not properly documented.** When the Parking Services delivers the daily deposit to Salt Palace Administration for pick-up by the armored car service, there is no documented transfer of custody.

Policy #1062, Section 3.7.1.5, discusses the requirement for transfer of funds between an agency and protective services to be logged and signed-for as the transfer of custody is completed. The situation at the Salt Palace is identical and should have the same chain of custody documents.

Without documentation, there is no positive assurance that the deposit has reached the administrative office. There is no documented individual custody or accountability. Both the prevention and detection aspects of internal control would be strengthened by implementing a signature log to document the transfer of custody.

#### **RECOMMENDATION:**

**We recommend that a log be utilized to document transfer of custody of the parking services deposit.**

**Cash and check composition of daily activity was not noted on the Parking Department Daily Sales Report.** As money is collected for parking, the cashiers either enter the sale as cash or “alternate payment” for checks. (Credit cards are not rung-in, but listed on the Complimentary Parking Sign-in Sheet). At the end of the shift, the cashier notes the cash and check amounts on the back of the sales report as they list the currency and coins before totaling the deposit. The cash and check information is not carried forward to the Daily Sales Report.

Good business practice is to note the form of payment whether it be cash, check or credit card. The totals of payment types are compared to source documents as part of the reconciliation process. This step of the reconciliation process detects any type of “lapping” scheme wherein cash is diverted and a check is substituted later to make up the shortage.

Because no reconciliation is made between the cash register tape and the amounts collected by form of payment, a key opportunity to detect lapping schemes is missed.

This finding is similar to the “Cash to check composition did not always match.” finding in our October 7, 2002 letter report.

**RECOMMENDATION:**

**We recommend that the Parking Department Daily Sales Report form be modified to include a place to note the cash/check/credit card composition per cash register tape and that the composition be reconciled to the amounts actually collected.**

**Cash overages and shortages were not logged on the appropriate Management of Public Funds Form.** When a cashier is over or short, a Notice of Cash Handling Violation (SMG Form 3C) is completed. The form notes the employee name, social security number, date of the occurrence, the amount over or short, and the parking booth at which the violation occurred. This is a “per event” type of form and once completed, is placed in the employees file. The Parking Department also produces a monthly summary of parking activity including amounts over and short. However, this form is not prepared concurrently with the daily balancing activity, nor does it indicate the cashier(s) responsible for the overage or shortage.

Policy #1062, Section 2.5.3, states “*All overages and shortages, regardless of the amount, must be recorded and reported by the agency on MPF Form 11, CASH OVER/SHORT LOG. When a significant shortage or a pattern of shortages occurs in the accounts of and cashier, the agency shall conduct an investigation of the circumstances and report its findings to the Auditor.*” MPF Form 11 logs the daily overages or shortages, by cashier, over a month-long period of time. This will provide management a readily available tool with which to monitor cashier performance.

**RECOMMENDATION:**

**We recommend that management implement the use of a daily cash over and short log similar to MPF Form 11.**

**The change fund did not match the authorized amount.** At the time of our audit, the Parking Change Fund was \$906.00, the Business Center Change Fund was \$800.00, and the Salt Palace Administration Petty Cash Fund was \$1,000.00. The total of these three funds is \$2,706.00. The authorized amount of the three funds is \$2,700.

The Parking Services Change Fund seems to be the source of the overage. Parking Services personnel believe that the authorized amount for their change fund is \$906. The simple way to correct this situation is to deposit the additional amount just as if it was a cash overage on a given day.

Also, as we completed this part of the audit, we found that all three funds were listed as \$2,700 authorized for both change and Petty Cash usage. A listing of each fund as a discreet amount with a single purpose would be easier and improve both Salt Palace management and the Auditor's Office understanding of these funds.

#### **RECOMMENDATIONS:**

- 1. We recommend that Parking Services, with management's authorization, deposits an additional \$6.00 on a specified day to bring the change fund down to the authorized \$900.00.**
- 2. We request that Salt Palace management initiate correspondence with the Salt Lake County Auditor requesting that the change and Petty Cash funds be segregated into discreet funds and fund types on the Auditor's Office listing of authorized funds.**

#### **FIXED AND CONTROLLED ASSETS**

To complete this part of the audit, we met with the Property Manager, and inventoried the fixed assets and controlled assets. We located all of the fixed assets assigned to Parking Services. We also found that, because the Property Manager is the Purchasing Coordinator, adding new acquisitions to the controlled assets list is facilitated. We did find one area in which the accounting for controlled assets could be improved.

**The controlled asset inventory was not up to date.** As we completed the controlled asset inventory we found one computer listed on the form which had been moved to Information Services preparatory to being sent to surplus. Also, there were several items which had been "penciled-in" awaiting input into the database. Finally, we noted that the cognizant employee listed on the form for Parking Services was the previous Parking Services Manager.

Countywide Policy #1125, Safeguarding Property/Assets, Section 2.2.3, states that a Property Manager's duties, in part, are to: "*Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.*"

Without accurate asset lists, the task of managing controlled assets is more difficult. Assets could go missing for any of a variety of reasons, and their absence not detected in the reduced control environment created by out-of-date asset lists.

**RECOMMENDATION:**

**We recommend that asset lists be kept current. Lists should be updated on a regular, periodic basis to reflect current additions, deletions, locations and personnel changes.**

**The safe in the Business Center was not bolted to the floor.** While the Business Center was outside the scope of our audit, we needed to count the change fund to verify the total change and petty cash holdings of the Salt Palace (see finding above regarding separating the funds). The change fund in the Business Center balanced and the Business Center operations were \$1.26 over on the day counted.

We did find that the safe in the Business Center office was not bolted to the floor. The physical dimensions of the safe are approximately 20 inches wide by 20 inches deep and 24 inches high. Neither the bulk nor the weight of the safe are great enough to preclude removing it based on size alone.

Bolting the safe to the floor makes removing it a much more difficult task. Making removal more difficult either discourages the theft attempt or makes the removal effort more likely to be detected by building security.

**RECOMMENDATION:**

**We recommend that the Business Center office safe be bolted to the floor.**

In closing, we express our appreciation to the staff at the Salt Palace for the cooperation and assistance they gave our auditors. We are confident that our work will be of benefit to you and help your organization strengthened internal controls. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA  
Director, Internal Audit Division

cc: Jon Daich  
Leslie Reberg  
David Marshall  
Randy Allen  
Bart Allen  
Darren Satterwhite