

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Central City Recreation Center

April 16, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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April 16, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Central City Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Central City Recreation Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Central City Recreation Center and the cooperation from Kari White, Facility Manager, Tania Moe and Bryan White, Program Coordinators, Leoni Raihavti, Bookkeeper, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Central City Recreation Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Anita C. Kasal
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director
Nancy Albiston, Fiscal Coordinator
Cheryl Crook, Accountant
Kari White, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Central City Recreation Center (CCRC). Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

CCRC has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over cash receipting, controlled assets, and purchasing card procedures have a higher likelihood of leading to a loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - Receipts could be re-printed for prior transactions.

Risk Level: High

Standard business practice regarding electronic receipts is that cashiers should not be able to reprint receipts.

A CCRC cashier reprinted a receipt upon auditor request, which was identical to the original receipt.

When cashiers can reprint a receipt, then funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the ability for cashiers to reprint a receipt for an existing transaction be disabled.

Management Response

This recommendation action is not possible on the current sportsman system. Reprinted receipts must be approved by a supervisor.

Finding # 2 - There was no annual physical inventory of controlled assets performed, signed, dated, and on file.

Risk Level: Moderate

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

CCRC did not perform an annual inventory of controlled assets.

Failure to document and maintain a physical inventory increases the risk of assets being lost, stolen, or diverted for personal use.

Recommendation

We recommend that CCRC document and sign annual inventories of controlled assets.

Management Response

The annual inventory of controlled assets was not done during the audit process. Annual inventory usually takes place in April and the audit occurred in February.

ACTION TAKEN: CCRC documents and signs annual inventories of controlled assets.

Finding # 3 - An SAQ representing Parks and Recreation's compliance with PCI has not been completed and is not on file.

Risk Level: Moderate

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing Parks and Recreation's compliance with PCI has not been completed and is not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ.

Management Response

ACTION TAKEN: Administration has and is working on completing PCI compliance and the required SAQ's (see Appendix A).

Finding # 4 - Cash overages/shortages were not recorded on daily cash balance sheet, nor on cash over/short logs.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.8.2 states:

"Change funds should be counted, restored to the established imprest balance, and any daily shortages or overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log. These forms shall be retained by the County Agency in accordance with County records retention guidelines."

CCRC cashier did not record overage on his Cash Balance Sheet (MPF 3A) and did not fill out a Cash Over/Short Log (MPF 11).

When overages or shortages are not documented, funds are at greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that CCRC use line 13 on the cash balance sheet to record overages and shortages and maintain an "Over/Short Fund Log" for each cashier.

Management Response

While there was no specific log, the Bookkeeper checks for overages/shortages with the cash balance sheet. I also go through the transmittals page by page checking for explanations for discrepancies. I mistakenly took this as being satisfactory since it was in writing and attached to the specific transmittal.

ACTION TAKEN: MPF Form 11 will be implemented and will be available for management to reference at any time per recommendation of SLCo Auditor's Office.

Finding # 5 - Original receipts for voided transactions were not obtained from the patron and included in the daily deposit.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.7 states:

"All copies will be marked "VOID," including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution."

CCRC cashiers did not ask for original receipts when voiding a transaction.

When patrons are not asked for original receipts for voiding a transaction then funds remain at a greater risk of being lost, stolen, or diverted for personnel use.

Recommendation

We recommend that CCRC ask for original receipts when voiding a transaction, document the reason for the void on the receipt, and retain the voided receipt with the daily deposit documentation.

Management Response

ACTION TAKEN: Ask patrons for the original receipt when voiding a transaction, if accessible. Then use the Refund Request Form to document the reason for the void. Both Refund Request Form and receipt will be retained with the daily deposit/transmittal.

Finding # 6 - A supervisor did not sign void vouchers, at the time when receipts were voided.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.7.3 states:

"A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt [voucher], along with the cashier who initiated the void. All voided receipts [vouchers] will be attached to the daily cash balance sheet for audit purposes"

A CCRC supervisor did not sign void vouchers, at the time the receipt was voided. Vouchers were signed when depositing or the verifying of the deposit was done.

When voided transactions are not supervised at the time when initiated then County funds are a greater risk of being lost, stolen, or diverted for personnel use.

Recommendation

We recommend that a CCRC supervisor is present, reviews, and signs when receipts are voided or a void voucher is required.

Management Response

ACTION TAKEN: A CCRC supervisor is present, reviews, and signs when receipts are voided or a void voucher is required.

Finding # 7 - Sequential numbering of receipts was not maintained.

Risk Level: Moderate

Countywide Policy "Management of Public Funds," Section 3.5.6 states:

"The online cashing system shall produce receipts in a sequentially numbered order."

CCRC's receipting system skipped receipt numbers.

During our examination of thirty days, 22 of 609 receipt numbers were missing and could not be identified. One missing receipt number was traced to a credit card payment that the cashier and supervisor had decided to abort.

When receipt numbers are missing without reason or sufficient supporting documentation, then funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that CCRC not abort receipts but rather complete the transaction and void receipts so sequential numbering is maintained.

Management Response

This was a glitch the Sportsman Software.

ACTION TAKEN: Peak Software has made updates on current system to keep numbering system in sequence. Peak Software added a NEW report = Abandoned Transaction Report: new report added under Reports/Financial/Financial Activity, which shows transactions that were added to the cart or cash register screen but then removed or not completed.

Finding # 8 - Original itemized receipts on purchasing card activity were not retained and maintained by the Cardholder.

Risk Level: Low

Countywide Policy #7035 "Purchasing Cards Authorization and Use," Section 6.1 states:

"Original itemized receipts showing the detail of the goods and/or services purchased shall be retained and maintained for inspection by the Cardholder. The Cardholder shall provide the Agency fiscal manager unrestricted access to the receipts for review."

CCRC purchasing cardholders did not retain and maintain their original itemized receipts.

Parks and Recreation requires original itemized receipts and other documentation be retained and maintained by Agency fiscal management.

It is a violation of current County policy when original itemized receipts are not retained and maintained by the Cardholder.

Recommendation

We recommend that CCRC Cardholders comply with current County policy, or establish written Agency policy for alternative procedures.

Management Response

Administration requires all cardholders to submit their original receipts and visa statements to Cheryl.

ACTION TAKEN: Continue to submit original receipts and visa statements to Cheryl until communicated otherwise.

Finding # 9 - A PM-2 form (located at the Mayor's office) dated 2009 was not processed and a copy was not maintained at CCRC.

Risk Level: Low

Countywide Policy #1125 "Safeguarding Property Assets," section 2.2.7 states:

"Maintain copies of all PM-1, PM-2, and PM-3 forms for all fixed asset personal property transferred, disposed, and sold internally."

The capital and controlled asset inventory lists were not updated for a CCRC PM-2 form dated 11-2-09. This PM-2 was not retained at CCRC.

When PM-2 forms are not processed and retained, assets are at a greater risk of being lost, stolen, or diverted for personnel use.

Recommendation

We recommend that CCRC maintain PM-2 forms and ensure that the capital and controlled asset inventories are updated.

Management Response

ACTION TAKEN: All personnel will use Form PM-2 when transferring items to surplus. Documentation will be kept on file with main controlled asset log. Controlled asset log will be updated more regularly.

Finding # 10 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3 "Information Technology Security Policy: Software Licensing Policy," section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

Parks and Recreation Agency does not maintain a current software inventory.

Because software has not been inventoried, there is an increased risk of unlicensed software on Parks and Recreation computers, which could result in fines and penalties. In addition, software licenses available may not be fully utilized.

Recommendation

We recommend that Parks and Recreation Agency maintain a current software inventory.

Management Response

Most computers for the Recreation Section are purchased from the Recreation Equipment Replacement Fund at the Division level. The inventory for the initial software setup of computers purchased from that fund will be maintained at the division level in compliance with Countywide Policy #1400-3. All other software inventory will be maintained at the facility level in compliance with the same policy. Implementation for this inventory control will be no later than November 1, 2013.

Finding # 11 - No fund transfer logs were used to record the movement of the change fund from the safe.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 2.7.3 states;

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

CCRC staff did not use a log when the change fund was moved from the safe.

When movement of the change fund is not documented, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that CCRC use an MPF Form 7 "Fund Transfer Ledger" or similar log to record movement of the change fund.

Management Response

CCRC only has 1 beginning change fund, which is stored in the small safe. At the beginning of the day, only Merit employees and Bookkeeper have access to the beginning change fund.

ACTION TAKEN: MPF Form 7 will be implemented and will be available for management to reference at any time per recommendation of SLCo Auditor's Office.

Finding # 12 - Internal control procedures for checks received by mail were not adequate.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

CCRC receives a small number of checks through the mail, which are opened by one person, without recording them on a log.

When mail is not opened under dual control or included on a log, funds are at greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that CCRC establish procedures to adequately protect checks received through the mail.

Management Response

ACTION TAKEN: 2 Merit Employees will be present to open the mail, verifying the contents.

Finding # 13 - Refunds are issued without patron signing a refund receipt.

Risk Level: Low

Standard business practice requires the patron sign a refund receipt, which is retained and included in deposit documentation.

CCRC deposit documentation doesn't show that patrons signed for same-day refunds.

When refund receipts are not signed and documented with daily deposits, then funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that CCRC have patrons sign a refund receipt to be retained with the deposit documentation.

Management Response

ACTION TAKEN: Patrons must provide the original receipt and sign refund receipt. Both receipts will be retained with the deposit documentation.

Additional Information

Background

CCRC is a part of the Salt Lake County Parks and Recreation Division and is located at 615 South 300 East, in Salt Lake City. Salt Lake County Parks and Recreation was formed and came into existence on May 11, 1946. Ten days later the organization dedicated its first park, today over 50 years later -- 104 parks, and over 20 recreation facilities are in operation.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending February 08, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Parks & Recreation Agency Response to Audit Finding – An SAQ representing Parks and Recreation’s compliance with PCI has not been completed and is not on file.

The Payment Card Industry’s Data Security Standard (PCI-DSS) was established approximately thirteen years ago, and the Parks and Recreation Division began practices at that time to safeguard data as information became available. As information was obtained from the Payment Card Industry throughout the years practices were changed to accommodate securing cardholder data as much as possible within the division. In early 2010 - 2011, the Auditor’s Office began looking at this standard for the entire county as much of these standards that had been identified were beyond the knowledge of the county’s departments and division’s on determining merchant levels and completing the SAQ’s. Committees were set up, audits were conducted at each location, and the County was proceeding smoothly in determining policy and procedures, Information Services responsibilities, along with what each division’s SAQ status would be. It was determined at that time that Attestation of Compliance needed to be signed off by the County as a whole once a letter was received by the Mayor from Chase Paymentech regarding our responsibilities to complete the SAQ’s and completing the Attestation of Compliance, along with scans of the systems (A company has one year to complete the SAQ and Attestation of compliance from the date the letter is received). The Auditors were pulled from this development of policy and procedures for data security so each department/division was thrust into working on this again individually. The Parks and Recreation Division has continued working with Information Services in trying to establish what type of SAQ to complete, update and reinforce our firewall system, and make every effort to strengthen our compliance with the industry’s standards as the majority of questions are to be determined/completed by Information Services. In 2011 it was determined that the division would complete the SAQ –D form, however, making changes to cardholder data not being stored on the computer system has moved the division from a D to a possible C or C-Virtual.

In 2012, the golf courses were moved to a new accounting program and service provider with the expectation that the SAQ C and Attestation of Compliance will be completed, signed, and submitted by the end of April 2013. What is being done with the golf courses will become the standard for all other departments and division within the county. The recreation centers will be next for Information Services and the division to work together to complete SAQ’s and establish more practices and procedures to provide complete and ongoing compliance for the division.