

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



An Audit of the Key Controls of the
Salt Palace Convention Center

December 23, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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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 the Salt Palace Convention Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Salt Palace Convention 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 the Salt Palace Convention Center and the cooperation from Dan Spencer, Heidi Baird, Darren Satterwhite, Detlef Preuer, Al Whitman, Mark Cornia, J.W. Washington, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to the Salt Palace Convention 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 James Fire MBA/Acc
Deputy Auditor

cc: Dan Hayes, General Manager
Jon Daich, Fiscal Manager

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of the Salt Palace Convention Center. 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

The Salt Palace Convention Center has put into place several key controls for managing public funds. Most risks identified were minor and were not expected to result in material loss. Deficiencies in certain internal controls over refund forms, deposit documentation, deposit posting, and the PCI-DSS self-assessment questionnaire have a higher likelihood of leading to loss of County property.

Findings and Recommendations

Finding # 1 - Deposit documentation did not include tear-off tabs from deposit bags.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.5.1 states:

"Therefore, balance sheets, deposit slip copies, plastic pre-numbered tabs removed from the deposit bag, and any other supporting documents or materials, shall be retained for 7 years from the date of the deposit, either on-site or at the County Records' storage warehouse."

During the examination of the February 2013 deposits, 9 of 28 deposits did not include the tear-off tab from the sealed tamper-proof deposit bags.

When deposit bag tabs are not included in deposit documentation, reasonable assurance that deposits were sealed before armored truck pickup cannot be ascertained.

Recommendation

We recommend that deposit documentation be reviewed for completeness with supporting documents or materials.

Finding # 2 - Deposits were not posted within three days of receipt.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states,

"As required by 51-4-2, Utah Code Annotated, each officer shall deposit all public funds daily whenever practicable but not later than three days after receipt."

Deposits were tested to determine the number of days transpiring between the date of receipt and the date of posting into the bank account. In the sample of 28 deposits examined, 14 were beyond the three-day allowance. Additionally, it was observed that on the armored truck pickup log, there was a 10-day lapse between a pickup on Thursday February 14, 2013 and the next pickup on Monday February 25, 2013.

Funds that are not deposited as mandated by State statute within three days of receipt are susceptible to loss or theft, lost interest earnings, and are not available for use by the agency.

Recommendation

We recommend that funds be deposited in the same day whenever practicable, but no later than three days after receipt.

Finding # 3 - An annual SAQ representing the Salt Palace's compliance with PCI has not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy" Section 3.0, under Policy Statement 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 annual SAQ representing the Salt Palace's compliance with PCI had not been completed and was 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 Salt Palace management complete and sign an annual SAQ, and keep a copy on file to show they are aware of and compliant with PCI requirements.

Finding # 4 - Refund forms were not used to document authorization.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 6.1.1 states:

"Refunds may be issued out of a cash drawer for transactions that originated on the same day and from the same cash drawer from which the refund is requested and made. The original receipt should be obtained from the patron, and the transaction voided. In case of emergencies, such as a swimming pool closure, where a patron receipt was discarded, a cash refund or "rain check" could be issued. The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency."

Refunds were recorded in the Ace Point of Sale system. However, void forms were not included to indicate review and authorization with the cashier and supervisor signatures.

Without a signed void slip or other documentation, it is possible for funds to be stolen or converted for personal use through fictitious refunds.

Recommendation

We recommend that all refunds include signed void slips or other documentation to indicate review and authorization by a supervisor.

Additional Information

Background

The County contracts with SMG, a private venue management group from Pennsylvania, to manage the Calvin L. Rampton Salt Palace Convention Center. The Salt Palace was originally built in 1969 as a venue for conventions, sports, and entertainment events. The large arena, at that time, was home to the Utah Stars, and later, the Utah Jazz professional basketball teams. In the early 1990s, the Salt Palace, including the "drum," or arena, was torn down to make way for a new building. The new building, together with later additions, now serves as a convention center and no longer has an arena for sporting and entertainment events. It hosts conventions and other events, both large and small, for such groups as the Outdoor Retailers Association, and Adobe software. Two major Salt Palace contractors, Utah Foods and Western Foods, provide all catering and concessions operations.

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 August 27, 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.

Management response to findings in this report, when received, will be attached as Appendix A.



Finding #1 – Deposit documentation did not include tear-off tabs from deposit bags.

Deposit documentation is reviewed for completeness for all supporting documents for all deposits. We have all employees involved with the cash receipting and depositing process sign an annual Cash Receipt Self Audit Checklist. We have added as a document to inspect for, the tear-off tab from the deposit bag.

Finding #2 – Deposits were not posted within three days of receipt.

We will increase the frequency of armored car pick up from two days a week to three to reduce the potential of a deposit not being made no later than three days after receipt.

Finding #3 – An annual SAQ representing the Salt Palace's compliance with PCI has not been completed and was not of file.

We will complete an annual SAQ form and maintain on file.

Finding #4 – Refund forms were not used to document authorization.

When a refund is given we currently have the payer sign the receipt and that is included with the other receipt information for that shift. We will develop a form that will include supervisor approval, date, and reason for refund to accompany the signed refund slip.