

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



An Audit of the Key Controls of
Clark Planetarium

March 29, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 29, 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 Clark Planetarium

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Clark Planetarium 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 Clark Planetarium and the cooperation from Seth Jarvis, Director, Carol DeCaria, Associate Director, Jim Garcia, Fiscal Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Clark Planetarium 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 Cherylann Johnson MBA, CIA, CFE
Sr. Deputy Auditor

cc: Seth Jarvis, Director
Carol DeCaria, Associate Director



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Clark Planetarium. 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

Clark Planetarium management has put into place many key controls for managing public funds, safeguarding public assets, and reporting payroll. Management has implemented many recommendations from audits performed in previous years. Some of the risks identified are minor and would not be expected to result in the material loss of County assets. The risks discovered dealing with online inventory records for goods purchased for resale, compliance with Payment Card Industry requirements, and software inventory have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - The actual inventory count of goods could not be compared to the online inventory records.

Risk Level: High

A retail sales entity should periodically conduct a physical inventory to compare the inventory actually on hand with the running count (perpetual) inventory per the accounting records.

The Planetarium conducted a physical inventory in January 2013; however, the inventory actually on hand could not be compared with the running count inventory because inaccurate information, including the item identification numbers and descriptions had been entered into the running County inventory for some items.

It appears that the inaccurate information was entered because several employees entered the information, but there was no common method for recording identification numbers, descriptions, or amounts.

Because the inventory on hand cannot be compared with the running count inventory, it is impossible to determine whether items have been lost or stolen, or whether purchase payments have been diverted to personal use. It is also difficult to reconcile or balance other accounting entries such as purchases, number of goods sold, or revenue from sales.

Recommendation

We recommend that the Planetarium continue correcting the item identification numbers for inventory items to ensure that the recorded goods in the Counterpoint inventory software match those in the Galaxy Point-of-Sale software.

We recommend that the amount of revenue that should have been collected, based on inventory results, be compared to actual sales to determine whether goods were properly accounted for and sales were properly transacted.

Management Response

See Appendix A.

Finding # 2 - The Payment Card Industry Self-Assessment Questionnaire was not completed.

Risk Level: Moderate

Countywide Policy #1400-7, "Information Technology Security," Sections 3.0 and 3.1 state,

"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. County agencies that accept, process, transmit or store cardholder data shall develop internal practices and procedures to ensure compliance with the PCI-DSS."

"PCI-DSS compliance requires among other things that County agencies that accept, process, transmit or store cardholder data shall complete the appropriate annual self-assessment questionnaire (SAQ) and attestation of compliance (AOC) for their merchant category."

Clark Planetarium does not have a Payment Card Industry self-assessment questionnaire (PCI SAQ) on file. The requirements in the PCI SAQ help ensure that a merchant has established standards for safeguarding data that is collected when processing payment card transactions.

The Planetarium has not completed the PCI SAQ due to other responsibilities that have taken priority.

However, by not completing the annual PCI SAQ, the County is at risk for penalties for not following the PCI-DSS and for not providing attestation that credit card information has been safeguarded.

Recommendation

We recommend that the annual PCI SAQ be completed and kept on file at the Clark Planetarium.

Management Response

See Appendix A.

Finding # 3 - A current software inventory was not available.

Risk Level: Moderate

Countywide Policy #1400-3, "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."

During our review of computer controls we found that Clark Planetarium did not have a list of the current software inventory used by employees as required by Countywide Policy.

The Planetarium has not completed a software inventory due to other responsibilities that have taken priority.

Without a software inventory it is impossible to determine if all software installed on County IT resources or systems is properly licensed. The use of unlicensed software may result in fines to the County.

Recommendation

We recommend that management ensure that a current software inventory is compiled for all software used at Clark Planetarium.

Management Response

See Appendix A.

Finding # 4 - The 'Controlled Assets Inventory Form - Employee' has not been signed by each employee.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property Assets," requires the use of two different Controlled Assets Inventory forms, one for employees and one for the organization. A key aspect of the prescribed forms is the certification, described in Countywide Policy #1125, Section 4.3.3,

"The 'Certification' . . . states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them."

Section 2.3.4, states,

"At least annually, employees assigned fixed [capital] 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."

Controlled assets, such as computers, laptops, monitors, cell phones, and 2-way radios, are shown on the organization's controlled asset list with the name of the employee to which the assets are assigned. However, management at the Planetarium has not required employees to sign the 'Controlled Assets Inventory Form - Employee' to acknowledge that they are responsible for the assets in their possession.

The Property Manager has not maintained the 'Controlled Assets Inventory Form - Employee.' Therefore, each employee who is assigned controlled assets has not been asked to review and approve the items in his/her possession.

The lack of proper controls puts the employees and the Planetarium at risk in that the employees are not fully aware of their responsibility for safeguarding and caring for the assets assigned to them.

Recommendation

We recommend that all employees who are assigned controlled assets review and sign the 'Controlled Assets Inventory Form - Employee' to indicate their verification of those assets.

Management Response

See Appendix A.

Finding # 5 - The office imprest fund was used for purposes not in compliance with Countywide Policy.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 10.1.1 states,

"No disbursements from Petty Cash and other Imprest Funds are allowed in an amount greater than the amount authorized per transaction, currently \$200."

Section 4.5.1 states,

"The County is exempt from sales tax as a governmental entity. Prior to making a purchase, employees shall request from the Custodian a Utah State Tax Commission Form TC-721, 'Exemption Certificate' to avoid paying sales tax."

The office petty cash fund is used to reimburse employees for expenditures for Clark Planetarium's education department. The education department serves school children through field trips and traveling science education programs throughout the the state of Utah. Some of the travel expenditures for employees participating in the education program exceed the \$200 per transaction limit as prescribed in Countywide Policy #1203. In addition, sales tax is paid on the travel expenditures.

The Associate Director stated that the fund was established with exceptions for exceeding the \$200 per transaction limit and for paying sales tax on purchases used for the education program. However, the Mayor's Office Finance Section did not have any documentation granting these exemptions to Countywide Policy.

Without a written exception to the requirements in Countywide Policy #1203, Clark Planetarium is out of compliance with Countywide Policy.

Recommendation

We recommend that the Clark Planetarium management submit a request to the Mayor's Office for exceptions to the requirements in Countywide Policy #1203 regarding the \$200 per transaction limit and prohibiting sales tax paid on purchases made using the office petty cash fund.

Management Response

See Appendix A.

Additional Information

Background

Clark Planetarium opened in April 2003 with cooperation from the Clark Foundation. Clark Planetarium, located in the Gateway Mall in downtown Salt Lake City, replaced the historic Hansen Planetarium and is one of the world's leading centers for space and science education. Their mission is to create and present information that inspires wonder and learning about space and science. The Planetarium features an IMAX certified big-screen theater and the Hansen Dome Theater, a 55-foot dome planetarium which seats 190 and includes individual interactive seat button controls.

The production department carries on the tradition of the Hansen Planetarium by creating and distributing cutting edge content for planetariums worldwide. Clark Planetarium Productions is one of the few informal science education institutions with the resources to create and distribute its own full-dome animation content. The education department serves over 75,000 school children a year through field trips and traveling science education programs throughout the state of Utah. In addition to the production and education departments, the Planetarium features 10,000 square feet of free exhibits including an authentic moon rock sample on permanent loan from NASA.

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 December 31, 2012. 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.

CLARK PLANETARIUM RESPONSE TO INTERNAL FINANCIAL AUDIT

March 21, 2013

Internal Audit Finding #1 – The actual inventory count of goods could not be compared to the online inventory records.

Clark Planetarium management agrees with this finding. We had identified the problem ourselves and are in the process of correcting it.

- Remediating action planned. Our IS technician is systematically combing the database and cleaning up the item identification numbers. We corrected the way orders are input to ensure all items are processed through the database properly. We also limited the number of individuals who could receive items to ensure that nothing could be received that was not first processed as a purchase order. Two members of the IS department are assigned to audit the database regularly and produce reports for review. The CounterPoint (name of the inventory software) team meets regularly to discuss findings and correct errors.
- When will action be in place. By July 1, 2013 when our mid-year physical count is planned.
- Individual responsible for implementing change. Mike Sheehan, Store Manager. While this project is a group effort, it is appropriate that the store manager have the ultimate responsibility for the proper management and protection of the store inventory.

Internal Audit Finding #2 – The Payment Card Industry Self-Assessment Questionnaire was not completed.

Clark Planetarium agrees with this finding.

- Remediating action planned. We will contact the Galaxy point-of-sale software vendor to learn more about their programming. We want to ensure that the software is not storing credit card information in the ledger. After that we will complete the self-assessment questionnaire (SAQ) level C.
- When will action be in place. The Self-Assessment Questionnaire will be completed no later than September 1, 2013.
- Individual responsible for implementing change. Richard Cox, IT Manager.

Internal Audit Finding #3 – A current software inventory was not available.

Clark Planetarium management agrees with this finding.

- Remediating action planned. We will re-structure responsibilities within our IS section to ensure this task receives priority.
- When will action be in place. By May 1, 2013.
- Individual responsible for implementing change. Richard Cox, IT Manager

Internal Audit Finding #4 – The “Controlled Assets Inventory Form – Employee” has not been signed by each employee.

Clark Planetarium management agrees with this finding.

- Remediating action planned. We will have a form on file for each employee with controlled assets.
- When will action be in place. By May 1, 2013.
- Individual responsible for implementing change. James Garcia, Fiscal Coordinator

Internal Audit Finding #5 – The office imprest fund was used for purposes not in compliance with countywide policy.

Clark Planetarium management agrees with this finding.

- Remediating action planned. A letter has been submitted to the Mayor’s Office requesting an exception to the petty cash countywide policy for the purposes of paying travel expenses for education section employees.
- When will action be in place. By April 15, 2013.
- Individual responsible for implementing change. Carol DeCaria, Associate Director