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May 21, 2018

Jon Daich, Director of Finance  
Salt Lake County Equestrian Park and Event Center  
2100 W 11400 S  
South Jordan, UT 84095

Re: **An Audit of Key Controls at the Salt Lake County Equestrian Park and Event Center – Report Number 2018-MLR11**

Dear Jon,

We recently completed an audit of key controls at Salt Lake County's Equestrian Park and Event Center ("Equestrian Park"). The purpose of the audit was to examine financial records and business processes at the Equestrian Park to determine if critical internal controls related to cash handling, capital and controlled asset management, and other public funds were properly implemented and functioning as intended to help reduce the risk of loss, theft, or misuse of county assets.

Our work was designed to provide reasonable, but not absolute assurance, that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included Countywide Policies such as **Countywide Policy 1203, "Petty Cash and Other Imprest Funds," Countywide Policy 1062, "Management of Public Funds," Countywide Policy 1125, "Safeguarding Property/Assets," Countywide Policy 7035, "Purchasing Card Authorization and Use,"** and the Salt Lake County Parks and Recreation Division's internal policies and procedures.

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of Equestrian Park throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

## Scope and Methodology

Our audit covered the period from January 1, 2017 to December 31, 2017. Our audit work included a formal examination of financial records related to the following operational areas:

- Petty Cash and Change Funds
- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Accounts Receivable

In addition to examining financial records, we observed business practices and tested the internal controls surrounding them. We examined daily cash deposits and monthly reconciliations, interviewed employees, physically examined capital and controlled assets, performed a count of petty cash, and reviewed daily cash collections.

## **Audit Objectives, Findings, and Recommendations**

### **1.0 Petty Cash and Change Funds**

#### **Audit Objectives:**

- **Determine if the petty cash fund and change funds were intact and maintained at the authorized amount.**
- **Determine if petty cash purchases complied with Countywide Policy.**
- **Determine if the petty cash fund and change funds were properly safeguarded against loss, theft, or misuse.**

We performed a surprise count on the \$500 petty cash fund and \$700 change fund at Equestrian Park and found that it was intact and maintained at its authorized amount as recorded by the Mayor's Office of Financial Administration ("Mayor's Finance"). We also interviewed the staff at Equestrian Park, and observed the petty cash reconciliation procedures, operations, and security. We examined 20 petty cash vouchers and original receipts from purchases made since January 1, 2017. We found that all purchases were for a legitimate business purpose, did not exceed the single-purchase limit of \$200, and were reviewed by management.

*Our audit findings and recommendations in the area of petty cash and change funds were as follows:*

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#### **Finding 1.1: The Operations Manager did not sign the fund transfer ledger when returning the change fund to the safe.**

We performed a count of the change fund kept at the Equestrian Park. We also reviewed the processes governing the use of the funds. We found that the change fund correctly reconciled to the \$700 amount authorized by Mayor's Financial Administration. We examined the fund transfer ledger, labeled the "Change Form," used at the park to account for funds when they are removed, and placed back in the safe. We found the operations manager signed the form to indicate when funds were removed from the safe. However, the form was not signed as evidence that the funds were returned to the safe.

**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."*

The Operations Manager explained that the funds were not signed back into the safe because they are used for a very limited amount of time. They are for making change for customers one at a time. After

change is made the funds are placed back in the safe. The risk of theft in this case is relatively low. However, the Equestrian Park should still comply with Countywide Policy. When the change fund is not properly accounted for it increases the risk that funds will be lost or stolen. Signing the *Fund Transfer Ledger* both when retrieving funds and returning funds provides assurance that the funds have been completely accounted for during the time they were used and assigns personal accountability over the funds.

### **Recommendation 1.1:**

***We recommend that the Operations Manager sign the Fund Transfer Ledger both when retrieving and returning the change fund to the safe.***

## **2.0 Cash Handling and Daily Deposits**

### **Audit Objectives:**

- **Determine if cash handling and daily deposit procedures comply with Countywide Policy.**
- **Determine if daily cash collections and deposits are properly safeguarded against theft or misuse.**

Our audit examined whether daily collections, cash handling, and depositing procedures at Equestrian Park complied with **Countywide Policy 1062, "Management of Public Funds."** Equestrian Park receives payments from patrons for its childcare operations. Any payments received during the day are prepared for deposit by the office coordinator and reviewed by the operations manager. We examined a judgmental sample of deposits throughout 2017. We compared the amounts recorded in the Sage accounting system against individual cashier balance sheets, the daily aggregate master balance sheet, and amounts deposited in the bank. We found that all amounts recorded in the point-of-sale system matched the balance sheets and bank deposit slips.

In addition, we reviewed cashier overages/shortages, voided transactions, and "no-sale" transactions within our sample. We found no overages/shortages, one voided transaction that complied with Countywide Policy, and "no-sales" that were appropriate for the volume of transactions occurring at the center.

*We noted no significant findings in the area of cash handling and daily deposits.*

## **3.0 Capital and Controlled Assets**

### **Audit Objectives:**

- **Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.**
- **Determine if capital and controlled assets are properly safeguarded against loss, theft, or misuse.**

Our audit included an examination of capital and controlled asset management at the Equestrian Park. **Countywide Policy 1125, "Safeguarding Property/Assets,"** establishes the policies and procedures for the proper management of County capital (long-term) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

**Countywide Policy 1125, "Safeguarding Property/Assets,"** defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets. Therefore, controlled assets require additional procedures to ensure that they are properly safeguarded against theft or misuse.

The property manager at each County organization is responsible for accounting for all controlled assets within the organization's custody. In addition, **Countywide Policy 1125, "Safeguarding Property/Assets,"** defines an employee's duties and responsibilities when capital (long-term) or controlled assets are provided for their use.

We obtained a copy the Equestrian Park's capital and controlled asset list, dated December 2, 2017, stating that an inventory of capital and controlled assets was conducted, with the initials of the operations manager. We selected a judgmental sample of 10 capital and 20 controlled assets to examine during our audit. We physically examined these assets to determine they were on-site and properly safeguarded. We found 25 of the 30 assets in our sample on-site and in acceptable working condition. The remaining assets in the sample had been sold or disposed of as of our audit date.

When controlled assets are removed from a County facility, the property manager is required to complete and maintain a *Form PM2, Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form*. This form describes the controlled asset removed, its condition, how it was disposed of, and an authorization signature from management. We examined five *PM2 Forms* from the assets in our sample that were identified as disposed of on the controlled asset list. We found the forms were completed properly and maintained by the Property Manager at the Equestrian Park.

*Our audit findings and recommendations in the area of capital and controlled assets were as follows:*

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**Finding 3.1: Equestrian Park management did not use the *Controlled Assets Inventory Form – Employee* to assign personal accountability for controlled assets, as required by County policy.**

During our audit, we performed an examination of a sample of controlled assets. We observed if personal accountability was assigned to employees when they maintained custody of certain controlled assets that were either in their possession or had been specifically assigned to them to use. We found that the *Controlled Assets Inventory Form – Employee* was not used to assign personal accountability for certain assets assigned to specific employees as required by Countywide Policy.

Although we did find that the Operations Manager kept a current controlled asset inventory list that showed all the controlled assets located at Equestrian Park, personal accountability for assets that had been assigned to specific employees had not been established and was not indicated on the inventory list. Periodic controlled asset inventories were performed to ensure that controlled assets were still located on-site and were in acceptable working condition.

**Countywide Policy 1125, "Safeguarding Property/Assets," Section 4.3,** states:

*"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures:"*

**Section 4.3.1,** states:

*"Controlled Assets Inventory Form -Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."*

The Operations Manager at the Equestrian Park stated that she was unaware of the requirement to use this form, and therefore, the form was not used at the facility. When employees are not held personally accountable for the County assets that have been assigned to them for use, the risk that these assets could be lost, stolen, or converted to personal use without being detected by management is increased.

**Recommendation 3.1:**

***We recommend the Operations Manager at the Equestrian Park implement the use of the Controlled Assets Inventory Form – Employee to establish personal accountability to any employee that has been assigned specific controlled assets for their use.***

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**Finding 3.2: The Property Manager at the Equestrian Park had not added a significant capital asset costing \$155,649 to the capital asset inventory list.**

We examined all detailed expenses provided by the County's financial system for the Equestrian Park during 2017. We reviewed all long-term asset purchases over \$5,000 to determine whether they had been appropriately capitalized on the County's accounting records and included on the Equestrian Park's capital asset inventory list. We discovered three long-term asset purchases during the period that exceeded the County's \$5,000 capitalization threshold. We verified that two of these assets were properly identified on the Equestrian Park's capital asset inventory list maintained by the Operations Manager/Property Manager.

However, the third long-term asset we identified from purchasing records, a Front-End Loader costing \$155,649, was not listed or identified on the capital asset inventory list. When we questioned the Property Manager about the oversight she confirmed that she had not yet added the capital asset to the inventory list yet.

**Countywide Policy 1125, "Safeguarding of Property/Assets," Section 2.2 states:**

*"Property Manager's Duties - duties may be appropriately delegated to a subordinate, however consistent with basic management principles, Property Managers and County Administrators remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following:"*

**Section 2.2.3 states:**

*"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."*

**Section 2.2.8 states:**

*"Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and fixed assets are tagged and capitalized. Assist the Auditor's Office as requested in capitalizing fixed assets, etc."*

The Property Manager stated the reason that the asset was not included on the capital asset inventory list was because it was purchased in late December 2017 and she had not yet added it to the list. Keeping current and accurate capital and controlled asset inventory records is a key internal control designed to protect County assets against theft, loss, and misuse. When capital assets are not added to the inventory list in a timely manner, it increases the risk that they could be improperly accounted for, lost, or even stolen, without being detected by management.

**Recommendation 3.2:**

- A. We recommend that the Property Manager at the Equestrian Park add the Front-End Loader to the capital asset inventory list and record the details of the acquisition date, purchase price, and capital asset ID tag number, as soon as possible.**
- B. We recommend the Property Manager at the Equestrian Park define specific procedures to follow any time that an asset is purchased and add all capital assets to the inventory list immediately upon purchase.**

## **4.0 Accounts Receivable**

**Audit Objectives:**

- **Determine if policies and procedures governing accounts receivable complied with Countywide Policy.**
- **Determine if policies and procedures governing accounts receivable were sufficient to protect funds from loss, theft, or abuse.**

Our audit included an examination of accounts receivable records at Equestrian Park. **Countywide Policy 1220, "Management of Accounts Receivable and Bad Debt Collection,"** establishes the policies and

procedures for the proper management of County accounts receivable (“receivables”), including monitoring aging schedules, debt collection policies, and accounting practices.

Equestrian Park records receivables for events held at the facility. Customers will pay a deposit to use the facility. When the event occurs, the Equestrian Park may provide additional services which generate receivables that are billed after the event. These receivables are managed using the facility’s Sage accounting system. We noted a total receivable balance of \$20,359 as of the date of our audit work.

We examined a judgmental sample of 20 account holders and reviewed all the payments made on those accounts during 2017. We analyzed if the accounting system generated a transaction number for each payment made on account. We found that all payment amounts recorded had a unique identifier that could be referenced if a customer requested information about their payment.

We also examined an aging schedule as of the date of our fieldwork. We found there were \$7,518 of outstanding balances exceeding 90 days. We inquired of management how they handled delinquent accounts. The operations manager stated they send notices to customers at the 60 and 90-day marks. After that, they receive a notice to pay within ten days before they are referred to collections. Collections are handled by Transworld Systems, an accounts receivable and debt collection company.

Finally, we reviewed job duties associated with the accounts receivables function and determined if they were properly segregated among employees. We found that some duties were not compatible, but other processes were in place to mitigate associated risks.

*We noted no significant findings in the area of accounts receivable.*

## **Conclusion**

We appreciate the time spent by the staff at the Equestrian Park answering our questions, gathering the necessary documentation and records, and allowing us access to the facility during our audit. The staff were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Sincerely,



Scott Tingley, CIA, CFP®  
Salt Lake County Auditor

Cc: Holly Yocom, Director, Department of Community Services  
Lori Okino, Fiscal Administrator

Attachment A: Agency Response

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Attachment A  
Agency Response

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## Agency Response Equestrian Park and Event Center

**Finding 1.1: The operations manager did not sign the fund transfer ledger when returning the change fund to the safe.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend the operations manager sign the fund transfer ledger both when retrieving and returning the change fund to the safe.</i>	Agree	Instruct manager to sign when retrieving and returning change funds to the safe.	Completed

**Finding 3.1: The Controlled-Asset Employee form was not used to assign personal accountability over controlled assets.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend the "Controlled Asset-Employee" form be used to assign personal accountability to any employee that has custody of controlled assets.</i>	Agree	Obtain and instruct managers regarding assignment of accountability form	4/15/2018

**Finding 3.2: The property manager did not add a capital asset costing \$155,649 to the capital asset list.**

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend the property manager add the Front-End Loader to the capital asset inventory list.</i>	Agree	Add Front End loader to capital asset list kept at the Park	Completed
<i>We recommend the property manager add capital assets to the inventory list immediately upon purchase.</i>	Agree	Instruct manager to add capital assets to list kept at the Park	Completed