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April 24, 2018

Martin Jensen, Director

Parks and Recreation Division

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Salt Lake City, UT 84190

An Audit of Key Controls at the Salt Lake County Ice Center Report Number 2018-MLR13

Dear Martin,

We recently completed an audit of key controls at the Salt Lake County Ice Center ("County Ice Center" or "CIC"). The purpose of the audit was to examine financial records and procedures to determine if critical internal controls over areas such as cash handling, daily deposits, capital and controlled asset management, and other public assets, are properly implemented and functioning as intended to help prevent fraud, waste, or abuse. We also reviewed financial processes and procedures to ensure that they complied with Countywide policies and standards.

Our work was designed to provide reasonable, but not absolute assurance that the system of internal controls was adequate, financial records current, and that daily transactions were recorded accurately. Since our audit included only a sample of items from the period we 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,"* and *Countywide Policy 7035, "Purchasing Card Authorization and Use."*

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 County Ice Center 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. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, records, and transactions in the following areas:

- Change Funds
- Petty Cash and Other Imprest Accounts
- Cash Handling and Daily Deposits
- Capital and Controlled Assets
- Purchasing Card Transactions and Use
- Merchandise Inventory

The audit objectives, findings, and recommendations, in each of the areas we examined are as follows:

Audit Objectives, Findings, and Recommendations

1.0 Change Funds

Audit Objectives:

- Determine if the change fund is intact and maintained at the authorized amount.
- Determine if the change fund is properly safeguarded against theft or misuse.
- Determine if change funds are managed in compliance with Countywide Policy.

The CIC has an authorized change fund amount of \$1,200. This fund is used by cashiers at CIC to make change for customers and patrons who pay cash for services or merchandise. We performed a surprise count of the change fund on January 23, 2018 and compared the total cash on hand with the total authorized change fund amount we obtained from the Mayor's Office of Financial Administration ("Mayor's Finance"). We found that the change fund was intact and maintained at the authorized amount.

The change fund is adequately secured in a safe. Cashiers track movement of the fund to and from the safe by signing a log that also includes a documented count of the fund each time movement occurs. CIC separates its change fund into five different \$100 start-up funds plus four change bags comprised of rolled coins, loose coins, bundled bills, and loose bills totaling \$700. We interviewed the staff at CIC and observed change fund balancing procedures and operations. Cashiers enter the change fund amount on their balancing sheets and subtract it from their total drawer count for the day to keep the fund intact.

We noted no significant findings in the area of change funds.

2.0 Petty Cash and Other Imprest Accounts

Audit Objectives:

- Determine if petty cash is intact and maintained at the authorized amount.
- Determine if the petty cash fund is properly safeguarded against theft or misuse.
- Determine if petty cash purchases are appropriate (for the intended use of funds) and comply with Countywide Policy.

CIC has an authorized petty cash amount of \$1,000. Petty cash funds are established to allow County agencies to purchase small-cost items that are of such a nature that the normal purchase order is not

cost-effective. We performed a surprise count of petty cash at CIC and found that it was intact and maintained at the authorized amount.

Our audit finding and recommendation in the area of petty cash and other imprest accounts was as follows:

Finding 2.1: The authorized amount of the County Ice Center petty cash fund was too high.

During our review of the County Ice Center petty cash fund, we noted a balance of \$969 cash on hand and a request for reimbursement of \$31 that had been recently submitted to Mayor's Finance. We found that only two petty cash vouchers had been submitted for reimbursement during all of 2017, and that the recently submitted reimbursement request was for these two vouchers. The petty cash fund balanced to the authorized petty cash amount of \$1,000.

The Petty Cash Fund Custodian stated that since the use of County p-cards had become more prevalent in recent years, the need for petty cash funds had significantly decreased at the CIC. He also indicated that he had the proper forms to request a reduction in the amount of the petty cash fund, but just had not completed them yet.

Countywide Policy 1203, "Petty Cash and Other Imprest Funds," Section 3.1.4, states:

"The requested imprest amount should be sufficient to provide adequate operating funds for two months."

Management had not evaluated their petty cash needs since the increase in the use of p-cards for small cost purchases. Because petty cash is the most liquid asset of a county organization, there is a risk that it could be easily misappropriated when business processes and internal controls are not adequately established. A large petty cash fund that is not used frequently is at a greater risk of becoming a target for theft.

Recommendation 2.1:

We recommend that County Ice Center management evaluate the future needs of the petty cash fund, and request that the imprest amount be reduced to an amount that would provide adequate operating funds for not more than two months of cash expenditures.

3.0 Cash Handling and Daily Deposits

Audit Objectives:

- Determine if cash handling and daily depositing procedures comply with Countywide Policy.

- Determine if daily cash collections and deposits are properly safeguarded against theft or misuse.
- Determine if there are adequate segregation of duties between cash handling and depositing business procedures.

We examined whether daily collections, cash handling and depositing procedures at CIC complied with Countywide policies. We also examined whether daily collections were properly accounted for and adequately safeguarded against the risk of loss or theft. *Countywide Policy 1062, "Management of Public Funds,"* establishes procedures for receiving, recording, depositing, and disbursing public funds and defines functions and responsibilities to establish and strengthen internal controls over these procedures.

We discussed and reviewed the cash handling procedures with staff members at CIC. Cashiers were aware of countywide policies concerning the management of public funds, and we found that daily collections were properly safeguarded.

To determine if depositing procedures complied with Countywide Policy, we selected a sample of 30 deposit dates to examine. We verified that receipts were issued for sales transactions, and that amounts collected and documented on the consolidated balance sheet matched the bank deposit slip. Three people signed the consolidated balance sheet; the employee who prepared it, the employee who reviewed the count, and the employee who deposited the funds in the bank (usually the same employee who prepared the balance sheet). Collections were deposited no later than three days after receipt in accordance with Countywide Policy.

Overall, we found that depositing procedures at CIC complied with Countywide Policy, and documentation was organized, complete, and accurate. However, we did note two findings in this area.

Our audit findings and recommendations in the area of cash handling and daily deposits were as follows:

Finding 3.1: County Ice Center management did not retain evidence of cashier orientation training.

We found County Ice Center management could not provide evidence of mandatory county cashier orientation training for CIC cashiers. County Ice Center management explained that their practice was to provide direct training for cashiers of cashiers occurs under supervision during their first shift as a cashier or during another trained cashier's shift. Additionally, the cashier training materials used by the Treasurer's Office at the County Ice Center could not be provided.

Countywide Policy 1062 "Management of Public Funds," Section 2.1.3 and 2.1.4, states:

"At regularly scheduled times as determined by the Treasurer, or as requested by County Agency Management, the Treasurer will provide oversight for the process of training newly designated Cashiers. The Treasurer or his designees will also be

available to provide ongoing assistance to Cashiers regarding day-to-day issues. Newly appointed Cashiers, within a reasonable timeframe, shall read through this policy, attend the Cashier Orientation, and report completion to their Supervisor."

Management explained that they feel good about the training the cashiers have received; however, they have not fulfilled all requirements of Countywide policy in that process. When cashiers are not properly trained, then there is a risk that County funds may not be adequately safeguarded.

Recommendation 3.1:

We recommended that County Ice Center management document the training materials provided to new cashiers and retain an acknowledgement by cashiers that they have received the training and include the date the training occurred.

Finding 3.2: Cash overages or shortages were not recorded on an MPF Form 11, Cash Over/Short Log, or similar form, as required by Countywide Policy.

We examined a sample of 30 deposit days for the audit period of January 1, 2017 to December 31, 2017. We requested copies of the monthly over/short logs and the Office Coordinator provided an excel spreadsheet. In the spreadsheet, there was a tab for each cashier that worked throughout the year. Each tab noted the dates the cashier worked and whether there was an overage or shortage during the cashier's shift.

We noted that the spreadsheet had been prepared by the Office Coordinator but was not signed-off by the cashiers, nor was it reviewed by a supervisor.

Countywide Policy 1062 "Management of Public Funds," Section 5.3.1, states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log. . .The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor."

The Office Coordinator indicated the current procedure he was using was established prior to him being hired on at the CIC, and he simply continued the practice. Without an over/short log for each cashier that is reviewed by their immediate supervisors, it is difficult to determine individual accountability and detect any trends which may indicate misstated financial results and/or fraud. MPF Form 11, provides a key internal control for supervisors to easily identify unusual patterns, or an excessive number of cash overages or shortages attributed to a specific people employee.

Recommendation 3.2:

- A. *We recommend that cashiers at the County Ice Center record all cash overages or shortages from their individual cash balance sheets daily onto an MPF Form 11, Cash Over/Short Log, or similar form, as required by Countywide Policy.*
- B. *We recommend that the cashier supervisor review the MPF Form 11 Cash Over/Short Log, at least monthly and sign the form as an indication of review.*

4.0 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.
- Determine if asset management practices comply with Countywide Policy.

Our audit included an examination of the management of County property and assets, under CIC's control, that are necessary for the center to operate and achieve its organizational objectives. *Countywide Policy 1125, "Safeguarding Property/Assets,"* establishes procedures and policies for the proper management of County owned capital and controlled assets, including accounting for, protecting, and disposing of those assets. We reviewed capital and controlled asset management procedures with the Center Manager at CIC.

We obtained a current capital asset list for CIC from the County's financial system and noted that the center has six capital assets. We located four of the six assets on-site.

We obtained a combined capital and controlled assets list from the Property Manager for CIC. We selected a sample of 25 controlled assets from the list to locate on-site. We also randomly selected five controlled assets that we observed on-site to trace back to the controlled asset list.

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 can be susceptible to theft or conversion to personal use, and, therefore, require special procedures to ensure that they are properly safeguarded. The property manager at each County organization is responsible for accounting for all controlled assets within the organization's operational and physical custody.

During our review, we also examined items that the CIC had purchased that could meet the criteria and definition of a controlled asset, and therefore should be included on the controlled assets list. We found that the CIC had purchased a spot light, a microwave oven, and a hot dog warmer during the time we

reviewed. All three of these items were properly documented on the controlled asset list and physically present at the facility.

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

Finding 4.1: The *Controlled Assets Inventory Form – Organization*, was not signed by the Property Manager to indicate that an annual inventory of controlled assets had been completed.

We found that management at the County Ice Center was not using the *Controlled Assets Inventory Form - Organization*, or similar form, to track controlled assets at the facility. Instead, County Ice Center management provided us with an Excel spreadsheet that was used to track controlled asset items. We noted several issues during our review of the spreadsheet, including the following:

- Capital assets were listed on the spreadsheet along with controlled assets
- Thirty show lights were listed on the spreadsheet which were later determined that they did not to meet the criteria of a controlled asset
- Controlled assets that had been disposed of several years prior were still listed on the spreadsheet
- No evidence of management's review and approval of the annual controlled asset inventory

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. . . Exhibit 4 - 'Controlled Assets Inventory Form - Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee."

When we presented this issue to CIC management, they did not understand the County procedures for tracking controlled assets. When controlled asset records are incomplete or inaccurate, assets are at a greater risk of being lost, stolen, or diverted for personal use, without being detected by management. The annual controlled asset inventory is a key internal control used by County managers to verify the existence and condition of controlled assets, and to help ensure that County assets are properly safeguarded against theft or misuse.

Recommendation 4.1:

We recommend that the Property Manager at the County Ice Center conduct a controlled assets inventory at least annually, and that the agency's spreadsheet be updated to allow management to document their review and approval of the annual controlled asset inventory process.

Finding 4.2: Management at the County Ice Center were not using the *Controlled Assets Inventory Form – Employee*, or similar form, as required by Countywide Policy.

We found that management at the County Ice Center were not using the "*Controlled Assets Inventory Form – Employee*," or similar form, to manage and track controlled assets that had been assigned to specific employees. We determined that there were at least four merit employees with offices at the CIC that had controlled assets that were used by and readily assignable to them.

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. . . Exhibit 3 - '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 Property Manager at CIC was not aware of the requirement to use the *Controlled Assets Inventory Form – Employee* to track controlled assets that had been assigned to a specific employee, as stated in Countywide Policy 1125. The *Controlled Assets Inventory Form – Employee* is a key internal control that helps ensure that county assets are properly safeguarded against theft or misuse. The forms establish personal responsibility for those assets that are used by and readily assignable to specific employees. Management at CIC should establish procedures for using the form and ensure that the forms are reviewed and updated periodically.

Recommendation 4.2:

*We recommend that the County Ice Center Property Manager implement the use of the *Controlled Assets Inventory Form – Employee*, or similar form, for all assets that are readily assignable to a specific employee, and have those employees verify the accuracy of the list by signing and dating the forms at least annually.*

Finding 4.3: County capital asset records did not match items found on-site at the County Ice Center, and the proper documentation was not completed for some capital assets that had been disposed of several years ago.

We obtained a combined list of both capital and controlled assets from the County Ice Center's management. The list identified five capital assets costing over \$5,000, the current capitalization threshold for assets purchased by County agencies. Out of the five assets on the list, two were recorded as being disposed of, leaving only three current capital assets on-site and maintained by the CIC.

We also obtained a current capital asset list from the County's financial system and compared that list to the County Ice Center's capital assets records. The County's capital asset list had a total of six capital assets that had been purchased and assigned to the County Ice Center. We were able to verify only four

out of the six capital assets on the County's records as being on-site at the County Ice Center. In our comparison of the two sets of capital asset records, we noted the following:

A new copy machine was purchased in June 2015, but the old copier was not removed from the capital asset list when it was disposed of. The CIC purchased a new copy machine in June 2015, and we were told by CIC management that the old copy machine was disposed of at about the same time that the new machine was acquired. However, the old copier was still listed on the capital asset listing, and CIC management could not provide any documentation of the disposal or transfer of the old copy machine. County agencies are required to complete a *Form PM-2, Salt Lake County Personal Property Transfer/Disposal/Internal Sale* form whenever a County asset is disposed of or sent to County Surplus. County agencies should keep a copy of all PM-2 Forms to document that County-owned assets are properly disposed of or sent to surplus, and not stolen or otherwise converted to personal use. Without proper documentation, the CIC could not prove that the old copier was disposed of properly. We discussed the issue with the fiscal manager at Parks and Recreation, who confirmed that several copiers were traded in at various facilities around this same time.

A Zamboni ice resurfacers machine's capital asset tag number did not match the number listed for the machine on the County's record. We discovered that the Zamboni ice resurfacers machine at the CIC had a capital asset tag number that did not match the tag number listed on the County's capital asset list. When we presented this issue to the CIC's Property Manager, we were told that another Zamboni machine was purchased at the same time and delivered to the Acord Ice Center. Both machines were on the same truck for delivery, and the two machines were delivered to the wrong location, with the CIC receiving the Zamboni meant for the Acord Ice Center, and vice versa. We confirmed that the capital asset tag number on the Zamboni machine at Acord did in fact match the tag number assigned to the machine at the CIC. The mix up had gone uncorrected on the County's records and the CIC's internal records for several years.

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

"Property Managers assigned by their Administrators are responsible for the following: . . . Accounting for all fixed assets within the organization's operational and/or physical custody . . . Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody . . . 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."

The County Ice Center Facility Manager stated that historically, the Parks and Recreation Administration Office would contact him annually to assist him with the annual capital asset inventory process, as required by *Countywide Policy 1125*. However, he could not recall receiving a recent request for help with the annual inventory process since some recent changes in staffing at the Administration Office.

When capital assets records are inaccurate or incomplete, the risk that those assets could be lost, stolen, or improperly disposed of increases. In our opinion, the fact that several issues or discrepancies regarding capital assets at the CIC have gone uncorrected for several years, shows a lack of concern for properly safeguarding County assets against the risk of theft or loss.

Recommendation 4.3:

- A. *We recommend that the County Ice Center's Property Manager coordinate with Mayor's Finance to correct the County's capital asset records and ensure that all capital assets located at the facility are properly identified. The Property Manager should also ensure that copies of all PM-2 forms are retained to properly document when an asset has been disposed of or sent to surplus.*
- B. *We recommend that the County Ice Center's Property Manager conduct an inventory of capital assets at least annually. County Ice Center management should review and sign-off on the results of the capital asset inventory and ensure that any discrepancies that are discovered are corrected in a timely manner.*

5.0 Purchasing Card Transactions and Use

Audit Objectives:

- Determine if purchasing card transactions were appropriate and complied with Countywide Policies.
- Determine if purchasing cards are properly safeguarded against loss, theft, or misuse.
- Determine if purchasing card transactions were properly authorized and reviewed by management.

We examined purchasing card ("p-card") transactions made by CIC personnel. The CIC has four authorized cardholders that can make purchases using p-cards. *Countywide Policy 7035, "Purchasing Cards Authorization and Use,"* establishes the policies procedures for obtaining and properly using p-cards. The policy also discusses allowed and prohibited purchases, reconciliations, and actions to take in case the card is lost or stolen or the cardholder transfers to another department or terminates his or her employment with the County.

We examined all 288 p-card transactions for the calendar year ending December 31, 2017. We found that all p-card purchases were under small cost purchase limits, all payments included a supporting receipt or invoice on file, and descriptions of items or services on invoices indicated a valid business purpose. The County Ice Center has a process in place for management to review and approve p-card purchases.

Our audit finding and recommendation in the area of purchasing card transactions and use was as follows:

Finding 5.1: Employees at the County Ice Center did not submit *Meal Reimbursement Forms* for Division Director approval, prior to purchasing food items using their purchasing cards.

We reviewed the supporting documentation for a total of 288 p-card transactions made during 2017 by CIC cardholders. Out of those 288 transactions, we found five purchases of food items totaling \$741. In each of the five transactions, we could not find a completed *Meal Reimbursement Form* ("MRF") that had been approved by the Parks and Recreation Division Director prior to making the purchases. The food purchases were made for three different events: (1) Taffy for the Murray City 4th of July parade (\$316), (2) cookies for an awards night (\$214), and (3) hot dogs and buns for the Ice Fest (\$211).

Countywide policy prohibits the purchase of meals or food items using County funds, except in limited circumstances. Those limited circumstances include meals or food items provided at board, committee or council meetings that the County hosts, the cost of meals at conventions or conferences that County employees attend as representatives of the County, and functions of an exigent nature where meals or food items may be provided in the line of duty. All other expenditures for meals or food items must be approved by the division director, department director, or elected official in charge of the County entity seeking approval.

Countywide Policy 1020 "County Meals," Section 4.1, states:

"It is the responsibility of the Elected Official or Department Director to monitor expenses and determine reasonableness for the meal."

Furthermore, Section 6.1, states:

"All requests for payment shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to county business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt."

When we discussed this issue with management at the CIC, they were not aware of the limitations and requirements for pre-approval of food item purchases in Countywide Policy. Since all three of the events that the CIC purchased food items for were not for permissible circumstances under Countywide Policy 1020, management should have completed an MRF and submitted it to the Division Director for pre-approval prior to making the purchases on their p-cards.

Recommendation 5.1:

- A. *We recommend that County Ice Center management complete a Meal Reimbursement Form for the three events where food items were purchased and submit them to the Parks and Recreation Division Director for approval. The County Ice Center should retain copies of the Meal Reimbursement Forms once the Division Director has approved them.*

- B. We recommend that County Ice Center management review Countywide Policy 1020 with cardholders and ensure that Meal Reimbursement Forms are completed and submitted for approval prior to making any meal or food item purchases in the future.*

6.0 Merchandise Inventory

Audit Objectives:

- Determine if merchandise inventory is accounted for properly and inventory management practices comply with Countywide Policy.
- Determine if merchandise inventory is properly safeguarded against loss, theft, or misuse.

The County Ice Center has a pro-shop on-site that sells hockey and figure skating related items, including hockey sticks and pucks, skates, clothing, and accessories. The Pro-shop Manager conducts a quarterly inventory count of all inventory items on-hand. This count is later reviewed with the Facility Manager. However, there is not an established perpetual inventory system, or an inventory updated in real time for purchases and sales.

The Pro-shop Manager orders inventory items and receives the merchandise when it is shipped to the CIC. He then pays for it with his p-card. His purchases are later reviewed and approved by the Facility Manager and Parks and Recreation Administration.

Merchandise inventory not displayed on the sales floor is stored in a locked area. The pro-shop has a cashier stationed just outside the shop and surveillance cameras monitor employee and customer activity.

Our audit findings and recommendations in the area of merchandise inventory were as follows:

Finding 6.1: Management at the County Ice Center did not use detailed inventory count sheets to identify merchandise inventory discrepancies.

We found that management was not keeping detailed inventory records for each merchandise item type. Instead, management was calculating an overall "financial summary" of inventory to determine an average markup and profit margin.

Sound merchandise inventory management practices recommend that actual inventory counts should be compared to the count of items that should be on hand, as determined by beginning inventory plus purchases, and minus sales (cost of goods sold). Alternatively, an expected inventory on hand can be calculated from the beginning inventory plus purchases minus the current count. The resulting sum is then multiplied by retail price and compared to actual sales since the last count. The merchandise inventory procedure provided to the auditors did not result in a documented difference between the actual count and the expected count that should have been on hand.

United States General Accounting Office, Executive Guide, (2002), "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports. ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists, and that on-hand balances agree with financial and logistical records."

County Ice Center management was not aware of best practices to maintain inventory counts. Management indicated that there were a couple of issues that had deterred them in utilizing the inventory module within the point of sale system. Originally, the inventory module had not been purchased with the point of sale application. There was discussion with the Parks and Recreation main office that they may replace the system with another. County Ice Center management also mentioned the cost effectiveness of using a method that analyzes each item type versus the financial summary method they have been utilizing.

When proper inventory counts are not conducted to determine and report inventory adjustments, management cannot effectively determine the levels of losses due to theft, damage, returns, incentives, or defective goods.

Recommendation 6.1:

- A. *We recommend that County Ice Center management implement a proper inventory count to ensure accurate inventory records.*
- B. *We recommend that management utilize the inventory module within the point of sale system.*

Finding 6.2: Management did not retain inventory receiving records.

We found no documented evidence of a count being performed upon receipt of goods. Through discussion with the pro shop Manager, when goods are received the goods are compared to the packing slip. After the goods have been received/checked, the pro shop manager throws away the packing slip and then pays the invoice with his P-card.

Countywide Policy 2000 "GRAMA Records Management Policy and Procedure Definitions," Section 1.60 states:

"Records Retention Schedule - a list of series titles with time periods established for which records shall be retained, where records shall be retained and what shall be their final disposition. Records are retained for administrative, legal, fiscal, audit, historical and/or public interest purposes."

According to the Accounting Records schedule AR-001, Accounts Payable records "include copies of checks, invoices, purchase orders, and receiving reports." The retention period is four years.

Management was not aware of the requirement to maintain receiving reports. Without a receiving report, there is not documentation that the retailer has received the goods and there is no assurance that the invoice was paid for the proper quantity and acceptable quality.

Recommendation 6.2:

- A. *We recommend that management retain a copy of the packing slip provided by the vendor as a receiving report to document the date the goods were received, the number of items received, and sign and date the packing slip.*
- B. *We recommend that the packing slip be checked against the invoice to confirm the quantity and items received agree to the quantity and items invoiced.*

Finding 6.3: There was a lack of proper separation of duties for the purchasing, receiving, and management of merchandise inventory.

We found the pro shop manager ordered, received, paid for merchandise with their County-issued p-card, and maintained the inventory records. The facility manager approved the purchases at the end of the month during a review of p-card purchases.

United States General Accounting Office, Executive Guide, (2002), "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 28, states:

"The key areas of segregation are (1) physical custody of assets, (2) processing and recording of transactions, and (3) approval of transactions. Ideally personnel performing any one of the above functions would not also have responsibilities in either of the other two functions. ... In situations where segregation of duties is not practical or cost-effective, other controls should be employed to mitigate the recognized risk. Such mitigating control procedures include blind counts (meaning that the counter does not know how many items are supposed to be there before or during the count process), increased supervision, and applying dual control by having activities performed by two or more people."

Management was not aware of the importance of or the risks associated without proper segregation of duties. Without segregation of duties or compensating controls in instances where segregation of duties is not practical or cost effective, increased risk of undetected theft or loss, unexpected shortages of critical items, and unnecessary purchases of items already on hand is increased.

Recommendation 6.3:

We recommend that duties of the Pro-shop Manager be segregated. If this is not practical due to staffing limitations, then compensating controls should be implemented.

Martin Jensen, Director

Page 15

April 24, 2018

For example, a second individual should participate in the key functions such as receiving goods and performing inventory counts.

Conclusion

We truly appreciate the time spent by the staff at County Ice Center answering our questions, gathering the necessary documentation and records, and allowing us access to the center during our audit. The staff at County Ice Center were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for better compliance with county policies and processes, and better safeguarding of County assets. Please feel free to contact our office with any questions or concerns that you may have.

Sincerely,



Scott Tingley, CIA, CFP

Salt Lake County Auditor

Cc: John Barenbrugge, Program Manager
Andrew Keddington, Associate Division Director - Fiscal Operations

Attachment A: Agency Response

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Attachment A
Agency Response

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Agency Response
Salt Lake County Ice Center

Finding 1.1: County Ice Center management did not retain evidence of cashier training.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that County Ice Center management document the training materials provided to new cashiers and retain an acknowledgement by cashiers that they have received the training and include the date the training occurred.</i>	Agree	We will continue to provide an acceptable level of training to all new cashiers, and to established cashiers. Effective immediately, we will also develop and maintain adequate documentation of these trainings, including a description of the training provided, and acknowledgement by the cashiers that they have received the training.	4/30/18

Finding 2.1: The authorized amount of the County Ice Center petty cash fund was too high.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that County Ice Center management evaluate the future needs of this fund, and request that the imprest amount be reduced to an amount that would provide adequate operating funds for not more than two months of cash expenditures.</i>	Agree	The current fund balance of \$1,000 used to be necessary, but now that three of our merit personnel have purchasing cards, it no longer is. I will be submitting the proper documentations and requests to have the facility petty cash fund balance reduced to \$300.	5/31/18

Finding 3.1: Cash overages or shortages were not recorded on MPF Form 11 "Cash Over/Short Log" or similar form as required by Countywide policy.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that cashiers record all cash overages or shortages from individual cash balance sheets on a daily basis onto the monthly MPF Form 11 "Cash Over/Short Log" or similar form.</i>	Agree	These are things that used to take place on a regular basis, but have recently been overlooked due to changes in bookkeeper personnel. We have already taken steps to reinstate these procedures.	4/19/18

<p><i>We recommend that the supervisor for cashiers review the monthly MPF Form 11 “Cash Over/Short Log” or similar form and sign the form as an indication of review.</i></p>			
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Finding 4.1: The “Controlled Assets Inventory Form – Organization” was not completed and signed by the property manager.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that the property manager annually conduct a controlled assets inventory and use the “Controlled Assets Inventory Form – Organization” or similar form and sign and date the form as evidence of review.</i></p>	<p>Agree</p>	<p>We already conduct an annual controlled assets inventory, and always have. Beginning immediately, we will sign and date the form annually, as evidence of the review, as recommended above.</p>	<p>4/30/18</p>

Finding 4.2: The “Controlled Assets Inventory Form – Employee” or similar form was not used.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that the County Ice Center property manager use the “Controlled Assets Inventory Form – Employee” or similar form for assets readily assignable to a specific employee, and have those employees verify the accuracy of the list by signing and dating the forms on an annual basis.</i></p>	<p>Agree</p>	<p>This will require a complete overhaul of our 25-page Controlled Assets Report Form. We will complete this overhaul and redesign the form to include sections where specific employees can sign and verify the list accuracy, as recommended. We will complete this project during this year's extended summer shutdown.</p>	<p>8/31/18</p>

Finding 4.3: Two capital assets recorded in the County’s financial system did not match actual activity on-site.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
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<p><i>We recommend that management coordinate with fiscal management of Parks and Recreation and Mayor's Finance to correct the capital asset list to remove the traded in copier and correct the tag number for the Zamboni in the accounting system.</i></p> <p><i>We recommend that management conduct an annual inventory for capital assets separate from controlled assets and use the information and numbering system assigned by the accounting system.</i></p>	<p>Agree</p>	<p>We will coordinate with Parks and Rec Fiscal Management and Salt Lake County Mayor's Finance to make corrections to the capital assets list. We will also create a new form to list all capital assets, and sign that form annually to verify the list accuracy, as recommended.</p>	<p>5/31/18</p>
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Finding 5.1: Employees did not submit Meal Reimbursement Forms for management approval.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that employees submit a MRF to management for all non-concession food purchases.</i></p> <p><i>We recommend that management review and authorize all MRFs submitted by employees.</i></p>	<p>Agree</p>	<p>We will follow the above recommendations and immediately make the necessary changes to our procedures.</p>	<p>4/30/18</p>

Finding 6.1: Management did not use detailed inventory count sheets to identify inventory discrepancies.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that management implement a proper inventory count to ensure accurate inventory records.</i></p>	<p>Agree</p>	<p>We will take on the project of setting up the inventory module within the Sportsman point of sale system, to better track Pro shop items as they are added to inventory, and then eventually sold. This will also enable us to more effectively maintain and track inventory counts, as</p>	<p>8/31/18</p>

<i>We recommend that management utilize the inventory module within the point of sale system.</i>		outlined in the recommendations. We will complete this project during this year's extended summer shutdown period.	
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Finding 6.2: Management did not retain inventory receiving records.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that management retain a copy of the packing slip provided by the vendor as a receiving report to document the date the goods were received, the number of items received, and sign and date the packing slip.</i></p> <p><i>We recommend that the packing slip be checked against the invoice to confirm the quantity and items received agree to the quantity and items invoiced.</i></p>	Agree	Effective immediately, we will retain the packing slip for all orders that arrive at the center, and we will attach it to the invoice and any other documents that pertain to the order. We will also check off items on the packing slip to confirm that the items invoiced have been received.	4/30/18

Finding 6.3: Separation of duties does not exist for the purchasing, receiving, and management of inventory.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that duties of the pro shop manager be segregated. If this is not practical due to staffing limitations, then compensating controls should be implemented. For example, a second individual should participate in the key functions such as receiving goods and performing inventory counts.</i></p>	Agree	We already have a second individual performing inventory counts in most cases. We also often have a second individual participating in the receiving of goods. Effective immediately, we will make this our Standard Operating Procedure for all inventories, and all orders that are received.	4/30/18