

A Key Controls Audit of
Salt Lake County's
Clark Planetarium

A Report to the
Citizens of Salt Lake County
The County Mayor and the
County Council

AUDIT REPORT



Clark Planetarium



**OFFICE OF THE
SALT LAKE COUNTY AUDITOR**

**SCOTT TINGLEY, CIA, CGAP
SALT LAKE COUNTY AUDITOR**

OUR MISSION

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.

June 2018

A Key Controls Audit of
Salt Lake County's
Clark Planetarium

June 2018

Scott Tingley, CIA, CGAP
SALT LAKE COUNTY AUDITOR

Cherylann Johnson, MBA, CIA, CFE, CRMA
CHIEF DEPUTY AUDITOR

AUDIT MANAGER:
Larry Decker, CPA, CIA

AUDIT STAFF:
James Fire, MBA/Acc



OFFICE OF THE SALT LAKE COUNTY AUDITOR
AUDIT SERVICES DIVISION

www.slco.org/auditor/audit-reports/



SCOTT TINGLEY
CIA, CGAP

Salt Lake County Auditor
STingley@slco.org

CHERYLANN JOHNSON
MBA, CIA, CFE
Chief Deputy Auditor
CAJohnson@slco.org

ROSWELL ROGERS
Senior Advisor
RRogers@slco.org

STUART TSAI
JD, MPA
Property Tax
Division Administrator
STsai@slco.org

**OFFICE OF THE
SALT LAKE COUNTY
AUDITOR**
2001 S State Street, N3-300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711
1-866-498-4955 / fax



June 1, 2018

Seth Jarvis, Director
Clark Planetarium
110 South 400 West
Salt Lake City, UT 84101

An Audit of Key Controls at the Clark Planetarium June 1, 2018

Dear Seth,

We recently completed an audit of key controls at Salt Lake County's Clark Planetarium ("Clark"). An audit of key controls provides reasonable, but not absolute assurance that key internal controls related to Countywide Policies and business processes were sufficient to prevent fraud, waste, and abuse, were properly implemented, and operated as intended. Since we only sampled assets and transactions, problems may exist that were not discovered outside the samples.

The criteria used for the audit included, but was not limited to, Countywide Policies such as *Countywide Policy 1062 "Management of Public Funds," Countywide Policy 1125 "Safeguarding Property / Assets,"* and *Countywide Policy 1203 "Petty Cash and Other Imprest Funds"*.

Although this report primarily focuses on findings and recommendations for improvement, it is not meant to imply the absence of various strengths and accomplishments that we observed at Clark Planetarium. We appreciate the time and effort the staff at Clark provided throughout this audit.

Clark Planetarium opened in April 2003 and is located at The Gateway, which is a large open-air retail, residential, and office complex. It is centered on the historic Union Pacific Depot on the west side of downtown Salt Lake City. Clark Planetarium has several ways to fulfill educational and entertainment needs to the community.

The Planetarium has scientific and educational displays and interactive exhibits representing extraterrestrial bodies and phenomena within the universe. The facility includes both an IMAX theater and dome theater, gift store, and concessions area. The IMAX theater shows movies related to outer space and nature, and the dome theater features cosmic light shows set to music and space-themed video productions. The Planetarium also produces and sells video productions for use by other planetariums and organizations.

Scope and Methodology

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

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

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 change funds, examined purchasing card (P-Card) transactions, and sampled merchandise inventory.

Audit Results

1.0 Petty Cash, Change Funds and Other Imprest Accounts

Audit Objectives:

- Determine if the petty cash, change fund, and other imprest funds are intact and maintained at the authorized amounts.
- Determine if the petty cash, change fund, and other imprest funds are properly safeguarded against loss, theft, or misuse.
- Determine if purchases using petty cash and other imprest funds comply with Countywide Policy.

Clark Planetarium has a change fund of \$3,200 which is split into 10 separate funds of varying amounts for cash registers, large bill exchange, coin exchange, and outreach. We conducted a surprise count of the change fund and verified that it was intact and maintained at the authorized amount as recorded by the Mayor's Office of Financial Administration ("Mayor's Finance"). The separate funds are secured in a combination safe when not in use.

We also reviewed transactions made in 2017 for the two imprest checking accounts. The first imprest checking account has a \$20,000 limit and is used primarily for concession stand purchases. The second imprest checking account has a \$2,000 limit and is used for small incidental payments such as utility payments. All transactions were reviewed to ensure they were authorized by management, no sales taxes were paid, there were no split transactions, and they did not exceed \$200.

The planetarium segregates a portion of its imprest checking accounts as two cash funds for purchasing small cost items as needed. The cash portions are secured in combination lock boxes and stored in locking cabinets for which only the custodians have the key. We performed a surprise cash count of the cash portions and reviewed disbursements made in 2017 to verify that sales taxes were not paid, split transactions did not exist, and transactions were less than the small cost purchase limit of \$200.

We noted no significant audit findings in the area of petty cash and other imprest funds.

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.

In our audit we examined 23 separate bank deposits, containing 375 cash drawer reconciliations, to verify that daily collections are accounted for properly and recorded accurately. We noted that the deposits were balanced each day to the collections recorded in the point-of-sale system. In addition, the funds matched the amounts that were posted to bank statements. We also examined the days that transpired between the date of collection and the date the funds were posted in the bank account. Finally, we verified that the bank statements were reconciled monthly.

We found that management at Clark provided adequate oversight, and that daily collections procedures were functioning as intended to ensure accuracy and protection against theft or loss of County funds. A cashier supervisor opens and closes daily tills, verifies cash, checks, and credit cards collected, and reviews monthly over/short logs. Funds collected each day are stored in a combination safe to which only authorized personnel know the combination. Deposits are prepared daily by an individual who is not involved with cashiering activities. Prepared deposits are picked up by an armored car service and delivered to the bank.

Our audit finding and recommendation in the area of cash receipting and depositing are as follows:

Finding 2.1: Funds were not always deposited in the bank within three days of collection.

We examined a sample of 23 bank deposits between January 1, 2017 and December 31, 2017. In the sample, we found that seven deposits were made more than three days after receipt of the funds.

Countywide Policy 1062, "Management of Public Funds," Section 3.7.2, states:

"As required by section 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable but no later than three days after receipt."

Clark's Fiscal Manager stated that delays could be attributed to the deposit process. In this process, an armored car service will pick up the funds and deliver them to the bank. Delays may occur in the interim when the armored car service has possession of the funds. Also, delays tended to occur on Fridays and holidays when the armored car service would not be available. For example, collections on Friday before the three-day President's Day weekend did not make it to the bank until six days later. The armored car service would not have received these collections until the following Tuesday, four days later. Funds deposited beyond the statutory three-day limit risk being stolen, or they do not receive interest earnings for the time they remained idle at the agency.

Recommendation 2.1:

We recommend that Clark Planetarium management discuss the three-day bank deposit rule with their armored car service to determine if delays can be eliminated.

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. *Countywide Policy 1125, "Safeguarding Property/Assets,"* establishes the policies and procedures for the proper management of County capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

Countywide Policy 1125, "Safeguarding Property/Assets," also 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 (fixed) or controlled assets are assigned to them for their use.

We obtained Clark's capital asset inventory report from the County's financial system. The report was current as of February 28, 2018 and listed a total of 85 capital asset items at Clark. We also obtained a controlled assets inventory list from Clark's Property Manager. The list was dated January 13, 2018 and listed a total of 272 controlled asset items. From these reports, we selected a sample of 40 capital and 64 controlled assets to determine whether they were identified accurately, physically present, and accounted for properly.

When capital assets are transferred, removed, or disposed of by a County agency, the property manager of the agency is required to complete *Form PM2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form"* to document the action, and retain a copy of the form for the agency's records. This form describes the capital asset removed, or disposed of, its condition, how it was disposed of, and an authorization signature from the agency's management. We examined all the PM-2 forms at Clark that were created in 2017. We found that the forms were complete and that copies had been retained by the Property Manager for Clark's records.

We verified that the *Controlled Assets Inventory Form – Employee* was used by employees to whom controlled assets were assigned. We observed they were signed and dated during the last quarter of 2017.

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

Finding 3.1: An iPad Pro that we found on-site at Clark Planetarium was not included on the controlled assets inventory list.

During our review, we randomly selected asset items we found on-site that in our opinion fit the Countywide Policy definition of a controlled asset to trace back to the controlled asset inventory list, to ensure that the list was accurate and complete. One of the asset items we identified on-site was an Apple iPad Pro, in possession of one of the employees at Clark. We found that it had not been included on the controlled assets inventory list.

Countywide Policy 1125, "Safeguarding Property / Assets," Section 1.2, defines controlled assets as:

"Personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use, thereby necessitating special provision for safeguarding."

The Property Manager at Clark stated that the iPad Pro was purchased by a Clark employee using a County p-card and was overlooked when reviewing items to add to the controlled assets inventory list. Keeping the controlled assets list current and complete is a critical internal control designed to help reduce the risk that items purchased with County funds could be lost, stolen, or converted to personal use without being detected by management.

When items are purchased using a County-issued p-card, County managers and supervisors should regularly review those purchases to ensure that any items purchased that meet the criteria of a controlled asset are reported to the property manager and properly recorded on the inventory list as soon as possible. Without adequate oversight and accurate record keeping of high-value controlled asset items, such as the iPad Pro, the risk that County assets could be stolen or converted to personal use is greatly increased.

Recommendation 3.1:

- A. *We recommend that Clark Planetarium management add the iPad Pro to the controlled assets inventory list as soon as possible.*
- B. *We recommend that Clark Planetarium management review the controlled assets inventory list, at least annually, to verify that all purchases of controlled assets are recorded on the list in a timely manner.*

Finding 3.2: Four items listed on the control assets inventory list could not be found on-site.

We examined a random sample of 64 items from the organization-wide controlled assets inventory list. From the sample, we could not account for four items: three desktop computers and a laptop computer.

Countywide Policy 1125, "Safeguarding Property / Assets," Section 2.2.3, states:

"Property Managers are responsible to ... maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

The Property Manager stated that he did not know where these missing items could be located. We searched various rooms at the planetarium with him but were unable to identify or locate these four assets. When controlled assets cannot be located, theft may have occurred, and the asset tracking methodology is not effective.

Recommendation 3.2:

We recommend that Clark Planetarium's management develop a controlled asset tracking system that will eliminate confusion as to the asset location and possible theft.

Finding 3.3: Clark Planetarium's Property Manager did not complete an annual controlled assets inventory using correct methodology.

The Property Manager did not conduct an annual controlled assets inventory. He did not verify all assets on-site using the complete list of organizational assets.

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

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

The Property Manager stated that the *Controlled Assets Inventory Form – Employee* forms are distributed every September to employees who are assigned controlled assets. Employees review and sign the forms. Management considers this as sufficient inventory verification. While asking employees to sign the employee inventory form and return it to the administrative office provides a certain degree of verification, the process lacks independence. Employees could easily sign the form without observing the assets on-site. In addition, controlled assets not assigned to individual employees would not be included. A valid inventory requires independent verification by the Property Manager and his assistants using the total list of assets for the organization as a reference point.

Recommendation 3.3:

We recommend that Clark's Property Manager conduct an annual controlled assets inventory using the total list of assets for the organization as the reference point and not consider the signed "Controlled Asset Inventory Form[s] – Employee" as a valid organization-wide inventory.

4.0 Purchasing Cards

Audit Objectives:

- Determine if purchasing card procedures comply with Countywide Policy.
- Determine if purchasing cards are properly safeguarded.

Clark Planetarium has 10 purchasing cards issued to employees which were used for 1,317 transactions during 2017. We examined 537 of the transactions to determine if they followed *Countywide Policy 7035, "Purchasing Cards Authorization and Use,"* that establishes policy and procedures that govern p-card transactions.

We physically observed that the employees kept the cards on their person or in a secure area. We compared their names against a list of cardholders provided by Contracts and Procurement to determine if the cardholders had gone through training on the appropriate use of p-cards. We verified that all cardholders had received County-mandated p-card training.

We also determined that all purchases were for a legitimate business purpose, within authorized amounts, reviewed by management, and matched original purchase receipts.

Our audit findings and recommendations in the area of purchasing card transactions and use are as follows:

Finding 4.1: Sales tax was paid on some purchasing card purchases.

During our examination of p-card transactions, we noted 3 p-card transactions that included sales tax amounting to \$70.

Countywide Policy 7035, "Purchasing Cards Authorization and Use," Section 4.1.1, states:

"Use of a P-Card for making the following transactions is prohibited ... County purchases are exempt from sales tax. Therefore, if sales tax is mistakenly paid and the tax to recover is worth the cost of the recovery effort, the cardholder shall take actions to obtain a credit to the P-card account for the tax paid. Otherwise, the cardholder may be held responsible, at the discretion of the county agency management, for reimbursing the county for the amount of the sales tax."

The p-cardholder did not take the Sales Tax Exemption form to the vendor when making the purchases. Paying sales tax creates unnecessary effort for government entities in disbursing money that will only be returned to them in sales tax revenue.

Recommendation 4.1:

We recommend that p-cardholders present the Sales Tax Exemption Form to vendors to ensure that sales tax is not paid and obtain sales tax refunds from the vendor if they forget to follow this process and pay sales tax.

Finding 4.2: Items purchased using County-issued purchasing cards were not added to the controlled assets inventory list, even though they met the definition of a controlled asset.

We examined a sample of 537 p-card transactions out of 1,317 in total. Within this sample, we identified 55 separate purchases amounting to \$55,114 that met the dollar threshold of a controlled asset. We searched the most recent controlled asset list and did not find them listed. Examples of items not added to the controlled assets include 2-way radios, a backpack vacuum, projectors, tablet computers, a laptop, a digital media player, studio LED lights, and lavalier microphone kit. Also, among these were furniture and appliances such as tables, chairs, desks, computer parts, a freezer, and a refrigerator. Despite the lapse in updating the list, we did observe that 6 p-card purchases for desktop computers, a tablet computer, and laptop, had been added to the controlled asset list for the same period.

Countywide Policy 1125, "Safeguarding Property/Assets," Section 1.2, defines controlled assets as:

"Personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use, thereby necessitating special provisions for safeguarding."

The Property Manager stated that he had not reviewed the p-card purchases to update the controlled assets list. When controlled assets are not properly listed on the controlled assets inventory list, accountability is not established, records are less accurate, and assets are more susceptible to being lost or converted to personal use without detection.

Recommendation 4.2:

- A. *We recommend that Clark Planetarium management review items at risk to conversion to personal use costing \$100 or greater and record them on the controlled assets list.*

- B. *We recommend that Clark Planetarium management implement proper receiving controls to ensure that all controlled assets are properly recorded on the controlled assets inventory list.*

5.0 Merchandise Inventory

Audit Objectives:

- Determine if proper segregation of duties is in place to confirm that merchandise inventory ordering, receiving, and recordkeeping are performed by different individuals.

- Determine if merchandise inventory counts are performed and have management review.
- Determine if merchandise inventory was secured and protected against damage or loss.

Clark Planetarium has a gift store and concessions area that offer items for sale to the public. The store offers a wide variety of unique toys, optics, clothing, and electronics that emphasize astronomy, education, and entertainment value for its customers.

Merchandise inventory purchases are ordered and paid with a County issued p-card. When orders are received, a staff member will verify the count to ensure the order is complete. The store manager contacts the vendor to arrange for the return of any deficient products or to ask for issuance of a credit. The store manager enters the merchandise inventory into the planetarium's merchandise inventory system along with pricing information. Bar code stickers are produced and attached to the items before they are placed on display. Excess stock items are locked in a storage area accessed by authorized personnel only.

An annual inventory is completed by all the planetarium staff. They conduct the count in one day and then enter counts into the inventory system. Management then reviews the final counts and any reported discrepancies. The most recent merchandise inventory count was conducted on January 3, 2018.

Our audit finding and recommendation in the area of merchandise inventory were as follows:

Finding 5.1: Some gift shop merchandise inventory items could not be accounted for, including three expensive telescopes, valued at over \$600 each.

We sampled 43 categories of items in the store and compared our count to the expected count in the electronic inventory maintenance system. The sample of 43 categories represented 516 individual items valued at \$8,271. We were not able to locate 103 of the items representing \$2,964. Most notable among these were 3 telescopes valued at \$607 each.

Countywide Policy 1060, "Financial Goals and Policies," Section 7.1, states:

"The County shall establish and maintain a high standard of accounting practice."

The store manager stated that the inventory system does not effectively interface with the point-of-sale system, resulting in erroneously recorded quantities of items sold. When merchandise inventory misstatements occur due to sales not accurately recorded, management cannot effectively manage merchandise inventory. Management cannot determine if theft is occurring from shortages in the expected count or if shortages appear because of faulty accounting data.

Seth Jarvis, Director

Page 10

June 1, 2018

Recommendation 5.1:

We recommend that Clark Planetarium management review and address issues between the inventory management system and the point-of-sale system to ensure sales of merchandise inventory are accurately recorded.

Conclusion

We appreciate the time spent by the staff at Clark Planetarium answering our questions, gathering the necessary documentation and records, and allowing us access to the office during our audit. The staff at the planetarium 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, CGAP

Salt Lake County Auditor

Cc: Holly Yocom, Director, Department of Community Services

Lori Okino, Fiscal Administrator

Attachment A: Agency Response

Attachment A: Agency Response

Agency Response Clark Planetarium			
Finding 2.1: Funds were not always deposited in the bank within three days of collection.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that Clark Planetarium management discuss the three-day bank deposit rule with their armored car service to determine if delays can be eliminated.</i>	Partially Agree	The Clark Planetarium is open 363 days per year. Our hours of operation are roughly 09:00am-10:00pm. Our daily deposits are generally prepared the business day following the prior day's transactions. We have contracted with Loomis Armored Car Service to collect our deposits four times per week. We believe this is adequate for our business. Often our deposits are collected in the afternoon. When this occurs, our deposits (even though collected and delivered to the bank on the same day) may be dated with the next business date if received after 3:00 pm. It seems the deposits in which the audit refers to are mainly deposits made the day following a bank holiday (in which banks are closed). We view this as a timing issue with very low risk. We will continue to prepare and deposit all revenue in a timely fashion with the objective of no more than three business days.	05/24/18
Finding 3.1: An iPad Pro was not included on the controlled assets inventory list.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that Clark Planetarium management add the iPad Pro to the controlled assets inventory list.</i>	Agree	Clark Planetarium is undergoing an evaluation and complete rebuild of our controlled asset database. The device in question has been added.	06/29/18
<i>We recommend that Clark Planetarium management review the controlled assets inventory list and verify that all purchases of controlled</i>		All newly purchased controlled assets will be reported to the Property Manager for inclusion in the database.	06/29/18

<i>assets are recorded on the list in a timely manner.</i>			
Finding 3.2: Four items listed on the controlled assets inventory list were not located.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that Clark Planetarium management develop a controlled asset tracking system that will eliminate confusion as to the asset location and possible theft.</i>	Agree	The items in question had been transferred interdepartmentally, were located and corrected in the controlled asset database. Clark Planetarium will implement an internal policy regarding the transfer of controlled assets between staff and departments to ensure the proper tracking of controlled assets.	06/29/18
Finding 3.3: The Property Manager did not complete an annual controlled assets inventory using correct methodology.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager conduct an annual controlled assets inventory using the total list of assets for the organization as the reference point and not consider the signed "Controlled Asset Inventory Form[s] – Employee" as a valid organization-wide inventory.</i>	Agree	Clark Planetarium will continue to use the employee assigned controlled asset inventory form to ensure accountability for assigned assets; however, we will also implement an agency wide controlled asset review annually to be conducted and signed by the Property Manager.	12/31/18
Finding 4.1: Sales tax was paid in some p-card transactions.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that p-cardholders present the Sales Tax Exemption Form to vendors to ensure that sales tax is not paid and obtain sales tax refunds from the vendor if they forgot to</i>	Agree	The fiscal team will review the proper procedures with all p-cardholders regarding sales tax exemption requirements.	06/29/18

Seth Jarvis, Director

Page 13

June 1, 2018

<i>follow this process and pay sales tax.</i>			
--	--	--	--