



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH
Auditor

September 25, 2008

Bruce Henderson, Director
Parks and Recreation Division
2001 South State Street, Suite S4400
Salt Lake City, Utah 84190

Re: Centennial Pool Audit

Dear Bruce:

The Audit Division recently completed a limited scope audit of the Centennial Pool (Centennial), which falls under supervision of the Acord Ice Arena (Acord). The audit's primary focus was the period May 24, 2008 to August 14, 2008. During our examination, we reviewed cash receipting and depositing, capital and controlled assets, change funds, and concessions sales.

The lead auditor was Celestia Cragun with assistance from James Fire. Jim Wightman had administrative oversight of the audit.

For each of these areas, we examined internal controls and procedures in place to determine compliance with Countywide policies pertaining to the areas of our examination. Our work at Centennial was designed to provide reasonable, but not absolute, assurance that the system of internal control was adequate, records current, and daily transactions valid.

CASH RECEIPTING AND DEPOSITING

Our audit included examining cash handling procedures to determine whether Countywide Policy #1062, "Management of Public Funds," was applied. We counted all funds on the premises, including cash receipts not yet deposited, and the change fund. We also reviewed a sample of deposits from the past three months, and reconciled these deposits to bank statements on file. To review the cash handling and depositing, we selected a statistically representative sample of deposits between May 24, 2008 and August 14, 2008.

We discovered the following during our examination for which we have made recommendations.

- ***The Centennial change-fund custodian appointment was not updated.***

- ***The change fund balance was \$100 greater than the amount authorized, as recorded on the Salt Lake County Petty Cash and Other Imprest Accounts Report.***
- ***VOIDS were not consistently signed by a supervisor to indicate review and approval.***

The Centennial change-fund custodian appointment was not updated. A change occurred in the Program Manager at Acord during 2007. At that time, a Form 2 was submitted to the Auditor's Office to appoint the new Program Manager as fund custodian. However, the form reflected only the change at Acord and did not reference the Centennial Pool. Therefore, the current Auditor list has the previous custodian listed for Centennial Pool. Countywide Policy #1203, "Petty Cash and Other Imprest Funds" Section 2.1, states, *"The requesting organization shall complete an MPF Form 2 request for change or establishment of petty cash or other Imprest fund...It shall be forwarded to the Accounting and Operations Division of the Auditor's Office."*

RECOMMENDATION:

A Form 2 should be prepared and submitted to the Auditor's office to update the custodian at Centennial Pool.

The change fund was \$100 greater than the amount recorded on the Salt Lake County Petty Cash and Other Imprest Accounts Report. The pool has an authorized change fund of \$200. Our count of the change fund totaled \$300, an overage of \$100. When questioned about the overage, Centennial employees informed us that early in the summer the need for a larger change fund became apparent. The solution at the time was to loan a \$100 change fund bag from the Acord to Centennial to provide the needed funds. The bag was labeled "Skate Rental." Due to the seasonal nature of both the ice arena and the pool, the decision was made to use the \$100 at the pool during the summer and then return it to the ice arena at the end of the outdoor pool season, which ends on Labor Day.

Centennial staff thought that since the same Program Manager supervised the ice arena and the pool, there was no need to notify the Auditor's office of the loan of a \$100 change fund. The above-cited reference from Countywide Policy #1203 states that the Auditor's office is to be informed of any changes in the change fund, even if that change is temporary.

RECOMMENDATIONS:

Centennial should notify the Auditor's Office of the \$100 increase in the change fund when the pool opens and the corresponding transfer back to Acord when the pool closes.

VOIDS were not consistently signed by a supervisor to indicate review and approval. Centennial personnel were diligent in completing void slips and retaining the slips along with printed receipts, with their daily balance information. Void slips were reviewed by a supervisor when deposits were prepared. In addition to keeping the void

information with the daily deposit records, a log of the same information was kept in a separate file for future reference, if needed. In spite of this attention to detailed record keeping, we found 15 of 72 voided transactions on file not signed by a supervisor indicating review and approval.

Properly completed void slips should alert management to reversals of cash transactions and help prevent the embezzlement of funds. Properly reviewed void slips can prevent theft if a second party, especially a supervisor, consistently reviews them. A written explanation and supervisor’s signature, in addition to the cashier’s signature, are required by policy on each void slip to provide assurance that the transaction reversal was legitimate. Table 1 below summarizes the breakdown of voids.

Summary of Voids for Centennial Pool		
	Total	Percent of Total Voids
# of Voids	72	100%
Missing Explanation	1	1%
Missing Cashier Signature	2	3%
Missing Supervisor Signature	14	19%

Table 1. Voided transactions were not always well-documented and approved.

Policy #1062, “Management of Public Funds,” Section 3.5.2.2, states, “The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void.”

Centennial personnel should ensure that Countywide policy is followed by explaining each void in writing and acquiring the signature and review of a supervisor.

RECOMMENDATION:

A written explanation should be recorded on all voided receipts and both the cashier and a second employee, preferably the supervisor, should sign the void as evidence of review and approval.

CAPITAL AND CONTROLLED ASSETS

We verified a statistically relevant sample of 37 of the 74 capital and controlled assets listed for Centennial during the audit. All items in our sample of assets were located. The items identified included equipment for the pool area, within the pool offices, and in the concessions area.

We observed that all of the items were tagged and the descriptions on the list adequately described their location. However, we noted the following minor exceptions:

- A computer monitor had recently been moved to the Acord office and its location had not been updated on the list.

- The copier in the pool office had two asset tags, a County Capital Asset tag and a numbered pool tag.
- One of the lifeguard chairs had two pool tags on it, both with different numbers, which correctly identified the chair twice on the list with its corresponding number.

An annual Inventory of Capital and Controlled assets is conducted under the direction of the Program Manager. The list provided appeared to be complete and included items for both the Acord Ice Center and the Centennial Pool in the single report.

Overall, Capital and Controlled assets were adequately accounted for and we had no negative findings for this area.

In closing, we thank you and your staff for your prompt and courteous attention in gathering documents for our audit team and answering their questions. We appreciate the overall concern for sound internal control practices displayed by Centennial employees, and the initiative they have taken to implement effective accounting procedures. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman CPA
Director, Internal Audit Division

cc: Paul Ross
Shaun Perfili