

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Central City Recreation Center

February 18, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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February 18, 2014

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Central City Recreation Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Central City Recreation Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Central City Recreation Center and the cooperation from Kristen Sproul, Recreation Program Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Central City Recreation Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By James Fire MBA/Acc
Deputy Auditor

cc: Michele Nekota, Division Director
Kari White, Facility Manager
Cheryl Crook, Administrative Accountant



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Central City Recreation Center. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

We reviewed several key controls during our audit of Central City Recreation Center (Central City) including cash handling and depositing, capital and controlled assets, purchasing cards, and fraud. We also re-visited 13 findings listed in the April 2013 audit report. Of those findings, three were re-issued in this report. Additionally, deficiencies were found in internal controls with deposit preparation and refund verification.

Findings and Recommendations

Finding # 1 - Deposits were not always made in a timely manner.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

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

We found that 60 out of 116 tills examined were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Finding # 2 - Deposits were reviewed and prepared by relatives of the cashiers.

Risk Level: Moderate

Salt Lake County Human Resources Policy #2-300, "Recruitment and Selection," Section G.1 states:

"Hiring managers and Human Resources Division will follow the rules of the Salt Lake County Nepotism Ordinance (2.07.209)."

Salt Lake County Ordinance 1761, Chapter 2.07, Sections 209 B and E, "Nepotism," states:

"No county officer or employee shall directly or indirectly supervise a relative in any county position or employment paid out of county funds. ... In this section, "relative" means parent, spouse, child, sibling, uncle, aunt, nephew, niece, first cousin, parent-in-law, child-in-law, sibling-in-law, or household member."

Two instances of an employee indirectly supervising a relative were found. In the first instance, a husband was a cashier and the wife was the bookkeeper. She reviewed his work when preparing deposits. The second instance involved sisters. The first sister was a cashier and the second was a bookkeeper. She likewise reviewed the work of the first sister when deposits were prepared.

Effects of nepotism in the workforce can lead to disruption as a result of perceived favoritism, increased risk of discrimination or hostile work environment lawsuits, weakened controls, loss of productivity, especially if one of the parties is in a position of a supervisor or oversees the work of the other.

Recommendation

We recommend that management take steps to mitigate the risks associated with nepotism.

Finding # 3 - An SAQ representing Parks and Recreation's compliance with PCI-DSS had not been completed and was not on file.

Risk Level: Moderate

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resources or systems shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing Parks and Recreation's compliance with PCI-DSS has not been completed and was not on file. This was also a finding from the April 2013 audit report that has not been resolved.

Management responded to our April 2013 audit by stating that administration was working on completing PCI-DSS compliance and the required SAQs.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ and that Central City Recreation Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Finding # 4 - A refund form was not signed by the cashier and their supervisor.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 6.1.1 states:

"The void slip, or other documentation used in the refund transaction, shall be signed by the Cashier and an Agency Supervisor, the reason for the refund recorded on the void documentation, and retained on file at the County Agency."

A credit card refund for receipt #40541 in the amount of \$36.00 dated October 16, 2013 was not signed by the cashier and their supervisor.

When refunds are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that cashiers and supervisors sign completed refund forms as evidence of review and approval.

Finding # 5 - Receipts could be re-printed for prior transactions.

Risk Level: Low

Standard business practice is that cashiers should not be able to reprint receipts from prior transactions.

A Central City cashier reprinted a receipt upon auditor request, which was identical to the original receipt. This was a finding from the April 2013 audit report that has not been resolved.

In response to our April 2013 audit, management stated that it is not possible for their current Sportsman system to disable the ability to reprint receipts. However, they did state that reprinted receipts must be approved by a supervisor.

When receipts can be reprinted, the accuracy of transactions cannot be ensured and the opportunity for misappropriation of funds is increased.

Recommendation

We recommend that additional compensating controls be implemented to indicate review and approval of reprinted receipts by a supervisor.

Additional Information

Background

Central City Recreation Center is conveniently located in the downtown Salt Lake City metro area at 615 South 300 East. It features an exercise room with free weights and fitness machines, a gymnasium, class rooms, fitness rooms, and a computer lab. In addition, a wide variety of adult and youth classes are offered to the public.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending December 29, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



2014 Summary of Audit of Key Control

Findings and Recommendations

Central City Recreation Center Dated: January 21, 2014

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Deposits were not always made in a timely manner.	We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.	ACTION TAKEN: Central City Recreation Center will follow the recommendations as specified.
2.	Deposits were reviewed and prepared by relatives of the cashiers.	We recommend that management take steps to mitigate the risks associated with nepotism.	ACTION TAKEN: A Merit Staff will reconcile the tills of those individuals who are related in the deposit process to eliminate the risk associated with nepotism.
3.	An SAQ representing Parks and Recreation's compliance with PCI-DSS had not been completed and was not on file.	We recommend that Parks and Recreation management complete and sign an annual SAQ and that Central City Recreation Center keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.	ACTION TAKEN: Administration has and is working on completing PCI compliance and the required SAQ's
4.	A refund form was not signed by the cashier and their supervisor.	We recommend that cashiers and supervisors sign completed refund forms as evidence of review and approval.	ACTION TAKEN: For this action, our cashiers will not sign refund forms. Central City's refund process goes as followed: patron will request a refund, cashier will give patron the refund request form (once patron completes request form), cashier will put request form in the pertaining coordinators box, coordinator will start the refund process and sign it, coordinator will give refund form to Facility Manager, Facility manager will approve refund by signing the request form.
5.	Receipts could be re-printed for prior transactions.	We recommend that additional compensating controls be implemented to indicate review and approval of reprinted receipts by a supervisor.	ACTION TAKEN: This action is not possible on the current sportsman system. Reprinted receipts must be approved by a supervisor.

NAME AND TITLE OF PERSON RESPONDING: Kari White, Facility Manager

DATE PREPARED: 02/10/14