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

An Audit of Key Controls at
Salt Lake County's
Eccles Theater



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

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**Office of the
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**An Audit of Key Controls at
Salt Lake County's Eccles Theater**

We recently completed an audit of key controls at Salt Lake County's Eccles Theater ("Eccles Theater"). The purpose of the audit was to provide reasonable assurance that key internal controls related to cash receipts, deposits, assets, and purchasing card expenditures, were properly implemented, and functioning as intended. We performed tests of those key controls to determine if financial records were complete and accurate, business operations complied with established policies and procedures, and that county assets were safeguarded against the risk of loss, theft, waste, or abuse.

Audit criteria included the Division of Arts and Culture's own internal policies and procedures, as well as countywide policies such as Countywide Policy 1203, *Petty Cash and Other Imprest Funds*, Countywide Policy 1062, *Management of Public Funds*, Countywide Policy 1125, *Safeguarding Property/Assets*, Countywide Policy 7035, *Purchasing Card Authorization and Use*, Countywide Policy 1020, *County Meals*, and Countywide Policy 1019, *Authorization and Payment of Travel Related Expenses*.

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 at the Eccles Theater. We truly appreciate the time and efforts of the employees of the Eccles Theater throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Objectives

The objectives of the audit were to identify and perform tests of key internal controls at the Eccles Theater to determine if:

- Financial records and reports were accurate and complete.
- Cash receipts and deposits were reviewed and reconciled correctly.
- Segregation of duties were in place to reduce the risk of misappropriation of County assets or improper use of County funds.

- Purchasing card expenditures were authorized and recorded accurately.
- Physical safeguards were in place to protect County assets against loss, theft, waste, or abuse.

Scope

Our audit covered the period from June 1, 2017 to May 31, 2018. However, the period may have been adjusted to include any relevant information, records, or data from outside this period as appropriate.

Our work included an examination of key internal controls, interviewing Eccles Theater management and staff, reviewing purchasing documents, performing surprise cash counts of change funds, and assessing whether County assets were properly safeguarded. We focused our audit tests and procedures in the following areas:

- Change Funds
- Cash Receipts and Deposits
- Purchasing Card Expenditures
- Capital and Controlled Assets

Audit Results

1.0 Change Funds

Box office cashiers at the Eccles Theater use the change fund to make change for patrons purchasing tickets for ArtTix events with cash. The change fund is split between two box offices at Eccles Theater, the Delta Hall box office, and the Regent Street box office. We performed a surprise count of the change fund and found that it balanced to its authorized amount of \$4,025. We also interviewed the Change Fund Custodian and reviewed cashier opening and closing procedures. Although change fund procedures at the Eccles Theater complied with County policy, we did find that the authorized amount of the change fund was excessive for daily operations, and that a large portion of the change fund was not used every day.

Findings and Recommendations

Finding 1.1: The authorized change fund amount of \$4,025 was excessive for daily cashiering requirements.

We found that the authorized change fund amount of \$4,025 was excessive for the daily cashiering needs of the two box offices at the Eccles Theater. A large portion of the change fund (approximately \$3,100) is not used each day, creating an opportunity for theft or misappropriation of County funds.

The change fund at the Eccles Theater is divided between two box offices, the Delta Hall box office, and the Regent Street box office. The Delta Hall box office has six cashier stations that start and end each day of ticket sales with \$100 per station. The Regent Street box office has three cashier stations that also

start and end each day with \$100 per station. The remaining \$3,125 (\$4,025 - \$900) of the Eccles Theater's change fund is split evenly and kept in reserve at each box office location.

Instead of depositing larger bills (bills > \$20) from cash receipts each day as part of the daily deposit, cashiers exchange the larger bills for smaller denominations (\$1, \$5, \$10 bills) from the change fund reserves. When the smaller bills have been depleted from the change fund reserves, box office supervisors request a change order from the bank to replenish the change fund with smaller bills. Change order requests are typically filled within three to four business days.

Most County organizations limit the authorized amount of their change funds to meet their daily cashing needs based on the number of cashier stations located at each facility. Typically, the total change fund is divided up among the cashier stations, and very seldom is any of the total change fund amount kept in reserve. For example, an agency may have a total authorized change fund amount of \$300, that is divided up among three cashier stations with a starting and ending change fund balance of \$100 each.

Larger bills from daily cash receipts are then included in the daily deposit, leaving smaller bills in the change fund, to be used the following day. Occasionally, a change order may need to be placed to exchange larger bills for smaller bills and coinage, but no amount of the change fund is kept in reserve for this purpose. Eccles Theater management felt that due to the volume of change order requests and the need for change fund reserves during the peak ticket sales season, their authorized change fund amount of \$4,025 was not excessive, and that it was sufficient for their daily cashing needs.

However, in our opinion, keeping large sums of cash in reserve at the Eccles Theater box offices creates an opportunity for theft or misappropriation of County funds. When Eccles Theater management established the change fund, during the opening of the theater in 2016, they over-projected the daily usage requirements of the change fund. Selecting an authorized amount for the change fund that more accurately reflects the daily operational needs of the agency reduces the likelihood of theft and limits the potential impact to the County if those funds were misappropriated or stolen.

Recommendation 1.1

We recommend management complete MPF Form 2, "*Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund,*" and return \$3,100 of the unused change fund to Mayor's Financial Administration.

2.0 Cash Receipts and Deposits

Our audit examined whether daily collections, cash handling, and depositing procedures at Eccles Theater complied with Countywide Policy 1062, *Management of Public Funds*. Eccles Theater receives payments from patrons for event tickets. Daily receipts are prepared for deposit by cashiers at the end of their shift. A supervisor then reviews cashier receipts, aggregates them, and prepares the total deposit for the day.

We examined a judgmental sample of deposits between June 1, 2017 and May 31, 2018. We compared the amounts recorded in the accounting system against individual cashier balance sheets, the daily

aggregate master balance sheet, and amounts deposited in the bank. We found that all amounts recorded in the point-of-sale system matched the balance sheets and bank deposits.

In addition, we reviewed cashier overages/shortages, voided transactions, and returns within our sample. We did not find any overages/shortages, and that all voids/returns were properly documented and reviewed by management.

Findings and Recommendations

None.

3.0 Capital and Controlled Assets

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 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 fixed assets. Therefore, controlled assets require additional physical safeguards to ensure that they are protected against theft or misuse.

We concluded that Eccles Theater management had either neglected or not implemented two important physical safeguards meant to protect County assets from loss, theft, or abuse, as required by County policy. We found that Eccles Theater had not taken an inventory of fixed or controlled assets during the previous year. We also found that Eccles Theater management had not implemented a standard tracking form to account for controlled assets that had been assigned to specific employees. The purpose of the tracking form is to ensure personal accountability for items entrusted to a specific employee.

Findings and Recommendations

Finding 3.1: The Property Manager at Eccles Theater had not taken a physical inventory of either fixed or controlled assets in over a year.

Accounting for and tracking County assets is an important physical safeguard that protects an asset against loss, theft, waste, or abuse. We found that the Property Manager at the Eccles Theater had not taken a physical inventory of either fixed or controlled assets in over a year. When attitudes towards key control procedures are lax, or when those procedures are not followed at all, it creates an opportunity for loss or theft that could go undiscovered.

County policy requires that organizations follow specific protocols for ensuring that County assets are properly safeguarded against the risk of loss or theft. One of these protocols is taking an inventory of both fixed and controlled assets at least annually, to ensure that all assets entrusted to the agency are accounted for, and in proper physical condition.

Countywide Policy 1125, *Safeguarding Property/Assets*, Sections 2.2 states:

"Property Managers assigned by their Administrators are responsible for the following: ... 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."

When accountability for County assets is lax, or when specific physical safeguards, such as an annual asset inventory, are not followed it increases the risk that assets could be lost or stolen.

Recommendation 3.1

We recommend the Property Manager at the Eccles Theater perform an inventory of capital and controlled assets at least annually.

Finding 3.2: Eccles Theater management had not implemented the use of the *Controlled Assets Inventory Form – Employee* to assign personal accountability for controlled assets, as required by County policy.

During our audit, we performed an examination of a sample of controlled assets. We observed if personal accountability was assigned to employees when they maintained custody of certain controlled assets that were either in their possession or had been specifically assigned to them to use. We found that the Controlled Assets Inventory Form-Employee was not used as required. The purpose of the form is to list and have employees sign for assets in their custody. We addressed this issue in our audit report of Center for the Arts released in September 2016. It has not been corrected since.

Countywide Policy 1125, Section 4.3 states:

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

Section 4.3.1 states:

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

Management did not prioritize assigning personal accountability over controlled assets. When employees are not held personally accountable for the County assets that have been assigned to them for use, the risk that these assets could be lost, stolen, or converted to personal use without being detected by management is increased. We noted the controlled asset inventory listing maintained by Eccles Theater administrative staff did have a field titled "Assigned Employee" which could be used to assign controlled assets to individual employees. This field was not being utilized. The employees who helped us locate controlled assets stated that this would be used in the future and would significantly decrease the amount of time it would take them to perform an annual inventory.

Recommendation 3.2

We recommend management implement the use of the “Controlled Assets Inventory Form – Employee” to establish personal accountability to any employee that has been assigned specific controlled assets for their use.

4.0 Purchasing Card Expenditures

We reviewed purchasing card (“p-card”) expenditures made by cardholders at Eccles Theater. Countywide Policy 7035, *Purchasing Cards Authorization and Use* establishes policy and procedures that govern p-card use for making small cost purchases at County agencies. We inquired of management which individuals had a p-card. 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 found that all cardholders had received the p-card training.

We examined a statistical random sample of 95 p-card purchases made during 2017. We found that all purchases were for a legitimate business purpose, were within authorized amounts, were reviewed by management, and matched original purchase receipts.

Findings and Recommendations

None.

Conclusion

Except for the findings noted above, we found that the system of internal controls at the Eccles Theater was implemented properly and functioning as intended to help ensure that:

- Financial records and reports were accurate and complete.
- Cash receipts and deposits were reviewed and reconciled correctly.
- Segregation of duties were in place to reduce the risk of misappropriation of County assets or improper use of County funds.
- Purchasing card expenditures were authorized and recorded accurately.
- Physical safeguards were in place to protect County assets against loss, theft, waste, or abuse.

We truly appreciate the time and efforts of the Eccles Theater staff in answering our questions, gathering the necessary documentation and records, and allowing us access to the theater during the audit. We trust that implementation of the recommendations outlined above will help to strengthen the control environment, increase the effectiveness and efficiency of operations, improve compliance with County policies and procedures, and provide better protection for County assets.

Cc: Holly Yocom, Department Director, Department of Community Services
Lori Okino, Fiscal Administrator, Department of Community Services
Sarah Pearce, Division Director, Arts and Culture Division
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Attachment A: Agency Response

Attachment A: Agency Response

Agency Response Eccles Theater

Finding 1.1: The authorized change fund amount of \$4,025 was excessive for daily cashiering requirements.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
<p>We recommend management complete MPF Form 2, “Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund” and return \$3,100 of the unused change fund to Mayor’s Financial Administration.</p>	<p>Disagree</p>	<p>Box office cashiers utilize the change fund to make change for patrons purchasing tickets with cash for ArtTix events. Once the change fund has accumulated \$500 in large bills (\$20 bills and greater), box office supervisors request a change order to replenish the change fund with small bills via a change order request.</p> <p>Change order requests are typically fulfilled by the bank within 3 to 4 days. Based on an analysis of the frequency of change order requests at the Eccles Theater, change orders were requested every 30 days on average from January 1, 2017 through June 30, 2018 with change order request frequency increasing to every 2 to 3 weeks during peak sales months of October through March.</p> <p>Because the turnover rate of small bills is less than 2 months, as evidenced by the frequency of change order requests, Eccles Theater management believes the current change fund amount of \$2,000 per box office is appropriate and in conformance with Countywide Policy 1203, Section 3.1.4, which states that change funds should be sufficient to provide adequate operating funds for 2 months.</p>	<p>N/A</p>

Finding 3.1: The Property Manager at Eccles Theater had not taken a physical inventory of either fixed or controlled assets in over a year.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
We recommend the Property Manager perform an inventory of capital and controlled assets at least annually.	Agree	The Property Manager has begun work with the fiscal team to prepare for an annual capital and controlled asset inventory in the fall of 2018. The Property Manager will continue to prioritize a capital and controlled asset inventory each year.	10/31/2018

Finding 3.2: Eccles Theater management had not implemented the use of the *Controlled Assets Inventory Form – Employee* to assign personal accountability for controlled assets, as required by County policy.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
We recommend management implement the use of the “Controlled Assets Inventory Form – Employee” to establish personal accountability to any employee that has been assigned specific controlled assets for their use.	Agree	The Property Manager will review the controlled asset list and ensure that all controlled assets assigned to individuals are properly documented with the “Controlled Assets Inventory Form – Employee” to assign personal accountability for controlled assets. The Property Manager will have all employees with assigned controlled assets certify the “Controlled Assets Inventory Form – Employee” as part of the annual controlled assets inventory.	10/31/2018