

AUDIT REPORT

An Audit of Salt Lake County **DEFERRED REVENUE**

OCTOBER 2023



Chris Harding, CPA, CFE, CIA
County Auditor

Office of the Auditor
Salt Lake County

Audit Team

Sydney Grigg, Internal Auditor
Pete Busche, CIA, Senior Internal Auditor
Audra Bylund, Audit Manager
Brenda Nelson, CISA, Audit Manager

Audit Management

Chris Harding, CPA, CFE, CIA, Auditor
Richard Jaussi, MBA, Chief Deputy Auditor
Roswell Rogers, Senior Advisor
Shawna Ahlborn, Audit Division Director

Audit Committee

Marty Van Wagoner, CPA, MBA
Jordan Fuller, CPA, CGMA, CISA



Office of the Auditor
Salt Lake County
2001 S State Street, Ste N3-300
Salt Lake City, UT 84190-1100
Phone: (385) 468-7200

www.slco.org/auditor

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Chris Harding, CPA, CFE, CIA
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2001 S State Street, Ste N3-300, Salt Lake City, UT 84190
Phone: (385) 468-7200 www.slco.org/auditor

AUDITOR'S LETTER

October 9, 2023

We conducted an audit of Salt Lake County's deferred revenue. The purpose of the audit was to determine the adequacy and effectiveness of Deferred Revenue(s) and Pre-paid goods and services.

Overall we found the County lacks internal controls, documented policy guidance, and practices to ensure adequate and effective treatment of deferred revenue(s) and prepaid goods and service – including clear policies, procedures, and documentation, forms, and internal controls.

By implementing recommendations for policy and procedures, stronger retention guidance, processes to improve internal control, the County will be better able to ensure it consistency accounts for deferred revenue.

We are pleased with those agreements to implement our recommendations.

We recognize that this process in the Surveyor's Office was new and there were not many permits issued during the scope of our audit. Therefore, this audit should be viewed as a preventive help while improving processes and procedures as the program grows.

This audit was authorized pursuant to Utah Code Title 17, Chapter 19a, "County Auditor", Part 2, "Powers and Duties." We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by all county stakeholders during this audit. Please review the enclosed audit report for detailed findings and recommendations, and feel free to contact me at 385-468-7200 with any questions.

A handwritten signature in black ink that reads "Chris Harding".

Chris Harding, CPA, CFE, CIA
Auditor

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Deferred Revenue OCTOBER 2023

Objectives

The purpose of the audit was to determine the adequacy and effectiveness of Deferred Revenue(s) and Pre-paid goods and services. The objectives were to:

1. Evaluate the design, implementation and effectiveness of internal controls related to deferred revenue transactions
2. Determine if adequate segregation of duties are in place and
3. Determine if financial records are accurate and complete.

REPORT HIGHLIGHTS

Lack of breakage policy led to outstanding liabilities that are unable to be recognized.

Financial Account Section 606 states the breakage amount should be exercised as revenue when the likelihood of the customer exercising their remaining rights becomes remote. Due to a lack of internal or county-wide policy, three agencies have a range of outstanding unrecognized revenue. The outstanding balance of unearned liabilities creates imbalanced financial reporting and increases the risk of fund mismanagement due to fraud and abuse.

Inadequate reconciliation performances led to errors, not accounting for full outstanding liability balances.

Countywide Policy 1062 states that agencies shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money. A couple of agencies did not regularly reconcile the gift certificates or card balance in their liability account and encounter timing issues with the point-of-sale systems and/or did not compare the point of sale to the County's accounting system records.

Deficient application retention and incomplete membership, rental, and permit forms prevented payment verification and increased risk of voided contracts.

Countywide Policy 7010 states that sufficient records should be kept to allow reconstruction of a decision at a later date. Seven of the audited agencies were either missing entire membership or rental applications, and/or contained missing signatures or application sections describing the number and amount of the applications. Missing and incomplete contractual applications risks nonviable contractual relationships and prevents accounting for related payments.



FINDING RISK CLASSIFICATIONS

Classification	Description
<p>1 – Low Risk Finding</p>	<p>Low risk findings may not have an effect on providing reasonable assurance that the internal controls and financial records regarding deferred revenue and pre-paid transactions are effective, accurate, or complete.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<p>2 – Moderate Risk Finding</p>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that the internal controls and financial records regarding deferred revenue and pre-paid transactions are effective, accurate, or complete.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>3 – Significant Risk Finding</p>	<p>Significant risk findings are a result of one or more findings that may have an effect on whether there is reasonable assurance the internal controls and financial records regarding deferred revenue and pre-paid transactions are effective, accurate, or complete.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>4 – Critical Risk Finding</p>	<p>Critical risk findings are the result of one or more findings that would have an effect on whether there is reasonable assurance the internal controls and financial records regarding deferred revenue and pre-paid transactions are effective, accurate, or complete.</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p>

BACKGROUND

The Salt Lake County Auditor's Office Audit Services Division recently completed an audit focusing on deferred revenue and pre-paid goods and services within select Salt Lake County agencies.

Deferred revenue represents money collected in advance for goods and services that have yet to be delivered. While it is a normal part of business operations, it comes with certain risks that require careful management. For example, in Salt Lake County, we collect funds in advance for things like gift certificates, venue rentals, memberships, and even permits for monuments and Farmer's Market vendors. If these goods or services are not provided as promised, the county is obligated to either deliver them at a later date or refund the money. Failure to properly track and account for these obligations can lead to financial inaccuracies and legal challenges. This could erode public trust and potentially lead to financial shortfalls, affecting the county's ability to fund other essential services.

A survey was sent to 37 County agencies and facilities, aiming to gather information as to whether the agency had goods or services related to deferred revenue or offered gift cards, venue rentals, memberships/subscriptions, or other types of pre-payments. Subsequently, a risk assessment was conducted based on the presence of deferred revenue and/or pre-paid goods or services, leading to the selection of 12 agencies for further evaluation.

Five of the 12 agencies were excluded due to the following factors: a recent audit, transfer of ownership from the County to Utah State University (USU), Management clarification that the agency does not require prepayments and outsourced management of the facility. The five agencies subjected to exclusion were Animal Services, Equestrian Park, Public Works, Mountain America Expo Center, and Salt Palace.

Table 1 highlights the remaining seven agencies in scope, along with the identified types of deferred and pre-paid revenue.

Table 1: Agencies and the type of identified deferred or pre-paid revenue

County Agency	Existing Monument Fee Permits	Gift Certificates Or Cards	Venue Rentals	Memberships	Vendor	Program Registrations
Aging and Adult Services			✓			
Arts and Culture		✓	✓			
Clark Planetarium		✓	✓	✓		
Ice Centers ¹			✓	✓		
Surveyor's Office	✓					
Viridian Event Center			✓			
Wheeler Farm			✓	✓	✓	✓

¹: Ice Centers refers to County Ice, Acord Ice Center, and SLC Sports Complex

SCOPE

Our audit focused on the identified deferred revenue transactions and pre-paid revenue related to gift certificates or cards, venue rentals, memberships or annual passes, existing monument permits, and Farmer’s Market vendors. We excluded deferred revenue related to grants and tax revenue.

We reviewed the identified deferred revenue and pre-paid transactions and processes from January 1, 2021 – December 31, 2021.

METHODOLOGY

We used several methodologies to gather and analyze information related to the audit objectives. The methodologies included but were not limited to:

- Interviewing key fiscal personnel to obtain information about goods and services provided by each agency and the policies, procedures and workflow related to pre-paid and deferred revenue and general accounting practices.
- Examined relevant contracts or applications for rentals, memberships, vendors, existing monument permits for completeness, pricing

- amounts, appropriate signatures, and document retention.
- Analyzed the design and implementation of internal controls regarding pre-paid goods and services and deferred revenue transactions.
 - Analyzed reconciliations of outstanding balances for gift card and certificates, security and cleaning/damage deposits as well as revenue redemption tracking.
 - Sampled deferred and pre-paid goods or services sales and traced supporting documentation through point-of-sale systems to reported general ledger amounts.
 - Examined source documentation such as contracts and applications, for data retention, including expiration dates, waivers or terms and conditions, and payment receipt.
 - Confirmed revenue recognized in the correct period for prepaid and deferred revenue.

AUDIT CONCLUSIONS

We found that due to a lack of a breakage policy for gift certificates or cards for County agencies, there was \$278,373 of outstanding gift card balance amounts that were two or more years old for one agency. The age of some gift certificate balances was 17 years. Two other agencies face a similar risk of significant outstanding liability balances due to a lack of policy or guidance on when to recognize unclaimed revenue. The lack of such policy parallels the Audit of Salt Lake County Golf Courses, published in July of 2022, addressing outstanding unrecognized liabilities for gift card sales.

Additionally, gift certificate/card reconciliations were not performed either timely or adequately to account for beginning and ending outstanding balances for two agencies.

While reviewing retention of rental, membership, and permit applications, it was observed that seven facilities had either missing or incomplete applications. The largest percentage of missing membership files were at three Parks and Recreation facilities: SLC Sports Complex, Acord Ice, and County Ice. At the Acord Ice Center, 100% of annual pass forms were missing or incomplete, primarily due to staff turnover. Subsequently, County Ice does not require the annual pass membership forms to be completed by patrons. Due to the lack of document retention, we could not recalculate sales for accuracy with source documentation. Other agencies were missing signatures for venue rentals or existing monument permit applications, and/or not retaining membership expiration date information.

Due to coronavirus pandemic closures, the four County agencies that offered extensions for memberships or annual passes did not retain documentation of a policy or procedures for extensions. Additionally,

one agency was found to have a membership with an expiration date 668 days from start date. This exceeded the annual membership and COVID closure extension period, due to a lack of monitoring of extensions. We found other agencies lack of policies and procedures related to timeliness of survey notification letters, document retention of completed surveyor projects, inconsistent security and cleaning/damage deposit charges, or not fully disclosing terms and conditions.

FINDING 1 AND RECOMMENDATIONS

Lack of Breakage Policy for Unclaimed Funds

Risk Rating: **Significant Risk Finding**

Three County agencies were identified with outstanding liability balances: Arts and Culture, Clark Planetarium, and the Surveyor’s Office. The outstanding balances related to gift certificates and gift cards for Arts and Culture and Clark Planetarium, respectively, and existing monument permit balances for the Surveyor’s Office.

The most significant outstanding liability balance was found with Art and Culture. A total outstanding balance of \$314,898 was found based on management’s report generated from May 2022¹. The current liabilities balance at the time was \$36,524 with \$278,373 being two or more years old. Refer to Table 2 for details.

Number of Years outstanding	Outstanding Balance
Current (1 year or less)	\$ 36,524.50
2-4	\$ 88,320.40
4 or more	\$ 190,053.50
Total	\$ 314,898.40

Source: POS Gift Card reports for January 2006 to May 2022.

We identified unclaimed gift certificate balances originating from purchases made in 2006. Notably, 88 percent of the outstanding balances have a low likelihood of redemption due to them being more than two years old. However, the balance is unable to be recognized as revenue as there is no Countywide or agency breakage policy. Subsequently, the lack of expiration dates on the gift certificates fails to effectively incentivize patrons to make use of them.

While reviewing the Surveyor’s Office, we found that one of the six (17%) sampled permit holders had not returned a signed notification letter in order to claim their \$250 refund. The funds remained in the liability account unclaimed nearly a year after the notification letter was sent. Management’s procedures are to issue refunds once they receive a signed notification letter from the permit holder. The notification letter serves

¹ The report was generated as of the request date of May 21, 2022 and included balances up to that date. Therefore, current liabilities were from the period May 21, 2021 – May 21, 2022. Non-current is prior to May 21, 2021.

to communicate the completion of construction and based on a review of the site, whether a refund will be issued based on disturbance to the monument(s). Management has not accrued a significant outstanding permit balance for unclaimed refunds due to the implementation of collecting existing monument permit Fees in 2021 per Section 17-23-14 of Utah State Code. However, as time progresses, there is a risk of the unclaimed balance increasing, similar to other agencies, if the appropriate procedures are not in place to mitigate it effectively.

Financial Accounting Standards Board, Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," Section 606-10-55-46 states: "... upon receipt of a prepayment from a customer, an entity should recognize a contract liability in the amount of the prepayment for its performance obligation to transfer, or to stand ready to transfer, goods or services in the future. An entity should derecognize that contract liability (and recognize revenue) when it transfers those goods or services and, therefore, satisfies its performance obligation.

Section 606-10-55-47 & 48 states: "A customer's nonrefundable prepayment to an entity gives the customer a right to receive a good or service in the future (and obliges the entity to stand ready to transfer a good or service). However, customers may not exercise all of their contractual rights. Those unexercised rights are often referred to as breakage... the entity should recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer... [or] when the likelihood of the customer exercising its remaining rights becomes remote..."

Gift Card expiration dates were implemented by Clark Planetarium in 2023 to mitigate unused cards. The cards now have a 5-year expiration period. It should be known that the expiration dates cannot be retroactively applied to gift cards sold prior to 2023. Gift cards with no expiration dates, do not expire per The Utah Consumer Sales Practices Act. Meanwhile, Arts and Culture mentioned a proposal to make gift certificates valid for four years before redeeming the funds, but it was not yet implemented. The Surveyor's Office discussed a cut-off period to recognize revenue with their legal team but have not implemented such procedures.

The accumulation of outstanding liabilities increases the risk of the County being unable to recognize a large amount of potential revenue and creates longstanding imbalanced financial reporting. It also increases the risk of mismanagement of funds due to fraud, waste, and abuse. Additionally, the absence of a clearly defined cut-off period for individuals to either redeem gift certificates/cards or respond to notification letters may result in a loss of incentive for individuals to exercise their rights.

We recommend that the agencies, in collaboration with the County Council and legal counsel, take proactive steps to establish and implement a breakage policy or defined cut-off period to be able to recognize unclaimed revenue in compliance with applicable legal parameters..

Agencies involved: Arts and Culture, Clark Planetarium, and The Surveyor's Office

AGENCY RESPONSE AND IMPLEMENTATION DATE

Arts and Culture - Agree, TBD

Clark Planetarium - Agree, Already Implemented

The Surveyor's Office - Agree, 1/1/24

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that once a breakage policy or cut-off period is established, agencies publish this policy to the public on their website and on corresponding documentation that relates to qualifying transactions, such as gift card sales and the existing monument permits.

AGENCY RESPONSE AND IMPLEMENTATION DATE

Arts and Culture - Agree, TBD

Clark Planetarium - Agree, Already Implemented

The Surveyor's Office - Agree, 1/1/24

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Arts and Culture, in collaboration with legal counsel, implement an expiration date for gift certificates of at least five years. The expiration date and terms should comply with federal, state and County gift card expiration date requirements.

Agencies involved: Arts and Culture

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - TBD

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend the Surveyor's office, in collaboration with legal counsel, develop a cut off period for permittees to return the signed Existing Monument Fee Notification Letter.

Agencies involved: Surveyor's Office

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/1/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Inadequate Monthly Reconciliations of Gift Certificate Balances

Risk Rating: **Significant Risk Finding**

Arts and Culture and Clark Planetarium were not adequately reconciling the gift card balances.

Arts and Culture performed 12 monthly reconciliations consisting of tracking the net balance of purchased and redeemed gift certificate balances. For example, in January 2021, the reconciliation was presented as a credit of \$300 and omitted the beginning and ending monthly outstanding gift certificate balance from the reconciliation.

In contrast, we found that Clark Planetarium performs an annual reconciliation rather than a monthly reconciliation. Our reperformance found monthly variances ranging from \$20 to \$260 in 8 of 12 months between the point of sales report and the gift card balance reported to the liability account of the County accounting system. By year end, the net total variance was immaterial at \$68. The Clark Planetarium did include both beginning and ending gift card balances in the reconciliation for a total outstanding gift card liability balance of \$42,912 for the year 2021.

Countywide Policy 1062, Management of Public Funds, Section II, F, states: "Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

Arts and Culture Management stated gift certificate purchases and redemptions are reported as part of the ticketing sales account. However, the total outstanding liability amounts of gift certificates are not accounted for regularly. For Clark Planetarium, they acknowledged the variances were likely due to timing issues of the point-of-sale system, as well as minor accounting errors.

The lack of proper gift certificate/card reconciliation of the outstanding balance increases the risk of mismanagement of funds due to fraud, waste or abuse due to lack of adequate and timely monitoring of balances. Additionally, there's an increased risk of recording errors due to lack of detection.

We recommend that when Arts and Culture perform the monthly gift certificate reconciliation, to include the beginning and ending outstanding gift certificate balances in addition to their net gift certificate balance of redeemed and unredeemed gift certificate balances.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/31/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that when Clark Planetarium's fiscal team perform monthly gift card reconciliations. Balances from the point-of-sale report should be compared with the liability account balance reported in PageCenterX to document and account for variances such as potential timing or human error.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/31/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Inadequate Retention or Incomplete Annual Pass Membership, Venue and Party Room Rental, and Existing Monument Permit Applications

Risk Rating: **Significant Risk Finding**

Seven agencies were found to have either a lack of or incomplete applications related to venue, room and ice rentals, annual passes, and existing monument permits. The forms establish contractual relationships with patrons, pricing, and acknowledgment of terms and conditions of the use of facilities, rentals, and permits. County Ice was the one facility that did not require annual pass membership forms to be completed and retained. Refer to Table 3 for details of the percentage of forms not on file or incomplete.

Agency	Sample Size	% of Annual Pass/ Membership Forms Not on File and/or Incomplete	% of Ice Rental Applications Not on File and/or Incomplete	% of Party Room Rental Applications Incomplete	% of Venue Rentals not on file or incomplete	% of Existing Monument Permit Form Incomplete
Acord Ice Center	5 ²	100%	-	-	-	-
County Ice Center	5 ² (Ice) 31 (Room)	NA ¹	40%	58%	-	-
SLC Sports Complex	70	68%	-	-	-	-
Clark Planetarium	17 ²	-	-	-	12%	-
Surveyor's Office	24 ²	-	-	-	-	29%
Viridian Event Center	22 ²	-	-	-	9%	-
Wheeler Farm	23	-	-	-	13%	-

1: County Ice does not require patrons to complete an annual pass membership form prior to purchase

2: Full Population tested due to size

Annual Pass Memberships: We found that membership files at the three Parks and Recreation Facilities: SLC Sports Complex, Acord Ice, and County Ice were either not retained or found to be incomplete. The incomplete forms lacked essential information such as the type of pass, number of members on the pass, and necessary signatures. The absence of information hindered the accurate recalculation of the sales price and the

validation of sales within the system using source documentation.

Due to the lack of membership/ annual pass records, we could not corroborate whether the charges in the point-of-sale system were accurate, primarily due to the inadequate retention of annual pass documentation. At County Ice, one of the three memberships (33%) had a family pass, with two members and two additional members. The recalculated rate would be \$160 plus two additional (\$25/each), for a total membership of \$210. However, the absence of a membership application prevents us from confirming whether those two additional members were indeed listed on the application. Furthermore, it hinders our ability to determine whether there was an over/undercharge.

Ice Rental Application: At the County Ice Center, we found one of five (20%) ice rental applications could not be located. Additionally, one of five (20%) applications was not fully completed. The Facility Director's signature was not present, which is a required control when rental forms are authorized and approved.

Party Room Rentals. We found that 18 of 31 (58%) party room rental applications at County Ice Center had an incorrect entry on the "entered by" rental section. The line item requires the initials of who entered the rental into the reservation binder but instead had the date entered. Without that initial, we could not confirm who processed the application and entered the reservation in the reservation binder.

Venue Rentals: Clark Planetarium and Viridian Event Center require venue rental applications to be completed and signed by both parties. This process ensures that patrons acknowledge all terms and conditions prior to renting a venue space, as evidenced by their signature. Due to a lack of customer signatures or missing terms and conditions, 12 percent of Clark Planetarium contracts were either missing or incomplete.

Nine percent of Viridian's rental applications lacked the customer's signature. The signature line on the rental application serves as a control mechanism, intended for acknowledgment of rental details, availability, and planning involved with the event in the rental application.

Similarly, Wheeler Farm requires a Park Rental Request Form to be completed to calculate pricing and activities. The Request Form requires the renters to initial the acknowledgment that there are no refunds for cancellations. Thirteen percent of Wheeler Farm's Park Rental Request Forms did not have the Renter's initials present.

Existing Monument Permits: In accordance with both State and County Ordinance, any persons performing construction within 30 feet of an existing monument must notify the Surveyor's Office five days prior. During the application submission, an existing monument fee of \$400 is to be paid, of which \$250 is refundable if the monument is not disturbed. We found that 29 percent of existing monument permit applications were

incomplete due to missing signatures from either the Surveyor's Office staff or the Permit holder. Additionally, one application had an incomplete Surveyor's Office Use section, which identifies with a signature line of who processed the payment. The Surveyor's Office does retain all applications electronically, which minimizes the risk of loss of applications.

Countywide Policy 2020, Section 5. Records and Information Management, Storing Records -Electronic 5.1 states: "Long-term storage requires that electronic records be stored in a sustainable, long-term format which allows the record to be accessible throughout its life cycle and retention period. Accessibility practices for electronic records shall be reviewed and tested regularly to ensure accessibility and cost effective storage."

Additionally, Section 5.4 states "Agencies using electronic systems that do not have the capability of disposing of electronic records from the system must ensure that paper copies of the records are maintained as the record copy."

For the Annual passes purchased at SLC Sports Complex, Management explained that although they do try to retain the physical copies of the applications on file, they can be misplaced by Front Desk staff. Additionally, turnover in personnel at some agencies led to applications being either misplaced or uncertainty as to where the application was retained. Ultimately for incomplete applications, many agencies attributed the issue to oversight by Management. Viridian explained that their rental application serves as a tool for checking availability, pricing, and planning, rather than binding document. As a result, the necessity for signatures was not consistently enforced.

Without sufficient or complete documentation or records of memberships, rentals, and permits, it results in poor recordkeeping and absolves any record of an agreement between the patron and County agency. Lack of recordkeeping increases the risk that patrons have not established a contract with the County based on the terms and services of the contract, nor provide a record that a sale is valid. When a document (such as a rental or membership application) has a signature line present it functions as a control ensuring that involved parties acknowledge the intended goods or services being provided by the County and should be adhered to accordingly.

We recommend that Management for four agencies retain their applications electronically within a share drive. This approach would facilitate enhanced record keeping by enabling employees to efficiently maintain and access application records.

Agencies include: SLC Sports Complex, Acord Ice Center, County Ice Center, and Clark Planetarium.

AGENCY RESPONSE AND IMPLEMENTATION DATE

SLC Sports Complex - Agree, 11/1/23

Acord Ice Center - Agree, 11/1/23

County Ice Center - Agree, 12/31/23

Clark Planetarium - Agree, Already Implemented

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Viridian Event Center Management conduct a review with their legal counsel, of their rental application and contract, to assess whether the inclusion of the signature line with the rental application is necessary or could potentially be removed.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 11/3/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that the seven agencies designate either Front Desk personnel, Office Coordinators, or other assigned employees to conduct thorough reviews of applications. The review should encompass verifying completion, including signatures, dates, pricing, and payment information, if applicable.

Agencies included: SLC Sports Complex, Acord Ice Center, County Ice Center, The Surveyor's Office, Viridian, Wheeler Farm and Clark Planetarium.

AGENCY RESPONSE AND IMPLEMENTATION DATE

SLC Sports Complex - Agree, 11/1/23

Acord Ice Center - Agree, 11/1/23

County Ice Center - Agree, 11/1/23

Wheeler Farm - Agree, 11/1/23

The Surveyor's Office - Agree/Disagree, 1/1/23 or sooner (which already passed)

Viridian Event Center - Agree, 11/1/23

Clark Planetarium - Agree, Already Implemented

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 4 AND RECOMMENDATIONS

Lack of Membership Expiration Date Retention and Extension Policies

Risk Rating: **Significant Risk Finding**

Memberships to Clark Planetarium and Ice Centers were extended in 2020 and 2021 due to the COVID-19 pandemic to ensure members still received value for their purchases from County entities.

We conducted a comprehensive review of all 1,007 Clark Planetarium memberships sold in 2021 for retention of expiration dates and/or extensions within the point-of-sale system, utilizing audit analytic software. Clark Planetarium's memberships are valid one year from activation per terms and conditions. Out of the 1007 memberships, 964 (96%) were documented with a purchase date. However, the expiration date was not maintained or available within the point-of-sale system. Out of the 1,007 memberships, 43 (4%) were subject to extensions, and while their expiration dates were retained, they lacked clear supporting expiration policies and documentation justifying the type and extent of the extensions. Additionally, these extended memberships exhibited variations in extension durations and inconsistent application of extension process.

Additionally, we found one of five (20%) membership passes to the Acord Ice Center had an expiration date 668 days after the membership start date, exceeding the one-year membership term and the COVID extension period.

Countywide Policy 2020, Records and Information Management, Section 3.0 Responsibilities - Agencies 3.1 states "Each Agency shall establish its own records management program and assign staff as needed to perform duties and receive appropriate training to implement the intent of the Act, ordinance, and policies."

Additionally, Section 4.0 Storing Records -Records Center 4.1 states, "Agencies shall store records in compliance with county policy and practices."

Clark Planetarium's management explained that due to COVID-19-related shutdowns, membership extensions were granted, but the policies and procedures for the extensions were not documented. Meanwhile, Acord's management explained that the former Merit Office Coordinator inadvertently extended the membership for an extra year in the system to account for COVID-19 facility closure. However, no notes were added within the account details to document the extension. The Fiscal Manager acknowledged that notes need to be inputted for these situations due to the input error.

Due to the absence of documented procedures for monitoring membership expiration dates and extensions during extenuating circumstances, there is a heightened risk of being unable to reconstruct or verify memberships and modifications to expiration dates. There is an increased risk of a loss of revenue to the County and agency due to undercharging memberships which also increases the risk of fraud, waste, or abuse.

4.1

RECOMMENDATION

Memberships

We recommend agencies establish and implement written procedures for documenting extensions or adjustments to memberships. To safeguard County revenue, these procedures should encompass an approval process for granting extensions and retaining documentation, whether in digital or physical form, containing both the records of approval and the explanations for the granted extensions.

Agencies included in the recommendation: Clark Planetarium, SLC Sports Complex, County Ice, and Acord Ice Center

AGENCY RESPONSE AND IMPLEMENTATION DATE

SLC Sports Complex - Agree, 1/1/24

Acord Ice Center - Agree, 1/1/24

County Ice Center - Agree, 11/1/23

Clark Planetarium - Agree, 12/27/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Absence of Clear Policies, Procedures and Documentation for Building Rentals, Existing Monument Permit Field, and Security and Cleaning/ Damage Deposit Adjustments

Risk Rating: **Moderate Risk Finding**

Written policies and procedures were not finalized for Aging and Adult Services rentals, and there were no written procedures in place for documenting disturbances to existing monuments within the Surveyor’s Office. Furthermore, there was lack of consistent retention of documentation or explanations for pricing adjustments affecting security and cleaning/damage deposits, rental pricing, or refunds was not in place.

Aging and Adult Services was in the process of drafting written policies and procedures for their building rentals but had not finalized them during audit fieldwork. We found that due to a lack of finalized procedures, we could not recalculate security and cleaning/damage deposit charges, as well as rental charges, in accordance with their procedures.

We found inconsistencies in the two deposit requirements. Contrary to the Rental Conditions of Contract, Management did not require both the Security (\$75) and Cleaning/Damage (\$150) deposits for the four rentals. For example, Management charged \$80 for one rental made within seven days of the reservation date but did not include either the security or cleaning/damage deposit. The \$80 pricing agreed to the Salt Lake County Senior Center Building Rental Rates. The remaining rentals had either the \$150 cleaning/damage deposit or \$75 Security deposit paid. Refer to Table 4 for the balance paid for each rental.

Table 4: Balance paid by each renter	
Renter ID	Balance Paid on Rental Application
Renter 1	\$ 80.00
Renter 2	\$ 380.00 ¹
Renter 3	\$ 150.00
Renter 4	\$ 75.00

1: Full rental payment received, includes \$150 cleaning/damage deposit.

A subsequent rental we found initially paid the \$150 cleaning/damage deposit, but only \$75 was recorded, which would be the security deposit

balance. The \$75 security deposit was reallocated as a donation due to cancellation. However, there is no documentation to account for the remaining \$75 balance.

The rental contract and drafted rental procedures do not account for extenuating circumstances such as same day or short notice rentals, and do not offer the flexibility of choosing between deposit or full balance payments.

The Salt Lake County Aging and Adult Services Senior Center Rental Agreement, "Conditions of Contract" states:

#3: "A rental deposit of \$75.00 is required to guarantee a reservation. This deposit will be applied towards the rental fee. Any remaining fees that are due must be paid seven (7) calendar days in advance of the scheduled rental or the rental will be canceled."

#4: "A damage/cleaning deposit of \$150 is required seven (7) calendar days before the event. A full refund of this deposit will be issued if no damage is discovered on the premises and no additional cleaning is deemed necessary by CENTER staff."

The Salt Lake County Senior Center Building Rental Rates states 1. "Rentals will not be scheduled within seven (7) days of the event."

Aging and Adult Services management explained that they were in the process of finalizing their rental procedures. Regarding the two deposits, Aging and Adults Services Management stated that if someone wants to reserve the space, they can pay either the security or cleaning/damage deposit, and that holds the room. The deposited amount is then applied towards the overall cost. If someone pays the cleaning/damage deposit and/or the total rental cost, they do not need an additional deposit to hold the room. Management was uncertain as to what occurred to the remaining \$75 balance related to the \$150 security balance.

A lack of written policies and procedures addressing extenuating rentals, like those that are short notice, increases the risk of mismanagement of funds. Lack of sufficient corroborating documentation of agreed-upon pricing or support for adjusting deposit balances increases the risk of mismanagement of funds due to fraud, waste, and abuse.

If funds are not appropriately reallocated and adjustments are inadequately documented, there is a risk of county funds not being accounted for accurately. There is an increased risk that certain revenue categorizations are overstated and understated on the financial statements. Although the revenue sources for this agency go towards funding programs, the financials should be reflected accurately and completely. Additionally, recategorizing funds to donations may increase the risk of non-compliance with donation reporting controls per Countywide Policy 1006, potentially leading to funds not being appropriately approved by the Council for use.

For the Surveyor's Office, 40 percent of the sampled permits did not have images or documentation confirming whether the monument was disturbed for completed projects within Management's internal drive. When construction was complete and the field team inspected the construction site for disturbance, the field team was responsible for documenting, commonly with photos, the condition of the monument.

Additionally, one of the five sampled permits (20%) had a five-month time lapse between the field team documenting the construction completion with photographic evidence and the notification letter being sent out to the permit holder. However, no written policies or procedures are in place to govern the timeliness of sending the notification letter following project completion.

For the Surveyor's Office, we found one of six (17%) sampled refunds was originally a partial refund of \$2,000. After the permit holder contacted the Field Manager to contest the partial refund the permit holder was refunded the full amount of \$3,000. The verbal conversation between the Field Manager and the permit holder was not documented in the notification letter nor any other source documentation. Additionally, there were no notes regarding the reasoning for the change from a partial to a full refund.

Per Aging and Adult Services Retention Period for Revenue Contract Files, defined as "These files define the function of revenue contracts and are reference for monthly, quarterly, and yearly billing for Division programs. Include copy of the revenue contract and bill, billings backup, and verification of receipts and checks" is seven years.

Additionally, the retention period for Fee and Donation Reports defined as "These records document monies received by the program for services rendered and donations received" is two years.

Per the Accounting Records Retention Schedule, Refund Requests, defined as "... a form signed by the customer which requests a refund of monies paid to the agency and any supporting documentation required to process the refund," is to be retained for 3 years.

Countywide Policy 1062, Management of Public Funds, Section II, F, states: "Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

The Surveyor's Office was uncertain of the reason for the full refund, ultimately the Field Manager authorized to issue the full refund. The Surveyor's Office expressed uncertainty regarding the inconsistent retention of photos and documents. Additionally, the delay in sending the notification letter was not in line with standard practice.

Without an internal procedure that requires all completed projects

to retain photos and/or documentation of the inspection, there is inconsistency in their retention requirements. Lack of sufficient corroborating documentation of support for issuing refunds increases the risk of mismanagement of funds due to fraud, waste, and abuse.

We recommend that the Surveyor's Office Management establish and implement a retention policy for images and documentation for each permit filed with the Surveyor's office, ensuring the availability for future reference.

AGENCY RESPONSE: AGREE/DISAGREE

IMPLEMENTATION DATE - 1/1/23 OR SOONER (WHICH ALREADY PASSED)

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Surveyor's Office Management establish and implement written policies and procedures regarding the timeliness of when Notification Letters are sent out to Permit Holders once construction and field inspection is complete.

AGENCY RESPONSE: AGREE/DISAGREE

IMPLEMENTATION DATE - 1/1/23 OR SOONER (WHICH ALREADY PASSED)

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Aging and Adult Services Management finalize their policies and procedures for rentals and include clarifying language regarding short-notice rentals, pricing and security and cleaning/damage deposit requirement options.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/4/24

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Aging and Adult Services Management clarify the security and cleaning/damage deposit requirements in their Conditions of Contract to agree to the current procedures.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/4/24

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Aging and Adult Services Management review and update the rental application conditions concerning the collection of required security and cleaning/damage deposits, particularly if the procedures are no longer applicable.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/4/24

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Aging and Adult Services Management establish and implement written procedures to ensure revenue redistributions are completed timely by the Fiscal Manager or alternative designee. If redistributions are considered donations, Management should consult with the Fiscal team or legal counsel to ensure adherence to CWP 1006 Donation of Property or Funds to Salt Lake County.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/4/24

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that The Surveyor's Office Management document when permit holders appeal their refund amount. Management should retain the reason for changes in refund amounts and initial who authorized the adjustment and one other designee to review and approve the change on the notification letter.

AGENCY RESPONSE: AGREE/DISAGREE

IMPLEMENTATION DATE - 1/1/23 OR SOONER (WHICH ALREADY PASSED)

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 6 AND RECOMMENDATIONS

Untimely and unreviewed Outstanding Venue Deposit Reconciliations

Risk Rating: **Moderate Risk Finding**

On a monthly basis, an Arts and Culture fiscal team member reconciles the outstanding venue deposit balance, followed by a review and digital endorsement of the reconciliation by the fiscal manager. However, we found that five of the six (83%) sampled months, the reconciliations were not reviewed and signed by the fiscal manager.

Additionally, for three of the six (50%) sampled months, we found reconciliations were conducted more than two months after the respective month had concluded. For one of the months, the reconciliation was performed more than six months after the month had ended.

Countywide Policy 1062 Management of Public Funds, states “Effective internal controls provide reasonable assurance that daily transactions are executed in accordance with applicable statutes, ordinances, and policies, and that errors, irregularities, and omissions are effectively minimized or detected.”

Management explained that Arts and Culture’s fiscal office had significant staff turnover and was understaffed and operating at nearly 50% staffed for most of that time period.

Regular reconciliation of outstanding venue deposit balances creates an effective internal control of monitoring changes in transactions. Outstanding deposits that are not regularly reconciled and reviewed place an increased risk to the agency and County financials that balances are misapplied and may become long-outstanding liabilities or funds. Additionally, discrepancies in balances that are left unnoticed increase the risk of mismanagement of funds due to fraud, waste and abuse.

We recommend that Arts and Culture Fiscal Manager perform and review all monthly outstanding venue deposit reconciliations prior to the end of the new month to ensure accurate and timely reporting.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/31/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that Arts and Culture Management have an alternative designee be assigned for when there are staff shortages, or a primary employee is absent to review venue deposit reconciliations.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/31/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 7 AND RECOMMENDATIONS

Lack of Easy Pay Cancellation Forms and Recurring Charges on account

Risk Rating: **Low Risk Finding**

At the SLC Sports Complex, patrons are offered an Easy Pay option for memberships. This enables the agency to automatically charge the credit card on file for the monthly membership fee. When a patron decides to terminate the Easy Pay arrangement, they are required to complete an Easy Pay Cancellation form.

We found that the cancellation forms were not on file for the five members that requested cancellations and one membership account had recurring charges on the account. The recurring charge was a \$1 Facility Improvement Fee, occurring for seven months. The Facility Improvement Fee is an additional charge to the membership fee, which has to be canceled by the Office Coordinator or Front Desk member who processes the cancellation request. The total charge incurred was \$7, an immaterial balance that was unnoticed by the patron.

Countywide Policy 1062, Management of Public Funds, Section II, F, states: "Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

Management explained that they try to retain files in boxes on site but acknowledged the possibility of misplacement or inability to locate them. Additionally, Management was uncertain if the desk staff or the previous office coordinator may have forgotten to cancel the facility improvement fee. As a resolution, the office coordinator refunded the \$7 to the cardholder, and this transaction was reflected on the account.

A lack of recordkeeping of the forms and inadequate review of accounts for recurring charges increases the risk that Management may inadvertently impose charges on members in cases where the forms are lost or misplaced. This situation increases both an operational and reputational risk for the agency and County, as patrons may incur unexpected additional charges.

7.1

RECOMMENDATION

Retention

We recommend that SLC Sports Complex Management retain a digitally scanned copy of the Easy Pay cancellation form for a minimum of one year.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/1/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

7.2

RECOMMENDATION

Reviews

We recommend that the SLC Sports Complex Office Coordinator conduct quarterly reviews of all Easy Pay Cancellations to ensure there are no recurring charges on the accounts that need to be cancelled and refunded to the patron.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 12/1/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

7.3

RECOMMENDATION

Alternative Designee

We recommend SLC Sports Complex Management establish an alternative designee responsible for reviewing Easy Pay Cancellations if the Office Coordinator or primary reviewer is absent.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 10/1/23

SEE PAGE 30 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Agency Response



JENNIFER WILSON
Mayor

ERIN LITVACK
Deputy Mayor &
Chief Administrative Officer

ROBIN CHALHOUB
Department Director
Community Services

MATTHEW CASTILLO
Division Director
Arts & Culture

50 West 200 South
Salt Lake City, UT 84101

385-468-1010 - Phone
385-468-1005 - Fax
TTY: 7-1-1

October 4, 2023

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,
Arts & Culture will use the recommendations from the findings to implement additional controls for the related activities. Gift certificate recommendation actions may take longer to implement than the expected 90 days due to the research that needs to be done, and collaboration with all involved parties. The reconciliation recommendations can be implemented within the expected 90-day window.

Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: Lack of Breakage Policy for Unclaimed Funds

RECOMMENDATION 1.1		
We recommend that the agencies, in collaboration with the County Council and legal counsel, take proactive steps to establish and implement a breakage policy or defined cut-off period to be able to recognize unclaimed revenue in compliance with applicable legal parameters.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	TBD	Division Director or designee

Arts & Culture agrees with the breakage policy recommendation. A&C will review current practices, State and Federal statutes, and work with legal counsel and County Council to implement a cut-off policy.

Additional information may be needed to implement a strategic and fair policy regarding a cut-off period for gift certificates, past, present, and future, and how changes to the current process may impact patron relations. It may take longer to have a policy in place than the 90 days generally expected target date.

RECOMMENDATION 1.2		
We recommend that once a breakage policy or cut-off period is established, agencies publish this policy to the public on their website and on corresponding documentation that relates to qualifying transactions, such as gift card sales and the existing monument permits.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	TBD	Marketing & Com Engagement Mgr

Arts & Culture agrees with the recommendation to publish a breakage policy once finalized. An action plan will be developed once a policy for the cut-off period is finalized and approved by legal counsel and County Council. The policy will be placed on the ArtTix website where gift certificates are sold, as well as at ArtTix ticket counters for in person transactions. The cut-off period will also be listed on the gift certificates. It may take longer to have an action plan in place than the 90 days generally expected target date.

RECOMMENDATION 1.3		
We recommend that Arts and Culture, in collaboration with legal counsel, implement an expiration date for gift certificates of at least five years. The expiration date and terms should comply with federal, state and County gift card expiration date requirements.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally	Name and Title of specific point of contact for implementation

	expected within 60 to 90 days)	
Agree	TBD	Division Director or designee

Arts & Culture agrees with the expiration date recommendation. A&C will work with legal counsel to implement an expiration date policy. Once the time-frame criteria is approved, in compliance with Federal, State and County requirements, the expiration policy will be placed on the ArtTix website for patrons to review. It may take longer to have an expiration date policy in place than the 90 days generally expected target date.

AUDIT FINDING 2: Inadequate Monthly Reconciliations of Gift Certificate Balances

RECOMMENDATION 2.1		
We recommend that when Arts and Culture perform the monthly gift certificate reconciliation, to include the beginning and ending outstanding gift certificate balances in addition to their net gift certificate balance of redeemed and unredeemed gift certificate balances.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/31/23	Fiscal Manager/Asst Fiscal Mgr as backup

Arts & Culture agrees with the gift certificate reconciliation recommendation. Due to the amount of transactions that need to be reconciled, A&C believes the initial reconciliation will take some time to complete, and has targeted 12/31/23 as the completion date. Once the initial reconciliation is complete, A&C will include the gift certificate reconciliation as part of its month end closing process. The change in certificate balances as shown in the system of record, Tessitura, inclusive of new purchases and certificates used will be reconciled against the certificate liability shown in Myfin as an A&C liability. Any variances will be researched to identify the reason for the difference and will be explained in the reconciliation. Adjustments to the reconciliation will be clearly shown and comply with accounting best practices.

The completed reconciliation will be reviewed and approved by the Fiscal Manager, and the signed copy will be saved electronically in the Fiscal network drive.

AUDIT FINDING 6: Untimely and unreviewed Outstanding Venue Deposit Reconciliations

RECOMMENDATION 6.1		
We recommend that Arts and Culture Fiscal Manager perform and review all monthly outstanding venue deposit reconciliations prior to the end of the new month to ensure accurate and timely reporting.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	10/31/23	Fiscal Manager/Asst Fiscal Mgr as backup

Arts & Culture agrees with the recommendation to review the venue deposit reconciliation before the end of the new month. The Fiscal Manager has met with the Fiscal team and outlined the following process. The venue reconciliation will be completed after the previous month's financial transactions are closed by Mayor Finance Administration. The venue deposits in the system of record, Ungerboeck, will be reconciled against changes in liabilities in Myfin for venue deposits. Any variances will be researched to identify the reason for the difference and will be explained in the reconciliation. Adjustments to the reconciliation will be clearly shown and comply with accounting best practices. The completed reconciliation will be delivered to the Fiscal Manager for approval for the month in which the reconciliation is completed. Once approved, the reconciliation will be saved electronically in the Fiscal network drive.

RECOMMENDATION 6.2
We recommend that Arts and Culture Management have an alternative designee be assigned for when there are staff shortages, or a primary employee is absent to review venue deposit reconciliations.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	10/31/23	Fiscal Manager/Asst Fiscal Mgr as backup

Arts & Culture agrees with the review of venue deposit reconciliation designee recommendation. The Fiscal Manager will meet with the Assistant Fiscal Manager and cross-train them on the approval process. The Assistant Fiscal Manager will review and approve a reconciliation after the training, so they are prepared for future approvals. When the Fiscal Manager is unavailable or out of the office, they will communicate with the Assistant Fiscal Manager, so they are aware of their responsibility to approve the reconciliation for the month in which the reconciliation is completed.

Tom Steffey  Digitally signed by Tom Steffey III
 III Date: 2023.10.04 15:51:31 -06'00'

Fiscal Manager



Friday September 29, 2023

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

Clark Planetarium appreciates the auditor’s office oversight in ensuring our processes are better. Most corrective measures have already been implemented or will be implemented within the next 45 to 90 days.

Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: Lack of Breakage Policy for Unclaimed Funds

RECOMMENDATION 1.1

We recommend that the agencies, in collaboration with the County Council and legal counsel, take proactive steps to establish and implement a breakage policy or defined cut-off period to be able to recognize unclaimed revenue in compliance with applicable legal parameters.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Implemented Q1, 2023	Richard Cox – IT Manager



Clark Planetarium agrees with this recommendation. We have already implemented a 5-yr expiration date for our in-house gift card sales. Since our gift cards are pre-printed quarterly, gift cards are printed with an expiration date that is the end of the 6th year from the print date. A formal policy will be written in Q4, 2023.

RECOMMENDATION 1.2		
We recommend that once a breakage policy or cut-off period is established, agencies publish this policy to the public on their website and on corresponding documentation that relates to qualifying transactions, such as gift card sales and the existing monument permits.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	Implemented Q1, 2023	Richard Cox – IT Manager

Clark Planetarium agrees with the recommendation. We have added the following language to our website: "Gift Card balances expire 5 years after the end of the year in which the card was purchased."

AUDIT FINDING 2: Inadequate Monthly Reconciliations of Gift Certificate Balances

RECOMMENDATION 2.2		
We recommend that when Clark Planetarium’s fiscal team performs monthly gift card reconciliations, the balances from the point-of-sale report are compared with the liability account balance reported in PageCenterX, in order to document and account for variances such as potential timing or human error.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally	Name and Title of specific point of contact for implementation



	expected within 60 to 90 days)	
Agree	10/31/2023	Darwin Costley- Fiscal Coordinator Kunbi Adekunle- Admin & Fiscal Mgr. Richard Cox- IT Manager

Clark Planetarium agrees with this recommendation. The fiscal team will begin monthly reconciliations of gift card balances beginning with closing numbers in September.

AUDIT FINDING 3: Inadequate Retention or Incomplete Annual Pass Membership, Venue and Party Room Rental, and Existing Monument Permit Applications

RECOMMENDATION 3.1		
We recommend that Management for five agencies retain their applications electronically within a share drive. This approach would facilitate enhanced record keeping by enabling employees to efficiently maintain and access application records.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	This is already implemented	Bentley Pistorius – Guest Experience Team Assistant Supervisor Jayceen Craven Walker- Development Coordinator Maureen Ford – Membership Assistant



Clark Planetarium agrees with this recommendation. Clark Planetarium has documentation of rentals and memberships stored on the shared drive or available physically.

RECOMMENDATION 3.3		
We recommend that the six agencies designate either Front Desk personnel, Office Coordinators, or other assigned employees to conduct thorough reviews of applications. The review should encompass verifying completion, including signatures, dates, pricing, and payment information, if applicable.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	This is already implemented	Bentley Pistorius – Guest Experience Team Assistant Supervisor Jayceen Craven Walker- Development Coordinator Maureen Ford – Membership Assistant

Clark Planetarium agrees with this recommendation which has already been implemented. Clark Planetarium’s Development Coordinator as well as Membership Assistant review each membership application. Rental applications are also reviewed and signed by the Guest Experience Assistant Supervisor and an Authorized signatory of Clark Planetarium.



AUDIT FINDING 4: Lack of Membership Expiration Date Retention and Extension Policies

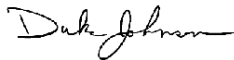
RECOMMENDATION 4.1

We recommend agencies establish and implement written procedures for documenting extensions or adjustments to memberships. To safeguard County revenue, these procedures should encompass an approval process for granting extensions and retaining documentation, whether in digital or physical form, containing both the records of approval and the explanations for the granted extensions.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	12/27/2023	Kunbi Adekunle- Admin & Fiscal Mgr. Anna Marie Tueller – Associate Division Director

Clark Planetarium agrees with this finding. Clark Planetarium will establish an expiration date retention and extension policy documenting extensions or adjustments to memberships.

Thank you.



Duke Johnson
Director



JENNY WILSON
Salt Lake County Mayor September 26, 2023

ROBIN CHALHOUB
Department Director
Community Services Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County

MARTIN JENSEN
Division Director
Parks & Recreation 2001 S State Street
Salt Lake City, UT 84121

Salt Lake County
Government Center
2001 S. State Street
Suite S4-700
(385) 468-1800

Auditor Harding,
Below is the audit response for Salt Lake County Ice Center.

AUDIT FINDING 3: Inadequate Retention or Incomplete Annual Pass Membership, Venue and Party Room Rental, and Existing Monument Permit Applications

RECOMMENDATION 3.1		
We recommend that Management for five agencies retain their applications electronically within a share drive. This approach would facilitate enhanced record keeping by enabling employees to efficiently maintain and access application records.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	December 31, 2023	Tiffany King, Facility Manager

Party room rental forms will be electronically scanned within a share drive.

RECOMMENDATION 3.3		
We recommend that the six agencies designate either Front Desk personnel, Office Coordinators, or other assigned employees to conduct thorough reviews of applications. The review should encompass verifying completion, including signatures, dates, pricing, and payment information, if applicable.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	November 1, 2023	Tiffany King, Facility Manager

Additional training will be provided to front desk personnel and office coordinator to verify completion of forms.

JENNY WILSON
Salt Lake County Mayor

ROBIN CHALHOUB
Department Director
Community Services

MARTIN JENSEN
Division Director
Parks & Recreation

Salt Lake County
Government Center
2001 S. State Street
Suite S4-700
(385) 468-1800

AUDIT FINDING 4: Lack of Membership Expiration Date Retention and Extension Policies

RECOMMENDATION 4.1		
We recommend agencies establish and implement written procedures for documenting extensions or adjustments to memberships. To safeguard County revenue, these procedures should encompass an approval process for granting extensions and retaining documentation, whether in digital or physical form, containing both the records of approval and the explanations for the granted extensions.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	November 1, 2023	Tiffany King, Facility Manager

Written procedures will be documented for extensions or adjustments to memberships in the POS portal patron profile/notes during the transaction including date and manager who approved the extension or adjustment.

Thank you,



Tiffany King
385-468-1642
Facility Manager
Salt Lake County Ice Center
Salt Lake County Parks and Recreation



JENNY WILSON
Salt Lake County Mayor

October 3, 2023

ROBIN CHALHOUB
Department Director
Community Services

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

MARTIN JENSEN
Division Director
Parks & Recreation

Salt Lake County
Government Center
2001 S. State Street
Suite S4-700
(385) 468-1800

Auditor Harding,

Parks & Recreation has received and reviewed the draft audit and associated findings on deferred revenue. We appreciate the insight into our operations and look forward to future collaborations with your office.

Please find our responses in the following pages to each of the recommendations made in your report for Acord Ice Center, County Ice Center, Salt Lake City Sports Complex, and Wheeler Farm.

Sincerely,

A handwritten signature in blue ink that reads 'Martin Jensen'.

Martin Jensen
Division Director, Parks & Recreation

AUDIT FINDING 3: Inadequate Retention or Incomplete Annual Pass Membership, Venue and Party Room Rental, and Existing Monument Permit Applications

RECOMMENDATION 3.1		
<p>We recommend that Management for five agencies retain their applications electronically within a share drive. This approach would facilitate enhanced record keeping by enabling employees to efficiently maintain and access application records.</p> <p>(Acord Ice, County Ice, SLC Sports Complex)</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	November 1, 2023	<p>Brad Pitcher, Recreation Manager (Acord Ice)</p> <p>Tiffany King, Recreation Manager (County Ice)</p> <p>John Elswood, Recreation Manager (SLC Sports Complex)</p>

All applications and rental contracts will be scanned and stored on a shared network drive for the appropriate retention period.

<p>RECOMMENDATION 3.3 We recommend that the six agencies designate either Front Desk personnel, Office Coordinators, or other assigned employees to conduct thorough reviews of applications. The review should encompass verifying completion, including signatures, dates, pricing, and payment information, if applicable.</p> <p>(Acord Ice, County Ice, SLC Sports Complex, Wheeler Farm)</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
<p>Agree</p>	<p>November 1, 2023</p>	<p>Brad Pitcher, Recreation Manager (Acord Ice)</p> <p>Tiffany King, Recreation Manager (County Ice)</p> <p>John Elswood, Recreation Manager (SLC Sports Complex)</p> <p>Sara Roach, Recreation Manager (Wheeler Farm)</p>

Recreation Managers will provide training to the Office Coordinators (Ice Centers) and Customer Service Specialist (Wheeler Farm) on the review process. When a patron signs up for a membership, program, and rental, the Office Coordinators and Customer Service Specialist will review the forms.

AUDIT FINDING 4: Lack of Membership Expiration Date Retention and Extension Policies

RECOMMENDATION 4.1		
<p>We recommend agencies establish and implement written procedures for documenting extensions or adjustments to memberships. To safeguard County revenue, these procedures should encompass an approval process for granting extensions and retaining documentation, whether in digital or physical form, containing both the records of approval and the explanations for the granted extensions.</p> <p>(Acord Ice, County Ice, SLC Sports Complex)</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	January 1, 2024	<p>Doranne Pittz, Associate Director (Recreation)</p> <p>Brad Pitcher, Recreation Manager (Acord Ice)</p> <p>Tiffany King, Recreation Manager (County Ice)</p> <p>John Elswood, Recreation Manager (SLC Sports Complex)</p>

Recreation will document and implement membership adjustment and extension procedures in its Standard Operating Procedures. These procedures will define the approval process, indicate situations in which the request requires escalation, and establish a document repository. Recreation Managers will provide training to their staff and ensure that documents are retained.

AUDIT FINDING 7: Lack of Easy Pay Cancellation Forms and Recurring Charges on account

<p>RECOMMENDATION 7.1 We recommend that SLC Sports Complex Management retain a digitally scanned copy of the Easy Pay cancellation form for a minimum of one year.</p> <p>(SLC Sports Complex)</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	December 1, 2023	<p>John Elswood, Recreation Manager (SLC Sports Complex)</p> <p>Jake Townsend, Office Coordinator (SLC Sports Complex)</p>

A digitally scanned copy will be stored on a shared network drive, and will remain there consistent with the retention schedule. The Recreation Manager will ensure that the Office Coordinator is trained in this practice.

<p>RECOMMENDATION 7.2 We recommend that the SLC Sports Complex Office Coordinator conduct quarterly reviews of all Easy Pay Cancellations to ensure there are no recurring charges on the accounts that need to be cancelled and refunded to the patron.</p> <p>(SLC Sports Complex)</p>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	December 1, 2023	<p>John Elswood, Recreation Manager (SLC Sports Complex)</p> <p>Jake Townsend, Office Coordinator (SLC Sports Complex)</p>

The Office Coordinator will verify the Easy Pay list prior to processing each month's payment. Patrons who have cancelled will be removed from the file, and the Office Coordinator will process any necessary patron refunds. The Recreation manager will ensure that the Office Coordinator is trained in the process.

RECOMMENDATION 7.3		
We recommend SLC Sports Complex Management establish an alternative designee responsible for reviewing Easy Pay Cancellations if the Office Coordinator or primary reviewer is absent.		
(SLC Sports Complex)		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	October 1, 2023	John Elswood, Recreation Manager (SLC Sports Complex)

The Recreation Manager has designated the two Program Managers at the Sports Complex to conduct the monthly Easy Pay review if the Office Coordinator is absent. The Recreation Manager will ensure that the Program Managers are trained in the process.

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,
Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 5: Absence of Clear Policies, Procedures and Documentation for Building Rentals, Existing Monument Permit Field, and Security and Cleaning/ Damage Deposit Adjustments

RECOMMENDATION 5.3 We recommend that Aging and Adult Services Management finalize their policies and procedures for rentals and include clarifying language regarding short-notice rentals, pricing and security and cleaning/damage deposit requirement options.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	01/04/2024	Roseanna Clark - Quality Assurance Manager

Aging and Adult Services (AAS) will review our rental process, clarify our procedure, and provide training to the senior center staff. AAS will include in the upcoming training with center staff the specified building rates and cover the current contract. AAS has specified Building Rental Rates that must be followed. In the contract training, condition 3 of the contract will be emphasized which states:

A rental deposit of \$75.00 is required to guarantee a reservation. This deposit will be applied towards the rental fee. Any remaining fees that are due must be paid seven (7) calendar days in advance of the scheduled rental or the rental will be cancelled.

We will clarify that this means we are unable to have short-notice rental that can not meet the payment due date of seven calendar days in advance of the rental.

RECOMMENDATION 5.4 We recommend that Aging and Adult Services Management clarify the security and cleaning/damage deposit requirements in their Conditions of Contract to agree to the current procedures.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	01/04/2024	Roseanna Clark - Quality Assurance Manager

AAS will review our rental process, clarify our procedure, and provide training to the senior center staff. In the training, condition 4 of the contract will be emphasized which states:

A damage/cleaning deposit of \$150 is required seven (7) calendar days before the event. A full refund of this deposit will be issued if no damage is discovered on the Premises and no additional cleaning is deemed necessary by CENTER staff. Deposits will be refunded by check to the address provided at the time of reservation. This process can take up to six (6) weeks.

We will clarify the payment for the cleaning deposit is due seven calendar days in advance of the rental. The training will include additional clarification about the rental deposit and cleaning deposit.

RECOMMENDATION 5.5		
We recommend that Aging and Adult Services Management review and update the rental application conditions concerning the collection of required security and cleaning/damage deposits, particularly if the procedures are no longer applicable.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	01/04/2024	Roseanna Clark - Quality Assurance Manager

AAS will review our rental process, clarify our procedure, and provide training to the senior center staff. We will clarify the rental deposit and the cleaning damage deposit. We will clarify the security deposit is collected to hold the reservation and the \$150 damage/cleaning deposit is required to be received seven calendar days before the event.

RECOMMENDATION 5.6		
We recommend that Aging and Adult Services Management establish and implement written procedures to ensure revenue redistributions are completed timely by the Fiscal Manager or alternative designee. If redistributions are considered donations, Management should consult with the Fiscal team or legal counsel to ensure adherence to CWP 1006 Donation of Property or Funds to Salt Lake County.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	01/04/2024	Doug Larson - Fiscal Manager

AAS will review our rental process, clarify our procedure, and provide training to the senior center staff. We will include procedures for communication if the nature of a payment changes. This would include a change of a payment originally made as a deposit for a rental to a donation. An emphasis will be added to the training that donations, or a change from revenue to donations would require additional follow up to ensure adherence to CWP 1006 Donation of Property or Funds to Salt Lake County.

In addition, AAS has prepared a Revenue Reallocation procedure (Project Income) to ensure reallocations are done in a timely manner by the Fiscal Manager or alternative designee.

Best regards

Paul Leggett

Paul Leggett
Division Director



Jenny Wilson, Salt Lake County Mayor
 Robin Chalhoub, Community Services Director
 James D. Cooper, Library Director

October 3, 2023
 Auditor Chris Harding, CPA
 Office of the Auditor
 Salt Lake County
 2001 S State Street
 Salt Lake City, UT 84121

Auditor Harding,

We have reviewed the Viridian Center Deferred Revenue Audit Findings and our responses to the recommendations are below.

RECOMMENDATION 3.2		
We recommend that Viridian Event Center Management conduct a review with their legal counsel, of their rental application and contract, to assess whether the inclusion of the signature line with the rental application is necessary or could potentially be removed.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	November 3, 2023	Russell K Snow – Fiscal Manager

We have contacted our Attorney, Megan Smith, and are in the process of determining if a signature line on the application is necessary and if it can be removed. Update: Our attorney has determined a signature line is not needed, we will delete the signature line from the application.

RECOMMENDATION 3.3		
We recommend that the six agencies designate either Front Desk personnel, Office Coordinators, or other assigned employees to conduct thorough reviews of applications. The review should encompass verifying completion, including signatures, dates, pricing, and payment information, if applicable.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	This has been the procedure since before, and during the audit period (Jan 1, 2021- Dec 31, 2021).	Tyler Curtis – Viridian Event Center Manager.

We continue to thoroughly review the applications and other documentation. Our process only starts with the application. The application is followed by a contract, quotes, deposit invoices and ultimately a final invoice. Events can change significantly from the time the application is filled out and when the event takes place. Viridian staff ascertain that applicable information is gathered and used for invoicing purposes. No reservations are made without a signed contract. Correspondence and communications are kept in the event file and are used to generate the final invoice.

Respectfully,

Russell Snow

Russell Snow
Fiscal Manager
The County Library
8030 S 1825 W
West Jordan, UT 84088

8030 S 1825 W West Jordan, UT 84088 801.943.4636 thecountylibrary.org
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SALT LAKE COUNTY SURVEYOR'S OFFICE

Reid J. Demman, P.L.S., *Salt Lake County Surveyor*

Bradley E. Park, P.L.S., *Chief Deputy Surveyor*

2001 South State Street, Ste N1-400

Salt Lake City, UT 84114

Phone: (385)468-8240 Fax: (385)468-8258

Email: Surveyor@slco.org

10/4/2023

Auditor Chris Harding, CPA

Office of the Auditor

Salt Lake County

2001 S State Street

Salt Lake City, UT 84121

Auditor Harding,

Your office informed me on October 14, 2022, of your plan to conduct a limited scope audit on deferred revenue which included the County Surveyor's Office. Further, the audit was to focus on the deferred revenue accumulated through the issuance of monument permits in the year 2021. We received the results of the audit on September 20, 2023. I appreciate the Auditor's Office, the information, and input the audit has provided.

The County Ordinance was enabled by new provisions in the Utah Code, Title 17-23 (adopted by the Utah Legislature in its 2019 session), spearheaded by the County Surveyors of Utah. Ordinance number 1874; PERMITS FOR MONUMENTS, was enacted in title 14.17 by County Council on August 18, 2020. There were no permits issued as a result of the new ordinance until April 1, 2021. After such time, 24 monument permits involving refunds were issued by year's end of 2021. It is my understanding that 5 or 6 permits from 2021 were sampled for the purpose of this audit. The County Surveyor's Office has issued monument permits for more than two decades under the preceding ordinance. However, deferred revenue was not previously involved. The new Utah Code is designed to allow counties in Utah to enact an ordinance to require permits across jurisdictional lines and impose civil penalties for non-compliance. Further, it is silent, as is the ordinance, in addressing whether the County is allowed to recognize unclaimed refunds as permanent revenue. Additionally, as you are aware, the County Surveyor's Office is an independently elected office with specific statutory duties pertaining to monument permits. It is uncertain to me as to how the issuance and oversight of construction and monument permits, governed by specific code, relate to the sales of gift cards, rentals, memberships, and annual passes as is the case with the other departments included in the audit.

The most recent monument permit code, ordinance, and process was implemented due to the high volume of development and construction within the 23 cities and unincorporated county, which threatened the Public Land Survey System (PLSS) on a daily basis. These daily threats jeopardize property rights, rights of way integrity, and the property tax system. The new ordinance replaced a long-standing permit ordinance that did not include deferred revenue. We understood the process was new and would be evolving and improved over time as permits were issued and processed. Additional procedures and protocols, based on the amendments to Utah code and County ordinance, were implemented as the process evolved during 2021 and are ongoing currently to ensure best practices are followed. The small

sampling of permits considered by the audit were issued when the process was in its infancy. During that first year, there were many existing permits issued and being processed pursuant to the prior existing ordinance. This fact did admittedly add to some difficulties for staff. In 2021, we used a different online process and form utilizing a fillable PDF. This led to some permits being filed with empty or missing information and fields. In 2022, the monument permit process was updated to an online form with required fields, which has resulted in more complete records. Surveyor's staff understand and are trained as to their responsibilities, which responsibilities are job specific, when issuing and processing monument permits and refunds. We meet monthly as a management team to review our existing monument permit log to address the status of all permits and outstanding balances. It is apparent that many of the findings in this audit were a result of implementation in mid-year 2021 and being the first year of the new process prior to the new online format and fine tuning of the process. Other identified issues are related to increased employee workload due to vacancies in key positions, and shortages of qualified individuals in the survey profession.

As to the breakage policy discussed in section 1 of the report, Utah Code and County Ordinance specifically govern the issuance of monument permits and the refunds where appropriate. Further, Code specifies the funds "shall" be refunded. However, they are silent regarding the appropriateness of "Breakage" for these specific funds. [The assumption that these monument funds are considered "deferred revenue" and governed by the breakage policy is unclear and questionable. This issue should be explored fully before deeming these funds as deferred revenue in order to protect the County.] I will work with the District Attorney's Office to explore this issue and if lawful, will develop written procedures and amendments to Utah Code and County Ordinance to address the management of these funds as deferred revenue. Regarding an internal refund procedure, employees have been trained and instructed to send refund notification letters to permittees within 10 business days of completion. I agree that development of a written guideline procedure as approved by the District Attorney's Office may ultimately be beneficial for reinforcement of already existing procedures and protocol. Sections 1, 3 and 5 of the audit report state there are no clear policies, internal controls, and procedures for process, retention, refunds, and documentation of permits. The statement is simply misleading and not true as to the facts. Employees are instructed, trained, and coached on a regular basis, to perform these functions and tasks as a matter of long-standing internal protocols. Many of the functions are job specific to certain levels of staff. In general, employees understand their responsibilities and consult with management when there are questions. Further, monthly meetings involving appropriate staff and fiscal management are held to self-audit outstanding permit projects, refund status, discuss problems, and direct resolution. The small number of permits involving refunds issued in 2021 under the new code and being co-mingled with permits issued under the prior code, coupled with the resulting small audit sample, is simply not the most accurate representation of fact today and may have artificially inflated the percentages of incomplete files as written in the audit report. As to the audit recommendations in sections 1, 3 and 5, I concur that additional written guideline procedures to reinforce the existing training and instructions given to employees, may assist with accountability, training new employees and the completeness of records. My recommendation would be to consider another audit possibly one year after these audit recommendations are explored with the District Attorney's Office and written internal procedures are in place.

I also want to address the "Agreement of Facts" meeting, which has apparently replaced the traditional individual exit meeting and held with all seven involved departments simultaneously. I do not profess to be an expert on audit practice; however, I have been through a few audits during my career at the County. Although I was unable to participate due to a family commitment, my attending representatives reported they felt uncomfortable as to the appropriateness of responding during the meeting in front of the other

offices. As a result, they were reserved in their responses and did not find the meeting overly productive. Additionally, they were uncomfortable listening to the other attending departments discussions. While I can understand why the group meeting as opposed to individual exit meetings with each department is more efficient for the Auditor's Office, it created an environment for my representatives that was confusing, ineffective, and restrictive. After listening to their input and based upon my past experience with audits in the County, I share the same concerns. For these reasons, I recommend you consider returning to individual exit meetings going forward.

Additional information is provided in the responses below.

AUDIT FINDING 1: Lack of Breakage Policy for Unclaimed Funds

RECOMMENDATION 1.1		
We recommend that the agencies, in collaboration with the County Council and legal counsel, take proactive steps to establish and implement a breakage policy or defined cut-off period to be able to recognize unclaimed revenue in compliance with applicable legal parameters.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	January 1, 2024	Brad Park, Chief Deputy Surveyor

Our office previously reached out to our DA assigned legal counsel in Nov. 2021 and asked the question about a cut off period to recognize unclaimed revenue. We were informed that the county had no such policy in place. Our plan is to work with our DA assigned legal counsel to explore the legality of a breakage policy as it pertains to these specific funds and develop a procedure accordingly.

RECOMMENDATION 1.2		
We recommend that once a breakage policy or cut-off period is established, agencies publish this policy to the public on their website and on corresponding documentation that relates to qualifying transactions, such as gift card sales and the existing monument permits.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	January 1, 2024	Brad Park, Chief Deputy Surveyor

If a breakage policy is deemed to be legal and is in place, our office will immediately make permit holders aware of the cut-off period via our permit language and the Surveyors website.

RECOMMENDATION 1.4		
We recommend the Surveyor's office, in collaboration with legal counsel, develop a cut off period for permittees to return the signed Existing Monument Fee Notification Letter.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and Title of specific point of contact for implementation

	(Generally expected within 60 to 90 days)	
Agree	October 1, 2023	Reid Demman, County Surveyor or Brad Park, Chief Deputy Surveyor

Effective October 1, 2023, we have added temporary verbiage to our refund letters with a 30-day cut off period to respond. As part of possible breakage policy, we will work with legal counsel to focus on a legally sound deadline for permittees to respond to refund notification letters.

AUDIT FINDING 3: Inadequate Retention or Incomplete Annual Pass Membership, Venue and Party Room Rental, and Existing Monument Permit Applications

RECOMMENDATION 3.3		
We recommend that the six agencies designate either Front Desk personnel, Office Coordinators, or other assigned employees to conduct thorough reviews of applications. The review should encompass verifying completion, including signatures, dates, pricing, and payment information, if applicable.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree/Disagree	January 1, 2023 or sooner	Brad Park, Chief Deputy Surveyor

We agree with the recommendation to designate specific personnel to conduct a thorough review of permit applications. Procedures and protocols are and have been in place. Permits are reviewed by multiple designated individuals in the Surveyors office (front counter personnel, field manager and staff, and a quality control person). Staff have been trained and instructed to review for the completeness of permit applications. If an error is encountered, staff make every effort to correct the issue. While we appreciate and recognize the findings in the audit, we believe the issues specified in section 3 of the audit were partially due to the ordinance and process being new in April 2021, and being co-mingled with a prior existing permit process that had been in place for many years which did not involve deferred revenue. Our process evolved in 2022 as a result of the accumulation of data and learning from pitfalls during early implementation. We will develop additional written guidelines to reinforce the already exiting training and expectations. This may assist us in holding employees accountable and the training of new employees. Additionally, since staff have already been trained and are expected to perform functions specified in the audit recommendations, there is some concern regarding a possible misunderstanding with the approach to the audit of the process.

AUDIT FINDING 5: Absence of Clear Policies, Procedures and Documentation for Building Rentals, Existing Monument Permit Field, and Security and Cleaning/ Damage Deposit Adjustments

RECOMMENDATION 5.1
We recommend that the Surveyor's Office Management establish and implement a retention policy for images and documentation for each permit filed with the Surveyor's office, ensuring the availability for future reference.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree/Disagree	January 1, 2023 or sooner	Brad Park, Chief Deputy Surveyor

We agree that the records need to be complete and retained. The current and long-standing procedure and protocol is to permanently retain all documentation related to monument permits in a work order folder on county servers while the work is being performed, and archived in SharePoint once the permit is complete/closed. Additionally, this information is also backed up. Employees are already trained and continually coached to be more diligent in making sure the information is complete in our work order folders. We believe the issues in section 5 may stem from the ordinance and process being new in 2021, employee turnover, increased workload, and vacancies in key positions throughout the Surveyors Office over the last few years. We will develop additional written guidelines to reinforce already existing protocol, training, and expectations. This may assist with employee accountability and training.

RECOMMENDATION 5.2

We recommend that Surveyor's Office Management establish and implement written policies and procedures regarding the timeliness of when Notification Letters are sent out to Permit Holders once construction and field inspection is complete.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree/Disagree	January 1, 2023 or sooner	Brad Park, Chief Deputy Surveyor

We agree that notification letters must be sent out in a timely manner once construction and inspection is complete. Staff have been trained and instructed to send notification letters within 10 business days after the project is field verified and complete. Construction projects often stretch out weeks, months, and years before completion. As a management team we schedule regular monthly meetings to review the existing monument permit log and to discuss the status of all outstanding permits and refunds. We will develop additional written guidelines to reinforce the already existing protocols, training, and expectations. This may assist us in holding employees accountable and future training.

RECOMMENDATION 5.7

We recommend that The Surveyor's Office Management document when permit holders appeal their refund amount. Management should retain the reason for changes in refund amounts and initial who authorized the adjustment and one other designee to review and approve the change on the notification letter.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree/Disagree	January 1, 2023 or sooner	Brad Park, Chief Deputy Surveyor

We agree that complete documentation of all refund transactions is essential. Employees are already trained and continually coached to be more diligent in making sure the information is complete. The findings in the audit of one permit not having documentation as to why the refund amount changed was employee failure to follow instructions. All refunds and changes to a refund amount are reviewed and approved by the Surveyor's Office administration. We have given instructions to our management team to clearly document these types of issues as they arise through the permit and refund process. The County Surveyor or Chief Deputy Surveyor are the only employees authorized to change a refund amount on a monument permit. We will develop additional written guidelines to reinforce the already existing protocols, training, and expectations. This may assist us in holding employees accountable and future training.

Respectfully,

A handwritten signature in black ink, appearing to read "Reid J. Demman". The signature is fluid and cursive, with a prominent initial "R" and "J".

Reid J. Demman, P.L.S.
Salt Lake County Surveyor

Auditor Addendum:

Since being elected as the Salt Lake County Auditor in February 2022, I have strived to have our office complete GAGAS compliant audits. I feel as though we have made great strides in our audit processes and the audit products are more useful for policy makers.

An auditor may choose to write an auditor addendum when an auditee disagrees with recommendations for several important reasons. First, it serves as a means of preserving the audit trail and documenting the auditee's dissent. This transparency ensures that all perspectives are captured and can be considered in any subsequent discussions or decisions. Second, an auditor addendum allows auditors to provide additional context, rationale, or supporting evidence for their recommendations, which can help clarify their stance and strengthen the case for the proposed changes.

Moreover, it demonstrates the auditor's commitment to a thorough and objective audit process, where all viewpoints, including those of the auditee, are acknowledged and thoroughly examined.

Ultimately, an auditor addendum serves as a valuable tool for ensuring accountability, promoting a well-informed decision-making process, and maintaining the integrity of the audit findings and recommendations.

We recognize that this process in the Surveyor's Office was new and there were not many permits issued during the scope of our audit. Therefore, this audit should be viewed as a preventive help while improving processes and procedures as the program grows.

Items from the Surveyor's response are in bold, with responses below:

It is uncertain to me as to how the issuance and oversight of construction and monument permits, governed by specific code, relate to the sales of gift cards, rentals, memberships, and annual passes as is the case with the other departments included in the audit.

I can understand the confusion regarding the connection between the issuance and oversight of construction and monument permits and the sales of gift cards, rentals, memberships, and annual passes.

As part of our audit process, we sent a Survey throughout the County and then performed a risk assessment. The Surveyor's Office self-identified that this process was deferred revenue. Based upon this information, the office was included in the scope of the countywide audit.

Deferred Revenue Definition: Deferred revenue, also known as unearned revenue or deferred income, represents money received by a company for goods or services that have not yet been provided to the customer. In other words, it's the income a company receives in advance of delivering products or services. This revenue is initially recorded as a liability on the company's balance sheet because the company has an obligation to fulfill the promised goods or services in the

future.

This is especially important for the Surveyor's Office, and all county departments, when a refund could cross a fiscal year. Additionally, if the County does not properly account for deferred revenue it can impact our financial statements, audits, and perhaps our bond rating.

This led to some permits being filed with empty or missing information and fields.

This is what our audit found, missing or empty information. Not having all this information on records can leave the County at risk if someone were to file a claim or a lawsuit.

Ensuring all signatures are present is a vital part of the process to make sure the County and permit requestor agree to the terms and how refunds are handled.

The assumption that these monument funds are considered "deferred revenue" and governed by the breakage policy is unclear and questionable. This issue should be explored fully before deeming these funds as deferred revenue in order to protect the County.

This is clearly deferred revenue as mentioned above.

A breakage policy helps the County and an Office, such as the Surveyor, accurately reflect its financial performance over time. Without such a policy, the County may prematurely recognize revenue for services or goods that may never be redeemed by customers. (Our finding mentions working with the County Council and District Attorney on creating such a policy).

Sections 1, 3 and 5 of the audit report state there are no clear policies, internal controls, and procedures for process, retention, refunds, and documentation of permits. The statement is simply misleading and not true as to the facts.

The lack of written policies and procedures is the fact.

We met with Surveyor on Thursday, October 5th and again on Monday October 9th, and asked for copies of the written policies, possible checklists, meeting notes, memos, etc. Nothing was produced.

Written policies and procedures are important in organizations because they help make things clear and consistent. They ensure that everyone follows the same rules, which reduces confusion and mistakes, and ensures consistency through employee turnover.

These policies also make sure that the organization complies with laws and rules, which can protect it legally. They help people work more efficiently and are especially helpful for training new employees. Written procedures help prevent problems and make sure things are done well. They also make communication better and allow management to hold employees accountable for their actions. Overall, these policies and procedures help organizations run smoothly and improve over time.

Employees are instructed, trained, and coached on a regular basis, to perform these functions and tasks as a matter of long-standing internal protocols.

Training on procedures without written guidelines can be challenging and often ineffective. Without clear, documented procedures, training relies heavily on verbal instructions, which can be prone to misinterpretation and forgetfulness. Written procedures serve as a reliable reference that employees can consult anytime they need guidance. They provide a tangible, step-by-step framework that helps trainees grasp and retain information more effectively.

Additionally, written procedures ensure consistency and standardization in training, making it easier to convey best practices and ensure that everyone receives the same information. Overall, without written procedures, training may lack structure, clarity, and the ability to reinforce learning, making it less efficient and reliable in conveying essential information to employees.

The small number of permits involving refunds issued in 2021 under the new code and being co-mingled with permits issued under the prior code, coupled with the resulting small audit sample, is simply not the most accurate representation of fact today and may have artificially inflated the percentages of incomplete files as written in the audit report.

We acknowledge there are not many permits in the scope of our audit, which is why we didn't use a sample, but examined every permit that involved a refund. Therefore, these numbers are not artificial but completely representative of the work of the Surveyor's Office during our scope.

We will conduct a follow-up audit in 6 months to assess the status of the Surveyor's Office since 2021.

My recommendation would be to consider another audit possibly one year after these audit recommendations are explored with the District Attorney's Office and written internal procedures are in place.

As we discussed in the Entrance Conference and the Agreement to the Facts meeting, there will be a follow-up audit 6 months and 1 year after the report is issued.

After the one-year audit follow-up, if a recommendation remains unimplemented, the responsibility for addressing any potential issues related to fraud, waste, and abuse primarily falls on the management of the audited entity. Failure to implement recommended changes may leave the organization vulnerable to operational inefficiencies and financial risks, emphasizing the importance of prompt action to safeguard against such issues. Management should proactively address any outstanding recommendations to ensure effective governance and mitigate the potential consequences of non-compliance or misconduct.

I also want to address the "Agreement of Facts" meeting, which has apparently replaced the traditional individual exit meeting and held with all seven involved departments simultaneously. I do not profess to be an expert on audit practice; however, I have been through a few audits during my career at the County. Although I was unable to participate due to a family commitment, my attending representatives reported they felt uncomfortable as to the appropriateness of

responding during the meeting in front of the other offices. As a result, they were reserved in their responses and did not find the meeting overly productive. Additionally, they were uncomfortable listening to the other attending departments discussions. While I can understand why the group meeting as opposed to individual exit meetings with each department is more efficient for the Auditor's Office, it created an environment for my representatives that was confusing, ineffective, and restrictive. After listening to their input and based upon my past experience with audits in the County, I share the same concerns. For these reasons, I recommend you consider returning to individual exit meetings going forward.

Since being elected, I have worked to improve the audit process. To be compliant with the GAGAS standards outlined in the Yellow Book, we have changed our meetings from an exit conference to an agreement to the facts meeting. This works better for several reasons, and I am happy to share that with you. It is unfortunate that the Surveyor couldn't attend.

- 1. Timeliness:** An agreement to the facts meeting typically occurs during the audit process, allowing for real-time discussion and resolution of issues and discrepancies. In contrast, an exit conference typically occurs after the audit is completed, which may result in delays in addressing any concerns or questions.
- 2. Immediate Clarifications:** In an agreement to the facts meeting, auditors and auditees can immediately discuss and clarify any findings, audit procedures, or misunderstandings, leading to faster resolutions and a more efficient audit process. In an exit conference, discrepancies may only be identified at the end of the audit, potentially requiring additional follow-up and delays.
- 3. Enhanced Collaboration:** An agreement to the facts meeting promotes collaboration between auditors and auditees, fostering open and constructive dialogue. It allows auditees to provide context and explanations for audit findings, which can lead to a better understanding of the audit results and improve the relationship between the auditing team and the audited entity. This is helpful because a draft audit is shared in advance of the meeting.
- 4. Reduced Miscommunications:** By addressing potential misunderstandings or discrepancies in real-time, an agreement to the facts meeting can help prevent miscommunications or misinterpretations from escalating into major issues or disputes, which may occur when feedback is provided after the audit has concluded.
- 5. Efficient Issue Resolution:** Auditors and auditees can work together during the agreement to the facts meeting to identify solutions and develop action plans to address any deficiencies or issues identified in the audit. This proactive approach can expedite the resolution process and ensure that corrective actions are taken promptly.
- 6. Improved Audit Quality:** An agreement to the facts meeting allows for a more iterative and interactive audit process. Auditors can refine their understanding of the audited entity's operations, resulting in a more accurate and thorough audit report.

In my professional judgement as a Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner, and a GAGAS standard peer reviewer, the agreement to the facts approach our office has implemented is vastly superior to the prior format.

The Agreement to the Facts meeting could be confusing, restrictive, and ineffective if a participant comes to the meeting and hasn't read the draft and discussed with their respective point of contact

who worked with the audit team during the audit process.

During the meeting, the Surveyor's Office did ask questions and had an additional follow-up with the audit team and clarifying information was shared with the Chief Deputy and Fiscal Manager; and two additional one-on-one meetings with the Surveyor. This demonstrates our office's willingness to work collaboratively during the audit.

Now I will address the disagreements to the findings and recommendations.

Audit Finding 3: The Surveyor is welcome to disagree with our recommendations because he thinks his staff is trained and expected to complete their functions, but the truth is there was missing documentation in the scope of our audit. From the audit: "We found that 29 percent of existing monument permit applications were incomplete due to missing signatures from either the Surveyor's Office staff or the Permit holder. Additionally, one application had an incomplete Surveyor's Office Use section, which identifies with a signature line of who processed the payment. The Surveyor's Office does retain all applications electronically, which minimizes the risk of loss of applications."

Our workpapers validate the missing signatures on the forms. Additionally, as mentioned above, there are no written policies and procedures for these processes as confirmed directly with the Surveyor.

In the audit process, auditors meet with management to gain a comprehensive understanding of an organization's processes and operations. These meetings are critical as they allow auditors to gather essential information about how the company functions, including its internal controls, financial systems, and risk management procedures.

During these interactions, management provides detailed explanations and documentation to support their assertions about the effectiveness and reliability of their internal controls and financial reporting processes. The evidence presented by management helps auditors assess the accuracy of financial statements, identify potential risks, and determine the scope and focus of the audit.

This collaborative exchange of information between auditors and management forms the foundation for a thorough and well-informed audit, ensuring that the audit process is conducted effectively and accurately.

Audit Finding 5: Once again, there are no written policies and procedures that the Surveyor could provide to the audit team.

The actions of an employee in the Surveyor's Office, who (in the words of the Surveyor): "fail(ed) to follow instructions" could put the County at risk when he/she increased the amount of a refund. The verbal conversation between the Field Manager and the permit holder was not documented in the notification letter nor any other source documentation. Additionally, there were no notes regarding the reasoning for the change from a partial to a full refund. Lacking supporting documentation drastically increases the likelihood of fraud, waste, or abuse.