



SALT LAKE COUNTY AUDITOR'S OFFICE

CRAIG B. SORENSEN, AUDITOR

August 18, 2003

CELEBRATING OUR
SESQUICENTENNIAL
150 YEARS OF SERVICE
1852-2002

DAVID L. BECK
CHIEF DEPUTY

SALT LAKE COUNTY
GOVERNMENT
CENTER

2001 S. STATE STREET
SUITE N3300

SALT LAKE CITY

UTAH 84190-1100

TELL (801) 468-3381

FAX (801) 468-3296

Glen Lu, Director
Parks and Recreation Division
2001 South State Street #S4400
Salt Lake City, Utah 84190

RE: Taylorsville Recreation Center and Pool Cash Audit.

Dear Glen:

We recently completed an audit of controlled assets management and cash handling at the Taylorsville Recreation Center and Pool. The audit included an unannounced count of the change fund, petty cash fund and collections. On the day of the count, we examined operation and concessions receipts, the petty cash fund, the center change fund, and the pool change fund. The center also has a candy vending machine, owned by the County and managed by the center.

CASH COUNT

Taylorsville has an authorized change fund of \$500 that is divided into increments of \$50 for the main cash drawer, \$50 for a second cash drawer—for when the center becomes busy—and \$400 that largely remains dormant in the safe. Our count of collections balanced to the Z tape report run for us at the time of our audit, and the \$50 portion of the change fund in the operating drawer, balanced to its designated limit.

While we were reviewing the controlled assets list, we learned of a candy vending machine owned by the County, which is controlled and operated by the center. The machine is configured to hold \$34.25 in coin for making change. The change amount is monitored by the machine as coins first fill the change mechanism and then spill over into the receipts box. Personnel also monitor it to make certain there is always enough change in the machine.

A separate change fund of \$200 for the swimming pool is similarly divided into several increments. The shift cashier is given a \$50 portion of the fund, the concessions stand gets a \$50 amount to start, and two separate bags containing \$50 each are kept in the pool office safe as back up. The fund total balanced to its authorized amount of \$200, and the collections matched the Z tape report total prepared at the time of the count.

The authorized petty cash fund of \$1000 is kept in a separate box in the main office safe. Vouchers were current, containing two signatures and completed as required. In our examination of the petty cash fund we found a 5¢ overage after counting cash and vouchers on hand.

Generally speaking, good cashiering controls were in place in that checks were restrictively endorsed as soon as received. There were very few overs/shorts, and shift balance sheets were signed by the cashiers and reviewed by a second party. However we found that:

- **The center change fund was short by \$4.00.**
- **The vending machine change fund was not authorized in accordance with Countywide Policy.**
- **The \$400 portion of the authorized change fund kept in the safe was not being used.**

The center change fund was short by \$4.00. The shortage was found in the portion of the fund kept in the safe, which should have been \$400, but instead was \$396 at the time of our count. There was no explanation for the shortage and the fiscal personnel said that the fund total, including the two \$50 amounts designated to the cash registers, was normally maintained at the \$500 authorized amount. Countywide Policy # 1062, "Management of Public Funds," Section 5.2 states, "*Shortages will be withheld from the deposit to maintain the change fund at the authorized level...*"

RECOMMENDATION:

We recommend that a deposit be shorted by \$4.00 to bring the change fund back to its authorized level

The vending machine change fund was not authorized in accordance with Countywide Policy. In addition to the \$500 change fund, the vending machine has \$34.25 in coin to provide change to customers purchasing candy. The bookkeeper told us that when the machine was first installed, she borrowed money from the \$500 facility change fund to fill the machine change mechanism, and when there had been enough sales to fund the machine change amount, the facility change fund was reimbursed and the \$34.25 has since been maintained out of receipts.

Though the \$34.25 is an unauthorized change fund, stocking the machine with coins from the authorized change fund is impractical. The machine was designed for customer coin deposits to replenish the change box, with the excess falling into another box as revenue. Therefore it should continue to operate as it does now, allowing vending machine change funds to accrue from customer receipts.

We met with a Parks and Recreation management group consisting of Associate Director, Paul Ross, Recreation Section Manager, Bruce Henderson, and Assistant Fiscal Manager, Thora Bell, to discuss candy vending machine operations. One option we suggested was to contract with a private vendor, in much the same way soft drink vending machines are currently contracted.

The group had a favorable impression of the soft drink vending machine contract because it boosted revenues while allowing employees to attend to their assigned duties. We also pointed out that there is a change machine, located next to the vending machines, at the Holladay Lions Recreation Center. The use of the change machine reduces pressure on the vending machines for customer change problems.

RECOMMENDATIONS:

- *We recommend that the change fund in candy vending machines continue to be supplied through ordinary coin deposits from customers, instead of being apportioned from the authorized change fund.*
- *We recommend that the option be considered of contracting candy vending machines, just as soft drink vending machines are contracted to outside parties.*
- *We recommend that change machines be installed at vending locations.*

The \$400 portion of the authorized change fund kept in the safe was not being used. The \$50 increments used in the actual cashiering process are workable amounts and two cashiering stations are adequate for the center. The back up funds in the safe are out of proportion to the actual amounts needed by the cashiers. Idle funds are more susceptible to theft, therefore the \$400, or any portion thereof not deemed useful, needs to be returned to the Auditor's Office.

RECOMMENDATION:

We recommend that any portion of the change fund not being used and deemed not necessary be returned to the Auditor's Office.

CASH HANDLING

We reviewed a sample of deposits for the period October 2002 through June 2003 and compared individual cashier balance sheets to the transmittal records, bank deposit slips, and Z tape reports prepared by the Sportsman program. Each of the records agreed as to the amount that was to be deposited. Any overs/shorts were reflected on the records as adjustments to the deposits as required by policy. However we did find that:

- **MPF Form 10, CASH OVER/SHORT LOG was not being used.**
- **Two persons were not always verifying the daily deposit before being taken to the bank.**

MPF Form 10, CASH OVER/SHORT LOG was not being used. A binder had been set up and was at the counter with blank copies of the form inserted, but cashiers had not been instructed to use them. Policy 1062, Section 2.5.3, states, “*All overages and shortages, regardless of the amount must be recorded and reported daily on MPF Form 10, CASH OVER/SHORT LOG.*” The form is designed for use by each cashier of the agency to maintain and complete an individual log on a daily basis. The form is intended to be used to monitor trends or significant patterns of shortages or overages.

RECOMMENDATION:

We recommend that the MPF OVER/SHORT log be used by each cashier to record and monitor any overages and shortages that may occur daily.

Two persons were not always verifying the daily deposit before being taken to the bank. When only one person is available to prepare the deposit, that person completes all the documentation, places the deposit in the safe, and then another person takes it out of the safe and carries it to the bank.

It is good practice to always have a second person verify the deposit amount, and preferably have two individuals present when the deposit is prepared. Though the small staff sometimes limits the personnel available to prepare a deposit, a cashier is usually present who could avail himself/herself to verify the deposit count.

RECOMMENDATION:

We recommend that a second person verify the deposit, or where feasible, that two individuals be present during deposit preparation.

FIXED AND CONTROLLED ASSETS

Our purpose for this portion of the audit was to determine if management of fixed and controlled assets was in compliance with Countywide Policy #1125, "Safeguarding Property/Assets." The agency property manager told us that she had been in contact with the Auditor's Office Fixed Assets Section regarding a letter of June 12, 2003 requiring a 30-day response to complete a fixed asset physical inventory, and that the request has been waived for now. Thus, we focused our review on controlled assets management at the center.

A controlled asset is an individual property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization rate. Personal communication equipment is considered to be a controlled asset regardless of the cost of an individual item. We found that:

- **Individually assigned cellular phones were not being listed or controlled according to Countywide Policy.**
- **The controlled assets list was not being updated as new assets were acquired.**

Individually assigned cellular phones were not being listed or controlled according to Countywide policy. Three individuals at the center are assigned cellular phones, which are neither listed on a controlled assets list nor on individual assignment forms. Policy 1125 Section 2.3.4 requires that *"...at least annually, employees assigned fixed or controlled assets shall review the list of assigned assets and provide verification by his/her signature to the property manager as to the accuracy and completeness of the list."*

Also, Section 4.3.1 goes on to state, *"... 'Controlled Assets Inventory Form _Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."*

ACTION TAKEN:

The center director has sent us verification that the required individual assignment forms have been completed.

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The controlled assets list was not being updated as new assets were acquired. We reviewed purchase requests for the last six months to determine if controlled assets purchased during that time had been added to the center list as they were purchased. Policy #1125, Section 2.2.8, states, *“The property manager will coordinate with the organization’s purchasing clerk to ensure all newly acquired property is identified and accountability is appropriately established...”*

We found that two cash drawers, two cash boxes, a sexual harassment video, and two computer monitors and CPU’s, purchased over that time frame, had not been added to the controlled assets list, nor had they been tagged with the agency property tags. We also found that the assets list for the pool had not been added to the center’s list, or updated for assets acquired this season.

ACTION TAKEN:

The center director has sent us a copy of an up–dated controlled assets list showing all of the newly acquired assets for the center and those assets located at the pool.

In closing, we would like to express appreciation to the Taylorsville Recreation Center and Pool staff for the cooperation and timely assistance which they gave to our auditor. We trust that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over these processes. If we can be of further assistance to you in this regard please feel free to call.

Sincerely,

James B. Wightman CPA
Director, Internal Audit Division

cc: Paul Ross
Pamela Boyles
Thora Bell
Ronald J Butterfield
Bruce Henderson