

The background of the slide features a large, semi-transparent seal of the Auditor of Salt Lake County. The seal is circular with a rope-like border. At the top, a banner contains the word "AUDITOR". Below the banner is the year "1896". The central part of the seal depicts a landscape with mountains and a river. At the bottom, the words "SALT LAKE COUNTY" are written in a circular path, with two stars on either side.

**An Audit of  
Countywide  
Deferred Revenue**

# 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*

## Audit Team

Sydney Grigg, Internal Auditor  
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## Audit Management

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## Audit Committee

Marty Van Wagoner, CPA, MBA  
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# AUDIT REPORT

## *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:

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

# WHY DOES THIS MATTER

## *Deferred Revenue*

- 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.
- 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.

WHERE  
DID WE  
AUDIT



\*Multiple Locations



**CLARK  
PLANETARIUM**



# Lack of Breakage Policy for Unclaimed Funds

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.

<b>Table 2: Analysis of Arts and Culture Outstanding Gift Certificate Balance</b>	
<b>Number of Years outstanding</b>	<b>Outstanding Balance</b>
Current (1 year or less)	\$ 36,524.50
2-4	\$ 88,320.40
4 or more	\$ 190,053.50
<b>Total</b>	<b>\$ 314,898.40</b>

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

## **Inadequate Monthly Reconciliations of Gift Certificate Balances**

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

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.

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

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.



# FINDING 3 – cont.

Table 3: 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 <sup>2</sup>	100%	-	-	-	-
County Ice Center	5 <sup>2</sup> (Ice) 31 (Room)	NA <sup>1</sup>	40%	58%	-	-
SLC Sports Complex	70	68%	-	-	-	-
Clark Planetarium	17 <sup>2</sup>	-	-	-	12%	-
Surveyor's Office	24 <sup>2</sup>	-	-	-	-	29%
Viridian Event Center	22 <sup>2</sup>	-	-	-	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

# FINDING 4

## Lack of Membership Expiration Date Retention and Extension Policies

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.

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

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.

# FINDING 5 – cont.

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

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

# FINDING 6

## Untimely and unreviewed Outstanding Venue Deposit Reconciliations

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.

## Lack of Easy Pay Cancellation Forms and Recurring Charges on Account

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.

# Audit Found on our Website

## Audit Reports

### Latest Reports



**Audit of Countywide Deferred Revenue**  
The Auditor's Office conducted a countywide audit of Deferred Revenue



**An Audit of Payroll in the Salt Lake County Health Department**  
This is the first audit in a series of audits on Countywide Payroll operations.



**Second Follow-up Audit on Fleet Management**  
We conducted a second follow-up audit on Fleet Management. One recommendation was not implemented.



MacBook

# MOTIVATIONAL MESSAGE

"YOU MISS 100% OF THE  
SHOTS YOU DON'T  
TAKE. - WAYNE GRETZKY"

- MICHAEL SCOTT



**THANKS**