

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
South Mountain Golf Course

September 24, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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September 24, 2013

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

Re: An Audit of the Key Controls of South Mountain Golf Course

Dear Mayor McAdams:

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

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

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

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Michele Nekota, Director of Parks and Recreation
Paul Ross, Associate Division Director
Wade Olsen, Head Professional at South Mountain



Objectives

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

Conclusion

We found that supervisors at the South Mountain Golf Course did not always sign voids and refunds as evidence of review. In other areas of cash handling, we noted a few untimely deposits, and the lack of documented explanations on drawer count variances. We could not find some capital assets because they were located at other golf courses, and we could not positively identify some assets whose County property tags had worn off. In the area of pro shop merchandise inventory, we noted shortages in golf clubs and some men's soft goods. In compliance with recommendations in last year's golf course audits, we noted that two signatures are now included on deposit documentation, and actual collections are deposited, instead of adjusting these for any overages and shortages. We commend the golf course for taking these actions.

Findings and Recommendations

Finding # 1 - Receipts were not consistently issued to patrons

Risk Level: High

Countywide Policy #1062, "Management of Public Funds," Section 3.1.2 states:

"All persons remitting payments in the form of currency, check, money order or other negotiable instrument; or by payment card to Salt Lake County, in person 'over-the-counter,' shall be issued a receipt documenting the payment."

Golf course personnel stated that they do not always provide receipts to patrons for cash transactions.

Personnel stated that issuing a receipt for a credit card transaction was more relevant than issuing a receipt for cash. They stated that typically patrons want receipts for their credit card and not cash transactions.

When receipts are not issued, funds could be diverted to personal use without any record from the patron of payment having been made.

Recommendation

We recommend that a receipt be issued to all patrons at the golf course.

Finding # 2 - Seven capital assets listed for South Mountain Golf Course were located at other golf courses.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.1 lists one of the property manager's duties as follows:

"Accounting for all fixed [capital] assets within the organization's operational and/or physical custody as listed on the [AFIN] 0801 'Salt Lake County Fixed [Capital] Asset Inventory by Organization' report."

During our search for capital assets we observed seven pieces of equipment, including mowers, golf cars, and a truck that were listed on the South Mountain capital asset list, but not located there.

Parks administrators and grounds superintendents reported that missing items were located at other golf courses. In some cases, equipment not frequently used may be rotated among various golf courses. Where the truck is concerned, the grounds superintendent reported that it had been purchased under South Mountain's budget, and therefore included on their capital asset list, but is located at the Parks Operations Office, and used for transporting golf carts for repair.

Assets not listed by correct location are not easily tracked for inventory purposes, and therefore can more easily become stolen.

Recommendation

We recommend that Parks administration update the capital asset list to transfer the eight missing capital assets at the South Mountain Golf Course to their correct location.

Finding # 3 - Large merchandise inventory differences occurred between expected and actual items on hand.

Risk Level: Moderate

The Purpose of Countywide Policy #1125, "Safeguarding Property/Assets," states:

"Salt Lake County procures a variety of property...necessary for government operations, which must be properly managed - meaning, controlled, inventoried, and protected.

In the most recent merchandise inventory conducted by South Mountain Golf Course staff, we noted a \$1,903 loss in clubs, and a \$1,098 loss in men's tops (shirts). Conversely, we noted a \$988 overage in men's bottoms (shorts).

The South Mountain Golf Course head professional stated that he was aware of the need for vigilance in the pro shop to help prevent retail theft. He stated that many items, particularly clubs, are subject to retail theft. In addition, he stated that for the past few years an outside vendor operated a club fitting service at the South Mountain Golf Course. Occasionally, this operator may have swapped clubs with South Mountain pro shop that were not accounted for. Also, inventory may not have been entered correctly into the software, or the cashier may not have properly entered the inventory number at the time of sale.

Without adequate vigilance, pro shop theft is more likely to occur. Also, lack of attention to properly entering or removing inventory items into or from Fore! Reservations software also creates variances.

Recommendation

We recommend that merchandise inventory be accurately entered into Fore! Reservations when purchased, and accurately removed from Fore! Reservations when the sale is made.

Finding # 4 - South Mountain Golf Course personnel did not keep a sign-in/out log for the change fund.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.1 states:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

South Mountain Golf Course management did not maintain a log to note personnel removing the change fund from the safe and returning it to the safe at the end of the day.

The head professional stated that a change fund log had been discussed in staff meetings, but was not aware of whether management had mandated its use.

Without the sign-in/out log, accountability would not exist in cases where the change fund might be missing.

Recommendation

We recommend that a sign-in/out log be kept in or by the safe to record each time they retrieve the change fund from or return it to the safe.

Finding # 5 - South Mountain Golf Course management did not explain drawer count outages.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1 states:

"When a significant shortage, or pattern of shortages occurs ...Agency Management shall conduct an investigation of the circumstances and report their findings to the Auditor's Office."

Out of 64 day-end cashier drawer counts examined during the audit, we found 2 that differed from the amount deposited. No documented explanation was included to account for these differences.

Cashiers perform a "blind" count of their drawers, meaning they do not view system totals as part of their procedure. Management stated that drawer totals from cashiers that do not properly close out their day's end transactions may carry forward to the next cashier on duty, resulting in the variances shown.

When differences between reported cash counts and actual deposits are not explained, theft could be suspected, or theft could more easily occur because of perceived inattention by management.

Recommendation

We recommend that golf course management document explanations for differences between cashier drawer counts and final re-counts by the deposit preparer.

Finding # 6 - Cashiers did not sign documentation of day-end drawer counts.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.1 states:

"The cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted."

Cashiers count their drawers at the end of the day, and enter their count into the Fore! Reservations system. The system generates a slip documenting the count. Cashiers did not sign these slips, even though a signature line was provided.

Management stated they did not see the need for signatures, and did not instruct cashiers to do so.

Without cashier signatures on drawer count slips, additional proof is not available for responsibility of funds.

Recommendation

We recommend that cashiers sign their drawer count slips produced by the Fore! Reservations system.

Finding # 7 - Voids and refunds were not signed by a supervisor as evidence of review.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state the following regarding processing of voided transactions:

"The cashier initiating the voided transaction will document...the cause of the voided transaction...A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void."

During our examination of 30 deposit days in 2012 and 2013, we found receipts for one voided transaction and one refund, neither of which was signed by the cashier or a supervisor.

South Mountain Golf Course management stated they were aware of the need to review and sign these receipts, but overlooked the need to do so, or did not place priority in the proper processing of voids.

The inattention from not reviewing and signing reversed transactions, including voids and refunds, allows for these transactions to be used as a way to cover diversion of funds to personal use.

Recommendation

We recommend that South Mountain Golf Course management review and sign all voids and refunds, on the designated void slip, and ensure that cashiers who performed the reversals also sign the void slip.

We recommend that voided transactions, with the void slip attached, be included in deposit documentation.

Finding # 8 - Deposits were not always made in a timely manner.

Risk Level: Low

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

"As required by §51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt."

We found 7 out of 30 deposits examined that were made more than 3 days after receipt of collections.

South Mountain Golf Course management stated that because of time constraints and limited personnel, the deposit was not always timely, and therefore funds remained in the safe without being delivered to the bank.

When deposits are not delivered to the bank in a timely manner, funds lose interest otherwise earned and are more susceptible to theft.

Recommendation

We recommend that South Mountain Golf Course management make bank deposits daily, if practicable, but no later than three days after receipt of collections.

Finding # 9 - Eight capital assets were not tagged, or the tag had worn off.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.1 lists one of the property manager's duties as follows:

"Coordinate with the organization's Purchasing Clerk to ensure...fixed assets are tagged and capitalized."

During our capital asset inventory search we observed eight pieces of equipment whose County property tags had either not been attached, or had worn off.

Management stated that rough, outdoor use of golf course maintenance equipment often results in the property tag wearing off.

Equipment missing the County property tag often requires identification by employees familiar with the items, generally the associate director of Parks Operations, or the grounds superintendent. In their absence, the equipment may not be identified, and is therefore more subject to theft.

Recommendation

We recommend that the eight capital assets lacking a County property tag have a property tag attached, either in a place where it will not wear off, or that the tag number be painted or engraved on.

Additional Information

Background

The 320-acre South Mountain Golf Course is the last of the six County golf courses to start operations. Opened in 1998 by an outside private company, and purchased by Salt Lake County in 1999, this 18-hole course commands a stunning view of the Salt Lake Valley from its mountain-side location. Its seven mile long cart path mandates a "ride-only" policy. Golf carts are included in all green fees. Week-day adult green fees for 18 holes are \$42, and for youth under age 18, green fees are \$30. With a 2013 operating budget of \$690,000, South Mountain has 3 merit employees, 4 cashiers, and 9 range and cart personnel. Grounds maintenance employees are managed separately by Parks Operations.

Scope

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

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

Our examination period covered up to twelve months ending May 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

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



**Parks & Recreation Division Response to
Summary of Findings and Recommendations**
for SOUTH MOUNTAIN GOLF COURSE AUDIT dated Sept. 10, 2013

Ben McAdams
Salt Lake County
Mayor

Erin Litvack
Community Services
Department Director

**PARKS &
RECREATION
DIVISION**

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Division Director

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NO	FINDING	RECOMMENDATION	RESPONSE/ACTION TAKEN
1	Receipts were not consistently issued to patrons	We recommend that a receipt be issued to all patrons at the golf course.	Implemented. Receipts will be readily available to the patrons at time of transaction
2	Seven capital assets listed for South Mountain Golf Course were located at other golf courses.	We recommend that Parks administration update the capital asset list to transfer the eight missing capital assets at the South Mountain Golf Course to their correct location	Will coordinate with Curtis Hirase and Garin Lamph to fill out an MP2 to formally transfer the equipment to the appropriate golf course.
3	Large merchandise inventory differences occurred between expected and actual items on hand.	We recommend that merchandise inventory be accurately entered into Fore! Reservations when purchased, and accurately removed from Fore! Reservations when the sale is made.	Management will make a better effort to control theft, and limit variances in inventory. This is an ongoing process and will be implemented.
4	South Mountain Golf Course personnel did not keep a sign-in/out log for the change fund.	We recommend that a sign-in/out log be kept in or by the safe to record each time they retrieve the change fund from or return it to the safe.	Implemented 9-19-13
5	South Mountain Golf Course management did not explain drawer count outages.	We recommend that golf course management document explanations for differences between cashier drawer counts and final re-counts by the deposit preparer.	Implemented. We use the electronic daily cash count sheet to document overages and shortages. And to explain why a cashier may have been off on their drawers.
6	Cashiers did not sign documentation of day-end drawer counts.	We recommend that cashiers sign their drawer count slips produced by the Fore! Reservations system.	Implemented



**Parks & Recreation Division Response to
Summary of Findings and Recommendations**
for SOUTH MOUNTAIN GOLF COURSE AUDIT dated Sept. 10, 2013

NO	FINDING	RECOMMENDATION	RESPONSE/ACTION TAKEN
7	Voids and refunds were not signed by a supervisor as evidence of review.	We recommend that South Mountain Golf Course management review and sign all voids and refunds, on the designated void slip, and ensure that cashiers who performed the reversals also sign the void slip.	Implemented. Starting in 2013 we have been using a void and refund slip. It provides an explanation, and also a signature for the cashier and supervisor.
		We recommend that voided transactions, with the void slip attached, be included in deposit documentation.	Implemented
8	Deposits were not always made in a timely manner.	We recommend that South Mountain Golf Course management make bank deposits daily, if practicable, but no later than three days after receipt of collections.	Implemented
9	Eight capital assets were not tagged, or the tag had worn off.	We recommend that the eight capital assets lacking a County property tag have a property tag attached, either in a place where it will not wear off, or that the tag number be painted or engraved on.	Will coordinate with Curtis Hirase to issue a new property tag or engrave one on a piece of equipment if necessary
	Name of person responding	Wade Olsen, Head Professional	Prepared 9/19/13