

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



An Audit of the Key Controls of
Meadow Brook Golf Course

June 18, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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June 18, 2014

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 Meadow Brook Golf Course

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Meadow Brook 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 Meadow Brook Golf Course and the cooperation from Tim Fernau, Pat Riley, Adam Johnson, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Meadow Brook 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: Martin Jensen, Acting Director of Parks & Recreation
Andrew Keddington, Associate Director
Jerry Brewster, Director of Golf
Tim Fernau, Head Professional

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Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Meadow Brook 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

In our audit of the Meadow Brook Golf Course, we found three controlled assets that were not included on the controlled asset list. Also, packing slips were not attached to documentation for the checking account custodian who paid for merchandise inventory purchases. In the area of cash handling, we found four unexplained differences between the cashier drawer count and the final amount deposited. Our last audit of Meadow Brook Golf Course was released to the public in January 2014. In this audit, we found a piece of equipment transferred to another golf course, but the transfer was not reflected on the capital asset list. Our revisit of this issue revealed that the equipment remained on Meadow Brook's list.

Findings and Recommendations

Finding # 1 - Accountability for a capital asset was not appropriately established.

Risk Level: Low

County Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that the property managers are required to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

A previous audit conducted in January 2014 found that a capital asset, a SmithCo Verti-Star dethatcher, was not located at Meadow Brook Golf Course. The asset was transferred to the Riverbend Golf Course, but remained on Meadow Brook's capital asset list. During a retest of this finding, we found that the dethatcher continued to be listed at Meadow Brook. Our office verified that the asset was located at Riverbend.

Management stated that they were aware of this finding in the prior audit, but had not taken the time to complete the Form PM-2 in transferring this asset to Riverbend's list.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that necessary action be taken to transfer the Verti-Star dethatcher to the Riverbend Golf Course capital asset list.

Finding # 2 - Invoices did not always have packing slips attached as proof of receipt of the merchandise.

Risk Level: Low

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports."

Merchandise orders accounted for 9 of the 10 paid invoices examined for the period between April 2 and April 22, 2014. None of the 9 invoices had attached packing slips in the documentation as proof of receipt of the merchandise.

Inventory and budgets could be misrepresented when invoices are paid without a packing slip as proof of receipt.

Recommendation

We recommend that a signed copy of the packing slip be submitted with the invoice for payment.

Finding # 3 - Differences between cashier drawer counts and amounts deposited were not explained.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1 states:

"Cash balancing reports generated automatically, if reconciled to the cash count, should provide sufficient balancing documentation."

We examined 86 cashier balance sheets, generated automatically from the software management system, and found 4 that differed from amounts actually deposited. The differences were not documented and explained. The most significant differences were a \$28 shortage and a \$96 overage.

Management stated that differences in cashier counts result from cash drawer or change funds being incorrectly counted.

When differences in cashier drawer counts are not documented and explained, a theft of cash could be concealed.

Recommendation

We recommend that differences between cashier drawer counts and re-counts by the deposit preparer be recorded and explained.

Finding # 4 - Accountability for some controlled assets was not properly established.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.3 states that the property managers are required to:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

Of the 32 controlled assets we reviewed, 3 items were located that had asset tags, but were not listed on the controlled asset inventory log. They were a leaf blower, tag #1109, a battery charger, tag #0547, and a computer monitor, tag #0459.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Meadow Brook Golf Course management account for all controlled assets.

Additional Information

Background

Opened in 1953, the Meadow Brook Golf Course is the oldest of the six County-owned golf courses. Built under the direction of and first managed by Mick Riley, for whom another of the County's golf courses is named, the Meadow Brook course in Taylorsville evokes a player friendly atmosphere, catering to every level of golfer expertise. Weekday adult green fees are \$28 for 18 holes, and \$42 if a golf cart is included. Three merit and 25 temporary clubhouse employees, and 4 merit and 21 temporary grounds maintenance employees provide staffing needs. The clubhouse has a 2014 operating budget of \$628,927. In Meadow Brook lore, the high alkaline soil content of the golf course, which was originally farmland, prompted the former landowner to say to Mick Riley, "If you can grow grass on this property, I'll eat your straw hat." At the opening ceremony, Mick took off his straw hat, handed it to this man, and said, "I hope you're hungry!"

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending April 30, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

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



2014 Summary of Audit of Key Control

Findings and Recommendations

Meadow Brook Golf Course

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Accountability for a capital asset was not appropriately established.	We recommend that necessary action be taken to transfer the Verti-Star dethatcher to the Riverbend Golf Course capital asset list.	PM-2 has been filled out for the transfer of the Verti-Star dethatcher to Riverbend Golf Course and taken to the Salt Lake County Parks and Recreation Division offices for processing on June 18, 2014.
2.	Invoices did not always have packing slips attached as proof of receipt of the merchandise.	We recommend that a signed copy of the packing slip be submitted with the invoice for payment.	Implemented.
3.	Differences between cashier drawer counts and amounts deposited were not explained.	We recommend that differences between cashier drawer counts and re-counts by the deposit preparer be recorded and explained.	Implemented.
4.	Accountability for some controlled assets was not properly established	We recommend that Meadow Brook Golf Course management account for all controlled assets.	The Leaf Blower, tag #1109, battery charger, tag #0547 and a computer monitor, tag # 0459 have been accounted for and listed on the controlled asset inventory log.
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6.			
7.			
8.			
9.			
10.			

NAME AND TITLE OF PERSON RESPONDING: Tim Fernau-Golf Course Manager

DATE PREPARED: 7/18/14