

Salt Lake County Auditor's Office

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Glen Lu, Director
Parks and Recreation Division
2001 South State Street, #S4400
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Dear Glen:

We recently completed a limited scope audit of the Old Mill Golf Course. The audit's primary focus was on the period from July 1, 1998 to June 30, 1999. During our examination, we reviewed cash handling procedures, the \$50,000 merchandise imprest checking account, employee payroll, golf lesson vouchers, fixed and controlled assets, and Old Mill's concessionaire, EAGO Restaurants-Old Mill LLC.

While some controls are in place and working effectively, other areas need some improvements. The findings and recommendations that we found significant are discussed below. Less significant findings and recommendations were discussed verbally with the Old Mill Head Golf Professional and golf management.

CASH HANDLING

During our audit, we examined cash handling procedures at the Old Mill Golf Course. The primary objective of our analysis was to ensure that cash receipting and depositing practices and procedures were in place and all monies due the County were received and deposited. Our major findings are:

- **The golf course is not keeping an over and short log of its daily register totals.**
- **Several golf employees work out of the same cash drawer and the key to open the cash drawer is left in the register.**
- **Five different people had access to the petty cash fund because each of them knew the combination to the safe.**

- **The cash totals do not always match the register totals when employees balance their cash drawers at the end of the day.**
- **During the winter months when the course is open intermittently, personnel at the golf course do not make regular deposits.**
- **Checks are accepted and placed in the cash register without a restrictive endorsement.**
- **Employees at the golf course have acknowledged they do not seek supervisory review of voided transactions.**

The golf course is not keeping an over and short log of its daily register totals. According to Countywide Policy #1062, Management of Public Funds, Section 5.3.1, “All overages and shortages will be accounted for and reflected in the agency’s Monthly Report of Cash Receipts.”

The main objective of an over and short log is to assist management find outages and determine accountability for those outages. Without a log, it is virtually impossible to monitor cashier performance.

ACTION TAKEN:

Since this audit has taken place, the new Head Golf Professional at Old Mill Golf Course has instituted the use of over and short logs.

Several golf employees work out of the same cash drawer and the key to open the cash drawer is left in the register. Countywide Policy #1062, Management of Public Funds, Section 2.10.1, requires, “All Agent Cashiers, alternate Agent Cashiers ... [to] have their own cash drawers unless deemed impossible or unnecessary by the Agency in consultation with the Fund Management Committee.” If each cashier had their own cash drawer, accountability could be assigned to the employees. Also, it would most likely eliminate the use of keys being left in the drawer. The current arrangement allows easy access to cash drawers and seriously degrades physical security of cash.

RECOMMENDATION:

The golf course should install multiple new drawers so that each cashier has their own drawer. This recommendation, along with an over and short log, would provide more accountability to management and likely greatly reduce the number of cash over and shorts.

Five different people had access to the petty cash fund because each of them knew the combination to the safe. Countywide Policy #1203, Petty Cash and Other Imprest Funds, dictates that "...one person [be] directly responsible for each fund." With so many people having access to the safe where the petty cash fund is stored, any one of them could access the fund without the custodian's knowledge.

ACTION TAKEN:

During the course of this audit, a new custodian has been appointed and the combination on the safe has changed. The new custodian, the Head Golf Professional, was briefed about the proper operation of the account when he took over the fund.

The cash totals do not always match the register totals when employees balance their drawers at the end of the day. Each day, in accordance with Countywide Policy #1062, Management of Public Funds, County employees should balance the cash on hand to their respective register tapes. In a statistical sample of Old Mill Golf Course's cash deposits, we found that 10 out of 43 times (or 23 percent), the totals of the cash and register tape did not match. The problem is in the handling of gift certificates. When a gift certificate is sold, cash is received and recorded as any other golf or merchandise transaction. When the gift certificate is redeemed, the sale is also recorded. This would result in the duplicate recording of gift certificates as revenue. To account for the statistical event (a golf round sold or a merchandise sale), it is appropriate to ring gift certificate redemptions into the cash register. At the end of the day however, it is necessary to count the value of the gift certificates redeemed and deduct that amount from the cash register total when balancing. For the period covered by the audit, this was not always the case.

RECOMMENDATION:

Because balancing the cash on hand to register tapes is a key internal control, Old Mill Golf Course management should ensure that procedures are in place to accurately handle all forms of payment including gift certificates and rain checks.

During the winter months when the course is open intermittently, personnel at the golf course do not make regular deposits. According to Countywide Policy #1062, Management of Public Funds, Section 3.8.1.1, "Receipts of \$250 or more (\$50 in cash and \$200 in checks) will be deposited on a daily basis." In our audit, we found that in November of 1998 deposits for November 14-16 were deposited at the bank on November 19, even though each deposit was more than \$1,000. Also, a deposit dated December 31, 1998 for \$10,264.27 was not deposited until February 10, 1999. Depositing on a regular basis reduces the risk of loss.

RECOMMENDATION:

The golf course staff should make deposits any time the course has receipts of \$250 or more. After speaking to the new Head Golf Professional, we found that he is aware of the situation and plans to adhere to this policy in the future.

Checks are accepted and placed in the cash register without a restrictive endorsement.

During our surprise cash count, we found 23 checks that had been accepted without a restrictive endorsement. Countywide Policy #1062, Management of Public Funds, Section 3.6.1, states that, "As a rule, all checks and other negotiable instruments received by the Agent Cashier will be made nonnegotiable as soon as possible after receipt." By failing to immediately restrictively endorse checks, the opportunity exists to redirect the checks to an inappropriate use. At the present time, checks are not always endorsed promptly. This fact is disappointing since this exception was previously noted in a letter from the Auditor's Office dated September 10, 1998.

RECOMMENDATION:

Golf course employees should restrictively endorse checks upon receipt.

Employees at the golf course do not handle voided transactions in any special manner. Based on Countywide Policy #1062, Management of Public Funds, Section 3.13, Voiding Receipts, "When it is necessary to void a receipt, all copies will be marked 'Void.'" During our review, we noted that no void form was used although there were voided transactions on nearly every day examined. Each voided transaction should be reviewed by management. The failure to use void forms deprives management of a key internal control and opportunity to review cashier performance.

RECOMMENDATION:

Old Mill Golf Course should institute the use of a void form for all voided transactions. The void form should provide such key information as the reason for the void, the individual receiving the funds, the cashier handling the transaction as well as the date, amount, transaction number, and supervisor signature.

MERCHANDISE IMPREST CHECKING ACCOUNT

All County golf courses have a pro shop to sell golf supplies to players. These shops have a wide variety of equipment to sell ranging from balls and tees to golf bags and clubs. In order to provide merchandise for those shops, a \$50,000 merchandise imprest checking fund has been established. To illustrate the frequency of use, almost \$250,000 was used in March of 1999. During our examination of

the Old Mill Golf Course, we analyzed this account to ensure that it is operated properly. Our major findings are:

- **The custodian controls all aspects of this account including writing the checks, logging the checks, signing the checks, resolving problems with the account and reconciling the statements.**
- **The imprest checking account requires two signatures, but all of the checks were signed with two signature stamps.**

The custodian controls all aspects of this account including writing the checks, logging the checks, signing the checks, resolving problems with the account and reconciling the statements. The "Request for Establishment of Petty Cash Fund," submitted to and approved by the Auditor's Office, under the section Internal Controls, states "Monthly reconciliation will be done by the custodian and approved by the Golf Director."0 During our examination of the account records, we could not find evidence that separate approval and accounting was taking place. Consequently, since the custodian controls all aspects of this account, there is significant risk of funds in this account being diverted to personal use.

RECOMMENDATION:

Separation of duties on a checking account is a critical internal control. The merchandise imprest account should be reconciled monthly by the custodian and reviewed by the Golf Director.

The imprest checking account requires two signatures, but all of the checks were signed with two signature stamps. The purpose of requiring two signatures on every check is to ensure that two different people are examining the check prior to its issuance. By using signature stamps, the control that is established to restrict the abuse of this account is circumvented.

RECOMMENDATION:

Golf course management should eliminate the use of signature stamps or redistribute the stamps so that two different people are involved in the approval and signing of checks.

GOLF LESSON VOUCHERS

On a regular basis, county and contracted employees working at the golf course teach lessons to golf players. While auditing the Old Mill Golf Course, we reviewed the lesson vouchers for 1999. We found:

- **The county is not being paid the 20 percent for all golf lessons taking place at the golf course.**

The county is not being paid the 20 percent for all golf lessons taking place at the golf course. According to the Agreement to Provide Sports Officiating and/or Related Sports Services, each time a lesson is taught by one of the golf teaching professionals, the county is due 20 percent of the lesson fee, while the golf professional earns 80 percent. Due to the relationship between the student and the teaching professional it is difficult to track all payments. The student can pay the instructor directly without a third party verifying the transaction.

ACTION TAKEN:

The Golf Director has instituted a policy at all courses in which instructors sign in at the counter and pay for range balls at that time. When in practice, this policy will allow management to track the number of lessons given and ensure the golf course is receiving the amounts due for range balls.

FIXED AND CONTROLLED ASSETS

During our audit of the Old Mill Golf Course, we conducted a survey of fixed and controlled assets. Our finding is:

- **The course does not maintain a list of controlled assets for either the pro shop or the maintenance area.**

The course does not maintain a list of controlled assets for either the pro shop or the maintenance area. Countywide Policy #1125, Safeguarding Property/Assets, Section 2.2.3, states that the property manager is to, “Maintain records as to current physical location of all fixed assets and controlled assets within the organization’s operational and/or physical custody.” The Head Golf Professional did not have a list of controlled assets.

RECOMMENDATION:

All controlled assets at the golf course should be listed on a controlled asset list. Furthermore, that list should be updated regularly and an inventory conducted at least once every year.

EAGO RESTAURANTS – OLD MILL LLC.

EAGO Restaurants is the concessionaire that serves patrons of the Old Mill Golf Course. In addition to providing food and drinks to golfers, EAGO Restaurants also caters to banquets and tournament luncheons held at the Old Mill clubhouse. Our findings are:

- **EAGO Restaurants owes Parks and Recreation \$525.00 for underpaying utilities in the months of July through December 1998 and March 1999.**
- **EAGO Restaurants did not keep sufficient records for eight events held at the Old Mill clubhouse during the period we examined.**
- **EAGO Restaurants rather than a county employee is receiving the rental fee charged when an event takes place in the Old Mill clubhouse.**

EAGO Restaurants owes Parks and Recreation \$525.00 for underpaying utilities in the months of July through December 1998 and March 1999. According to the “Old Mill Golf Course Concession Agreement,” dated March 25, 1998, Section 9, Utilities, “Concessionaire shall pay a fee of One Thousand Three Hundred Seventy-Five Dollars (\$1,375.00) each month for electrical and natural gas utilities...” We found that for the months of July through December 1998 and March 1999, EAGO Restaurants was paying \$1,300 instead of \$1,375 per month for utilities. Although the proper amount was paid in the months following March 1999, the shortfall for the months listed above has not been corrected.

RECOMMENDATION:

We recommend that EAGO Restaurant pay \$525.00 to settle the seven months outstanding. Since April 1999, EAGO Restaurants has been paying \$1,375 per month to Parks and Recreation.

EAGO Restaurants did not keep sufficient records for eight events held at the Old Mill clubhouse during the period we examined. The EAGO Restaurant’s contract with the County states that the concessionaire is required to keep, “thorough and accurate books and records showing all of its business transactions.” Usually for an event held at the clubhouse, EAGO Restaurant creates some type of invoice. However, we could not confirm the presence of an invoice or the invoice amount on eight events held at the Old Mill clubhouse. Therefore, we cannot verify if the County is receiving all of its money.

RECOMMENDATION:

EAGO Restaurant should create an invoice billing for every event held at the Old Mill clubhouse. In addition, the concessionaire should keep supporting documentation for three years to verify any miscellaneous transactions.

EAGO Restaurants rather than Salt Lake County is receiving the rental fee charged when an event takes place in the Old Mill clubhouse. The county charges a rental fee when the Old Mill clubhouse is used for a banquet or wedding reception. The rental fee for a banquet is \$250, while a

wedding reception is \$400. We found that EAGO Restaurant receives the rental fee charged when an event takes place in the Old Mill clubhouse. Then, at the end of each month, EAGO's owner hand delivers all of the month's rental fees to the Old Mill's Head Golf Professional.

In this situation, the County is not immediately receiving the money. Prompt deposits create a better cash flow for the County and limit potential risks. The longer it takes for the County to receive the money, the more likely a problem will occur.

RECOMMENDATION:

We recommend that all customers using the Old Mill clubhouse either present their rental check to an employee of the Old Mill Golf Course or mail it into Parks and Recreation's administrative office. EAGO Restaurants should require proof of payment (a receipt) before proceeding with the event.

In closing, I would like to thank your staff for their assistance during this audit. Your employees at the Old Mill Golf Course were very helpful to our auditors throughout the audit. I trust that our work will be beneficial to your staff. If we can be of any further assistance, please let us know.

Sincerely,

David L. Beck
Chief Deputy

cc: Paul Ross
Devin Dehlin
Wade Olsen