



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH

Auditor

July 5, 2007

Bruce Henderson, Acting Director
Parks and Recreation Division
2001 South State Street, #S4400
Salt Lake City, UT 84190

Re: Meadow Brook Golf Course Audit

Dear Bruce:

We recently completed a limited scope audit of the Meadow Brook Golf Course (golf course). The audit's primary focus was on the period April 1, 2006 to April 26, 2007. During our examination, we reviewed cash receipting and depositing, capital and controlled assets, petty cash, pro-shop sales, and concessions sales.

For each of these areas, we examined internal controls and procedures in place to determine compliance with Countywide policies pertaining to the areas of our examination. Our work at the golf course was designed to provide reasonable, but not absolute, assurance that the system of internal control was adequate, records current and daily transactions valid.

CASH HANDLING AND DEPOSITING

Our audit included examining cash handling procedures to determine whether Countywide Policy #1062, "Management of Public Funds," was applied. We counted all funds on the premises, including cash receipts not yet deposited, the change fund and petty cash fund. We also reviewed a sample of deposits from the past twelve months, and reconciled these deposits to bank statements on file. To review the cash handling and depositing, we selected a statistically random sample of days from April 1, 2006 to March 31, 2007. We also reviewed each day from April 1, 2007 to April 26, 2007. Salt Lake County golf courses began using a new software package as of January 1, 2007 and as a result, there were some adjustments that needed to be made when new situations arose.

We discovered a few items of concern during our examination for which we have made recommendations.

- **VOIDS WERE NOT ALWAYS SIGNED BY A SUPERVISOR TO INDICATE HIS REVIEW AND APPROVAL.**
- **AN OVER/SHORT LOG WAS NOT USED TO TRACK CASHIER BALANCING TRENDS AS REQUIRED BY COUNTYWIDE POLICY.**

- **Cash Receipts were not deposited within three days after receipt during the period November 1, 2006 to March 31, 2007.**
- **The safe combination was not routinely changed every year.**
- **Change funds were not verified and documented in a log to track possession of the fund.**

Voids were not always signed by a supervisor to indicate his review and approval. During our examination of deposits, we found various voided transactions on file that were not signed by a supervisor to indicate his review and approval. We commend the golf course for using void slips as a way to alert management to the reversal of cash transactions and to help prevent the embezzlement of funds. Just as void slips can prevent embezzlement, they can also hide the occurrence of theft if they are not reviewed by a second party, generally the supervisor. A written explanation and supervisor's signature, as well as the cashier's signature, should be found on each void slip to provide assurance that reversal of transactions was legitimate.

Policy #1062, "Management of Public Funds," Section 3.5.2.2, states, "*The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution.*" Golf course personnel should ensure that Countywide policy is followed by explaining each void in writing and requiring the review and signature of a supervisor.

RECOMMENDATION:

We recommend that a written explanation be provided on all voided receipts and that both the cashier and a second employee, usually the supervisor, sign the void as evidence of review and approval.

An over/short log was not used to track cashier balancing trends as required by Countywide policy. Overs and shorts are recorded each day on the spreadsheet prepared by the person who prepares the deposit. When overs or shorts are excessive, the cashier is instructed to research the reason for their occurrence. Overs and shorts are expected from time to time. Even though apparent software system problems prevent proper balancing from taking place, an over/short log, typically MPF Form 11, should be maintained and daily outages should be recorded. However, MPF Form 11, Cash Over/short Log, shown here as Attachment A, was not prepared by golf course personnel. When the over/short log is not used, overs and shorts become routine and ordinary, and cashiers lose sight of the ideal of balancing "to the penny." Also, the failure to monitor overages and shortages creates an atmosphere where theft is more likely to occur.

Policy #1062, Section 2.5.3, states, "*All overages and shortages, regardless of the amount, must be recorded and reported daily by the agency on MPF Form 11, CASH OVER/SHORT LOG.*" The Cash Over/Short Log is designed to be an individual form, used to

record and track the cash outages for each employee and includes separate lines for the employee's and the supervisor's signature. The purpose of the form is twofold: 1) to have employees acknowledge any cash over or short, and 2) to provide management a tool to review cashier performance on a monthly basis. Without an MPF Form 11, or equivalent, management does not have a means of tracking cash outages on a by-cashier basis, nor are cashiers held directly accountable for overages or shortages. An over/short log should be used to record the balancing records for each of the two cash registers, and an over/short log should also be used by the employee who prepared the deposit to show any differences between collections at the golf course as a whole and the system-generated totals of daily receipts.

RECOMMENDATION:

We recommend that the use of the over/short log, Form MPF 11, or equivalent be implemented to record the balancing of cashiers at each of the two cash registers and that cashiers and management sign the form.

Cash receipts were not deposited within three days after receipt during the period November 1, 2006 to March 31, 2007. During the busy golf season, deposits are prepared and picked up daily by the courier service. However, in the period from November 1 to March 31, golf course personnel are required to deposit revenue directly to the bank. We examined 119 deposits for the entire year and found that for the period when the courier collected the deposits, all deposits were credited at the bank within three days. For the period November 1, 2006 to March 31, 2007, we examined 28 deposits. Of these deposits, 12 were deposited more than three days after receipt and 8 of the 12 were deposited six or more days after receipt. Table 1 below shows the 12 deposits that were deposited at the bank three or more days after receipt.

Date Received	Date Deposited	No. of Days to Deposit	Amount of Deposit
11/4/2006	11/8/2006	4	\$ 1,042.61
11/22/2006	11/27/2006	5	\$ 1,155.61
12/13/2006	12/26/2006	13	\$ 422.93
12/19/2006	12/26/2006	7	\$ 100.66
12/20/2006	12/26/2006	6	\$ 250.00
1/31/2007	2/8/2007	8	\$ 30.00
2/16/2007	2/23/2007	7	\$ 505.11
2/17/2007	2/23/2007	6	\$ 2,059.89
3/8/2007	3/12/2007	4	\$ 427.66
3/16/2007	3/20/2007	4	\$ 2,554.34
3/20/2007	3/26/2007	6	\$ 1,045.65
3/27/2007	4/2/2007	6	\$ 284.47

Table 1. Revenue deposited at the bank more than three days after receipt ranged from \$30 to \$2,554.34.

Policy #1062, Section 3.7.2, states “As required by Section 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable but not later than three days after receipt.” Failure to deposit timely delays the opportunity for revenue to be put to use

to earn interest, and it increases the potential for loss should a theft or other unpredicted event occur.

RECOMMENDATION:

We recommend that all revenue be deposited daily whenever practical, but no later than three days after receipt.

The safe combination was not routinely changed every year. According to the golf course pro, the combination to the safe has not been changed since he became head pro in November 2006 and his experience at another golf course led him to believe that changing the combination at least yearly was not performed. Policy #1062, Section 2.3.3 states, "*The combination to a safe or cashbox will be changed...at least once a year and any time there is a change in incumbents in the positions of agency cashier or cashier.*" By not changing the combination every year or when employees with knowledge of the safe combination leave employment, the change fund and daily revenues are at risk, as former employees may know the combination. The Meadow Brook Golf Course should change safe combinations at least once a year and at each instance when an employee with knowledge of the combination leaves employment.

RECOMMENDATION:

We recommend that the combination of the safe be changed at least annually, and more often as required, in accordance with Policy #1062.

Change funds were not verified and documented in a log to track possession of the fund. The \$1,700 change fund is kept in three bags, two each that have \$300 and one with \$1,100. The morning cashier retrieves one bag when opening the till and places the \$300 in the register. Although the cashier counts the money, the count is not verified and there is no log to track possession. At the end of the cashier's shift, the cashier counts out \$300 and sets it aside prior to counting the day's receipts. The \$300 is then passed to the next cashier who counts the money, but again does not log and sign for the amount.

Policy #1062, Section 2.4.3, states, "*The agency Cashier and each cashier will verify accountability for their cash advance daily. This will enable the cashiers to quickly detect and identify discrepancies and promotes appropriate attention to control over and accountability for County funds.*"

At other recreation facilities we have noted logs used effectively to document the name of the employee who has retrieved the change fund for use in daily operations. The first cashier will sign the log and receive and count the change fund. When that person's shift ends, he and the next cashier together count the change fund, and sign the log.

The current practice of allowing employees to take possession of change funds without signing for them lacks the accountability and documentation necessary to assign responsibility

for these funds should they become lost or stolen. Verifying and signing for the change fund is also a preventative measure in reducing any inclination an individual might have to embezzle funds.

RECOMMENDATIONS:

- 1. We recommend that each time a cashier receives or returns the change fund, the fund be counted to verify the amount.*
- 2. We recommend that a log be maintained where the employee signs for the change fund each time it is taken from the cash box and subsequently returned to the box.*

CAPITAL AND CONTROLLED ASSETS

Capital and controlled assets comprise an extensive array of equipment needed to maintain and groom the golf course, service the needs of golfers, and operate the pro shop and concession area. Capital assets are items whose purchase price is greater than the current capitalization rate, which at this time is \$5,000. The Auditor's Office, in addition to maintaining the capital assets list and distributing a copy of it to County agencies, also prints and distributes tags for newly acquired fixed assets.

Management for controlled assets is assigned to the individual agencies where these items are located. Countywide Policy #1125, "Safeguarding Property/Assets," Section 1.2 defines a controlled asset as "*personal property items having a cost of \$100 or greater, but less than the current capitalization rate...*"

We were pleased to find a controlled assets list on file at Meadow Brook, maintained by a property manager, and ready for our review upon request. In addition to the controlled asset list, we obtained a list of golf carts and a list of capital assets. We selected a statistically significant sample of 48 controlled assets from the 137 items on the list and found all items in our sample. We also located all 67 golf carts. There were 46 items on the capital asset list and we found all of the assets in our statistically significant sample of 27. We commend the maintenance crew for etching the capital asset number on the equipment, in addition to affixing the County tag. It is a good practice to etch the number into maintenance equipment which is often out in the weather and subject to tags being removed accidentally.

MERCHANDISE INVENTORY

We conducted a complete inventory of the merchandise in the pro shop. In most cases, we were able to find the assets listed, but there were some differences, some of them due to conversion to the new software program. We found the following:

- **Some items in the pro shop inventory had obsolete inventory tags.**

Some items in the pro shop inventory had obsolete inventory tags. While conducting a manual inventory count, we could not readily identify some items listed on the current inventory sheets because of old inventory tags on many items in the shop. The obsolete barcodes had 7-digit numbers while the new barcodes had 11. Sound business practices indicate that when converting from an old to new inventory system, new tags should be generated.

Continued use of old tags was the result of transitioning from the "Fore Reservations" to the current "Active Golf Systems" inventory system. When merchandise is marked with old tags, accuracy in reporting inventory movement is hindered, which may result in unrecorded sales, and understated, or overstated inventory. This presents opportunity for personnel to conceal inventory shrinkage.

RECOMMENDATION:

We recommend that items with old tags be replaced with new tags that match the inventory detail report from the new Active Golf Systems software.

CONCESSIONS

The concessions area of the golf course sells food items to the public, including hot dogs, sandwiches and drinks. The current concessionaire began their contract and term of service January 1, 2007. The term of the contract is effective through December 31, 2009 and may be renewed for two additional one (1) year periods. The contract requires that a percentage of their annual revenues be remitted to the golf course according to the following schedule:

- 1) 10% of net concessions up to \$120,000.
- 2) 11% of net concessions when revenues are between \$120,001 and \$160,000.
- 3) 12% of net concessions when revenues exceed \$160,001.

We contacted the concessionaire and requested their documentation of revenue received from sales at Meadow Brook since the beginning of 2007. We received a spreadsheet from them containing these revenue amounts to which we applied the designated percentage of commission, 10 percent in all cases, and found that they had remitted the correct amount to Meadow Brook Golf Course. We also found that this revenue was included in the golf course's deposit at the time the golf course received it. In addition, a utilities fee of \$200 per month is required for the months of January to April and October to December, and \$400 is required May to September. We verified from the spreadsheet that utility payments were remitted to the golf course. Furthermore, the concessionaire must pay the golf course \$200 - \$300, depending on the time of day, when renting out the concessions area for dinners or wedding parties, and \$600 for renting it out the entire day.

The findings in this letter should not be considered all-inclusive of deficiencies in practice or failure to follow Countywide policy. While we hope that operations are conducted honestly and according to Countywide policy, we can never be assured that this is always the case in any office, division or agency. Implementation of recommendations in this letter will

Bruce Henderson, Acting Director

7/5/2007

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help to improve operations, ensure the security of County assets, and protect employees from the consequences of dishonest acts. Please feel free to discuss any of the findings within the letter with me. In closing, I would like to thank your staff for their cooperation and assistance during our audit. We trust that our work will be of benefit to your staff. If we can be of further assistance to you in this regard, please feel free to contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

cc: Paul Ross
Tim Fernau
Wade Olsen

CASH OVER/SHORT LOG

MPF Form 11

DIVISION _____

MONTH/YEAR _____

EMPLOYEE _____

DAY	AMOUNT OVER/SHORT	INITIALS OF CASHIER
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____
10	_____	_____
11	_____	_____
12	_____	_____
13	_____	_____
14	_____	_____
15	_____	_____
16	_____	_____
17	_____	_____
18	_____	_____
19	_____	_____
20	_____	_____
21	_____	_____
22	_____	_____
23	_____	_____
24	_____	_____
25	_____	_____
26	_____	_____
27	_____	_____
28	_____	_____
29	_____	_____
30	_____	_____
31	_____	_____

ACCUMULATIVE OVER/(SHORT) \$ _____

Approved by Agent Cashier _____

I have reviewed the above log for propriety and certify that any differences between cash received and deposited are listed above.

Supervisor's Signature _____

Title _____