



## **SALT LAKE COUNTY AUDITOR'S OFFICE**

**JEFF HATCH**  
*Auditor*

September 15, 2008

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

Re: Riverbend Golf Course Audit

Dear Bruce:

We recently completed a limited scope audit of the Riverbend Golf Course (golf course). The audit's primary focus was the period July 1, 2007 to June 30, 2008. During our examination, we reviewed cash receipting and depositing, capital and controlled assets, petty cash and change funds, pro-shop sales, and concessions sales.

The lead auditor was Celestia Cragun with assistance from James Fire. Jim Wightman had administrative oversight of the audit.

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 controls 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. Collections balanced to the Cash Drawer Balancing Listing; and petty cash and change funds balanced to their authorized limits, as recorded on the Salt Lake County Petty Cash and Other Imprest Accounts Report. 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 representative sample of deposits between July 1, 2007 and June 30, 2008.

We discovered the following conditions during our examination for which we have made recommendations.

- **VOIDS WERE NOT CONSISTENTLY SIGNED BY A SUPERVISOR TO INDICATE REVIEW AND APPROVAL.**
- **Petty cash vouchers were not completed at the time funds were used.**

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**VOIDS WERE NOT CONSISTENTLY SIGNED BY A SUPERVISOR TO INDICATE REVIEW AND APPROVAL.** Golf course personnel were diligent in completing void slips and retaining the slips along with printed receipts, with their daily balance information. Void slips were reviewed by a supervisor when golf course deposits were prepared. In addition to keeping the void information with the daily deposit records, a copy of the same information was kept in a separate file for future reference, if needed.

In spite of this attention to detailed record keeping, we found 17 of 58 voided transactions on file, but not signed by a supervisor indicating review and approval. Void slips are a way to alert management to the reversal of cash transactions and to help prevent embezzlement. Properly executed and reviewed void slips can prevent the occurrence of theft if a second party, generally the supervisor, consistently reviews them. A written explanation and supervisor's signature, in addition to the cashier's signature, is required by policy on each void slip to provide assurance that the transaction reversal 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. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void.*"

Golf course personnel should ensure that Countywide policy is followed by explaining each void in writing and obtaining the signature and review of a supervisor.

**RECOMMENDATION:**

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

**ACTION TAKEN:**

***Golf course personnel were reminded by the golf course manager at the time of the finding to be certain to obtain a supervisor's signature on each void.***

**Petty cash vouchers were not completed at the time funds were used.** Review of the petty cash box disclosed a number of receipts which, when totaled and added to the funds in the petty cash box, brought the balance to \$600 as recorded on

the Salt Lake County [Auditor's] Petty Cash and Other Imprest Accounts report. None of the receipts was attached to a voucher as required by County Policy.

Review of previously submitted petty cash reimbursements found vouchers fully completed and signed by the custodian. The petty cash custodian informed the auditors that his practice was to complete the vouchers at the time of reimbursement request. Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Sections 3.11.1 through 3.12, state:

*"Vouchers are to be filled in completely, prior to releasing any cash. The voucher shall be dated and the reason for the expenditure explained. The total amount released to the individual receiving the cash (the payee) shall be recorded. It shall be signed by the payee and approved by the custodian...sales receipts, invoices, etc. received at the time of the purchase are to be returned to the custodian along with any change..."*  
(Emphasis added.)

When petty cash funds are released without vouchers properly completed, as required by policy, an opportunity for theft or misuse of funds may result.

#### **RECOMMENDATION:**

***Vouchers should be completed and signed by both the payee and the custodian prior to cash being released.***

#### **CAPITAL AND CONTROLLED ASSETS**

We examined a statistically representative sample of capital and controlled assets during the audit to determine their existence and location. All items in our sample for both capital and controlled assets were located. However, we discovered the following during our examination for which we have made a recommendation.

- **Equipment transferred between golf courses was not documented on a PM-2 form by year-end.**

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**Equipment transferred between golf courses was not documented on a PM-2 form by year-end.** Three capital assets in the sample we examined were on loan to other County golf courses, South Mountain and Mick Riley. The assets had been on loan for a minimum of two years to these golf courses, yet were reported as located at Riverbend.

Each year, asset inventories are updated by the Capital Assets Section of the Accounting and Operations Division of the Auditor's Office. If an item is loaned to another County agency, a PM-2 form should be submitted to the Auditor's Office to update the location of the asset by the end of each year. Policy #1100, "Surplus Property Disposition/Transfer/Internal Sale," Section 2.3 states:

*“The County organizations are responsible to initiate PM-2 forms documenting any transfer of surplus property, whether into or out of the warehouse, or between any two County organizations.”*

Failure to submit and process a PM-2 form to record the movement of the asset creates inaccuracies in the County’s financial reporting. Assets could be overstated and subsequent depreciation expense applied to the wrong organization. If the asset needed to be located after transfer to a new location, only personnel aware of its movement would know its new location, consequently, the asset could end up unaccounted for or lost.

Golf course maintenance personnel frequently communicate between each other and express the need for equipment that is available at another course. The equipment is moved without notification to the responsible golf course manager. There is a clear separation of responsibility between the asset manager and the golf course manager. The golf course manager is not responsible to monitor capital assets loaned to other courses, and would not be aware unless advised by maintenance personnel or the asset manager.

#### **RECOMMENDATIONS:**

- 1. Form PM-2 should be submitted by year-end for any equipment loaned to other courses to correctly report the asset’s location.***
- 2. Golf course maintenance personnel should be trained to notify the golf course manager when assets are transferred to another County Golf Course.***

#### **MERCHANDISE INVENTORY**

Riverbend personnel conduct an inventory count of the merchandise in the pro shop twice each year. The most recent inventory was completed July 11, 2008. Due to the recent inventory count, we chose to review a statistically representative sample of the inventory rather than a complete inventory. We examined 62 different items and compared the number to the inventory count and reconciled that count to pro-shop sales since the date of the last inventory count. We found 46 item counts to be correct. Of the remaining 16 items, 11 were one item count off, either greater or lesser.

The most significant difference was in the number of sleeves of golf balls found, six less than the inventory count of one brand, and 20 more of another brand. Table 1 on page 5, shows the differences found in our count.

<i>Item Name</i>	<i>SKU</i>	<i>Per Riverbend Report</i>	<i>Auditor Count</i>	<i>Difference</i>	<i>Average Cost</i>	<i>Total Outage</i>
<i>Taylor Made Ball</i>	10017100003	207	201	-6	\$6.92	-\$41.52
<i>Sharpie Marker</i>	130015100001	269	266	-3	\$1.03	-\$3.09
<i>Riverbend Headc</i>	13000910011	75	73	-2	\$12.07	-\$24.14
<i>SunDog Sunglasses</i>	130016400008	4	2	-2	\$25.00	-\$50.00
<i>Dermatone Sunscreen</i>	1300011001	66	65	-1	\$2.40	-\$2.40
<i>Titleist Glove</i>	20018200103	8	7	-1	\$7.84	-\$7.84
<i>Callaway Baseball Hat</i>	50002900002	24	23	-1	\$11.08	-\$11.08
<i>Ping Baseball Hat</i>	50012600102	20	19	-1	\$10.07	-\$10.07
<i>Titleist Baseball Hat</i>	50018200102	185	184	-1	\$11.24	-\$11.24
<i>FootJoy Shirt 4</i>	70006800505	4	3	-1	\$28.49	-\$28.49
					<b>Total Outage</b>	<b>-\$189.87</b>
<i>Callaway Balls</i>	10002900903	55	56	1	\$5.17	\$5.17
<i>Callaway Glove</i>	20002900214	9	10	1	\$7.20	\$7.20
<i>Callaway Glove</i>	20002900220	11	12	1	\$7.20	\$7.20
<i>Titleist Glove</i>	20018200101	2	3	1	\$7.94	\$7.94
<i>FJ Winter Hat</i>	50000068113	7	8	1	\$10.33	\$10.33
<i>Precept Balls</i>	10013000103	14	34	20	\$3.83	\$76.60
					<b>Total Outage</b>	<b>\$111.44</b>

**Table 1. Merchandise Inventory Differences**

Additionally, in our examination, we found two golf clubs and a golf glove that did not have merchandise tags affixed. The golf pro on duty immediately printed and attached inventory tags with the SKU for those items. Based on materiality, we had no negative findings for the merchandise inventory.

### **CONCESSIONS**

An outside contractor operates the concessions area of the golf course where food items, including breakfast, sandwiches, and drinks are sold to the public. The current concessionaire began their contract, February 14, 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 stipulates that a percentage of the concessionaire's annual revenues be remitted to the golf course according to the following schedule:

- 12 percent of the first \$10,000 in monthly sales revenue
- 8 percent of the monthly sales revenue over \$10,000

We contacted the concessionaire and requested documentation of revenue received from sales at Riverbend for the period July 1, 2007 to June 30, 2008. We received copies of the Profit & Loss Statements which recorded income and expenses for the period requested. We prepared our own spreadsheet applying the designated percentage of commission, and verified the amount remitted to Riverbend Golf Course to be correct. We also reconciled the concession revenue in the golf course's deposit records to the amount remitted by the concessionaire.

Bruce Henderson  
August 26, 2008  
Page 6 of 6

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 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  
Alan James