

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



An Audit of the Key Controls of
Old Mill Golf Course

August 01, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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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 Old Mill Golf Course

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Old Mill 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 Old Mill Golf Course and the cooperation from Brian Schramm, Jerry Brewster, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Old Mill 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 Roger Larsen
Division Director

cc: Michele Nekota, Director of Parks and Recreation
Paul Ross, Associate Division Director
Jerry Brewster, Director of Golf
Brian Schramm, Head Golf Professional, Old Mill Golf Course

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Objectives

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

Our audit scope included cash handling, capital and controlled assets, and merchandise inventory management. As a result of our audit work, we found cashier and supervisor signatures lacking for voided transactions and differences between cashier drawer counts and recounts by the deposit preparer. Other cash handling issues of concern are noted in the letter. In the area of capital assets, we address the need for changing location designation on the capital asset list for equipment transferred to other golf courses. Finally, merchandise inventory requires continued and additional vigilance to prevent unexplained shrinkage.

Findings, Recommendations, and Management Responses

Finding # 1 - Voided transactions were not signed by management as evidence of their review.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.7.3 states:

"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 review of deposit documentation, we noted 27 voided transactions that lacked a supervisor's signature.

Management stated that signing of void slips was overlooked due to lack of communication among personnel as to the need to do so. In addition, Old Mill Golf Course records its voids in an Excel spreadsheet, and therefore some managers did not see the need to sign the physical form.

Void slips that are not reviewed and signed allows for system weakness where cashiers could void transactions and divert corresponding funds to personal use.

Recommendation

We recommend that all voided transactions be reviewed and signed by a supervisor not involved in the transaction.

Management Response

In addition to Old Mill's excel spread sheet with supervisor's signature the supervisor performing reports will sign off on physical slip.

Finding # 2 - Golf course personnel did not explain differences between cashier cash counts and final amounts deposited.

Risk Level: Moderate

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 Mayor's Office Finance Administration."

Out of 103 cashier drawer counts examined during the audit, we found 9 that differed from the amount deposited. Deposit documentation provided no explanation for these differences. Three of the differences were deposits less than cashier counts, while six were more than cashier counts. Two of the three shortages were for \$100. One of the overages was for \$200. We also found a balance sheet with \$100 reported in checks that were not deposited. No explanation was given.

Golf course management reported occasional challenges regarding a cashier's understanding of how to accurately count their drawer. The change fund should be subtracted from collection totals, but in some cases may not have been subtracted accurately, thereby accounting for some differences.

When differences between reported cash counts and actual deposits are not explained, theft could be suspected, or 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 at the time of deposit preparation.

Management Response

Implemented staff training on the importance of giving a written explanation for discrepancies.

Finding # 3 - Cash over/short logs were not signed by a supervisor.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.3 states:

"The MPF Form 11 [Cash Over/Short Log], for each Cashier, shall be signed by the Cashier's immediate supervisor."

We noted that most over/short logs did not have the supervisor's signature as evidence of review.

According to management, Old Mill Golf Course recently implemented use of the paper MPF Form 11, Over/Short Log. Previously, net overages and shortages for all cashiers as a whole were recorded in an Excel spreadsheet. Management did not place importance on the physical form due to inconsistent work schedules of many cashiers. Management reported that one or two cashiers may work only occasionally, creating the impression of a better balancing record for them than for cashiers with a more consistent work schedule.

Without individual over/short logs for each cashier, overages and shortages cannot be properly monitored and discussed with cashiers to improve balancing trends, where needed.

Recommendation

We recommend that an over/short log be maintained for each cashier and that both the cashier and supervisor review and sign the log each month.

Management Response

Recommendation had already been implemented as stated by Auditor.

Finding # 4 - Golf balls and clubs were missing from merchandise inventory.

Risk Level: Low

Standard business practice requires reasonable efforts to guard against theft of merchandise inventory items.

In the most recent merchandise inventory conducted by Old Mill Golf Course staff, we found a \$233 loss in golf balls, and a \$377 loss in clubs.

The Old Mill Golf Course head professional stated he was aware of the need for vigilance in the pro shop to help prevent retail theft. He stated that the inventory shrinkage from loss fell within what he perceived as industry standards, and has taken additional steps to safeguard golf balls, which are particularly vulnerable to theft, by placing more valuable brands in locked, glass cases.

When steps are not taken to guard against theft, an atmosphere is perpetuated to allow for even greater losses to occur.

Recommendation

We recommend that Old Mill Golf Course staff formulate improved methods to guard against and reduce retail theft in the pro shop.

Management Response

Staff will continue to review high shrinkage areas and methods to safe guard.

Finding # 5 - Supervisors approved their own voided transactions.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.7.3 states:

"A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt..."

Old Mill Golf Course management maintained a spreadsheet detailing voided transactions, and the supervisor's name that approved them. We noted 51 out of 288 voided transactions listed where the supervisor approved his own void.

Management stated that occasionally another merit employee was not available at the time of deposit preparation to sign the void, so the person preparing the deposit would do it himself.

When voids are not reviewed and signed by a supervisor not involved in the transaction, they could be used to hide a diversion of funds to personal use.

Recommendation

We recommend that all voided transactions be reviewed and signed by a supervisor not involved in the transaction.

Management Response

Implemented void signature by other supervisor on void slip.

Finding # 6 - An SAQ representing Parks and Recreation management's compliance with PCI had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

“Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety.”

An SAQ representing Parks and Recreation management's compliance with PCI had not been completed and was not on file.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and an inability of accepting credit cards as payments.

Recommendation

We recommend that Parks and Recreation management complete and sign an annual SAQ and that the Old Mill Golf Course keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Management Response

Implemented/Received PCI compliant certificate.

Finding # 7 - “No sale” transactions were not approved and signed by golf course management.

Risk Level: Low

Standard business practice requires management to review and sign “no-sale” transaction slips produced by the cash register when the drawer is opened for reasons other than transacting a customer sale.

Transaction slips for “no-sale” were generally not signed by a supervisor and retained in deposit documentation files.

Cashiers open the cash drawer to make change, or to retrieve ball tokens for customer use. Personnel stated they have not seen the need to save, review, and sign receipts generated when opening the drawer. The Old Mill Golf Course head professional was aware of the need for this procedure, and stated that recently he has moved to implement it.

“No-sale” receipts that are not reviewed and signed could lead to employee theft due to management inattention.

Recommendation

We recommend that receipts printed for “no-sale” transactions be reviewed and signed by golf course management, and retained with deposit documentation.

Management Response

Recommendation implemented.

Finding # 8 - The capital asset list did not include two equipment transfers and one recent acquisition.

Risk Level: Low

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

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

During our search for capital assets we found two Kawasaki mule vehicles transferred to Old Mill Golf Course in 2010, but not listed on the capital asset report. We also noted a new piece of equipment, a roller/vericutter aerator purchased in the Fall of 2012, not yet on the capital asset list or tagged with a County property tag.

Management stated that newly purchased equipment often requires several weeks before being posted to the capital asset list due to processing time lag. Regarding the two mule vehicles, these were transferred from South Mountain Golf Course and may have been included in the acquisition of that golf course from the prior owner. Therefore, the Mayor's Office accounting section may have overlooked posting them to the capital asset list, or may not have considered them as capital assets.

Assets not listed or tagged more easily become stolen without the theft being readily discovered.

Recommendation

We recommend that management for Mountain View Golf Course grounds maintenance follow-up with appropriate personnel on tagging and posting the newly purchased aerator, and in determining the capital asset status of the two mule vehicles transferred in 2010 from South Mountain Golf Course.

Management Response

In process of implementing recommendation.

Finding # 9 - The MPF Form 7A, Fund Transfer Receipt, or similar form was not signed.

Risk Level: Low

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

"If a cashier is not required to balance their individual cash drawer, an MPF Form 7A, Fund Transfer Receipt, or similar form shall be completed to document the transfer of funds to the employee performing the balancing procedure."

The Old Mill Golf Course point-of-sale software, titled "Fore! Reservations," prints a form used by cashiers for balancing their till at the end of their shift. The form is similar in nature to the MPF Form 7A, Fund Transfer Receipt and has a line for a signature. The majority of the 103 forms we viewed under testing were not signed by the individual performing the balancing procedure.

Old Mill Golf Course management stated that they have worked to improve cash receipting and cash depositing procedures for its operations. They stated that these changes have brought additional checks and balances and the sign-off on the cashier's transfer form would appear to be an oversight.

When the transferring of funds to an individual for balancing occurs and the individual balancing does not verify and document the transferred funds with their signature, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the individual performing the balancing procedure verify the funds transferred by signing the transfer form submitted by the cashier.

Management Response

Implemented staff training to perform verification and signing off on funds transferred.

Additional Information

Background

The Old Mill Golf Course, located in the southeast area of the Salt Lake Valley, opened in 1998 and was next-to-last of the six County golf courses to be built and opened for operation. Noted for its spacious clubhouse and panoramic view over the valley, the course attracts many large golf tournaments organized by businesses and other groups. In addition to its use as a venue for golf tournament lunches and meals, the clubhouse is rented for other events, including wedding receptions and banquets. A concessionaire contractor operates a restaurant in the clubhouse, serving sandwiches, drinks, and other items.

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 04, 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.