

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



An Audit of the Key Controls of
Mick Riley Golf Course

October 01, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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October 01, 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 Mick Riley Golf Course

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Mick Riley 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 Mick Riley Golf Course and the cooperation from Steve Young and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Mick Riley 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, Parks and Recreation Director
Andrew Keddington, Associate Division Director
Jerry Brewster, Director of Golf
Steve Young, Head Golf Pro at Mick Riley
Cheryl Crook, Fiscal Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Mick Riley 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 Mick Riley Golf Course, we found that deposits were not made timely; cashiers did not sign their cash count slips; depository documentation lacked a second signature as evidence of review; and merchandise inventory counts and the record of count variances were not maintained. Additionally, two small items were purchased outside the intended scope of an office supplies contract. Our last audit of the Mick Riley Golf Course was released to the public in December 2012. In this audit we found that voided transactions were not properly documented, large differences occurred in cashier balancing, and the change fund exceeded its authorized limit. Also in this audit, we found that some controlled assets were not recorded on the controlled asset list, and controlled asset inventories were not being performed. In addition, we reported that over/short logs were not maintained. Our revisit of these findings revealed that a few voided transactions were still not explained and documented with necessary signatures, balancing differences of up to \$62 occurred, and a large change fund shortage existed. In addition, a few controlled assets were not listed on the controlled asset list, and controlled asset inventories were not performed. Finally, an over/short log for each cashier was not maintained.

Findings and Recommendations

Finding # 1 - The entire change fund was not counted daily.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.8.2 states:

"Change funds should be counted, restored to the established imprest balance, and any daily shortages or overages recognized"

The change fund portion remaining in the safe, and not ordinarily used in daily cash register operations, was not counted daily. We found missing funds of \$101 in our recount of the change fund in this audit, which we included as an additional finding.

When the entire change fund is not counted daily, accountability for funds is not established and missing funds may go undetected.

Recommendation

We recommend that the entire change fund be counted and restored to its established balance daily.

Finding # 2 - Voids were not always handled in accordance with Countywide policy.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state:

"The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution ... 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. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

A previous audit conducted in December 2012 found that voided transactions were not documented according to Countywide Policy. During a retest of this finding, we reviewed 6 voids in a 30-day period and found that 5 were not documented with an explanation, were missing the signatures of either the cashier or supervisor, and the voided receipts were not attached to the daily cash balance sheet.

Although this was reported in the previous report, management stated that voided transactions are typically few, and they were unsure as to why those that did occur were not documented as they had instructed cashiers to do.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that both the cashier and supervisor sign voided receipts as evidence of review.

We recommend that all voids include a documented explanation and that the voided receipt be attached to the daily cash balance sheet, where available.

Finding # 3 - Large differences occurred in cashier balancing.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1 states:

"When a significant shortage or pattern of shortages occurs in the accounts of any Cashier, Agency Management shall conduct an investigation of the circumstances and report their findings to the Auditor's office [Mayor's Financial Administration]."

A prior audit conducted in December 2012 found that several large overages and shortages occurred in cashier balancing. During a retest of this finding, we reviewed 84 balance sheets and found 7 with shortages of \$10 or more, and 13 with overages of \$10 or more. The largest shortage was \$62, and the largest overage was \$42.

Although this was reported in the previous report, management stated that they did not know why these large balancing differences occurred. In the past, there were concerns about software viability, but those concerns have since been addressed.

When large and consistent balancing variances occur, an environment exists for theft to occur due to a perception that excessive variances will go unnoticed.

Recommendation

We recommend that cashiers receive additional training in accurate cash handling to reduce the amount and frequency of overages and shortages.

Finding # 4 - Some controlled assets were not found on the controlled asset organization list.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.2 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms ... 'Controlled Assets Inventory Form - Organization' is used for property not readily assignable to an individual employee or which is shared by more than one employee."

We reviewed five controlled assets on-site and found two that were not included on the organization's controlled asset list. These assets comprised a Dell Power Edge T11011 server in the golf head professional's office, and a Brother copier in the maintenance building that were not readily assignable to any one employee. A previous audit conducted in December 2102 found that a red utility vehicle used at the clubhouse with the word "marshall" on it was not on any controlled asset list. During a retest of this finding, the utility vehicle was still not listed.

Although this was reported in the previous report, management stated that they thought the red utility vehicle was on either the golf cart list, or the maintenance controlled asset list, but it was not. Regarding the server, management stated they were unsure whether it should be listed because IS personnel installed it, and therefore they thought that perhaps it belonged IS. This server should be listed because of its existence and use on-site at the golf course.

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 Mick Riley Golf Course records include all controlled assets on-site.

Finding # 5 - A comprehensive controlled asset inventory had not been conducted.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states:

"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."

A previous audit conducted in December 2012 found that a controlled asset inventory had not been performed. During a retest of this finding, there was no signed and dated documentation on file that showed an annual physical inventory of clubhouse controlled assets had been performed.

Although this was reported in the previous report, management stated that because the clubhouse was a small operation, personnel would immediately become aware of any missing items. Therefore, they saw no need for a formal controlled asset inventory search, even though it is required in Countywide policy.

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

Recommendation

We recommend that a comprehensive controlled asset inventory be conducted at least annually.

Finding # 6 - Cashiers did not maintain a daily over/short log.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 3.8.2 states:

"Change funds should be counted, restored to the established imprest balance, and any daily shortages or overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log."

A previous audit conducted in December 2012 found that individual cashier over/short logs were not used. During a retest of this finding, cashiers still did not record their daily overages or shortages on an over/short log. Instead, overages and shortages were accumulated as a net daily figure for all cashiers on an Excel spreadsheet. Individual cashier logs were not maintained.

Although this was reported in the previous report, management understood that entering a net total of overages and shortages on an Excel spreadsheet would fulfill the requirement of policy, and therefore followed this practice. They also viewed the over/short log as unnecessarily time consuming to maintain.

When overages and shortages are not recorded on an over/short log, balancing trends may go unnoticed by management, and needed remediation may not occur. The log not only helps management monitor balancing variances but also helps individual cashiers determine if their balancing needs improvement.

Recommendation

We recommend that all daily overages or shortages be entered onto an MPF Form 11, "Cash Over/Short Log."

Finding # 7 - The change fund balance was not the same as the amount of record.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.7.2 states:

"Change Funds shall be maintained at the amount authorized by the Auditor's Office [Mayor's Financial Administration]. ..."

A previous audit conducted in December 2012 found that the change fund exceeded its authorized balance by \$185. During a retest of this finding, we found that the change fund amount on record was \$1,200, but the actual amount located at the Mick Riley Golf Course was \$1,099, a difference of \$101.

Management stated that the shortage resulted from a cashier error four days prior to our count. The cashier needed additional change in his drawer and retrieved it from the safe without replacing it. The amount retrieved from the safe was deposited in the bank with other funds that day creating a shortage of funds in the safe. The auditor reviewed and confirmed the balance sheet showing this \$102 overage.

When the change fund does not balance to the amount on record, it could indicate a lack of proper fund management.

Recommendation

We recommend that the change fund be maintained at its authorized amount.

Finding # 8 - The cash balance sheets were not signed by cashiers.

Risk Level: Low

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

"If prepared manually on MPF Form 3A, or similar form, the cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted."

We found that 83 out of 84 cash balance sheets had not been signed by the cashier. The cash count slip that each cashier produces from the Fore! Reservations cashiering system substitutes as the balance sheet and includes a line for cashier signatures.

Management stated that lack of cashier signatures on the cash count slip was an oversight that will be remedied through instruction to cashiers.

When the cash balance sheet (cash count slip) is not signed by the cashier, accountability for funds entrusted to them is not ensured.

Recommendation

We recommend that cashiers sign the cash count slip they produce from the Fore! Reservations cashiering system.

Finding # 9 - Items were purchased through a contract that were not included in the scope of the contract.

Risk Level: Low

Countywide Policy #1203, "Petty Cash and Other Imprest Funds" in the Scope states:

"Petty Cash funds are established to allow County Agencies to purchase small-cost, miscellaneous items that are of such a nature that the use of a normal purchase order is not cost effective."

The contract with an office supplier does not specify purchase of small appliances. Management otherwise has discretion to approve purchases deemed appropriate for a business purpose.

A golf course employee purchased a small lunch crockpot (soup warmer) for \$25 and a blender for \$38 through a vendor whose contract is used for ordering routine office supplies, such as rubber bands, envelopes, and printer toner. This employee has approval to make office supply purchases. The employee told the auditor of the blender and crock pot purchases, stating that he needed these to prepare his lunch during winter months at the course. His superiors disagreed upon viewing the invoices, which included purchase of other routine office supplies, but ultimately approved them for payment. Countywide policy does not specifically prohibit small appliance purchases, but such items outside contract terms should be purchased through petty cash, and pending supervisory approval for proper business purpose.

The employee stated that he purchased these items, without much thought and on impulse, during the cold of February, when he saw the need to warm soup and make other lunch preparations. He showed the auditor these items, and stated they had not been used and is willing to return them.

When items not specified in a contract are purchased through this contract, proper authorization is not achieved.

Recommendation

We recommend that small, miscellaneous items not envisioned for purchase within a contract be purchased through petty cash, pending proper supervisory approval.

Finding # 10 - Merchandise inventory was not maintained in all necessary aspects.

Risk Level: Low

United States General Accounting Office, Executive Guide, (2002), "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 ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

Detailed records of merchandise inventory counts and variances when compared to the expected count were not maintained.

Management stated that they performed annual and other periodic merchandise inventory counts, but count sheets were not used. They stated that they overlooked the count sheets and variance reports but saw the value in achieving this level of detail and agreed to do so in the future.

When detailed records are not maintained, there is an increased risk of undetected theft or loss, unexpected shortages of critical items, and unnecessary purchases of items already on hand.

Recommendation

We recommend that the Mick Riley Golf Course management maintain detailed records of merchandise inventory counts and variances of counts compared to expected counts.

Finding # 11 - The deposit documentation lacked a supervisory signature as evidence of review.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

Deposit documentation was examined for August 2013 through July 2014. We found that 30 out of 30 deposits reviewed were missing supervisor or other secondary signatures as evidence of review.

Management stated that the Mick Riley Golf Course has only one assistant to the head professional, whereas the other golf courses have two. Therefore, a lack of merit personnel inhibits their ability for review by a second employee.

When deposit records are not verified by a supervisor, or other employee designated by management, there is an increased risk of error, misstatement, and misappropriation of funds.

Recommendation

We recommend that a supervisor, or other employee designated by management, sign the master balance sheet as verification of funds deposited.

Finding # 12 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 16 out of 30 deposits examined were deposited more than three days after receipt of collections. The auditor found patterns where four to five consecutive days of deposits had been prepared and then stored in the safe until they could all be delivered to the bank.

Management stated that deposit delays were an oversight due to becoming busy with customers and golf lessons.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Additional Information

Background

The Mick Riley Golf Course on Vine Street in Murray opened in 1965. The original clubhouse from that time continues in operation. The clubhouse pro-shop offers clubs, balls, and golf apparel for sale to the public. This nine-hole course with its additional par-3 course appeals to beginning golfers, those who lack time to play a full 18-holes, and youth. Mick Riley derives much of its revenue from men's and women's leagues, in addition to junior and bar leagues. Full and part-time clubhouse and grounds maintenance employees total about 30, and 2013 revenues were \$834,000. Green fees are \$14 to walk, and an additional \$7 for a golf cart. The County contracts with an outside business to operate the on-site restaurant that serves breakfast, lunch, and snacks. Salt Lake City owns 75% of Mick Riley Golf Course land, causing an issue of concern last year when a 50-year lease signed in 1963 expired. Under the prior lease, the County paid Salt Lake City rent of \$1,000 a year; however, under the new lease, rent is now \$21,500, with stipulated increases of \$5,000 in each succeeding year. The dramatic rent increase prompted press reports questioning the future viability of the golf course, though land swaps with Salt Lake City have been mentioned as a possible remedy.

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 August 01, 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.



Parks & Recreation Division Response to Summary of Findings & Recommendation

For (Mick Riley) Audit Dated:

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Change fund not counted daily	Count change fund daily	Due to staffing levels this will make every practical effort to maintain our change fund balance by reconciling on a more frequent basis.
2.	Voided not handled in accordance with policy	Cashier and supervisor sign void slips	Will be implemented.
3.	Large differences in cash balancing	Cashiers receive additional training	Will be implemented
4.	Some controlled assets not on controlled assets list	Place all items on controlled assets list	Will be implemented, all three items mentioned for tagging have now been tagged.
5.	A comprehensive controlled assets inventory had not been maintained	Comprehensive controlled asset inventory conducted annually	Implemented. We keep a comprehensive list up to date at all times and submit a signed copy to Thora Bell every March.
6.	Cashiers did not maintain a daily over/short log	Enter all daily overages and shortages on to a log by cashier	Implemented.
7.	Change fund balance was not the same as the amount of record	Maintain change fund at its authorized amount	Implemented as to finding number 1. Change fund is counted periodically and upon special reviews as deemed necessary.
8.	Cash balance sheets were not signed by cashiers	Cashiers sign balance slips	Implemented. Cashiers now sign their balance slips.
9.	Items were purchased through a contract that were not included in the	Small items should be purchased through petty cash funds pending approval.	Implemented. This policy is observed and followed and the situation in reference was and is an isolated occurrence that won't happen again.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
	scope of the contract		
10.	Merchandise inventory was not maintained in all necessary aspects	Maintain detailed inventory records of merchandise counts and variance counts to expected levels	Will be implemented. Merchandise inventory is maintained and all counts are submitted as required. Partial variance counts have been completed and a final variance report will be submitted at years end.
11.	Deposit documentation lacked supervisors signature as evidence of review	Supervisor and other designated employees sign master balance sheet	When practical supervisors and/or other designated employees will sign balance sheet
12.	Deposits not always made in a timely manner	Deposits should be made on the same day or within 3 days	Implemented

NAME AND TITLE OF PERSON RESPONDING: Steve Young

DATE PREPARED: 09/23/2014