



## SALT LAKE COUNTY AUDITOR'S OFFICE

**JEFF HATCH**  
*Auditor*

September 30, 2009

Michele K. Nekota, Interim Director  
Parks and Recreation Division  
2001 South State Street, #S4400  
Salt Lake City, UT 84190

Re: Mountain View Golf Course Audit

Dear Michele:

In late July, we completed an audit of the Mountain View Golf Course. We were delayed in releasing this report due to overriding events. Our scope was limited to a review of internal controls over cash handling and depositing, accountability for change and petty cash funds, management of capital and controlled assets, and pro-shop merchandise inventory. It did not include issues of operational performance. Reference to any such issues is incidental to the scope just described. The objectives of our audit were to determine whether:

- Collections were handled securely and accurately to ensure complete and timely deposit to the bank.
- Credit card numbers were securely stored and accessed only by authorized individuals.
- Petty cash and change funds were maintained at authorized limits, and handled and secured to prevent theft or loss.
- Capital and controlled assets were located on the property, managed, and inventoried to detect and prevent theft or other loss.
- Pro-shop merchandise inventory was tracked at both point of sale and on hand and available for sale; and periodically reconciled to detect and prevent theft or loss.
- Concessionaire remittances to Mountain View Golf Course were made on time and according to contract terms.

The lead auditor was Larry Decker with assistance from Scott Tingley on the merchandise inventory counts and reconciliation. Jim Wightman had administrative oversight of the audit.

In general, we found internal controls over the business operations acceptable, and reflected management's concern that funds and County assets be managed to prevent theft, promote growth, and foster good customer relations. However, we did

note lack of control over merchandise inventory management, which will require further analysis and attention by management.

Mountain View Golf Course was one of only two of the six County golf courses whose year-to-date revenues from January through June 2009 exceeded those of the same period in 2008. This is an especially commendable achievement given the negative effect on golf and other recreation due to the recent economic downturn. Their year-over-year gain of \$48,111 was the higher of the two golf courses that reported gains. This number is presented for informational purposes only and was not audited.

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. Because we did not review all transactions, any loss, theft, or conversion to personal use of County assets by County employees may have remained undiscovered. Nevertheless, our objective is to always exercise due professional care in reviewing controls in place designed to prevent theft of cash and assets, and in reviewing the substance and accuracy of selected transactions.

### **Cashiering and Golf Course Management System**

The Active Golf software application was acquired and deployed throughout the County golf courses to automate cash-handling, merchandise inventory management, and golf course reservations bookings. Reservations, but not payments, can be made via the internet. Green fees and other fees associated with operations are pre-programmed and automatically retrieved with the golfer's reservation. Pre-programmed fees avoid the need to manually key in each transaction. Our findings in system operation and use of the underlying software are as follows:

- ***The most recent Active Golf software version, 9.1, had not yet been installed.***
- ***Golf course managers were confused about system capabilities and procedures in making refunds.***
- ***A recurring problem of the receipt being a cent or two more or less than the actual amount tendered had not been resolved.***

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**The most recent Active Golf software version, 9.1, had not yet been installed.** Security of payment card numbers and data against theft is of primary concern, especially with the liability the County could incur if numbers are compromised. Security has even greater relevance considering the increasing use of payment cards at the golf courses, now accounting for 70 percent of customer payments, according to the head professional.

Active Golf software technicians assured us that data in the current software version, 8.4, was encrypted on the server. We also found that current use of the [https](https://),

secure socket port, with 128-bit encryption, provides secure transmission of data to the server. However, the unsecure [http](#) connection can still be accessed, though as a practical matter, its use is not the default choice.

One area of ongoing concern from golf audits of last year is the ability of golf course staff to view full payment card numbers in the daily transaction report, accessible by the head professional and his two assistants. Though it contains complete payment card numbers, some concern is mitigated in that the report is not printed as a matter of routine or maintained on file in hard copy form. During our audit, we did not observe any hard copies, and the head professional asserted that none was on file.

A new Active Golf software version, 9.1, that includes added security features is now available for download. Our office has urged its prompt installation and use by golf courses. Added security features include the following:

- Regeneration of data encryption keys.
- Restriction of access to payment card numbers within reports. Designated employees may still view the transaction report, but would be restricted in viewing payment card numbers.
- Triple data encryption standard (3DES) protection.
- Ability to close the unsecure [http](#) connection. Employees normally click on a shortcut, or icon, to sign onto the secure [https](#) connection. Unsecure [http](#) connectivity in the current version, 8.4, requires manual entering the address. Version 9.1 will have a system setup box that can be checked to disable any [http](#) connection.

The County I/S database administrator assigned to this project received the upgraded version 9.1 and downloaded it for use by all golf courses. The update was tested, but the module for accepting payment card transactions failed. So, a decision was made to operate on the old version and wait for release of version 9.3.

The head professional, who is the Active Golf operations specialist for all golf courses, was concerned that the six-hour installation time and \$1,000 cost Active Golf would charge for technical help in the software download process would be prohibitive. However, the IS administrator has installed previous versions and feels that download of the new version would go relatively quickly and consulting costs can be totally or partially eliminated since he has gained experience with installing and testing upgrades.

The newest upgrade, Version 9.3, with added security features, has just been released. In this version, payment card numbers will be blanked or starred out, except for the last four digits, though authorized employees will still be able to access individual numbers by clicking on a customer name. A record of employees who access these numbers will be maintained in a system log. Active Golf personnel asserted that version 9.3 will comply with Payment Card Industry (PCI) standards.

**RECOMMENDATIONS:**

- 1. Installation of the new 9.3 version of the Active Golf software should move ahead, and all golf courses should use it in production if its reliability is determined and training needs are met.**
- 2. If any reports are printed that contain full credit card numbers and/or other personal identifiers, they should not be left unattended in full view and should be stored in a locked cabinet, drawer, or storage area.**

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**Golf course managers were confused about system capabilities and procedures in making payment card refunds.** Golf course cashiers at all County courses typically process payment card refunds through the Mountain View head professional. He has access to the third-party-payment processor's payment card files. Only he and his assistant have access to these files. We discovered that some head professionals and their assistants misunderstood that payment card transactions can only be reversed (refunded) by accessing the third-party payment processor's database. Likewise, they thought that processing refunds through the Active Golf system alone would not complete the transaction. The delays created in funneling these refunds through the Mountain View head professional is inconvenient for customers, and diminishes goodwill.

However, the Mountain View head professional clarified that payment card refunds can be processed in the current 8.4 version of Active Golf, effectively reversing the transaction without the need to access third-party processor files. Confusion may have resulted because the prior version reportedly would not allow this. Since the prior version was in use as recently as fall of 2008, some golf course professionals may not be aware of capabilities in the current 8.4 software version.

Another confusing factor was golf course personnel's misunderstanding that a refund transaction processed through Active Golf, today, would reverse the charge on the day of original payment, thereby creating a need to re-state reported daily totals. However, Active Golf personnel clarified that refunds appear only on the day transacted, and not retroactively to the day of original transaction. Inadequate training and communication have contributed to misunderstanding of the payment card refund process.

**RECOMMENDATION:**

**Head professionals and their staff at all golf courses should be trained to perform their own payment card refunds using Active Golf system capabilities, instead of referring these to the Mountain View Golf Course head professional.**

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**A recurring problem of the receipt being a cent or two more or less than the actual amount tendered had not been resolved.** The customer's tendered amount may be a cent or two more or less than the amount recorded in the system and on the

customer's receipt, creating a small, yet hard to explain overage or shortage. This may impact customer goodwill. Recurring overages and shortages also dampen cashier incentive to balance to the penny.

The source of this discrepancy is a software programming bug where sales tax is inconsistently calculated. An example is a discrepancy in green fees charges, where the standard single-golfer green fee is \$40. The expected fee for a foursome would be \$160 (4 X \$40), but the customer's receipt might show \$159.99 in error. According to experienced golf course managers, this is a recurring problem in this type of software.

**RECOMMENDATION:**

***Golf course management should continue to work with the software developers to achieve consistency between the customer receipt totals and the actual amount tendered.***

**CASH HANDLING AND DEPOSITING**

The point-of-sale terminal features a pop-out cash drawer and computer monitor for "touch-screen" access to various menus and options, including existing golf course reservations. Prices automatically appear when reservations are retrieved. Prices on pro-shop merchandise are retrieved by scanning bar-coded price tags on each item.

A "cherry-board" card-swiping device is attached to the top of the cash drawer as part of the payment card processing system integrated with the existing software. This eliminates the need for a separate card-swiping terminal or phone line. Also, pre-paid credits can be loaded onto gift cards for later use by patrons.

The cashiering staff comprises the head professional, his two assistants, and seven seasonal workers. We found that deposits were consistently prepared, though individual cashier drawer counts were sometimes in error; collections were deposited to the bank; and the head professional followed golf course procedures and used their standard forms for preparing deposits. Our findings in the area are as follows:

- ***One employee, alone, balanced cash drawers and prepared the deposit without review from a second employee or supervisor.***
- ***Differences between cashier drawer counts and re-counts by the deposit preparer were not documented, and reasons for some large overages and shortages were not documented.***
- ***The incorrect report "type" for deriving daily system summary totals was used and on file with deposit documentation.***
- ***Deposits were forced to match the system summary total instead of actual collections on hand.***

- ***The balancing form was not included with deposit documentation, an over/short log was not maintained, and supervisors did not always signoff on voided transactions.***
  
  - ***Payment card “merchant copy” totals differed from daily summary totals in some cases.***
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**One employee, alone, balanced cash drawers and prepared the deposit without review from a second employee or supervisor.** The recognized practice of “dual control” or having two people present during deposit preparation helps guard against theft and protects employees who prepare the deposit. According to the head professional, the small staff of merit employees and the time required to prepare the deposit prevent two employees being present during the entire process. However, we advise that, once the deposit is prepared, a second employee could count the currency and checks, and insure they match with the deposit slip and recorded collection amounts. This would not take much time with repetition.

One person, working alone, could easily cover up theft by altering records. Though our audit tests disclosed no mismanagement of funds, deposit verification by a second employee provides added assurance that all funds collected are deposited.

***RECOMMENDATION:***

***A second golf course employee should either directly observe the deposit preparation, or independently count and total the deposit, and compare this total to the daily collection total. In either case, the second employee should sign the daily balancing documentation as evidence of his/her review.***

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**Differences between cashier drawer counts and re-counts by the deposit preparer were not documented, and reasons for some large overages and shortages were not documented.** Individual cashiers do not balance their collections to daily system totals, but they do record receipts on a “Drawer Count Sheet” and include it with receipts dropped into the safe. This procedure is called a “blind drop,” done without cashier verification that the dropped receipts were over or short compared to cash register totals. Our inquiries disclosed that “blind drops” were purposely required by management with the idea that the procedure would prevent any potential employee manipulation of funds or records.

Subsequently, the merit employee preparing the deposit takes the money from the safe, performs the balancing procedure, and re-counts the receipts. However, they do not document any differences from the original cashier’s count. This lack of documentation, especially since the deposit preparation is neither witnessed nor reviewed, could easily lead to funds being stolen without detection.

The deposit preparer’s count takes precedence and is used in final balance sheet and deposit documentation. Therefore, the cashier’s count is used only as a point of

reference. The rationale being that the deposit preparer has more experience compared to seasonal cashiers, though experience is, by itself, is no guarantor of accuracy or honesty.

As stated, each cashier completes a "Drawer Count" sheet in the Active Golf system which is usually, though not always, enclosed with deposit documentation. From these sheets, we noted a few differences between the cashier's and deposit preparer's count. One significant difference was a cashier count of \$214, compared to \$694 by the deposit preparer. The deposit preparer's count was more in line with the point-of-sale summary totals and therefore determined to be the most correct.

While confidence in the deposit preparer's count is bolstered by lack of errors reported by the bank in the depositing sample we examined, consistent documentation of differences between cashier's and deposit preparer's counts would establish continual monitoring and provide better training of cashiers.

Finally, we discovered a \$300 shortage and another \$100 shortage. In both cases, the cause was not explained in deposit documentation. However, these shortages were offset by corresponding overages in another cashier's count the same day, indicating change fund count errors. In this case, the first cashier miscounted collections and included the excess in the change fund. This excess in the change fund was included in the subsequent cashier's collection count and shown as an overage. While significant overages and shortages were usually documented, these two instances were not.

**RECOMMENDATIONS:**

- 1. All "Drawer Count" sheets by individual cashiers should be included in deposit documentation, and cashier counts to deposit preparer re-counts should be compared and documented, with differences noted, in each day's deposit.**
- 2. All significant shortages and overages should be explained in deposit documentation.**
- 3. The "blind drop" procedure should be re-examined and an effort made to use dual controls over the drawer counts and deposit preparation.**

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**The incorrect report type for deriving daily system summary totals was used and on file with deposit documentation.** Currently, the deposit documentation being used, the "Item Sales Summary Report," is an inventory management report that lists quantities sold and dollar amounts by individual categories, or departments. "Adult 18 Holes" is an example category. The report provides a "Total Tendered" and "Grand Total" for the day's transactions. The "Total Tendered" is the amount recorded on the cashier's balance sheet and used balance to actual collections.

While the "Total Tendered" number used is likely correct, the recognized best practice in balancing procedures is a report that subtotals collections by cash, checks, and payment cards to arrive at a grand total used in the balancing procedure. This

summary by payment type is commonly referred to as a Z-tape, and also lists all transactions in chronologically numbered order for the day. The Z-tape provides an audit trail into any shortages or overages by providing a snapshot of transactions recorded during a cashiering shift, for reference at the time of balancing and deposit preparation.

The deficiency of the 'Item Sales Summary Report' is that transactions details are not listed. Moreover, cash, check, and payment card totals are not shown for "Total Tendered," though they are detailed in arriving at the "Grand Total." However, in prior audits involving Active Golf, discrepancies of a few cents have typically been discovered between the "Total Tendered" and "Grand Total," a problem that seems to have been resolved this year, likely due to an upgrade of Active Golf software to version 8.4.

Also, amounts recorded for payments on account, rain checks, and gift card purchases must be backed out of "Total Tendered" before entering the amount on the balance sheet. This confusing process leads to inefficient balancing.

None of the golf courses includes a detailed transaction report in their deposit documentation. The main reason is the extraordinary length, as long as 40 pages. Also, the reports contain complete customer payment card numbers, a security issue that makes printing the reports inadvisable. However, a transaction report with fewer fields, and without complete payment card numbers, should be developed to provide more complete and accurate support for summary totals.

**RECOMMENDATIONS:**

1. ***An abbreviated, less-lengthy daily transaction report should be developed with assistance from County IS and the vendor and included with documentation to support summary totals used in the cash balancing process.***
  
2. ***The modified daily transaction report should exclude or mask payment card numbers, and should include the following fields:***
  - a. ***Transaction number***
  - b. ***Transaction date***
  - c. ***Transaction amount***
  - d. ***Brief description of item sold***
  - e. ***Transaction type: cash, check, or payment card***
  - f. ***Cashier name or ID***

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**Deposits were forced to match the system summary total instead of actual collections on hand.** Any overages or shortages in actual cash count when compared to "Total Tendered" from the Item Sales Summary report were added to or taken from the next day's collections to force the deposit to equal the "Total Tendered."

The amount of any overage was retained in the cash drawer, and, conversely, any shortage was made up from the cash drawer and added to force the deposit to balance to reported collections. This over or short "smoothing" was tracked in the Active Golf system, and a receipt was printed and included with deposit documentation.

Adjusting the collection amount to match daily summary totals is an established golf course practice resulting from an understanding, albeit incorrect, that deposits must match daily summary totals reported in Active Golf. To the contrary, deposits should reflect actual collections, whether the count is over or short.

Countywide Policy #1062, Management of Public Funds, Section 2.5.5 states:

*“Any overage in the accounts of an Agency Cashier will be deposited in the appropriate fund through the normal process of regular depositing.”*

Countywide Policy #1062, Section 5.2 states:

*“Shortages will be withheld from the deposit to maintain the change fund at the authorized level.”*

While overages and shortages are accounted for in the next day's collections, this practice of forcing a pre-determined deposit amount falls short of the benefit derived in recognizing and tracking overages and shortages in the same day's deposit. Additionally, the overages and shortages tracked in the Active Golf system should be reviewed regularly with the appropriate cashier for accountability and training.

**RECOMMENDATIONS:**

- 1. The amount deposited should reflect the count of daily collections. Funds should not be added to or taken away from the next day's cash drawer to make the deposit equal the recorded system summary totals.**
- 2. Overages and shortages tracked in the Active Golf system should be reviewed regularly with the appropriate cashier for accountability and training.**

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**The balancing form was not included with deposit documentation, an over/short log was not maintained, and supervisors did not always signoff on voided transactions.** Proper documentation provides supporting evidence of transactions that have occurred, and allows monitoring and evaluation of employee performance. This oversight is an effective tool for deterring fraud.

We noted that balance sheets were not included in deposit documentation on file. We requested that these be printed for us to complete our test work. Golf course personnel contended that since balance sheets are prepared and stored as electronic spreadsheets, they do not need to be printed in hard copy. However, without the hard copy included to document the deposit, a snapshot for quick review of the balancing process is not available. Documentation stored electronically requires consistent backup to insure integrity and availability. Moreover, electronic spreadsheets can be altered after the fact. Therefore, a hard copy should be printed and included with deposit documentation.

Also, we noted that the Over/Short Log, MPF Form 11, or similar form, was not used to track overages and shortages. Besides not being aware of this form, golf course personnel again contended that overages and shortages appeared on each day's balancing sheet and were stored electronically.

However, when cashiers do not maintain an over/short log to get an overview of monthly balancing trends, the opportunity is lost to enforce and encourage accountability. Likewise, cashiers and managers do not have a tool for important and timely feedback that helps pinpoint needed corrections and/or additional training. A computer generated and stored over/short log is acceptable, though it should be printed and reviewed with each cashier monthly or whenever outage trends need attention. For your convenience, a copy of the MPF Form 11, Over/Short Log, is attached as Appendix A.

Countywide 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."*

As a final observation on documentation, we noted several void slips that the supervisor had not signed. These instances occurred prior to 2009, when personnel at the golf course had not been documenting voided transactions.

Countywide Policy #1062, Section 3.5.2.2, states:

*"When it is necessary to void a receipt...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."*

However, since the Riverbend Golf Course audit report of September 2008, in which recommendations were made concerning voids, they have been completing void slips. We commend them for taking corrective action. The void slips include a line for explanation and signature lines for both cashier and supervisor.

**RECOMMENDATIONS:**

- 1. A copy of the computer generated balancing form, now only stored electronically, should be printed and included with each day's deposit documentation to facilitate a daily supervisory review and create an audit trail.**
- 2. Each cashier should maintain an over/short log, either an MPF Form 11, or similar computer generated form, to provide a record of and allow for evaluation and correction of balancing trends.**

- 3. All voided transactions should continue to be reviewed and signed by a supervisor.**
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**Payment card “merchant copy” totals differed from daily summary totals in some cases.** Payment card “merchant copies” were not added and compared to Active Golf system summary totals each day. Cashiers are reluctant to do this because of the onerous, time-consuming process involved, where upwards of 200-payment card receipts are sometimes generated in a single day. Also, they contend that the procedure is unnecessary because payment card processing is integrated into the Active Golf data base that reportedly distributes identical payment card data between the customer receipt, merchant receipt copy, and daily summary totals produced in Active Golf.

However, we found batches of merchant receipt copies on file that did not match daily summary totals. We separated these receipts by the cashier who produced them and found that while many times they matched, other times they did not. For example, on one day receipts exceeded the summary total recorded by an individual cashier by \$103, while on another day receipts recorded by another cashier were \$163 less. Differences could not be isolated within existing transactional detail.

Countywide Policy #1062, Section 3.14.4, states:

*“At the end of the day the cashier preparing the deposit will balance credit card receipts against the daily summary report of electronically transmitted activity and against the register tender total for credit card activity (if applicable).”*

**RECOMMENDATION:**

**Individual payment card “merchant copies” on file should be verified against payment card summary totals, if not daily, at least periodically (every third day, or once per week).**

**CAPITAL AND CONTROLLED ASSETS**

Two property managers oversee capital and controlled assets, for clubhouse and maintenance operations, separately. The head professional is the clubhouse property manager. The grounds superintendant is the maintenance-equipment property manager and reports to the assistant park operations manager. The operations manager maintains controlled asset records for and conducts controlled and capital asset inventory counts at all County golf courses. The operations manager also has direct oversight of all golf carts, which are classified as controlled assets.

The 75 golf carts on-site were previously used by South Mountain Golf Course and transferred to Mountain View when South Mountain acquired new carts. We noted that controlled assets lists appeared to be well-maintained and available for review, and care had been taken to tag items listed. We commend management at Mountain View

Golf Course and the Parks Division for their work on and attention to these lists. Our findings in the capital and controlled assets area are as follows:

- ***The "Controlled Assets Inventory Form – Employee" was not being used to account for equipment or assets used by specific employees.***
- ***Some equipment was not included on the capital or controlled assets list.***
- ***Identification tags were missing on some equipment and some tags were worn or unreadable on other equipment.***
- ***Serial numbers were not included on the clubhouse controlled assets list and documentation of controlled asset inventories was not on file.***

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**The "Controlled Assets Inventory Form – Employee" was not being used to account for equipment or assets used by specific employees.** Golf course property managers were not aware of the requirement or use of this form. The form assists management in providing greater accountability and responsibility for assets frequently and exclusively used by individual employees. It is maintained on file and signed by individual employees to whom specific items or equipment can be assigned, such as personal and laptop computers, cell phones, PDAs, and printers.

Countywide Policy #1125, Section 4.3.1, states:

*"Controlled Assets Inventory Form – Employee" is used for those assets that due to their nature are used by and therefore readily assignable to an individual."*

Divisions and offices throughout the County have adopted different types of forms to comply with this requirement, but any form should, at a minimum, include a list of assigned assets and a signature line for the employee to whom they are assigned. A copy of the *Controlled Assets Inventory Form – Employee* is attached as Appendix B for reference.

**RECOMMENDATION:**

***The "Controlled Assets Form – Employee" for assets readily assignable to an individual employee, such as PCs, laptops, PDAs, cellphones, and peripheral devices, should be on file and signed by the employee.***

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**Some equipment was not included on the capital or controlled assets list.** Table 1, below, shows machinery, equipment, or other items found during our review of capital and controlled assets that were located on site but not found on either the capital or controlled assets list.

Capital and Controlled Assets That Need To Be Listed				
Tag	Name	Type	Location	Comments
99178	John Deere Rotary Mower	Capital	Grounds	Meadowbrook's Equip
97898	Kawasaki Mule Vehicle	Capital	Grounds	Green – New
97990	Kawasaki Mule Vehicle	Capital	Grounds	Red – New
97899	Kawasaki Mule Vehicle	Capital	Grounds	New
97991	Kawasaki Mule Vehicle	Capital	Grounds	New
None	John Deere “Gator” Cart	Capital	Grounds	New
None	John Deere “Gator” Cart	Capital	Grounds	New
None	Jacobsen 5 gang Mower	Capital	Grounds	Serial - 6795901710
98514	Toro Grounds Master	Capital	Grounds	
None	Olathe Over seeder	Either	Grounds	Old Equipment
None	Foley United Grinder	Either	Grounds	Serial – 19L38401151
57925	International Tractor	Capital	Grounds	Yellow
0073	Air Compressor	Controlled	Clubhouse	Replaced old equipment
None	Net Vista Server	Controlled	Clubhouse	Old equipment

*Table 1. Capital controlled assets that need to be included on the capital or controlled assets list.*

The John Deere Rotary Mower tag was inadvertently exchanged with the tag placed on similar-type equipment at Meadowbrook Golf Course. Therefore, Meadowbrook’s tag appears on Mountain View’s list, and vice versa. The Mountain View tag was confirmed with the grounds superintendent at Meadowbrook where the mower was located.

Unlisted equipment cannot be adequately monitored to prevent theft. Some equipment was not listed because it is newly acquired, as noted above, or it could be listed in error at another County course. Other equipment was not listed because of age and condition, and therefore not deemed a target of theft or significant loss. For example, the Olathe Overseeder, acquired several years ago in a surplus sale, is old and worn, though still used in golf course maintenance about once a year.

**RECOMMENDATIONS:**

- 1. The 12 capital and controlled assets related to grounds maintenance, not found on capital or controlled asset lists, should be appropriately recorded.**
- 2. The two clubhouse controlled assets not found on the controlled assets list should be appropriately recorded.**

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**Identification tags were missing on some equipment and some tags were worn or unreadable on other equipment.** Table 2, on page 14, shows items that were listed but not tagged or whose tags had worn off and could not be read.

Missing or Worn Off Tags				
Tag	Name	Type	Location	Comments
2502	Declose B50 Aerator	Controlled	Grounds	No tag affixed
2519	Jacobsen 7"Blade Reel	Controlled	Grounds	Tag worn – unreadable
2523	Jacobsen Verticut Reel	Controlled	Grounds	Tag worn – unreadable
2524	Jacobsen Verticut Reel	Controlled	Grounds	Tag worn – unreadable
0013	Dell POS Computer	Controlled	Clubhouse	No tag affixed – old equip
0014	Dell POS Computer	Controlled	Clubhouse	No tag affixed – old equip

**Table 2. Controlled assets that need tags affixed or replaced.**

The Dell Point-of-Sale (POS) computers, where no tags were affixed, were not used and are intended for surplus. Appropriate action should be taken using Form PM-2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale" to transfer the computers to County surplus.

Tags on maintenance equipment can wear off due to vigorous activity and dirty conditions when mowing and grooming the golf course. Therefore, re-tagging is necessary from time to time.

**RECOMMENDATION:**

***Controlled assets in both the clubhouse and grounds areas of the Mountain View Golf Course that were never tagged or whose tags are worn and illegible should be tagged or re-tagged.***

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**Serial numbers were not recorded on the clubhouse controlled assets list and documentation of controlled asset inventory counts was not on file.** The most effective controlled assets list is one that uniquely and easily identifies each item listed. In addition to the County tag, serial numbers provide a unique and useful form of identification. Recording of the serial number is especially useful if the County tag is worn, not in place, or mistakenly tagged.

While the clubhouse controlled asset list was neatly prepared and included nearly all controlled assets on site, serial numbers were not recorded. Items such as tables and chairs do not have serial numbers, but more valuable items, including computers, printers, and cell phones, do. These items are readily convertible to personal use and a tempting target for theft.

Finally, we noted that annual controlled assets inventory count and reconciliation documentation was not on file.

Countywide Policy #1125, Section 2.2.11, states:

*"At least annually, conduct physical inventory of fixed assets and controlled assets..."*

Without the inventory documentation there was nothing to support the claim that an annual inventory was actually performed.

**RECOMMENDATIONS:**

1. ***Serial numbers, when available, should be recorded on the controlled assets list.***
2. ***Documentation supporting the annual controlled asset inventory count and reconciliation should be maintained on file at the clubhouse.***

**MERCHANDISE INVENTORY**

The clubhouse, built in 1968, is the hub of retail sales operations, both golf rounds and merchandise. Within the clubhouse, the pro-shop carries a wide array of golf equipment, apparel, and other items. Bar-coded tags containing pricing and inventory information are attached to each merchandise item and scanned at the time of sale, automatically updating sales and inventory information.

Notably, the head professional spearheaded development of the merchandise inventory numbering system for all County golf courses, and to the use a security camera to monitor activity in the pro shop. Our findings in the area of merchandise inventory are as follows:

- ***Some pro shop merchandise items were missing, and counts for other items were misstated or overstated in the on-line management system.***
- ***A few merchandise items on the sales floor were not tagged.***
- ***Adequate segregation of duties in merchandise management was lacking.***
- ***Documentation for merchandise inventories was not maintained on file at the clubhouse.***
- ***Some innovative techniques to improve merchandise inventory management have not been implemented.***

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**Some pro shop merchandise items were missing, and counts for other items were misstated or overstated in the on-line management system.** We conducted a merchandise inventory of the pro-shop, and counted all items except for 2,362 loose golf balls reported in the Active Golf system, 460 divot tools, and 11,376 bagged tees. Total value of these excluded items was \$3,047. The total value of all inventory on-hand the day of our count was \$42,142. Therefore, the value of items on our count list, less the items just mentioned, was \$39,095. The total value of our count

actually exceeded the system-recorded value by \$63. Differences between our counts and Active Golf system counts are shown in Table 3, below.

Merchandise Inventory Count Comparisons						
Description	Recorded \$ Value	Actual Count \$ Value	Difference	Recorded Count	Actual Count	Difference
Balls	\$6,004	\$5,961	(\$43)	1,172	1,158	(14)
Gloves	\$2,622	\$2,727	\$105	324	337	13
Bags	\$3,314	\$3,314	\$0	33	33	0
Shoes	\$5,504	\$5,378	(\$126)	71	70	(1)
Caps	\$4,463	\$4,519	\$56	401	404	3
Clubs	\$6,252	\$6,108	(\$144)	49	48	(1)
Shirts	\$2,549	\$2,829	\$280	78	85	7
Shorts	\$59	\$59	\$0	2	2	0
Jackets	\$1,586	\$1,586	\$0	29	29	0
Lady Shirts	\$666	\$666	\$0	22	22	0
Lady Shorts	\$163	\$163	\$0	5	5	0
Lady Fleece	\$43	\$43	\$0	1	1	0
Sundries	\$5,871	\$5,805	(\$66)	1,736	1,747	11
<b>TOTALS</b>	<b>\$39,095</b>	<b>\$39,158</b>	<b>\$63</b>	<b>3,923</b>	<b>3,941</b>	<b>18</b>

*Table 3. Differences between Auditor's counts and Active Golf system counts.*

Even though our inventory counts exceeded recorded counts and values within the Active Golf system, we discovered that items were missing. This discrepancy seemed counter-intuitive to us. We concluded that point-of-sale input errors may have been the cause of count overages in certain line items.

For example, point-of-sale input errors were noted in 12 types of items, such as shirts or clubs, where recorded counts were less than zero. The item sold may have been input to the system in the wrong category at the time of sale, or it could have been tagged, but not entered into the inventory system. Of these 12 items, 10 showed a (-1) count, and the other two had a (-2) count, resulting in total negative item count of (-14).

Our count exceeded the recorded count in 36 different types of merchandise items, including the 12 negative-count items just mentioned. Within these 36 merchandise categories, 112 individual items accounted for the excess of our counts over system-recorded counts. The total dollar value by which our counts exceeded recorded counts on the system was \$1,981, not a significant overage in comparison with the total value of the inventory.

As an example, we noted 3 unaccounted golf clubs whose total cost was \$568. However, another type of club showed a (-2) count with value of \$425, which served to nearly offset the shortage. The head professional's explanation was that a cashier could have recorded sales of clubs in a wrong inventory category, most likely the category where the (-2) count appeared.

In some instances, cashiers may not be scanning the bar-code tag when recording a sale, and instead are trying to categorize the sale by either manually inputting the "SKU" code from the tag or retrieving category numbers from the system. In either case, the manual intervention creates a risk of miscoding the transaction.

When inventory items are initially recorded in the system correctly, and then at point of sale the transaction is manually mis-categorized, accurate inventory tracking does not occur, In the presence of loose input controls and inattentive and/or infrequent inventory counts, the environment encouraging theft is established and easily concealed. Inventory tracking and reconciliation can be time-consuming and tedious. However, accurate inventory tracking is more easily maintained with tight rules and repeated practice.

**RECOMMENDATIONS:**

- 1. Inventory tracking should be frequently performed and consistently applied to ensure reconciliation between actual counts and system-recorded counts.**
- 2. Cashiers should use the scanner to scan bar-code tags at the time of sale, instead of retrieving information from a list in the Active Golf system. Scanner failure and incorrect or missing barcode tags should be the only instances where the scanner is not used.**

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**A few merchandise items on the sales floor were not tagged.** Among the untagged items we observed were four golf clubs, comprising two Taylormade Drivers, a Taylormade wedge and one Scotty putter. Their total value was \$884. Also, seven umbrellas with a combined cost of \$248 were untagged. Untagged items can lead to errors in inventory system counts, such as those discussed in the previous section. While employees can easily become distracted from inventory management because of other duties, proper tagging of inventory items, especially high-value items like Taylormade drivers, is an essential inventory control procedure.

**RECOMMENDATION:**

**All items on the sales floor should be tagged with the bar-code tag generated from the Active Golf system, and any items currently not tagged should have a tag placed on them.**

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**Adequate segregation of duties in merchandise management was lacking.** We noted that the head professional alone performed merchandise inventory purchasing and receiving, generally without assistance from anyone else on staff. While adequate segregation of duties exists between the ordering/receiving and payment functions, there is no separation between the ordering and receiving functions. Receiving also includes the entering of items received in the Active Golf inventory management system. With a single person controlling, ordering, and receiving, inventory manipulation and theft could more easily occur.

The inventory process begins with the each head professional, respectively, ordering products based on review of golf journals, visits to trade shows, and contacts with salesmen. Goods are ordered by the head professional directly through a sales representative. Once goods are ordered, the vendor sends an invoice to the imprest checking account custodian. The custodian scans the invoice and saves the image on a shared golf course computer drive for review and approval by the head professional who ordered the goods.

After goods are received, the head professional produces a "Golf Purchase Request" recording the receipt of one or more shipments of merchandise lots, by "Instance #". The Request is produced independent of the Active Golf system, but Active Golf generates the instance number when new merchandise is entered into inventory. After the custodian receives the "Golf Purchase Request" from the head professional, she pays the invoice.

Based on our inquiries with the coordinator, we conclude that there is no independent verification that the items listed on the purchase invoice are compared to a packing list to ensure that the items billed on the invoice were actually received. Nor is there verification that all items received were entered as inventory items in Active Golf. No records to support these important controls are maintained by the coordinator or the head professional.

We recognize the desire to achieve profitable operations by golf management, which translates into keeping staff to a minimum. However, one employee having complete oversight of inventory management in an effort to reduce staff costs goes against well-established business and accounting practice, which recommends that receiving duties be separated from ordering, and performed by another individual. The head professional understands the necessity of segregating duties in inventory management and plans to assign additional duties to one of his assistants.

**RECOMMENDATIONS:**

- 1. The duties of ordering should be separated from receiving merchandise and performed by different employees to guard against manipulation of records that could lead to theft.**
- 2. Before approving and paying the invoice, the golf course imprest checking account custodian should insure that the merchandise on the invoice is compared to the packing slip to validate that all items ordered were received.**
- 3. A record should be maintained to document that all merchandise items related to an "Instance" are recorded in Active Golf.**
- 4. Consideration should be given to centralizing the entire purchasing process for the golf courses to segregate duties and to take better advantage of vendor discounts.**

**Documentation for merchandise inventories was not maintained on file at the clubhouse.** One of the key elements in any merchandise management system is periodically, or at least once a year, performing inventory counts. While the golf course performs inventories in some form, they are not on file at the clubhouse and available for review.

An inventory involves a count and comparison of items to the perpetual or electronic inventory record. The date performed, by whom, and the outcome of the inventory, including whether a shortage occurred, should be noted. Without this documentation, inventory management becomes subjective and the true state of the inventory, including whether any losses have occurred, will likely go undetected.

**RECOMMENDATIONS:**

1. ***Complete merchandise inventories should be performed at least annually and documentation maintained on file at the clubhouse.***
  
2. ***The documentation should contain the following information at a minimum:***
  - a. ***Date inventory count was performed.***
  - b. ***A record of the actual physical count, by item counted, compared to the point-of-sale inventory system record, at the time of the physical count.***
  - c. ***Explanation of any significant discrepancies.***
  - d. ***Signature of the golf professional in charge of inventory monitoring.***

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**Some innovative techniques to improve merchandise inventory management should be considered.** Currently, merchandise inventories must be taken manually, without use of a scanner to scan bar-code tags. A scanner is available for sales transactions but not for use in taking inventory counts. The Mountain View Golf Course manager suggested purchase of an inventory scanner for shared use by all golf courses in their count procedures. Scanning each item would provide for a faster, more accurate and less cumbersome inventory procedure, and count.

Also, he suggested that a revolving account be established for inventory purchases. Currently, an annual merchandise-purchasing budget is established for each golf course. The disadvantage of the budget is that once depleted, no other items can be purchased. The head professional gave an example of the resulting lack of flexibility where a customer requesting a special purchase would have to be denied because of budget deficiency.

In a revolving account, an initial amount would be established and available for borrowing. The amount borrowed by golf courses would then be repaid to the account through earnings or revenues.

**RECOMMENDATIONS:**

1. ***A bar-code scanner for use by all golf courses in conducting merchandise inventories should be purchased as a way to improve accuracy and increase process speed.***

- 2. Consideration should be given to use of a revolving fund for purchase of pro shop merchandise inventory to avoid the inflexibility of budgeted amounts.**

## **CONCESSIONS CONTRACTOR**

A third party contractor provides concession services to Mountain View Golf Course. Snack foods, hot and cold sandwiches, hamburgers, hot dogs, and beverages, including beer, are offered for sale in the dining area. The current contract is set to expire at the end of 2009, with two additional one-year renewal options available. Salt Lake County provides all ovens, stoves, refrigerators, and other operational equipment but the contractor provides his own cash registers.

Our findings in this area were as follows:

- ***Concession revenue for at least one month was not correctly calculated and reported.***
- ***Z-tape totals were reduced for money removed from the till and used to purchase food at grocery stores.***
- ***Understanding was still lacking in the definition of concession revenue that should be reported to the County in applying commission rates.***

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**Concession revenue for at least one month was not correctly calculated and reported.** The concessionaire contract with the County requires the concessionaire to remit “10% of all monthly net concessions when monthly gross revenue do not exceed \$20,000.” Further, an 11% commission is required for gross revenues between \$20,000 and \$30,000 and 12% for gross revenues that exceed \$30,000. Though increased percentages are required for these higher thresholds, revenue never actually exceeded \$20,000 during the time period we examined, June 2008 through May 2009. We recalculated application of the 10% commission rate to the contractor’s reported revenues during this period and found that he used the correct rate and accurately applied it to his revenue to arrive at the remittance to Salt Lake County.

Further, we examined reported revenue for May 2009 to determine whether it was accurately reported for application of the commission rate. We reviewed each day’s report of actual cash drawer collections, compared these to Z-tape summary totals, and found that revenue was underreported by \$395.

In our calculation, we followed the concessionaire’s procedure of removing sales tax from reported revenue. Also, the overages and shortages we calculated were the same as those calculated on the contractor’s daily balance sheets, except for one day, when our calculation differed by \$1.00. This indicated that we agreed with the contractor’s own daily revenue calculations, though the sum of these totals did not agree to the monthly revenue reported to Mountain View Golf Course.

The concessionaire's reported revenue of \$16,609, on which he paid a 10% commission of \$1,661 to Mountain View Golf Course, was different from our own calculation of \$17,004, based on collection totals from daily balance sheets. Our revenue calculation would have resulted in a commission of \$1,700.

We discussed this difference with the concessionaire, who pointed to cash register problems during the month and problems with transaction over rings during the month. Some transactions were rung more than once into the cash register. Further, he said he would remit an extra \$40 to Mountain View Golf Course.

**RECOMMENDATION:**

***The concessionaire should remit the extra \$40 in commission to Mountain View Golf Course for under-reported revenues in May 2009 and ensure that revenue is based on actual daily collections.***

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**Z-tape totals were reduced for money removed from the till and used to purchase food at grocery stores.** The concessions contractor sometimes removes money from the till to purchase food items at grocery stores that his supplier normally does not provide. The amount removed is rung into the cash register as a transaction and reduces Z-tape daily revenue totals. For the month we examined, May 2009, we noticed five different days in which various amounts were removed, totaling \$112. Though relatively insignificant, the contract does not provide for reduction of reported revenue for food purchases.

We discussed this situation with the contractor, and he was aware that food payments should not be deducted from revenue. He stated they would be included in the future.

**RECOMMENDATION:**

***The concessionaire should not deduct money removed from the cash register and used for food purchases, or other purchases, from his daily revenue totals.***

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**Understanding was still lacking in the definition of concession revenue that should be reported to the County in applying commission rates.** Understanding of the contract term "net concessions" for application of the County's commission rate is generally interpreted by concession contractors as gross revenue, or sales, less sales tax. However, net concessions could be interpreted as total concessions sales, including sales tax.

Currently, the concession contractor provides a spreadsheet of daily receipt totals that sum to the cumulative monthly total, together with his remittance to the Mountain View head golf professional.

Further, all concessions contractors must report their revenue to the State Tax Commission each month, usually on form TC-62. The contractor stated that revenue reported on his spreadsheet to the County approximates the amount reported on TC-62.

Since all contractors must file the TC-62M form and Schedule A with the State Tax Commission, it could be a standard on which all contractors base their revenue reported to the County. Column 3 of form TC-62M Schedule A is used to report "Net Taxable Sales & Purchases" and is a reliable indicator of total monthly revenue. A copy of these forms can be found at <http://tax.utah.gov/forms/>

**RECOMMENDATION:**

***The concessions contractor should report his monthly revenue to Mountain View Golf Course based on revenue reported to the State Tax Commission on Form TC-62M, Schedule A, Column 3. A copy of this form should be submitted with the remittance, and money removed from the cash register for food purchases should be included or added to this amount.***

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In closing, our office expresses thanks to the head professional and staff at Mountain View Golf Course for their willingness to obtain requested documents and answer questions, and for their cooperation and attentiveness throughout the process. Equal appreciation is extended to the head groundskeeper and his staff, and the concessionaire contractor.

Audit reports, by their nature, are exception reports. Their intent is not to minimize the hard work and dedication of the golf course staff, but to help improve operations and processes, create better compliance with Countywide policy, and provide greater assurance that golf course management objectives are achieved. Please feel free to call me with any further questions.

Sincerely,

James B. Wightman, C.P.A.  
Director, Internal Audit Division

Cc: Paul Ross  
Tim Fernau  
Brian Schramm  
Mike Rolfe  
Mark Evans  
Erin Litvack  
Lori Okino

**CASH OVER / SHORT LOG**

MPF FORM 11

DIVISION \_\_\_\_\_

MONTH/YEAR \_\_\_\_\_

EMPLOYEE \_\_\_\_\_

Beginning Change Fund Balance \$ \_\_\_\_\_

DAY	AMOUNT OVER / (SHORT)	CHANGE FUND BALANCE
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	\$ _____	\$ _____

Ending Change Fund Balance \$ \_\_\_\_\_

Approved by Agent Cashier \_\_\_\_\_

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

Supervisor's Signature \_\_\_\_\_ Title \_\_\_\_\_

**COUNTYWIDE POLICY #1125 – SAFEGUARDING PROPERTY/ASSETS  
Exhibit 3  
CONTROLLED ASSETS INVENTORY FOR – EMPLOYEE**

Organization Name: \_\_\_\_\_ Organization # \_\_\_\_\_  
 Property Assigned to: \_\_\_\_\_ Date Last Inventoried & By Whom (Property Mgr) \_\_\_\_\_

Property Description	Make	Model	Serial #	Physical Location (1)	Bought on PO#	PO Date	Vendor	Cost	Controlled Asset # (2)	Change in Status & Date (3)

**FOOTNOTES:**  
 (1) Description should include enough information to pinpoint exact physical location (if possible), such as building and room #.  
 (2) An identifying asset # may be assigned at the option of the organization, however the Auditor will not track controlled asset #'s centrally.  
 (3) This column may be used to document any change in status until a full inventory of assigned assets is retaken.

**INSTRUCTIONS:**  
 1. This form should be used to establish accountability for controlled assets assigned to individual employees, Use Exhibit 4 form if the property is not readily assignable to an individual or is shared within the organization.  
 2. The Property Manager should have employees complete this form to include at least all controlled assets assigned. As explained in the policy, this may also be used for property not subject to the policy, at the organization's option. It may also be used to track fixed assets assigned to individual employees, at the option of the Property Manager.  
 #. This equipment should be inventoried annually in accordance with the requirements explained in paragraph 2.2.11 of this policy.

**CERTIFICATION**  
 I have reviewed this list of equipment and agree that it is an accurate and complete list of equipment assigned to me. I understand I am accountable for the equipment and responsible for it in accordance with all the provisions of this policy.

Employee's Signature \_\_\_\_\_ Date \_\_\_\_\_