



July 17, 2012

Peter Corroon, Mayor
Salt Lake County
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Salt Lake City, UT 84114-4575

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Re: An Audit of Riverbend Golf Course

Dear Mayor Corroon:

We recently completed an analysis of the financial records of Riverbend Golf Course. Our scope was limited to verification of the accuracy and completeness of financial records and compliance with internal controls related to cash handling, capital and controlled assets, merchandise inventory, and concessions sales and commissions. Our audit covered the period from July 2011 through June 2012, though dates were adjusted in some test work according to needs and availability of records.

Our objectives were to determine whether:

- Receipts, petty cash, and the imprest checking account were handled according to Countywide Policy #1062, *Management of Public of Funds*, and Policy #1203, *Petty Cash and Other Imprest Funds*, and that good business practice and controls were in place to prevent theft of funds.
- Capital and controlled assets were managed according to Countywide Policy #1125, *Safeguarding Property/Assets*, and are guarded against equipment becoming missing or stolen.
- Merchandise inventory was on hand according to golf course records, and procedures were in place to ensure that all inventory goods purchased were placed for sale in the pro shop.
- Terms of the concessions contract for payment of commission to the County were complied with, and the concessions contractor based the County's commission on accurately reported revenue.

Our work was designed to provide reasonable but not absolute assurance that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered misuse or theft of County assets because these may have occurred with respect to assets or transactions not selected for review.

Opened in 1994, the 18-hole Riverbend Golf Course is located at the south end of the valley in Riverton. Green fees, fees for cart rental, collections from merchandise inventory sales in the pro shop, and concessionaire commission fees are intended to sustain golf course operations without the need

for taxpayer money. Figure 1 below compares Riverbend operating expenses and revenues over the five-year period from 2007 through 2011, and shows that revenues generally exceeded expenses.

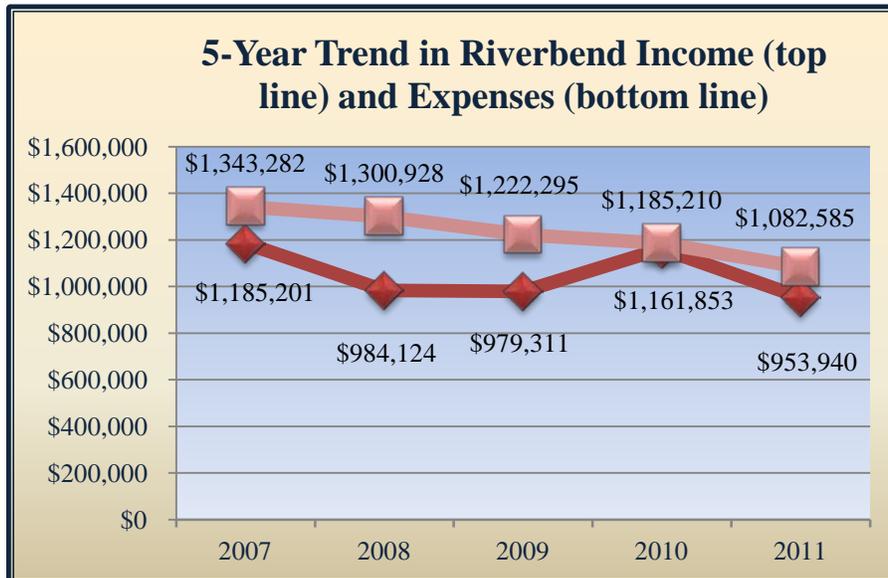


Figure 1. Operating revenues exceeded expenses in all years.

Fore Reservation, the software all County golf courses use as their cashing system, also includes features for tracking tee time reservations and merchandise inventory. The cashing or cash register module integrates these other features, allowing automatic pricing of reservations and deducting of items from inventory once sold, thereby eliminating manual steps. In addition to regular green fee and merchandise sales, Riverbend, like all other County golf courses, also maintains pre-paid credits on gift cards and tournaments winnings.

As part of tournament winnings, Riverbend accepts payments for prize payouts. Participants in both a men's and women's league, and also a youth league pay a separate fee credited in Fore Reservation to this purse. Once league winners are determined, a golf course employee transfers money on account to their names for later redemption on pro shop merchandise items. Gift cards are not issued to league winners; only credits are applied to their names within the system. Riverbend uses separate software, Viper Tournament Manager, to post league winners and earnings.

Golf patrons can also buy gift cards. Similar to a credit card, these plastic cards can be loaded with credits based on patron payment, by swiping them through the Fore Reservation card reader. We noted that gift card pre-payments generated from Active Golf, the management system in place for five years prior to 2012, totaled over \$287,000 from all County golf courses combined.

We further noted that the current system does not accept old cards generated from the Active Golf system. Credits must be transferred to the Fore Reservation system and a new card

issued when customers present their cards for buying merchandise. When transferring these credits to Fore Reservation, golf course employees refer to a 90 page log containing amounts and names for 8,000 outstanding gift cards. We inquired about this process but performed no further test work, and we make no findings or recommendations.

Generally, we found consistent recording of daily cashier cash counts, few shortages with minimal amounts in any shortage that we observed, and deposit documentation that provided a clear audit trail. We did, however, find areas where improvements could be made to provide more effective monitoring and control of cash and County assets. We divided our findings into 1) Cash Handling and Depositing, 2) Capital and Controlled Assets, 3) Merchandise Inventory, and 4) Concessions Contract.

CASH HANDLING AND DEPOSITING

Our findings in the area of Cash Handling and Depositing are as follows:

- ***The change fund was short by \$9 of its authorized limit.***
- ***Personal identification was not written on checks received at Riverbend.***
- ***Refunds on merchandise items were requested from the administrative office in all cases after the day of original purchase.***
- ***Deposits sometimes remained overnight in the safe without being delivered to the bank.***

The change fund was short by \$9 of its authorized limit. We found this shortage based on our count of the portion of the change fund in the safe. The authorized fund limit is \$1,200. Typically each of the two cash registers carries a \$300 change fund, and the excess \$600 remains in the back safe. While our surprise count confirmed the \$300 for each cash register, we found a \$9 shortage in the safe.

Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Section 5.2.2.2, states:

For shortages less than \$10.00, reimbursement will be made upon written request by the Custodian directly to the Auditor [now the Mayor's accounting section.]

The Riverbend head professional was surprised by the shortage, and did not know why it occurred. Any shortages left unresolved, however, could present a greater opportunity for theft because of perceived management inattention. As a way to establish accountability for change funds, Recreation centers have implemented a change fund sign-in/out sheet.

Countywide Policy #1062, *Management of Public Funds*, Section 2.7.3, states:

Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox, and return the fund to the safe or lockbox.

RECOMMENDATIONS:

- 1. A letter should be written to the Mayor's Office accounting section requesting reimbursement of the \$9 shortage in the change fund.**
- 2. A log should be maintained with the change fund to document a date and signature for each time it is retrieved from and placed back into the safe.**

Personal identification was not written on checks received at Riverbend. A Riverbend employee told us that personal ID was not required for checks. Personnel were not aware of this requirement.

Countywide Policy #1062, Section 3.1.3, states:

Persons remitting "over-the-counter" payments by means of personal check shall, be required to provide a valid form of identification...

In addition, Countywide Policy #1301, *Acceptance of Checks*, Section 4.2 states:

When a valid form of identification is provided, the following information should be documented on the front of the check: expiration date of identification card and the...driver's identification number.

Generally, a driver's license is considered a valid form of ID. Without documenting identification on the check, the issuer may not be located to recover insufficient funds should the bank return it. In recent years, checks have nearly fallen into disuse at golf courses as almost all payments, aside from cash, are by credit or debit card. In fact, during our surprise count we found no checks at all in the cash registers.

RECOMMENDATION:

Identification should be required for all over-the-counter personal checks presented for payment, and the number, such as the driver's license number and expiration date should be documented on the face of the check.

Refunds on merchandise items were requested from the administrative office in all cases after the day of original purchase. Riverbend management indicated that refunds were

processed through their administrative office for refunds after the day of original purchase. A check is then issued to patrons for the refunded amount. If the patron requested a refund the same day as the purchase, however, it would be made from the cash drawer where the purchase was made by cash. Refunds are rare at Riverbend, and we reviewed no refund transactions, but based on our conversation, proper procedure in this area needs additional clarification.

Countywide Policy #1062, Section 6.2.1 states:

Where County Agencies operate a retail operation providing goods and/or services to the public, refunds are permitted out of the cash drawer if original payment was by cash, and a receipt is provided by the patron. If no receipt can be produced showing payment by cash, the refund shall be made by Agency check...If payment was made by a payment card, the charge should be reversed.

Riverbend personnel understood that a check was issued on any refund even if original payment was by debit or credit card. A refund check issued in this case could result in a loss to the County as the patron could later dispute the purchase and have it removed from their credit card statement.

Also, in prior years refunds were generally made by check, but more recent policy allows cash to be taken from the cash drawer if the purchase was by cash. This applies even on days following the purchase. Riverbend personnel were not aware of recent policy updates. This policy relates to merchandise only, and not other transactions, such as green fees. The intent of this new policy is to build goodwill. Customer goodwill may be diminished by issuing a check that takes several weeks to process.

RECOMMENDATIONS:

- 1. Refunds on merchandise items should be in the same form as the original purchase, cash for cash, or check for check.**
- 2. Any refunds of purchases by debit or credit card should be made by reversing the payment on the card and not by issuing a check.**
- 3. Refunds on cash purchases of merchandise should be allowed out of the cash drawer even on days subsequent to original purchase.**

Deposits sometimes remained overnight in the safe without being delivered to the bank.
We tested 20 out of 178 deposit days from July 1, 2011 through June 30, 2012, and found one deposit made more than three days after the limit established in County policy, and nine deposits exactly three days following collection. While depositing three days later falls within policy guidelines, it indicates deposits are stored overnight in the safe. The 178 deposit days resulted

from our reducing the year's population due to golf course inactivity in late fall and winter months.

Countywide Policy #1062, Section 4.1.2 states:

As required by §51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but not later than three days after receipt...

With few merit employees on-site at times, deposits were delivered to the bank two or three days later. Nevertheless, funds stored on-site overnight are subject to theft. Burglarized in the past, Riverbend has implemented security measures that have helped prevent further occurrences, though funds are not completely safe unless deposited promptly in the bank.

RECOMMENDATION:

Deposits should be delivered to the bank as soon as possible and not stored overnight in the Riverbend safe.

CAPITAL AND CONTROLLED ASSETS

Our findings in the area of Capital and Controlled Assets are as follows:

- *Some capital assets could not be found on-site at Riverbend Golf Course.*
- *Some controlled assets could not be found on-site at Riverbend Golf Course.*
- *Three capital assets found during our inventory were not assigned to Riverbend on the capital assets list.*
- *One item purchased in 2011 that fell within the controlled asset definition was not included on the controlled asset list.*

Some capital assets could not be found on-site at Riverbend Golf Course. We conducted an inventory of all 41 capital assets listed by the Mayor's Office accounting section and found all but three, which are listed in Table 1 below.

Issues with Capital Assets		
Description	Tag	Issue
Toro 3WD Reelmaster Mower	97220	Not Located
Kawasaki 2WD Green Mule	98587	Not Located
Hydraulic Lift System	99015	Not Located

Table 1. *Three capital assets could not be located.*

These capital assets are all related to golf course maintenance, a function not managed by golf personnel but by Parks Administration. The maintenance area property manager explained the Toro Reelmaster Mower as duplicated on the capital asset list since another identical item appears below the one we located with the same serial number but different County property tag number.

The property manager explained the green Kawasaki Mule as equipment that should not be assigned to Riverbend, stating it was purchased by the Fleet Management Division. Finally, the hydraulic lift system was swapped with another hydraulic lift system at the Parks Administration Office. Therefore, Parks Administration would have possession of the item listed under Riverbend.

In addition, we noted a Greens Aerator, property tag number 91143, and a Top Dresser, property tag number 91206, that were not located during our audit. The property manager presumed they were sent to surplus. He subsequently indicated in a phone call that the Greens Aerator was on-site, but still maintained the Top Dresser was sent to surplus, though he could not find a Form PM-2 documenting this transfer.

In addition, we found three capital assets on site with no property control tag attached, a green Kawasaki Mule, the Hydraulic lift system, and a Jacobsen 3 Gang Greens Mower W/11 Blade, newly purchased in November 2011.

The untagged green Kawasaki Mule was not the same as that in Table 1, because it was purchased in 2004, and the Mule in Table 1 was purchased in 2010. The Hydraulic lift on site was the one swapped with Parks Administration, and the new Greens Mower purchased in November 2011 has a property tag number assigned, 99736, and was also listed, but not attached.

RECOMMENDATIONS:

- 1. A Form PM2 should be located for the Top Dresser, Property Tag number 91206, which was not located during the audit.**
- 2. The Mayor's Office accounting section should be asked to remove the Toro 3WD Reelmaster Triplex Mower, Property Tag number 97220 from the capital asset list if it duplicates the other similarly listed equipment.**
- 3. The location of the 2WD green Kawasaki Mule, Property Tag number 98587, should be determined, and if it belongs to another agency, it should be removed from Riverbend's capital asset list.**
- 4. Capital asset tags should be attached to the new Jacobsen 3 Gang Greens Mower, and the green Kawasaki Mule purchased in 2004.**
- 5. The Mayor's Office accounting section should be requested to correct the capital asset list to reflect the proper location of the hydraulic lift in place at Riverbend, and the lift should have a property tag attached to it.**

Some controlled assets could not be found on-site at Riverbend Golf Course. Both clubhouse and golf course maintenance areas have controlled asset lists. The head professional manages controlled assets at the clubhouse. We searched for a statistically random sample of 19 out of 53 controlled assets listed by the maintenance area. From the clubhouse controlled asset list, we judgmentally selected and searched for 26 items out of 89 listed. Table 2 below lists items that could not be located.

Issues with Controlled Assets		
Description	Tag	Issue
Lenovo Computer - Clubhouse	KN0128	Swapped
Toro 20122 Spiker	KN00012	No more on-site
Makita Chainsaw	KN00030	Torn apart
Carpet Cleaner – Clubhouse	KN0007	Not located

Table 2. *The Spiker and Chainsaw are located in the maintenance area.*

The head professional explained that IS swapped the Lenovo computer for another computer, which we viewed but that did not have a property tag attached. The carpet cleaner was described as old and not functioning, though on-site when the golf course opened in 1994. Personnel were surprised that it could not be found during our inventory.

The maintenance area no longer has the Spiker, and the Makita Chainsaw was torn apart. In maintenance areas throughout the County, equipment no longer serving a useful purpose may be torn apart, or cannibalized, and parts used in other equipment.

In addition we found controlled assets, all of them in the maintenance area, with no property tag attached. Table 3 below lists these items.

Controlled Assets Not Tagged		
Description	Tag	Issue
Turfco Sod Cutter	KN00009	No Tag
Turfco Edger	KN00011	No Tag
Toro Irrigation Computer	KN00002	No Tag
Toro Verti Cut Reel	KN00025	No Tag
Stihl Weed Eater	KN00036	No Tag
Stihl Weed Eater	KN00035	No Tag

Table 3. *Six controlled assets had no property tags attached*

Except for the computer, the items listed above are subject to tags wearing off due to rugged, dirty use. Weed eaters are particularly prone to worn off tags since no part of the equipment is sheltered from rough handling. Nevertheless, items not tagged are more subject to loss or theft.

RECOMMENDATIONS:

- 1. Controlled assets that cannot be found should have their missing status explained in a letter to the Mayor.**
- 2. Items from the controlled asset list should not be discarded without first considering their transfer to County surplus.**
- 3. Controlled assets without a tag should have a tag attached, and places on the item should be determined where the tag may not wear off.**

Three capital assets found during our inventory were not assigned to Riverbend on the capital assets list. We found property tags on two of these items, but the numbers were not on the capital asset list assigned to Riverbend. Table 4 below shows these three items.

Capital Assets Not Listed		
Description	Tag	Issue
Kawasaki Mule 3000	98585	Not Listed
Toro Groundsmaster Mower	98305	Not Listed
Toro Groundsmaster Mower	S/N 30789-30585	Not Listed, No County Tag

Table 4. *These items were not found on Riverbend’s capital asset list*

The Kawasaki Mule is the third Mule that had an identification issue associated with it. In summary, one mule was on the capital asset list, but not found on site. Another Mule was on-site, but not tagged, and the Mule in Table 4 was located on-site but not listed. As mentioned, the capital asset list showed the Kawasaki Mule 3000 as purchased in 2010, but personnel stated the Mule on-site and not tagged was purchased in 2004.

The two Toro Groundsmaster Mowers in Table 4 were identical, and both dated from the early 1990s. In Table 4, we listed a serial number in place of the tag number for the mower with the missing County property tag. The property manager explained this item as a gift, an item without charge from the equipment vendor when the course opened. It was never tagged or listed. Capital assets that are not listed or tagged become more susceptible to theft.

Countywide Policy #1125, *Safeguarding Property/Assets*, Section 2.2.8, lists one of the property manager’s duties, as follows:

Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and fixed assets are tagged and capitalized. Assist the Auditor's Office [now the Mayor's Office accounting section] as requested in capitalizing fixed assets, etc.

RECOMMENDATIONS:

- 1. The Kawasaki Mule 3000, property tag number 98585, should be transferred to the Riverbend capital asset list, if this is the intended location.**
- 2. The Toro Groundsmaster Mower, property tag 98305, should be included on the capital asset list, and the other identical mower should be tagged and listed in coordination with the Mayor's Office accounting section.**

One item purchased in 2011 that fell within the controlled asset definition was not included on the controlled asset list. We reviewed invoices for Riverbend equipment purchases from July 2011 through June 2012 as identified in the County's financial system, AFIN. We found all items included on controlled asset list, except for two club washers, each one costing \$205 and purchased in December 2011.

Countywide Policy #1125, Section 2.1 defines a controlled asset as follows:

...personal property items having a cost of \$100 or greater, but less than the current capitalization rate, and which are sensitive to conversion to personal use....

Items not on the controlled asset list could be stolen without the theft being discovered. We discussed these two items with the Riverbend head professional, and he agreed that they would fall within the definition of a controlled asset.

RECOMMENDATION:

The two club washers purchased in December 2011 should be included on the controlled asset list.

MERCHANDISE INVENTORY

Our finding in the area of merchandise inventory is the following:

- *A few merchandise inventory items were not listed or could not be found.*

A few merchandise inventory items were not listed or could not be found. We noted management’s concern that all merchandise inventory items be accounted for. We did find, however, a few items that were missing, and items that were not found on the Fore Reservation inventory list.

We performed an inventory of all items on hand, except for small items such as divot tools, tees, and markers. We counted 4,354 items, which included 164 items we missed that the Riverbend head professional later pointed out that he had found in storage. We accepted his count of these additional items. Table 5 below shows variances, or shortages and overages in our count, as arrived at by comparing our count to the Fore Reservation system count.

Variances in Merchandise Inventory Counts				
Description	Short	Short Variance Cost	Over	Over Variance Cost
Bags	0	(\$0)	0	\$0
Balls – Sleeves	(13)	(\$20)	17	\$129
Clubs	0	\$0	0	\$0
Gloves	(21)	(\$152)	0	\$0
Accessories	(4)	(\$20)	2	\$37
Sunglasses	0	\$0	10	\$126
GPS Units	0	\$0	3	\$587
Headwear	(10)	(\$126)	0	\$0
Clothing	(3)	(\$79)	0	\$0
Shoes	(1)	(\$137)	2	\$121
NET TOTAL	(62)	(\$589)	36	\$999

Table 5. *The value of over counts exceeded undercounts.*

Items not accounted for could have been stolen, and items incorrectly accounted for within the Fore Reservation system can more easily be stolen. Variances occur either because of theft, incorrect entering of the item’s inventory number when sold, or not entering the item into Fore Reservation when received. As with any merchandise operation, a certain amount of retail theft is expected.

In total, variances shown here were small when compared with total inventory value of \$76,039 on the day of our count. We commend management for their attention to avoiding merchandise loss or theft. We also noted a proper segregation of duties where the head professional orders goods, and the assistant head professional enters them into the Fore Reservation inventory control module when received.

RECOMMENDATION:

Riverbend management should continue its efforts to ensure that all merchandise inventory items are entered into Fore Reservation, all items are properly tagged and rung into the cash register at the time of sale, and retail theft is kept to a minimum.

CONCESSIONS CONTRACT

The concessions contractor operates a restaurant at Riverbend Golf Course. The concessionaire serves sandwiches, hot food items, snacks, and beverages, including beer. Under the current contract, effective February 2012, the contractor is required to pay the County 12% of his monthly gross receipts, less sales tax. Prior to the current contract, the commission was 12% of monthly gross receipts up to \$10,000, followed by 8% of receipts over this amount. A contract provision also requires a fee for dinner parties renting the restaurant. No dinner parties were noted from July 1, 2011 through June 30, 2012. The Riverbend restaurant seating area is small, and therefore not conducive to or even marketable for large events.

We recalculated all commissions received by the County from May 2011 through June 2012 and found the contractor correctly calculated the commission based on restaurant revenues reported. In addition, we examined revenues in detail for two months, July 2011 and April 2012, to determine whether the contractor correctly reported revenue. We recalculated these revenues based on daily cash register sales totals. For July 2011 our recalculated revenue resulted in \$18 more than the concessionaire's total on his transmittal report to Riverbend Golf Course. For April 2012 our recalculation matched the concessionaire's totals.

We have no findings or recommendations to report at this time for the concessionaire.

We appreciate the time spent by Riverbend staff in answering our questions, researching materials, and allowing us access to records during our audit. We know of the golf professionals' many other duties and concerns, so their willingness to help was especially appreciated, providing for timely audit completion. We also appreciate the time and effort spent by the concessions staff in helping us understand their process. We trust that implementation of these recommendations will provide for more efficient golf course operations and better safeguarding of County assets. Please feel free to contact me if you have any further questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By: _____

Larry Decker, C.P.A.
Senior Deputy Auditor

Cc: Michele Nekota
Paul Ross
Jerry Brewster
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