



May 17, 2012

GREGORY P. HAWKINS
Salt Lake County Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org

LONN LITCHFIELD, JD, LLM
Chief Deputy Auditor

MICHAEL P. CHABRIES, PhD
Senior Advisor

BRAD A. ROGERS
Executive Assistant

Michele Nekota, Director
Parks and Recreation Division
2001 South State Street, #S4400
Salt Lake City, UT 84114-4575

Re: An Audit of the Meadow Brook Golf Course

Dear Michele:

We recently completed an analysis of the financial records of the Meadow Brook 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. Our audit covered the period from April 2011 through mid-April 2012.

Our objectives were to determine whether:

- Receipts, petty cash, and change funds were handled according to Countywide Policy #1062, *Management of Public of Funds*, Policy #1203, *Petty Cash and Other Imprest Funds*, and best business practice, and controls were in place to prevent theft of funds.
- Capital and controlled assets were managed according to Countywide Policy #1162, *Safeguarding Property/Assets*, and to guard 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 remuneration 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 many 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 1953, the Meadow Brook Golf Course in Murray was the first of six currently operating County golf courses. County golf courses are not included in the County General Fund, but operate as an Enterprise Fund. As such, a separate golf course balance sheet presents financial activity, and revenues are generally derived from sales to the public through green fees and pro shop merchandise, and not tax revenues. Tax revenues, however, may cover some deficiencies.

Figure 1 below shows the five-year trend in Meadow Brook Golf Course income and expenses from 2007 through 2011. We noted during this recessionary period a downward trend in revenue. In addition to the economy, weather affects the number of golfers on the course, and therefore revenue earned. A flood over some of the golf course in 2011 accounted for last year's sharp revenue decrease.

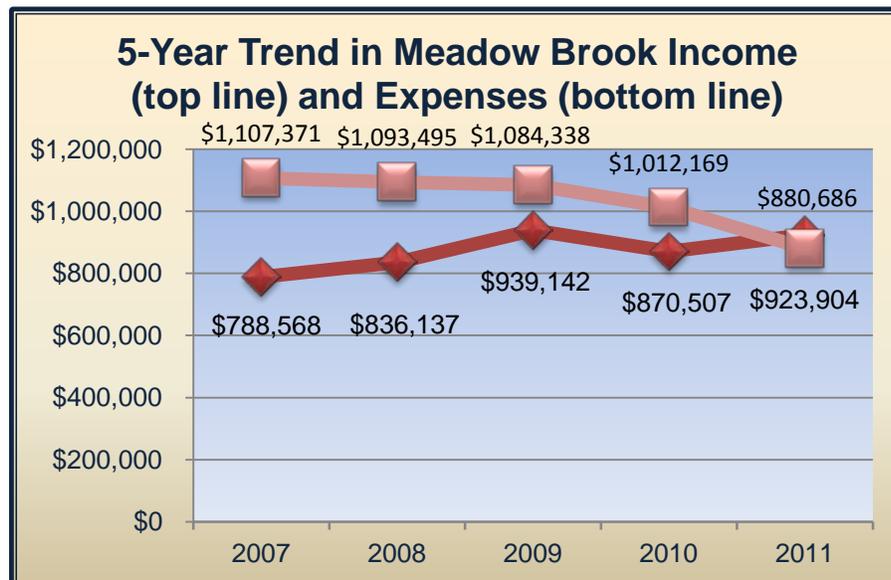


Figure 1. In 2011, expenses exceeded golf course income from sales.

Together with all County-operated golf courses, Meadow Brook uses Fore! Reservations software for point-of-sale transactions, tee time reservations, and merchandise inventory management. Installed in February 2012, Fore! Reservations is highly regarded by Meadow Brook employees for its functionality and speed in processing transactions.

Under the previous software application, extensive credit card processing problems occurred, including long wait times at the cash register for cards to be approved and frequent double entry of credit card transactions in the daily system totals report. These problems seem largely resolved with Fore! Reservations, though the exact cause of problems experienced with the prior software could not be isolated. Used prior to 2007, Fore! Reservations has now been installed for the second time at the golf courses.

The point-of-sale cash register is a computer screen, keyboard, and pop-out cash drawer. Tee time reservations appear on-screen. A reservation is pulled up, and payment for the green fee entered.

Generally, we found consistent recording of daily cash counts by cashiers, few shortages with minimal amounts in any shortage that we observed, and deposit documentation providing 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 \$100 short of its \$1,700 authorized limit.***
- ***The amount recorded in the cashiering software as the amount collected was actually the amount deposited.***
- ***Deposits were sometimes not delivered to the bank until one or two days after they were prepared.***
- ***Deposit documentation was not signed by the supervisor.***
- ***An over/short log was not maintained.***

The change fund was \$100 short of its \$1,700 authorized limit. During our surprise count of collections and other funds, we found \$1,601 in the change fund, \$99 short of the limit on record in the County's financial system, AFIN. Later, the current head professional explained that last year, under the prior head professional, the bank refused a \$100 counterfeit bill in a deposit, so \$100 was taken from the change fund to resolve the shortage. A subsequent, unexplained \$1 overage combined with the \$100 shortage created the actual shortage of \$99.

The problem caused by the counterfeit bill should not have been resolved by taking money from the change fund, but should have been noted as a shortage on the over/short log with an explanation. Leaving the change fund with a shortage creates an impression that theft occurred. Over time, without the memory of the prior head professional, this situation might not have been explained.

Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Section 5.2.2.1, states:

Any unresolved shortages greater than \$10.00 shall be explained in writing to the Mayor, along with a request to approve reimbursement of the shortage. If approved, the Auditor [now Mayor] will reimburse the amount requested to replenish the account.

Since our audit, Parks and Recreation administration has written a letter to the Mayor addressing this issue.

It was also noted that change and petty cash funds were stored in boxes whose locks were broken. While the boxes were stored in a combination lock safe, employees besides the custodian have the combination to the safe and can access the funds. New lock boxes would provide greater security.

RECOMMENDATIONS:

- 1. Shortages in the deposit should not be resolved through the change fund, and any receipt of counterfeit bills should be explained in a letter to the Mayor.**
- 2. New lock boxes should be purchased for the change and petty cash funds.**

ACTION TAKEN:

Parks and Recreation administration has written a letter to the Mayor explaining the \$100 change fund shortage and requesting reimbursement to the current authorized limit.

The amount recorded in the cashiering software as the amount collected was actually the amount deposited. For many years, County golf courses have matched the daily deposits to the amount of collections during the day as totaled by Fore! Reservations, regardless of whether there is an overage or shortage of the cash on hand. In other words, the amount deposited is not based on actual collections, but is based on the amount recorded by the cashiering software.

The familiarity and perhaps comfort in depositing the amount totaled by the system has prevented conversion to depositing actual collections. Additionally, employees have not been sure about which category within the golf internal accounting system the shortage should be posted to. Currently, all categories, such as green fees or merchandise inventory, have the complete sales total included as if no overages or shortages occurred.

Not depositing actual collections results in effectively shorting the change fund, if only temporarily. The next day, the shortage is rung into the point-of-sale terminal to reconcile cash with the system total. Fore! Reservations has a feature to allow overages and shortages to be added or removed from system totals. However, resolving a shortage in this way eliminates proper monitoring of balancing trends and allows for non-existent revenue to be reported.

Countywide Policy #1062, *Management of Public Funds*, Sections 5.3.1.1 and 5.3.1.2, state:

All overages shall be deposited into the Agency's depository account...Shortages shall be reflected in the daily deposit to maintain the Change Fund at the authorized level...

The compensating factor of not reflecting balancing differences in the deposit is the minimal frequency and amount of overages and shortages. During our audit we examined a statistically random sample of 26 deposit days between May 1, 2011, and April 25, 2012, and found 7 days, or 27 percent, where no overage or shortage occurred. The largest shortage in our sample was \$20, and the largest overage \$25. All other differences were less than \$2. These differences reflected the aggregate of all cashiers in a single day.

We also compared daily count sheets by each individual cashier, up to four cashiers per day, with the deposit documents and found only one difference, of \$2. Therefore, we concluded that cashiers accurately counted their cash drawers.

All golf courses use a standard balance sheet template in Excel to record total collections and any overages and shortages. Columns to enter cash counts for each cashier working that day also indicate overages and shortages. Cashier collection totals are summed in a separate spreadsheet cell, as are overages and shortages in another cell.

A spreadsheet cell for "Actual Cash," however, is the Fore! Reservation total, and not the actual cash count. The formula in this cell sums actual cash counts from each cashier but then backs out any overages and shortages to arrive at the Fore! Reservations collection total. Thus, "Actual Cash" entered onto the deposit slip total does not represent actual collections when overages and shortages occur.

RECOMMENDATIONS:

1. **The actual amount of collections should be deposited, and not the Fore! Reservations daily total.**
2. **The Excel balance sheet template used in the deposit preparation process should be changed so that “Actual Cash” reflects the amount of cash and checks collected and counted, and not the Fore! Reservations total.**

Deposits were sometimes not delivered to the bank until one or two days after they were prepared. 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.

In our deposit sample we found only one deposit – over a Memorial Day weekend – not made within three days after collections. While golf course personnel prepared the deposit within the appropriate time frame, we determined by comparing the deposit slip date with the bank validation date that the deposit was sometimes not delivered to the bank until a day or two after it was prepared, meaning it remained in the safe one or possibly two nights. With only three merit employees at Meadow Brook, personnel may not have been available in some cases to both attend to patron needs and deliver the deposit to the bank.

Money that sits in a safe overnight is subject to theft. Three years ago, Meadow Brook was subject to a rash of afterhours break-ins where not only merchandise, including golf clubs, but also money from the safe intended for deposit were stolen. Since that time, new security measures have curbed burglaries, though prompt deposit of funds in the bank still remains the safest option to ensure against their theft.

Also, as a positive finding we noted where more recent deposits are being placed in a sealed plastic bag, in accordance with Countywide Policy #1062, and not in a zipper bag as done previously.

RECOMMENDATION:

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

Deposit documentation was not signed by the supervisor. The Excel balance and deposit preparation spreadsheet mentioned previously is signed by the employee preparing the deposit, but no one else. While a Recreation fiscal officer at the Government Center receives daily totals by cash, check, and credit card amount from the golf course, no other golf course employee reviews the deposit. The Recreation officer reconciles deposits to the bank statement, but is not on site to review cash or individual cashier counts.

Countywide Policy #1062, Section 4.2, 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.

Again, with only three merit employees on site who cover shifts from early morning to late night hours in the summer, there may not be anyone to immediately review and sign the balance sheet. Without this signature, however, funds are more at risk for loss or theft. Given employee constraints, a second signature the day after preparing the deposit may be the only recourse. Also, if the head professional prepares the deposit, another merit employee will review and sign the balance and deposit preparation sheet.

RECOMMENDATION:

A second Meadow Brook merit employee should review the deposit and sign the balance and deposit preparation spreadsheet.

An over/short log was not maintained. Without recording daily overages and shortages on MPF Form 11, “Cash Over/Short Log,” balancing trends cannot be properly monitored, and if needed, corrected. Countywide Policy #1062, Section 5.3.1, states:

All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log.

Employees at Meadow Brook were not aware of the Cash Over/Short Log. Once we discussed its functionality with them, they were willing to implement it.

RECOMMENDATION:

MPF Form 11, “Cash Over/Short Log,” or similar form, should be completed for each cashier’s daily overages and shortages.

CAPITAL AND CONTROLLED ASSETS

Our findings in the area of capital and controlled Assets are as follows:

- ***Some controlled assets were missing when we conducted our controlled asset inventory.***
 - ***Some detailed information was missing from the controlled assets lists.***
 - ***The “Controlled Assets Inventory Form – Employee” was not used.***
 - ***We found a capital asset not tagged, and one not listed.***
-

Some controlled assets were missing when we conducted our controlled asset inventory.

Controlled assets are equipment, furniture, and other items costing more than \$100 but less than the current capitalization rate of \$5,000. Also, by definition controlled assets are sensitive to conversion to personal use. Personal computers, for example, closely fit this definition. The Mayor’s Office accounting section tracks capital assets within the AFIN financial system, but controlled assets are tracked by County agencies themselves.

Property managers at each site maintain and update controlled asset lists. For golf courses, a Recreation administrator maintains the list for clubhouse items and the Assistant Parks Operations Manager maintains separate lists for grounds maintenance and golf carts.

We selected a sample of 27 out of 120 clubhouse controlled assets to review, and 23 out of 66 controlled assets in grounds maintenance. We found nearly all items except for those listed in Table 1 below, and also noted some items where the identification sticker had worn off. In addition, we found all 75 golf carts on-site listed for Meadow Brook, though identification stickers were worn off on two of them, 0591 and 0596

Issues with Controlled Assets		
Description	Tag	Issue
Hobart Food Processor	KI0077	Not Located
IBM PC – Maintenance Office	KI0525	Not Located
DeWalt Disc Grinder	KI0547	Not Located
Bosch Spreader	KI0576	Not Located
Kawasaki Mule Range Vehicle	KI0015	No ID sticker
Cannon Copy Machine	KI0001	Thrown Away
Global Co. Drafting Chair	KI0016	Thrown Away

Table 1. *Four controlled assets could not be accounted for.*

The items thrown away had minimal value, the copy machine cost \$100 when purchased in 1999, and the chair cost \$120. The prior head professional discarded these items due to apparent disrepair and lack of usefulness.

Also, the head professional noted that a golf patron donated two television sets to the golf course and wanted to know how these should be handled. The patron should sign a letter stating his intention to donate these items and they should be included on the controlled asset list.

RECOMMENDATIONS:

1. **Controlled assets not located at Meadow Brook should be investigated further and if they cannot be found or their missing status otherwise explained, a letter should be written to the Mayor explaining the loss.**
 2. **Items from the controlled asset list should not be discarded without first determining whether they are obviously scrap intended for the landfill, and County surplus should be considered as an option.**
 3. **The Meadow Brook head professional should include the two donated television sets on the controlled asset list and ask the patron to sign a letter of his intention to donate these items.**
-

Some detailed information was missing from the controlled assets lists. Both clubhouse and grounds maintenance controlled asset lists included a column for “make, model, serial number.” In most cases, however, serial numbers were not listed for items that obviously had serial numbers such as PCs. Serial numbers provide an additional identifier for an asset should the ID tag wear off.

RECOMMENDATION:

A serial number, where available, should be entered on the controlled asset list to provide additional means of identification.

The “Controlled Assets Inventory Form – Employee” was not used. This form allows assignment of controlled assets, such as PCs, to the individuals that use them. When items are not assigned using this form, an additional control is lost over controlled assets that would help guard against loss or theft. Golf course management was not aware of this form when we brought it to their attention.

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.

RECOMMENDATION:

Meadow Brook Golf Course should use the “Controlled Assets Inventory Form – Employee” to assign employees to equipment used specifically by them.

We found a capital asset not tagged, and one not listed. We reviewed 47 of 53 capital assets for Meadow Brook golf course listed in the AFIN financial system by the Mayor’s Office accounting section. We located all assets, but one, a \$26,000 Jacobsen 3-gang greens mower. It had not been tagged due to its recent purchase, though we did find it on the capital asset list as tag number 99737. A Toro 455D rotary mower, tag number 97222, was found at Meadow Brook, but was not listed on their capital asset list. This item could be erroneously listed under another golf course.

RECOMMENDATIONS:

1. Parks and Recreation administration should contact the Mayor’s Office accounting section to request an asset control tag for the new Jacobsen greens mower, control number 99737.
2. Parks and Recreation administration should contact the Mayor’s Office accounting section to update the AFIN capital asset list for the location of the Toro 455D rotary mower, tag number 97222.

MERCHANDISE INVENTORY

We have no merchandise inventory findings or recommendations, but for informational purposes include the following data in Table 2 below showing variances from the count we performed of all pro shop items during our audit.

Variations in Merchandise Inventory Counts		
Description	Variance	Total Variance Cost
Nike Belt	(2)	(\$42)
Towel with Course Logo	(2)	(\$20)
Nike Socks	1	\$5
Sleeves of Golf Balls	(3)	(\$12)
Headwear	(2)	(\$15)
NET TOTAL	(8)	(\$84)

Table 2. *We found only a few missing merchandise inventory items.*

Meadow Brook personnel are aware of the need for vigilance over merchandise inventory, though some shrinkage will be expected due to retail theft. We counted 3,115 items with a total value of \$36,244, and therefore the shortages noted above represented only minimal variances.

CONCESSIONS CONTRACT

Our findings in the area of the concession contract are the following:

- ***Building rents for two groups in December 2011 had not yet been paid out.***
- ***The incorrect amount of discounted sales was deducted from gross concession revenues to arrive at the amount on which the commission was based.***
- ***Some concession cashier shortages exceeded \$40.***

Building rents for two groups in December 2011 had not yet been paid out. A concessions contractor operates a cafeteria that serves sandwiches, snacks, and hot food items, including breakfast, and also provides catering services for groups reserving the clubhouse for events.

Contract terms stipulate that the County receives a commission of 10 percent of gross sales, less sales tax, as well as a building rent charge of \$200 to \$300, depending on the time of day, for groups reserving the clubhouse. The commission rate increases to 11 percent when revenues reach a certain threshold.

During our audit we reviewed documentation supporting monthly commission transmittals from January 2011 through March 2012. We found revenues for each of these months multiplied by the correct 10 percent contract rate. We did not, however, see any payments to Meadow Brook for building rents.

The concessionaire accountant had recorded two entries in their general ledger showing rents of \$325 (adjusted to \$300) each for two groups that used the building in December 2011, but the total \$600 payment had not been paid to Meadow Brook. Since our audit, the contractor stated that a check had been sent to Meadow Brook.

Meadow Brook management was surprised by the outstanding amount, and furthermore, had no effective means of monitoring clubhouse reservations because no process was in place to inform them of clubhouse reservation groups, dates, or times. Without Meadow Brook management monitoring this activity, however, rents could easily remain unpaid without their knowledge.

Building use may also have not been monitored due to waived rent for groups playing tournaments where management feels that charging rent to a tournament is not good marketing practice. County agencies using the clubhouse also have their rent waived.

From concessionaire records we counted 14 catered groups in 2011 reserving the clubhouse, but rent was charged to the two groups just mentioned.

Section 2 of the Agreement between Salt Lake County and the Concessionaire, dated February 14, 2007, and renewed each year to be effective through December 31, 2011, states the following:

Concessionaire shall also pay rental fees, which may be adjusted annually, as follows: \$200 from 7:00 a.m. to 2:00 p.m. for wedding or dinner party rental. \$300 from 3:00 p.m. to 10:00 p.m. for wedding or dinner party rental...

Initially, we thought this provision meant that every group renting the building should be charged rent, but the Meadow Brook head professional interpreted this to mean only wedding or dinner parties. Therefore, a group playing golf and also renting the clubhouse would be exempt. Lack of clarity in this provision and specific language exempting tournaments could also have led to clubhouse usage not being monitored.

ACTION TAKEN:

Since our audit, the concessionaire sent a check for \$600 to Meadow Brook for building rents owed for 2011.

RECOMMENDATIONS:

1. Future contract revisions should more clearly state which groups or types of activities shall or shall not be charged rent for use of the clubhouse.
2. Meadow Brook management should request that the concessionaire inform them of all groups reserving the clubhouse so that management can monitor whether all rent payments are being made, and this procedure should be included in future contract revisions.

The incorrect amount of discounted sales was deducted from gross concession revenues to arrive at the amount on which the commission was based. The concessionaire provides a 35 percent discount to Meadow Brook employees on food purchases. Because of this discount, sales to golf course employees are not included in the basis on which the commission to Meadow Brook is calculated.

During our audit, we reviewed daily concession receipt totals for two selected months, July 2011 and March 2012, to determine the accuracy of revenue basis for calculating the commission. In arriving at this basis the concessionaire subtracted 100 percent of the food sales price on employee purchases instead of just 65 percent (100% minus the 35% discount), the amount actually paid.

When we brought this issue to the concessionaire accountant's attention, she agreed with our finding and stated that only 65 percent of sales price would be deducted from revenue basis for employee food purchases.

Revising this calculation will provide additional commission income for Meadow Brook. For example, restating the concessionaire's revenue basis using the revised calculation would have resulted in an additional \$35 in commission for July 2011, and \$72 for March 2012.

RECOMMENDATION:

Meadow Brook management should follow-up with the concessionaire to confirm that only 65 percent of the sales price on employee food purchases is deducted from the revenue basis used when applying the commission rate for payment to the County.

Some concession cashier balancing shortages exceeded \$40. In reviewing daily concession receipts described in the previous section for July 2011 and March 2012, we noted 3 days out of 31 in July 2011 where shortages exceeded \$40, the highest being \$90. Many other days showed shortages over \$20. While pressure to serve customers during busy times could lead to input errors, a large number of shortages of excessive amounts could also create questions about proper handling of funds. Meadow Brook would have more confidence in their commission from the concessionaire knowing that cashiers were correctly entering transactions.

RECOMMENDATION:

Meadow Brook management should discuss cashier accuracy with the concessionaire to determine how it can be improved and whether additional training could be provided.

We appreciate the time spent by Meadow Brook staff in answering our questions, researching materials, and allowing us access to records during our audit. We know of their many other duties and concerns at the golf course, so their willingness to help was especially appreciated, and provided for more timely 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, CPA
Senior Deputy Auditor, Compliance and Performance Assessment

Cc: Paul Ross
Jerry Brewster
Tim Fernau
Garin Lamph
Peter Corroon