

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



An Audit of the Key Controls of
Mountain View Golf Course

September 10, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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September 10, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Mountain View Golf Course

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Mountain View Golf Course in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Mountain View Golf Course and the cooperation from Mark Owen and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Mountain View Golf Course during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Larry Decker CPA, CIA
Sr. Deputy Auditor

cc: Michele Nekota, Director of Parks and Recreation
Paul Ross, Associate Division Director
Jerry Brewster, Director of Golf
Mark Owen, Head Professional Mountain View Golf Course



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Mountain View Golf Course. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

The Mountain View Golf Course conducts numerous transactions each day, including collection of green fees, and sale of merchandise from the pro shop. We found the need for timely bank depositing, more complete deposit documentation, and documented explanations of occasional differences between cashier day-end counts, and the final amount deposited. Merchandise inventory also requires continued attention to guard against theft and ensure accurate entering of sales by item type into the point-of-sale terminal.

Findings and Recommendations

Finding # 1 - Mountain View Golf Course management did not explain drawer count outages.

Risk Level: High

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

"When a significant shortage, or pattern of shortages occurs ...Agency Management shall conduct an investigation of the circumstances and report their findings to the Auditor's Office."

Out of 64 day-end cashier drawer counts examined during the audit, we found 12 that differed from the amount deposited. Six of the 12 represented deposit amounts greater than cashier counts and ranged from \$9 to \$90. The other six represented deposit amounts less than cashier counts and ranged from \$17 to \$97.

Cashiers perform a "blind" count of their drawers, meaning they do not view system totals as part of their procedure. In addition to counting collections, cashiers must segregate a \$300 change fund for the next day's operations, which occasionally creates confusion for them.

When differences between reported cash counts and actual deposits are not explained, theft could be suspected, or theft could more easily occur because of perceived inattention by management.

Recommendation

We recommend that golf course management document explanations for differences between cashier drawer counts and final re-counts by the deposit preparer.

Finding # 2 - Receipts were not consistently issued to patrons

Risk Level: High

Countywide Policy #1062, "Management of Public Funds," Section 3.1.2 states:

"All persons remitting payments in the form of currency, check, money order or other negotiable instrument; or by payment card to Salt Lake County, in person 'over-the-counter,' shall be issued a receipt documenting the payment."

Golf course personnel stated that they do not offer receipts to patrons for cash transactions.

Personnel stated that issuing a receipt for a credit card transaction was more relevant than issuing a receipt for cash. They stated that typically patrons want receipts for their credit card and not cash transactions.

When receipts are not issued, funds could be diverted to personal use without any record from the patron of payment having been made.

Recommendation

We recommend that a receipt be issued to all patrons at the golf course.

Finding # 3 - A loss in credit card funds of \$2,338 occurred due to technical issues with the cash receipting system.

Risk Level: Moderate

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

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

In addition, Section 5.2.1 of this same policy states:

"In the event of the discovery of a loss, theft, or burglary of imprest funds or collections, all facts will be immediately gathered and reported pursuant to Countywide Policy #1304, 'Discovery and Reporting of Wrongdoing or Criminal Activity.'"

Credit card transactions from a recent day totaling \$2,338 were not transmitted to the bank and deposited. The \$2,338 has been considered as unrecoverable, lost funds.

Ordinarily funds transmit directly from the point-of-sale terminal to the credit card processor. On the day these transactions occurred, the on-line connection went down. In any given situation, employees are not aware of down time until an error message appears after system recovery. In this case, an error message appeared that pending, batched transactions needed to be transmitted for deposit. Management stated that the cashier who saw this message clicked "ok," which caused it not to appear again. Therefore, they were not aware of the problem, or the need to follow-up on transmitting credit card data. The error was not discovered until at least 30 days later during the bank reconciliation. When contacted, the credit card processing company stated that only four credit card transactions had occurred that day. Management stated that transactions could not be recovered and processed due to a software setting at Mountain View Golf Course that saved credit card transactions for only three days.

When adequate measures are not taken to ensure backup for internal connection failures, both data and funds can be lost.

Recommendation

We recommend that Mountain View Golf Course recoup the \$2,338 based on their ability to reconstruct available records and reasonableness in contacting parties who made payment that day.

ACTIONS TAKEN:

Parks and Recreation management has taken steps to help ensure that credit card receipts will be transmitted in cases when the internet connection fails.

Finding # 4 - Required hard copy reports to support bank deposits were not on file.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 4.5.1 states:

"Balance sheets, deposit slip copies, plastic pre-numbered tabs removed from the deposit bag, and any other supporting documents or materials, shall be retained for 4 years from the date of the deposit."

Deposit documentation did not include the system report of total collections for each cashier, sometimes called the Z-tape, but titled "Variance Report" by Fore! Reservations. Management had to download these reports from an electronic file for our audit. In some instances, the process required additional searching through the system to find more variance reports when we could not balance the deposit for the day in question.

In the interest of conserving paper, management stated that they did not print hard copies of these reports and include them with deposit documentation.

Without the hard copy Z-tape, or Variance Report on file, determining whether all funds were deposited is more difficult to achieve. Also, if electronic data is lost, there is no hard copy backup to support the deposit.

Recommendation

We recommend that all necessary deposit documentation, including hard copy deposit slips, balance sheets, and individual Z-tapes, or Variance Reports, be maintained on file.

Finding # 5 - The Over/Short Log was not used to record balancing variances by cashiers.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," 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."

Cashiers at Mountain View Golf Course did not record their daily balancing record in an over/short log.

Golf course management performs balancing for cashiers, and stated that overages and shortages shown on the balance sheet provided sufficient documentation without use of the log.

Without the over/short log, balancing variances cannot be monitored, addressed with the cashier, and followed-up for additional training. Also, balancing patterns may not be detected when using the daily deposit balance sheet only. These patterns are more easily seen from the over/short log.

Recommendation

We recommend that the MPF Form 11, Cash Over/Short Log be used to record daily balancing records for each cashier.

Finding # 6 - Mountain View Golf Course management did not prepare a deposit each day.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 4.2.1 states:

"A 'master' balance sheet... shall correspond and reconcile to the daily deposit."

Golf course management routinely combined funds represented on several days' master balance sheets into one deposit, instead of preparing a deposit for each balance sheet. Each balance sheet represented a single day's collections, but each deposit typically represented several days of collections. Collections on any given day during the summer months amounted to hundreds or even thousands of dollars.

Management stated they wanted to reduce time involved in delivering the deposit to the bank, and the additional paperwork involved.

When a deposit is not prepared for each master balance sheet, theft could more readily occur without detection because coordinating and matching balance sheets to individual deposits becomes confusing and time consuming. Our audit work required our matching several combined balance sheets to individual deposits.

Recommendation

We recommend that a deposit be prepared and a bank deposit slip completed each day for each master balance sheet.

Finding # 7 - Transaction receipts for "no-sale" transactions were not saved and signed by supervisors.

Risk Level: Low

Standard business practice requires management review and signature on "no-sale" transaction slips produced by the cash register when the drawer is opened for reasons other than a sale.

"No-sale" transaction slips were not signed by a supervisor and retained in deposit documentation files.

Cashiers open the cash drawer to make change or retrieve ball tokens for a customer. Personnel stated that they were not aware of the need to save, review, and sign receipts generated at these times.

"No-sale" receipts that are not reviewed and signed could lead to employee theft due to management inattention to this process.

Recommendation

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

Finding # 8 - An inventory variance exceeding \$1,000 was recorded for golf balls.

Risk Level: Low

The Purpose section in Countywide Policy #1125, "Safeguarding Property/Assets," states:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed - meaning controlled, inventoried and protected."

In the most recent merchandise inventory conducted by Mountain View Golf Course staff, from December 2012, we noted an excess of \$1,458 over the recorded value of golf balls on hand.

The Mountain View Golf Course head professional stated that he was aware of the need for vigilance in the pro shop to accurately record sales and help prevent retail theft. He stated that the inventory variances fell within industry standards.

Without adequate steps to control wide inventory variances, theft of merchandise can more easily occur. An overage requires as much attention as a shortage because theft could be used to bring an item with an overage into line with its stated value. The theft would not be readily discovered.

Recommendation

We recommend that Mountain View Golf Course management ensure that sales are accurately recorded in the Fore! Reservations system to prevent overages.

Finding # 9 - Deposits were not always made in a timely manner.

Risk Level: Low

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

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

We found 4 out of 30 deposits we examined that were made four days after receipt of collections.

Mountain View Golf Course management stated that they did not always place importance on timely depositing and allowed deposits to remain in the safe without delivering them to the bank.

When deposits are not delivered to the bank within the mandated time frame, funds lose interest otherwise earned and are more susceptible to theft.

Recommendation

We recommend that Mountain View Golf Course management make bank deposits daily, if practicable, but no later than three days after receipt of collections.

Finding # 10 - Cashiers did not sign documentation of day-end drawer counts.

Risk Level: Low

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

"The cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted."

Cashiers count their drawers at the end of the day, and enter their count into the Fore! Reservations system. The system generates a slip documenting the count. Cashiers did not sign these slips, even though a signature line was provided.

Management stated that they did not see the need for signatures, and did not instruct cashiers to sign their daily cash count slips.

Without cashier signatures on drawer count slips, additional proof of responsibility for funds collected is not present.

Recommendation

We recommend that cashiers sign their drawer count slips produced by the Fore! Reservations system.

Finding # 11 - The capital asset list was not updated for transfers of several pieces of equipment.

Risk Level: Low

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

"Accounting for all fixed assets within the organization's operational and/or physical custody as listed on the AFIN0801 'Salt Lake County Fixed Asset Inventory by Organization' report."

We found three Kawasaki mule vehicles on the Mountain View Golf Course capital asset list that the property manager reported had been transferred to other golf courses. In addition, we found four Kawasaki mules, and one rotary mower at Mountain View that were not on its capital asset list.

According to management, Form PM2s were not completed to move the equipment from the Mountain View Golf Course list to the other golf courses, and vice versa.

Equipment not listed by correct location lacks accountability, and therefore is more susceptible to theft.

Recommendation

We recommend that the three Kawasaki mule vehicles listed at Mountain View Golf Course be transferred to the capital asset lists of their current locations.

We recommend that the Mountain View Golf Course capital asset list be updated to include the four Kawasaki mule vehicles and the rotary mower not listed.

Finding # 12 - Balancing was not documented for individual cashiers in all instances.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1 states:

"All County Agencies should balance collections to cash register totals and prepare a deposit..."

A cash balance sheet was not prepared for each cashier, or cash register, on 7 of the 30 deposit days we examined. Instead, collections from all cashiers were combined without segregating them individually.

Mountain View Golf Course management stated that they wanted to save time in combining cashier balancing. They did not see the importance of providing individual cashier balancing detail.

Without individual balancing detail, cashier performance cannot be ascertained and monitored to provide additional training and guidance where needed, and there is also a liability for theft.

Recommendation

We recommend that balancing for each individual cashier be performed and documented.

Finding # 13 - An SAQ representing Mountain View Golf Course's compliance with PCI had not been completed and was not on file.

Risk Level: Low

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

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

An SAQ representing Mountain View Golf Course's compliance with PCI had not been completed and was not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

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

Action Taken: Since completing our fieldwork at Mountain View Golf Course, a signed PCI SAQ for the golf courses has been completed, and is on file in the Parks and Recreation administration offices.

Finding # 14 - Voids and refunds were not signed by a supervisor as evidence of review.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 and 3.7.3 state the following regarding processing of voided transactions:

"The cashier initiating the voided transaction will document...the cause of the voided transaction...A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void."

During our deposit examination for 24 days in 2012, we found no explanation or signatures on voided receipts. For the 6 deposit days reviewed in 2013, we did find void slips attached to voided receipts. These included explanations, and generally the cashier and supervisor signatures. Refunds and voids are synonymous in golf course transactions.

Mountain View Golf Course management stated that they did not see the need for documenting voided transactions. Voided transactions typically occurred two to three times on any given day. They came to be seen as an ordinary part of business that did not require review.

The inattention from not reviewing and signing voids and refunds allows for these transactions to be used as a way to cover theft.

Recommendation

We recommend that Mountain View Golf Course attach a void slip to all voided receipts that includes an explanation, and signatures of the cashier and supervisor.

Action Taken: Starting in 2013, Mountain View Golf Course has initiated use of a void slip that provides for an explanation, and supervisor and cashier signatures.

Additional Information

Background

The Mountain View Golf Course in West Jordan is an 18-hole course that opened in 1968. Green fees for 18 holes are \$28 to walk and \$42 to ride. The staff includes the head professional, his two assistants, and seasonal workers during the busy summer months. This popular, player-friendly golf course, suited to beginners and advanced players alike, can easily be maneuvered by walking or by golf cart. A third party concessionaire operates a cafe on-site.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending May 05, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



Parks & Recreation Division Response to Summary of Findings & Recommendation

For Mountain View Golf Course Audit Dated: August 19, 2013

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Mountain View Golf Course management did not explain drawer count overages.	Management should document explanations for differences between cashier drawer counts and final re-counts by the deposit preparer.	Management will document any discrepancies between the cashier counts and the final re-counts.
2.	Receipts were not consistently issued to patrons	We recommend that a receipt be issued to all patrons at the golf course	Receipts will be readily available to the patrons at time of transaction.
3.	A loss in credit card funds of \$2,338 occurred due to technical issues with the cash receipting system.	We recommend that Mountain View Golf Course recoup the \$2,338 based on their ability to reconstruct available records and reasonableness in contacting parties who made payment that day.	The issue that caused this error has been corrected with the software company. Further, Parks and Recreation Administration monitor's daily credit card deposits with the credit card provider to ensure correct daily deposits, also, Head Professionals are checking the software report on a weekly basis to make sure there are no credit card transactions in the cue that have not been uploaded. There will be no recoup of money due to the lack of customer information contained on the credit card receipt and tee sheet software.
4.	Required hard copy reports to support bank deposits were not on file.	We recommend that all necessary deposit documentation, including hard copy deposit slips, balance sheets, and individual Z-tapes, or Variance Reports, be maintained on file.	Management will print off the necessary hard copies for each of the day's deposits despite the fact they are stored on the computer.
5.	The Over/Short Log was not used to record balancing variances by cashiers.	We recommend that the MPF Form 11, Cash Over/Short Log be used to record daily balancing records for each cashier.	The over shortage log is attached to the daily cash count and is easily accessible. Management will print off the log at the end of the month and sign off on it and have it stored as a hard copy with all of the deposits.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
6	Mountain View Golf Course management did not prepare a deposit each day.	We recommend that a deposit be prepared and a bank deposit slip completed each day for each master balance sheet.	Management will try to prepare a deposit for each of the days of business individually when it is possible.
7.	Transaction receipts for "no-sale" transactions were not saved and signed by supervisors.	We recommend that receipts printed for "no-sale" transactions be reviewed and signed by golf course management, and retained with deposit documentation.	All employees have been trained and are now signing No Sale slips and putting them with the Credit Card slips. Management will monitor these No Sale slips.
8.	An inventory variance exceeding \$1,000 was recorded for golf balls.	We recommend that Mountain View Golf Course management ensure that sales are accurately recorded in the Fore! Reservation's system to prevent overages.	Management will make a better effort to control and limit variances in inventory; this is an on-going process and will be implemented.
9.	Deposits were not always made in a timely manner	We recommend that Mountain View Golf Course management make bank deposits daily, if practicable, but no later than three days after receipt of collections.	Implemented.
10.	Cashiers did not sign documentation of day-end drawer counts.	We recommend that cashiers sign their drawer count slips produced by the Fore! Reservations system.	Implemented.
11.	The capital asset list was not updated for transfers of several pieces of equipment.	We recommend that the three Kawasaki mule vehicles listed at Mountain View Golf Course is transferred to the capital asset lists of their current locations. We recommend that the Mountain View Golf Course capital asset list be updated to include the four Kawasaki mule vehicles and the rotary mower not listed.	An MP2 will be submitted to formally transfer the equipment to the appropriate location.
12.	Balancing was not documented for individual cashiers in all instances.	We recommend that balancing for each individual cashier be performed and documented.	Each individual cashier has a place on the balance sheet and will be recorded accordingly.

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
13.	An SAQ representing Mountain View Golf Course's compliance with PCI had not been completed and was not on file.	We recommend that Parks and Recreation management complete and sign an annual SAQ and that the Mountain View Golf Course keeps a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.	Since completing our fieldwork at Mountain View Golf Course, a signed PCI SAQ for the golf courses has been completed, and is on file in the Parks and Recreation administration offices.
14.	Voids and refunds were not signed by a supervisor as evidence of review.	We recommend that Mountain View Golf Course attach a void slip to all voided receipts that includes an explanation, and signatures of the cashier and supervisor.	Starting in 2013, Mountain View Golf Course has initiated the use of a void slip that provides for an explanation, and supervisor and cashier signatures.

NAME AND TITLE OF PERSON RESPONDING:

Mark Owen-Head Golf Professional, Mountain View Golf Course
Jerry Brewster-Director of Golf, Salt Lake County Golf Courses

DATE PREPARED: September 10, 2013