

An Audit
of the
Key Controls
at
Salt Lake County
Golf Courses

2016

Key Controls Audit



Mick Riley Golf Course



OFFICE OF THE
Salt Lake County Auditor
SCOTT TINGLEY, CIA, CGAP

Audit Services Division
slco.org/auditor/audit-reports/

Our Mission:

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.

Report Number 2016-AU06

October 2016



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November 7, 2016

To: The Citizens of Salt Lake County, the County Council, and the County Mayor

From: Scott Tingley, CIA, CGAP
Salt Lake County Auditor

Re: A Key Controls Audit of the Salt Lake County Golf Courses

Transmitted herewith is our report, ***A Key Controls Audit of the Salt Lake County Golf Courses*** (Report Number 2016-AU6). An Executive Summary of the report can be found on page (i). The overall objective of a key controls audit is to determine if critical internal controls related to Countywide Policies and business processes are adequate, properly implemented, and operating as they are intended to prevent fraud, waste, or abuse of County assets.

We reviewed the business processes at all six County owned golf courses, specifically in the areas of cash receipting and depositing, capital and controlled asset management, merchandise inventory, and concessions sales. In our report, we identify findings and recommend actions to improve the efficiency and effectiveness of operations, ensure greater accountability, and better safeguard County assets at the golf course facilities.

We truly appreciate the time and efforts of the employees of the golf courses throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or in order to better facilitate the implementation of the recommendations.

Respectfully submitted,

A handwritten signature in cursive script that reads "Scott Tingley".

Scott Tingley, CIA, CGAP
Salt Lake County Auditor

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I. EXECUTIVE SUMMARY

Background

The Salt Lake County Golf Courses fall under administration of the Parks and Recreation Division, which in turn forms a part of the Community Services Department. The Director of Golf oversees and administers the six County golf courses, and a head golf professional and two assistant professionals manage each individual golf course.

The County built and opened its first golf course in 1953, and several decades later, in 1999, acquired its sixth and last golf course, a pre-existing privately owned course. The mission of the County golf courses is to provide the public a memorable golf experience at an affordable price.

Audit Objectives

To provide greater insight into compliance with selected Countywide policies and best business practices, the Audit Services Division conducted this Key Controls Audit of all six County golf courses and combined our conclusions, findings, and recommendations into this report.

Golf courses have unique features among other County agencies and present additional areas for audit objectives because they operate pro shop retail operations that sell golf clubs, balls, hats, apparel, and other items to the public. Also, they contract with concessionaires for the sale of hot food entrees, snacks, and beverages.

Audit Scope and Methodology

The purpose of a key controls audit is to determine whether internal controls within different functional areas of an agency have been implemented and are functioning in a manner that is effective in preventing loss to the County due to theft or error. We focused our audit effort in four main areas of golf course operations:

- Cash Handling and Depositing
- Capital and Controlled Capital Assets
- Merchandise Inventory
- Concessions Operations

We reviewed the business processes at all six County-owned golf courses, specifically in the areas of cash receipting and depositing, capital and controlled asset management, merchandise inventory, and concessions. In our report, we identify key findings and recommend actions to improve the efficiency and effectiveness of operations, ensure greater accountability, and better safeguard County assets at the golf course facilities.

General Audit Conclusions

- Overages and shortages occurred frequently at Mick Riley, Mountain View, and Old Mill golf courses.

Overages and shortages occurred more than 50% of the time among deposit activity we reviewed at these golf courses, a higher rate than at the other three courses we examined.

- Deposits were not made in a timely manner at the South Mountain and Mountain View golf courses.

We reviewed a sample of deposit activity and found that personnel occasionally deposited funds in the bank more than three days after receipt. Both Countywide policy and State Statute require the deposit of funds within three days after receipt.

- A capital asset could not be located during our asset search.

We searched for the physical location of all capital assets, or those with a purchase price of \$5,000 or greater, at all golf courses. Among the hundreds of capital assets we searched for, we could not find one. The asset, a gas-powered golf cart used for maintenance operations, was purchased in 1998. The superintendent of greens stated he had not seen this capital asset since he hired on at the golf courses several years ago.

- The capital and controlled asset inventories were not conducted annually.

Personnel sent the report to Mayor's Financial Administration of completed capital asset inventories but stated these were based on a sample and not the entire population of capital assets. Concerning controlled assets, the golf courses divide these into two lists, one for greens maintenance, and the other one for clubhouse operations. None of the six golf courses documented an inventory within the past year for at least one of these lists.

What We Recommend

To reduce the frequency and magnitude of overages and shortages:

- Isolate causes for frequent overages and shortages, and provide additional training to cashiers to reduce these occurrences to more acceptable levels and to reflect more accurate cashiering practices.

To ensure bank deposit timeliness:

- Deposit funds on the same day they are received, but no later than three days after initial receipt.

To account for the missing capital asset:

- Address a letter to the County Chief Financial Officer for removal of this item from the capital asset list. Administrators should in the future report any knowledge of theft or losses to the Mayor's Financial Administration Office in a timely manner.

To perform capital and controlled asset inventories:

- Conduct a physical inventory of capital and controlled assets at least annually, and submit the capital asset inventory form to the Mayor's Financial Administration Office.

Please refer to the main sections in the report for more details about these and other findings and recommendations.

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AN AUDIT OF THE KEY CONTROLS AT

Salt Lake County Golf Courses

Report Number 2016-AU06
October 2016

Scott Tingley, CIA, CGAP
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II. INTRODUCTION

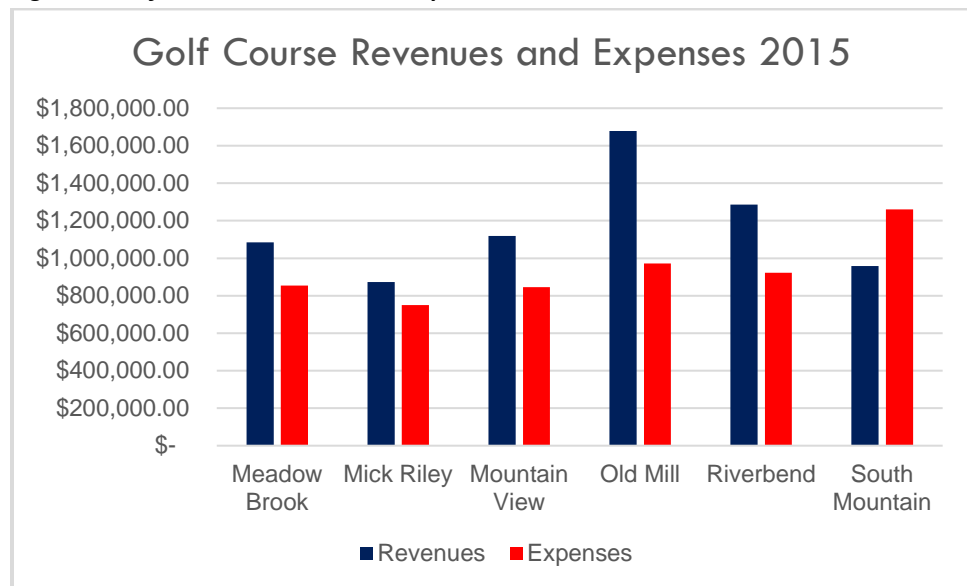
Background

We recently completed a key controls audit of the Salt Lake County golf courses. A key controls audit provides reasonable, but not absolute assurance that key internal controls related to Countywide Policies and business processes are adequate, properly implemented, and operating as they are intended. We reviewed the business processes at all six County owned golf courses, specifically in the areas of cash receipting and depositing, capital and controlled asset management, merchandise inventory, and concessions. In our report, we identify key findings and recommend actions to improve the efficiency and effectiveness of operations, ensure greater accountability, and better safeguard County assets at the golf course facilities.

Salt Lake County owns and operates six golf courses located throughout the County: Meadow Brook, Mick Riley, Mountain View, Old Mill, Riverbend, and South Mountain. Their mission states, “We are dedicated to offering all golfers a memorable golf experience at an affordable price.” Since 1953, these golf courses have offered citizens of the County an economical golfing experience. Each course also sells golf-related merchandise and equipment in County operated pro-shops, and the County contracts with a concessionaire at each golf course to provide food, snacks, and beverages for purchase.

Meadowbrook, an old-style 18-hole course located in Taylorsville and opened in 1953, was the first golf course to be built and operated by Salt Lake County. The course, designed by Mick Riley, offered a new economical option for golfers in the Salt Lake Valley. A little over a decade later, the Mick Riley golf course was opened in Murray in 1965. This 9-hole course is a favorite among youth leagues and seniors alike.

Mountain View golf course opened in 1968 in West Jordan. It provides a spectacular view of the Wasatch Mountains and is a challenging course for all skill levels. The 18-hole Riverbend golf course opened in 1994 and has been named one of the top 10 courses in Utah. The Old Mill golf course opened in 1998, sporting the largest pro shop among the County courses and beautiful views of the Salt Lake Valley. Also in 1998, the South Mountain golf club opened in Draper. A private golf course at the time it opened, South Mountain was purchased by the County in 1999. This golf course offers one of the best views in the valley due to the course being built on a mountainside.

Figure 1. Golf Course Revenues and Expenses in 2015.

Total operating revenues earned by all six County golf courses in 2015 was \$6,998,979, while total expenses for the year were \$5,604,163.

Audit Objectives

Our audit objective was to determine if key internal controls at each golf course location were implemented and functioning as they were intended to provide reasonable assurance against the risk of loss and fraud in the golf courses cash handling cycle, management of capital and controlled assets, merchandise inventory cycle, and concessionaire operations. Specific audit objectives related to each major audit area can be found in the Audit Results section of this report.

Audit Scope and Methodology

We analyzed the financial records and procedures of all County Golf Courses to provide reasonable assurance of compliance with County cash and asset handling policies. We also sought to identify areas of material risk. Our examination period covered a period of twelve months ending June 30, 2016.

Our work included an examination of assets, records, and transactions in the following areas:

- **Cash Handling and Depositing**
- **Change Funds, Petty Cash, and Other Imprest Accounts**
- **Capital and Controlled Assets**
- **Merchandise Inventory and Concessions Revenues**

In addition to reviewing financial records, we examined business practices through observation. We sampled daily cash deposits, interviewed employees, searched for capital and controlled assets, counted merchandise inventory, and counted petty cash, change funds, and daily cash collections. We also recalculated concessionaire commission payments to the golf courses.

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III. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Finding No.	Findings	Recommendations	Page No.
1.0	CASH HANDLING AND DEPOSITING		
1.1	Cash balance discrepancies occurred an average of five times more frequently at Mick Riley, Mountain View, and Old Mill, compared to the other three golf courses. Risk Ranking: 3 (High)	We recommend that management at Mick Riley, Mountain View, and Old Mill, determine the root causes for the higher frequency of overages and shortages, and provide additional training for cashiers to address the need for improvement while processing cash sales transactions.	10
1.2	Meadow Brook did not use cash over/short logs to track daily cash balance discrepancies. Risk Ranking: 3 (High)	We recommend that all golf course managers use the <i>MPF Form 11, "Cash Over/Short Log,"</i> to record cash balance discrepancies daily. Cashiers should be required to sign the form each time that they are over or short, to document which cashier is responsible for the discrepancy. A copy of MPF Form 11, has been provided in Appendix D to this report.	12
1.3	Cash deposits were not made within three days of receipt, as required by Countywide Policy and Utah State law. Risk Ranking: 3 (High)	We recommend that the managers at South Mountain and Mountain View ensure that all cash deposits are made daily whenever practical, but no later than three days after they are received.	14
1.4	Cashiers did not sign their daily cash balance sheets. Risk Ranking: 2 (Moderate)	We recommend that golf course managers require all cashiers sign and date their daily cash balance sheets after reconciling cash collections to cash receipts at the end of their shift.	15
1.5	Voided sales transactions were not reviewed and approved by supervisors. Risk Ranking: 2 (Moderate)	We recommend that cashiers document each voided transaction using the appropriate void slip, and that golf course supervisors review and approve each voided transaction.	16

1.6	Cashiers did not sign a fund transfer log when they retrieved change funds from the safe. Risk Ranking: 2 (Moderate)	We recommend that the head golf professional at Mountain View use the MPF Form 7, "Fund Transfer Ledger," or similar log, to document each time they remove change funds from the safe. MPF form 7 is provided for reference in Appendix B.	17
1.7	Multiple cashiers were working from the same cash register at Mountain View. Risk Ranking: 1 (Low)	Although we note this finding in our report, the overall risk ranking for this finding is low and therefore, we do not offer a specific recommendation for this finding.	17
2.0 CHANGE FUNDS, PETTY CASH, AND OTHER IMPREST ACCOUNTS			
We noted no significant findings.			
3.0 Capital and Controlled Assets			
3.1	Property Managers did not conduct a capital and controlled asset inventory at least annually, as required by Countywide Policy. Risk Ranking: 3 (High)	We recommend that golf course managers take the necessary steps to ensure that a physical inventory of all capital and controlled assets, at each golf course location, is conducted at least annually, and that the results of each inventory are documented and kept for inspection by the County Auditor upon request. Furthermore, golf course managers should review and sign each inventory, to attest to the results of the inventory and acknowledge personal responsibility for the County assets entrusted to their care.	21
3.2	A gas operated golf cart, used in caring for the greens at South Mountain, could not be found during our search for capital assets. Risk Ranking: 3 (High)	We recommend that management at South Mountain investigate to determine how the golf cart became missing, and submit a letter to the County's CFO, explaining the loss.	23
3.3	Four Kawasaki Mule utility vehicles were not on the controlled asset list at Mountain View golf course. Risk Ranking: 2 (Moderate)	We recommend that Mountain View tag the four Kawasaki Mule utility vehicles properly, and ensure that they are included on the controlled asset list as soon as possible.	24

<p>3.4</p>	<p>Capital assets were not properly identified at five out of six golf course locations. Risk Ranking: 2 (Moderate)</p>	<p>We recommend that each property manager at the County golf courses, verify that all capital assets are tagged and properly identified as County property, during or before the next annual capital asset inventory.</p>	<p>26</p>
<p>4.0 MERCHANDISE INVENTORY AND CONCESSIONS REVENUES</p>			
<p>4.1</p>	<p>Merchandise inventory records at Mick Riley and Mountain View indicated an unusually high percentage of inventory shrinkage, compared to the other golf courses. Risk Ranking: 3 (High)</p>	<p>We recommend that management at Mick Riley and Mountain View review their internal controls over merchandise inventory, and address the possible causes for the unusually high amount of inventory shrinkage discovered at their locations. We recommend that golf course managers, to the extent possible, implement the practice of performing cycle counts of merchandise inventory throughout the year, rather than the current practice of wall-to-wall periodic counts. This way, inventory count discrepancies can be discovered and identified more quickly, and corrections to the inventory accounting records can be made in a timelier manner.</p>	<p>28</p>

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IV. AUDIT RESULTS

1.0 Cash Handling and Depositing

Audit Objectives:

- **Determine if cash handling and daily sales depositing procedures comply with Countywide Policy.**
- **Determine if daily cash collections and deposits are properly safeguarded against theft and misappropriation.**

Salt Lake County golf courses accept payments for green fees and merchandise sales made at the pro-shops. Customers can pay by cash, check, or credit card at all six golf courses. The golf courses use a point-of-sale system called “Fore! Reservations.” This system produces customer receipts and detailed transaction reports. We observed that cashiers at the golf courses do not balance the funds collected to what was recorded in the system. Instead, daily collections are only counted and bagged by cashiers, then later balanced to system records by the head golf professional or assistant golf professional.

Cashiers do not balance the funds collected to what was recorded in the point-of-sale system.

Countywide Policy 1062, “Management of Public Funds,” establishes procedures for receiving, depositing, and disbursing public funds and defines functions and responsibilities to establish and strengthen internal controls over these procedures.

We reviewed cash depositing procedures at each golf course. We selected samples of deposit dates to analyze at each golf course, and compared the total collected and deposited to what was recorded in the point-of-sale system. Any cash overages/shortages were compared to each cashier’s over/short log to ensure they were recorded correctly.

The amounts collected were compared to the “*Master Balance Sheet*” that aggregates total cash collections each day. We then compared daily collection totals to the bank deposit slip to ensure that it reconciled with what was deposited in the bank. We also reviewed a sample of voided transactions to determine if they were properly reviewed and approved by a supervisor, as required by Countywide Policy.

We found an excessive number of overages or shortages in the sample of daily cash balances at three golf courses. At the Mick Riley, Mountain View, and Old Mill golf courses, we found that more than 50% of the daily cash balances we examined had either cash overages or shortages. We also found that golf course management did not require cashiers to use an over/short log at Meadow Brook

golf course, and that management did not require individual cashiers to sign or initial over/short logs at Mountain View and Old Mill.

We also found issues in areas related to compliance with Countywide Policy regarding voided transactions, and establishing accountability for change funds when they are moved to and from the safe.

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

- **Cash balance discrepancies occurred an average of five times more frequently at Mick Riley, Mountain View, and Old Mill, compared to the other three golf courses.**
- **Meadow Brook did not use cash over/short logs to track daily cash balance discrepancies.**
- **Cash deposits were not made within three days of receipt, as required by Countywide Policy and Utah State law.**
- **Cashiers did not sign their daily cash balance sheets.**
- **Voided sales transactions were not reviewed and approved by supervisors.**
- **Cashiers did not sign a fund transfer log when they retrieved change funds from the safe.**
- **Cashiers did not sign a fund transfer log when they retrieved change funds from the safe.**

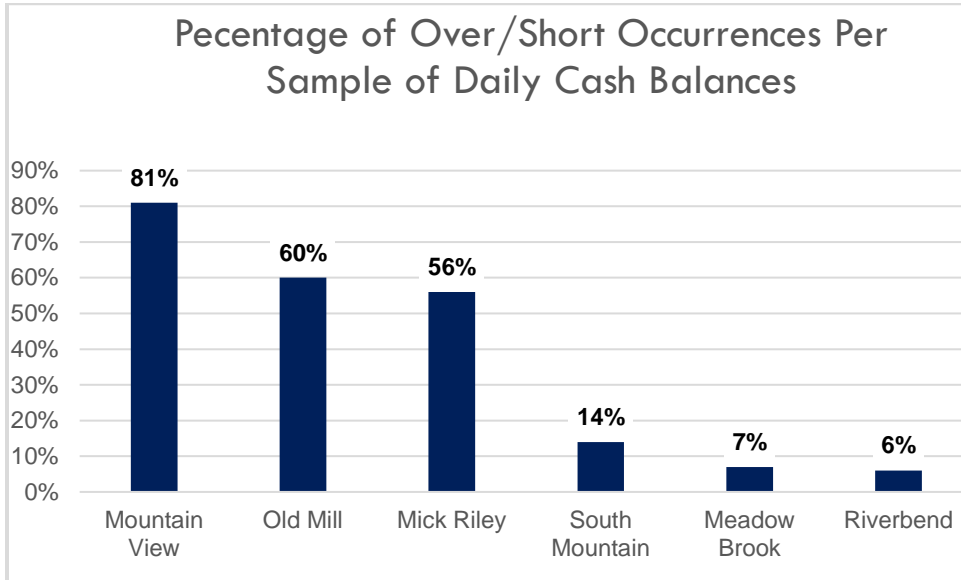
FINDINGS AND RECOMMENDATIONS

FINDING 1.1: Cash balance discrepancies occurred an average of five times more frequently at Mick Riley, Mountain View, and Old Mill, compared to the other three golf courses.

Risk Ranking: 3 (High)

In the sample of deposit documentation reviewed, three of six golf courses had a much higher percentage of daily overages and shortages.

We reviewed a sample of deposit documentation at all six County golf courses and found that Mountain View, Old Mill, and Mick Riley had much higher percentages of daily cash balance discrepancies (i.e., overages or shortages) compared to the other three golf courses. We compared a weighted-average of the number of cash over/shorts we discovered, to the number of individual cash balance sheets in our samples, and found that at Mountain View, Old Mill, and Mick Riley, over/shorts occurred five times more frequently than the rest.

Figure 2. Percentage of Over/Short Occurrences per Sample of Daily Cash Balances

Percentages are based on the weighted averages of cash overages and shortages found in the sample of deposits we reviewed at each golf course location.

We found that cash balance discrepancies occurred, on average, in 81% (or eight out of ten) of daily cash reconciliations at Mountain View, in 60% (or six out of ten) of daily cash reconciliations at Old Mill, and in 56% of daily cash reconciliations at Mick Riley. At these three golf courses combined, a cash balance discrepancy (either overages or shortages) was five times more likely to occur than at the other three locations.

A cash balance discrepancy was five times more likely to occur at Mountain View, Old Mill, and Mick Riley.

Typically, overages and shortages occur due to human error when cashiers incorrectly count back change to customers. However, excessive cash overages and shortages could also be a red-flag for fraud. For example, if cashiers know that management is not actively reviewing cash overages and shortages and holding golf course employees accountable, it could provide the opportunity for cashiers, or other employees who handle cash, to easily conceal theft by creating cash balance discrepancies to cover-up theft.

Our analysis of daily cash balances also showed that Mountain View had the largest dollar amounts of overages and shortages, compared to Mick Riley and Old Mill. Large overages and shortages were apparent in other cash balance records at Mountain View, based on their over/short log detail. In a 12-month period, the largest cash shortage was (\$138.26) and the largest cash overage was \$97.00 at Mountain View.

Table 1. Largest Daily Cash Balance Discrepancies

LARGEST DAILY CASH BALANCE DISCREPANCIES		
Golf Course	Largest Single Daily Overage Amount	Largest Single Daily Shortage Amount
Mick Riley	\$32.75	(\$27.20)
Mountain View	\$97.00	(\$138.26)
Old Mill	\$87.50	(\$32.00)

Mountain View golf course had the largest daily cash overage and shortage in our sample of daily cash balances at each golf course location.

RECOMMENDATION

We recommend that management at Mick Riley, Mountain View, and Old Mill, determine the root causes for the higher frequency of overages and shortages, and provide additional training for cashiers to address the need for improvement while processing cash sales transactions.

FINDING 1.2: Meadow Brook did not use cash over/short logs to track daily cash balance discrepancies.

Risk Ranking: 3 (High)

We reviewed the cash over/short logs at each golf course in our sample of daily cash balance sheets and deposits. We found that golf course management did not consistently enforce the use of cash over/short logs to track daily cash balance discrepancies, as required by Countywide Policy. Specifically, we found that management at one course did not keep cash over/short logs, and two of the five courses that had logs on file recorded overages and shortages on an Excel spreadsheet instead of MPF Form 11, "Cash Over/Short Log" designated in Countywide policy.

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.

Cash over/short logs were not consistently used to track daily cash discrepancies.

Table 2. Cash Over/Short Log Findings at the Golf Courses.

CASH OVER/SHORT LOG FINDINGS AT THE GOLF COURSES	
Golf Course	FINDING DESCRIPTION
Meadow Brook	Management did not require cashiers to keep a cash over/short log.
Mick Riley	Over/short logs were kept, but cashiers did not always record the correct amount of the overage/shortage. Two cash shortages were not recorded on the logs.
Mountain View	Over/short logs were kept, but the logs did not identify the cashier who recorded the overage/shortage. Log totals were not accurate, and cashiers did not sign the log entries.
Old Mill	Over/short logs were kept, but the logs did not identify the cashier who recorded the overage/shortage. Log totals were not accurate, and cashiers did not sign the log entries.
Riverbend	No finding. The use of over/short logs was consistent with Countywide Policy.
South Mountain	No finding. The use of over/short logs was consistent with Countywide Policy.

Meadow Brook did not use cash over/short logs, while Mountain View and Old Mill did not require cashiers to sign or initial Cash Over/Short Logs, as required by Countywide Policy. We found that Riverbend and South Mountain followed Countywide Policy regarding cash over/short logs.

We found that Mountain View and Old Mill maintained Excel spreadsheets to track cash overages and shortages, instead of the *MPF Form 11, "Cash Over/Short Log."* Management stated that using an electronic version of the form eliminated the need for printing paper forms, and was more expedient for tracking cash balance discrepancies.

However, we determined that these electronic forms did not contain all the information necessary to identify individual cashiers, or allow cashiers to sign the cash over/short logs. Rather than track each daily cash balance overage or shortage individually, the Excel spreadsheets netted cash overages and shortages each day, and did not identify the cashier responsible for the overage or shortage by name.

Cashiers were not personally accountable for daily cash overages or shortages.

Not identifying cashiers each time there is a cash balance discrepancy significantly reduces the personal accountability for safeguarding the County funds entrusted to them, and creates an opportunity for fraud. For example, if cashiers know that management is not actively reviewing cash overages or

shortages and holding employees accountable, it could provide the opportunity for cashiers, or other employees who handle cash, to easily conceal theft by either creating or manipulating cash balance discrepancies to cover-up their actions.

RECOMMENDATION

We recommend that all golf course managers use the MPF Form 11, “Cash Over/Short Log,” to record cash balance discrepancies daily. Cashiers should be required to sign the form each time that they are over or short, to document which cashier is responsible for the discrepancy. A copy of MPF Form 11, has been provided in Appendix D to this report.

FINDING 1.3: Cash deposits were not made within three days of receipt, as required by Countywide Policy and Utah State law.

Risk Ranking: 3 (High)

We examined a sample of daily deposit documentation at each golf course. We compared the original date that cash was collected to the date when it was deposited at the bank. A total of nine deposits from South Mountain and a total of five deposits from Mountain View were deposited more than three days after the funds were received. This equated to exceptions in 17% of the sample of deposits we reviewed at South Mountain, and 11% of the sample of deposits at Mountain View.

Sometimes holidays and other events can prevent County agencies from depositing funds daily, or within the three-day time limit. However, we would like to note that these are rare exceptions to the rule, and that both Countywide Policy, and Utah State law require that public funds be deposited daily whenever possible.

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.

When deposits are made daily, it significantly reduces the risk that public funds could be lost, stolen, or misused.

Funds should be deposited no more than three days after they were received.

RECOMMENDATION

We recommend that the managers at South Mountain and Mountain View ensure that all cash deposits are made daily whenever practical, but no later than three days after they are received.

FINDING 1.4: Cashiers did not sign their daily cash balance sheets.

Risk Ranking: 2 (Moderate)

Countywide Policy requires that each cashier that manually balances daily collections to cash register, or receipt totals, sign his or her cash balance sheet, acknowledging responsibility for the reconciliation of funds collected to daily receipts. This ensures accountability for daily collections, and helps reduce the risk of theft or misappropriation of funds.

We reviewed a sample of 83 cash balance sheets at South Mountain. Out of the 83 cash balance sheets we reviewed, we found that 76 were not signed by the cashier who balanced the cash drawer at the end of the day. This equated to 92% of the cash balance sheets in our sample that were not signed by the cashier who performed the cash reconciliation.

Countywide Policy 1062 "Management of Public Funds," Sections 3.8.1 and 3.8.1.1, state:

All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit, using MPF Form 3A, Cash Balance Sheet, or a similar form developed for and produced by the specific agency. ... If prepared manually on MPF Form 3A, or similar form, the cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted.

Management at South Mountain did not require cashiers to sign their daily cash balance sheets. When management is lax about enforcing internal controls, it creates an opportunity for employees to more easily conceal theft or misappropriate County funds. Cashiers that do not assume personal responsibility for daily cash balances, could be more likely to shift blame to someone else for mistakes or errors as well. This weakens the overall control environment, and creates an opportunity for theft.

By signing their daily cash balance sheets, cashiers acknowledge they are responsible for reconciliation of daily collections.

RECOMMENDATION

We recommend that golf course managers require all cashiers sign and date their daily cash balance sheets after reconciling cash collections to cash receipts at the end of their shift.

FINDING 1.5: Voided sales transactions were not reviewed and approved by supervisors.

Risk Ranking: 2 (Moderate)

Supervisors should review and sign voids.

During the audit, we examined a sample of voided sales transactions at all six golf courses to determine if the voids were appropriate, and if the voids were reviewed and approved by a supervisor. We found some minor issues with voided transaction records at Meadow Brook, but we noted that at Old Mill almost all the voided transactions in our sample were not reviewed and approved by a supervisor. In the sample of 29 voided transactions at Old Mill, we found that the supervisor had not signed off on 27 of them, and 2 were not signed by the cashier.

Countywide Policy 1062, "Management of Public Funds," Section 3.7.3 states:

A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes.

Management stated that cashiers did not notify supervisors of the voids for their approval and signature. However, these voids should have been discovered by management during their review of deposits on the subsequent day. Cashiers dropped their collections into the safe, including the void slips, without the supervisor signing them. Without supervisory review, voids could be used to conceal errors or theft.

RECOMMENDATION

We recommend that cashiers document each voided transaction using the appropriate void slip, and that golf course supervisors review and approve each voided transaction.

FINDING 1.6: Cashiers did not sign a fund transfer log when they retrieved change funds from the safe.

Risk Ranking: 2 (Moderate)

We found that the employees at Mountain View were not required to complete and sign a fund transfer log each time they retrieved change funds from the safe. Countywide Policy requires that each time an employee removes any amount of change funds from the safe, an MPF Form 7, "Fund Transfer Ledger," or similar form, should be used to record it. This creates a clear chain of custody, and establishes individual accountability for these funds. Ideally, another employee should count the funds to verify that the correct amount is returned to the safe, and document it with a note and a signature on the original form.

Fund transfer logs create a clear chain of custody of funds.

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.

Management should ensure that internal controls are in place, and that Countywide Policies are followed. When golf course employees remove change funds from the safe without documenting it, it creates a lack of accountability for those funds. Without a clear chain of custody for change funds used while operating each cash register, management would have difficulty proving theft or misappropriation of funds, if they discovered that cash was missing from the safe.

RECOMMENDATION

We recommend that the head golf professional at Mountain View use the MPF Form 7, "Fund Transfer Ledger," or similar log, to document each time they remove change funds from the safe. MPF form 7 is provided for reference in Appendix B.

FINDING 1.7: Multiple cashiers were working from the same cash register at Mountain View.

Risk Ranking: 1 (Low)

Adequate compensating controls should be put into place to ensure the security of funds in cash drawers used by multiple cashiers.

We found that multiple cashiers used the same cash register throughout the day at Mountain View, without closing out the cash drawer and balancing cash collections between cashiers. When we asked management about the issue, we were told that it was standard for multiple cashiers to work out of the same cash register, and that it was simpler and more efficient to do so. Although it may be more efficient, having multiple cashiers working out of the same cash register at the same time, could create a lack of accountability for daily collections, and without adequate compensating controls, could put the security of those funds at risk.

Countywide Policy 1062, “Management of Public Funds,” Section 2.3.1, states:

The County Agency's Fiscal Manager will ensure that individual accountability and effective security is established and maintained for funds entrusted to each Cashier.

When multiple cashiers are working from the same cash register, it can be difficult for management to ensure that individual accountability and effective security is established and maintained for the funds entrusted to each cashier during his or her shift. Certain systems controls, such as cashier ID numbers, and user passwords, within electronic point-of-sale systems, are compensating controls that help to mitigate some of the risks we have identified. Although we note this finding in our report, the overall risk ranking for this finding is low and therefore, we do not offer a specific recommendation for this finding.

2.0 Change Funds, Petty Cash, and Other Imprest Accounts

Audit Objectives:

- **Determine if change funds are accounted for and maintained at the authorized amount.**
- **Determine if change funds are properly safeguarded both while in-use and when stored away.**
- **Determine if petty cash is accounted for properly and maintained at the authorized amount.**
- **Determine if petty cash is properly safeguarded against theft or misappropriation.**
- **Determine if petty cash purchases are appropriate and comply with Countywide Policy.**

Each golf course maintains a cash change fund to provide cashiers with the funds required to perform day-to-day sales operations. These funds are maintained in a locked safe at night and are provided to cashiers when they begin their shift. Cashiers are required to sign for custody of these funds when receiving and returning them to the safe. The funds are kept at a static amount for balancing purposes.

We performed a surprise cash count of these change funds, subtracted any collections that had occurred during the day, and compared that amount to the authorized change fund amount. We found that the change funds were maintained at the authorized amounts. We found that a fund transfer log was not used at the Mountain View golf course to establish individual accountability for funds when they are moved to and from the safe. In addition, we sent a survey to each member of the staff at each golf course to determine if they understood the policies and procedures related to handling the change fund. We found a majority of the employees interviewed were knowledgeable about the required Countywide Policies and practices related to the change fund. However, 10 out of 31 golf course employees that we surveyed, stated they had not read Countywide Policy 1062.

We noted no significant findings in the area of change funds.

Each golf course also maintains a petty cash fund for the purchase of incidental items as needed. Countywide Policy requires that these purchases be authorized, in amounts less than \$200, and that sufficient documentation is maintained with the funds for review purposes.

Countywide Policy 1203, "Petty Cash and Other Imprest Funds," outlines the proper management of, and the limitations on using petty cash funds. We performed a surprise cash count of each golf courses petty cash fund and reviewed the disbursements made from petty cash to see if any unauthorized purchases were made or any sales tax paid. We found that petty cash balanced to its authorized amounts at each golf course and no unauthorized purchases were detected.

We noted no significant findings in the area of petty cash.

3.0 Capital and Controlled Assets

Audit Objectives:

- **Determine if capital and controlled assets are identified properly, physically present, and accounted for accurately.**
- **Determine if capital and controlled assets are properly safeguarded against theft, misuse, or abuse.**
- **Determine if capital and controlled asset management practices comply with Countywide Policy.**

Salt Lake County golf courses purchase and maintain a variety of assets and equipment necessary for operations. Controlled assets are tracked on two different lists, each separately maintained by the superintendent of greens and the head golf professional, at each location. The club house list includes computers, printers, TVs, and golf carts. The greens operations list includes tools, shop equipment, and office equipment. Golf Courses use their own process for tagging and maintaining controlled assets. Heavy machinery and equipment used for maintaining grass and other landscape are among the capital assets found at golf courses.

The audit included an examination of both the capital and controlled assets maintained at each golf course. ***Countywide Policy 1125, "Safeguarding Property/Assets,"*** establishes the proper management of County capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of these assets.

Designated property managers should maintain a current list of capital and controlled assets.

Each agency throughout the County is required to comply with Countywide Policy regarding the custody, recording, and disposal of both capital and controlled assets. This policy states that an employee, designated as the "property manager," accept personal accountability for the safeguarding of these assets. This includes maintaining a current list of the assets held at their facility, performing periodic physical verification that each asset is still on-site, and ensuring that the disposal of assets is well documented and all documents are maintained for review.

We selected a sample of 25 controlled assets from both the club house controlled asset list and the maintenance controlled asset list, as well as the entire population of capital assets at each golf course. We performed a physical search for the selected assets to determine their existence. If an asset could not be located, we reviewed any "PM2 Transfer Forms" held by golf course administration for evidence of the asset being sent to surplus for subsequent storage and sale. We found that accountability for some capital and controlled

assets was missing and that annual inventories were not conducted by the golf course staff.

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

- **Property Managers did not conduct a capital and controlled asset inventory at least annually, as required by Countywide Policy.**
- **A gas operated golf cart, used in caring for the greens at South Mountain, could not be found during our search for capital assets.**
- **Four Kawasaki Mule utility vehicles were not on the controlled asset list at Mountain View golf course.**
- **Capital assets were not properly identified at five out of six golf course locations.**

FINDINGS AND RECOMMENDATIONS

Finding 3.1: Property Managers did not conduct a capital and controlled asset inventory at least annually, as required by Countywide Policy.

Risk Ranking: 3 (High)

Capital asset inventories were only performed on a sample of assets at each golf course. Countywide Policy requires that County organizations conduct an annual physical inventory of all capital and controlled assets owned or assigned to the entity, to ensure that County assets are identified properly, and can be accounted for accurately. During our audit, we found that the Parks and Recreation Division did not require the golf courses to conduct a full physical inventory of all capital assets at each golf course location. The Parks and Recreation Division’s fiscal manager confirmed that each year, property managers locate and account for only a sample of all capital assets at each golf course that the fiscal manager selects. Golf course property managers then submit the results of this “inventory” to the fiscal manager, who then forwards that information on to the Mayor’s Office Financial Administration. In our opinion, this practice significantly reduces the effectiveness of this key internal control, and does not comply with the intent of Countywide Policy.

Parks and Recreation Division Management did not require property managers to conduct a full inventory of all capital assets at each golf course location.

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

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

Although a full physical inventory of all capital assets at each golf course is time consuming, when property managers are only required to conduct an annual inventory of a sample of capital assets each year, instead of all capital assets, it creates an opportunity for theft, and misappropriation. Furthermore, when a full inventory of capital assets is not conducted each year, any missing assets may not be discovered as quickly as they could have been, and asset records are not as complete and accurate as they should be.

The property managers at most of the golf courses had not conducted a controlled asset inventory in many years.

Controlled asset inventories had not been conducted for years at most of the golf courses. Not only are property managers required to conduct an annual physical inventory of all capital assets, but they are also required to conduct an annual inventory of controlled assets as well. We asked for copies of the last physical inventory of controlled assets at each golf course location. At three of the golf courses, we found that a controlled asset inventory had not been conducted in years. And, at two of the golf courses, the property managers could not provide even the date of the last controlled asset inventory, leading us to conclude that one had not been completed in the last five to ten years.

Due to the nature of controlled assets and the higher likelihood that these types of assets could be stolen, or converted to personal use, this represents a significant risk for the golf courses, and does not comply with the stated intent of Countywide Policy.

Table 3: Date of last physical controlled asset inventory.

DATE OF LAST PHYSICAL CONTROLLED ASSET INVENTORY	
Golf Course	Date
South Mountain	2/10/2013
Riverbend	Unknown
Mick Riley	2/10/2012
Mountain View	Unknown
Meadow Brook	8/15/2015
Old Mill	6/16/2016

At South Mountain, Mick Riley, and Meadow Brook, a controlled asset inventory had not been done for years. At Riverbend and Mountain View, the date of the last physical controlled asset inventory could not be provided.

Golf course managers that we interviewed stated that the failure to conduct a physical controlled asset inventory was an oversight on their part. They also stated that their staff regularly use and were aware of the locations of most of the equipment, and therefore, they found little importance in a formal physical inventory on an annual basis. However, in our opinion, this lax attitude towards key internal controls over capital and controlled assets significantly weakens the control environment, and places County assets at greater risk for being stolen, lost, or converted to personal use. Perhaps golf course managers would feel differently if they were held personally liable for the County assets that the public has entrusted to them for safeguarding against loss or theft.

RECOMMENDATION

We recommend that golf course managers take the necessary steps to ensure that a physical inventory of all capital and controlled assets, at each golf course location, is conducted at least annually, and that the results of each inventory are documented and kept for inspection by the County Auditor upon request. Furthermore, golf course managers should review and sign each inventory, to attest to the results of the inventory and acknowledge personal responsibility for the County assets entrusted to their care.

FINDING 3.2: A gas operated golf cart, used in caring for the greens at South Mountain, could not be found during our search for capital assets.

Risk Ranking: 3 (High)

We selected a sample of capital assets at each golf course, from the listing of capital assets provided by the Mayor's Office Financial Administration, to

determine if those capital assets could be located, were properly identified, and accounted for accurately. At South Mountain, one of the capital assets from our sample, a gas operated golf cart acquired July 8, 1999 at the cost of \$6006, could not be found. The golf cart was purchased several years ago, and we were told by the current superintendent of greens at South Mountain, that he had never seen the golf cart as long as he had been working there. Even more troubling was the fact that management at South Mountain had no knowledge of theft in this case, or could not otherwise explain why the golf cart was missing. We were told that the golf cart simply could not be accounted for.

The lack of an annual physical inventory of all capital assets possibly led to the theft of a County capital asset.

Countywide Policy 1125, "Safeguarding Property/Assets," Sections 2.2 and 2.2.3 state:

Property Manager's Duties - duties may be appropriately delegated to a subordinate; however, consistent with basic management principles, Property Managers and County Administrators remain ultimately responsible for management of County property. Property Managers assigned by their Administrators are responsible for the following:

Maintain records as to current physical location of all fixed [capital] assets and controlled assets within the organization's operational and/or physical custody.

In our opinion, the lack of an annual physical inventory of all capital assets contributed to a lack of accountability for the golf cart, and possibly led to the theft of a County capital asset. In these types of situations, Countywide Policy requires County agencies to write a letter to the County's Chief Financial Officer ("CFO"), to provide the details of the capital asset that is missing, and the date that it was first discovered missing.

RECOMMENDATION

We recommend that management at South Mountain investigate to determine how the golf cart became missing, and submit a letter to the County's CFO, explaining the loss.

FINDING 3.3: Four Kawasaki Mule utility vehicles were not on the controlled asset list at Mountain View golf course.

Risk Ranking: 2 (Moderate)

During our audit of capital and controlled assets at Mountain View, we found four Kawasaki Mule utility vehicles with County capital asset tags; that were not listed on either the capital or controlled asset lists we were provided.

Table 4. Kawasaki Mule utility vehicles found at Mountain View.

KAWASAKI MULE UTILITY VEHICLES FOUND AT MOUNTAIN VIEW	
Capital Asset Tag Number	Asset Description
97898	Kawasaki Mule Utility Vehicle
97899	Kawasaki Mule Utility Vehicle
97990	Kawasaki Mule Utility Vehicle
97991	Kawasaki Mule Utility Vehicle

The Kawasaki utility vehicles were tagged as County assets, but did not appear on the current asset lists at Mountain View.

The superintendent of greens at Mountain View explained that these four utility vehicles were probably purchased with other similar assets which may have caused the discrepancy on the asset lists. We researched the issue and found that the four utility vehicles were originally tagged and accounted for as capital assets, but then were removed from the capital asset list the following year, because they did not meet the County’s capitalization threshold of \$5,000 per vehicle. When the utility vehicles were removed from the capital asset list, they were not added to the controlled asset list maintained by Mountain View’s property manager.

Four utility vehicles were not accounted for properly.

Each golf course has a designated property manager that has custody over controlled assets. It is the property manager’s responsibility to ensure that assets are properly identified, and to maintain accurate asset records that are updated at least annually.

Countywide Policy 1125, “Safeguarding Property/Assets,” Section 2.2.3, states that property managers are required to:

Maintain records as to current physical location of all fixed [capital] assets and controlled assets within the organization's operational and/or physical custody.

When capital or controlled assets are not accounted for properly, and accurate asset records are not maintained by the property manager, the control environment is weakened, and it creates an opportunity for County assets to be stolen or diverted to personal use without being detected. The Kawasaki Mule utility vehicles, due to their mobility and functionality, are particularly

vulnerable to theft, and therefore extra effort should be made to track and account for these types of assets as accurately as possible.

RECOMMENDATION

We recommend that Mountain View tag the four Kawasaki Mule utility vehicles properly, and ensure that they are included on the controlled asset list as soon as possible.

FINDING 3.4: Capital assets were not properly identified at five out of six golf course locations.

Risk Ranking: 2 (Moderate)

During our audit of capital and controlled assets, we found a total of 32 capital assets at five out of six golf courses that were not tagged with a County capital asset tag, or otherwise clearly identified as a County capital (fixed) asset.

County assets that are not properly identified are at a risk of theft.

Table 5: Number of capital assets not properly identified at each golf course.

NUMBER OF CAPITAL ASSETS NOT PROPERLY IDENTIFIED AT EACH GOLF COURSE	
Golf Course	Capital Assets Without Proper ID
Mick Riley	5
South Mountain	9
Old Mill	6
Riverbend	7
Meadow Brook	5

We found a total of 32 capital assets at five golf courses that did not have a County capital asset tag, or otherwise clearly identified as County property.

Countywide Policy 1125, "Safeguarding Property/Assets," Section 2.2.8, states one of the property manager's duties as follows:

Coordinate with the organization's Purchasing Clerk to ensure ... fixed [capital] assets are tagged and capitalized.

When County assets are not properly identified, and accounted for, it creates confusion and could provide an opportunity for theft or misuse of County property.

Currently, the Mayor's Office of Financial Administration creates and issues capital asset tags for each capital asset that the County purchases. These tags are then given to the County's fiscal managers to ensure that the assets are tagged and properly identified at each County agency. We were told by golf course managers that quite often, there is a lag between purchasing an asset, and receiving the property tag. Managers stated that asset tags often take weeks or even months before they are received and affixed to the correct asset.

While citing problems with the process, the golf course managers that we spoke with acknowledged that they are working on complying with Countywide Policy.

RECOMMENDATION

We recommend that each property manager at the County golf courses, verify that all capital assets are tagged and properly identified as County property, during or before the next annual capital asset inventory.

4.0 Merchandise Inventory and Concessions Revenues

Audit Objectives:

- **Determine if merchandise inventory is properly accounted for, and safeguarded against, theft, loss, or misappropriation.**
- **Determine if proper controls are in place to prevent the misappropriation of merchandise inventory by County employees.**
- **Determine if the amounts remitted by golf course concession vendors to the County were correct and if proper controls are in place to prevent monetary loss to the County.**

All six Salt Lake County golf courses operate retail pro-shops that sell golf related merchandise and sporting goods to customers. Pro-shop merchandise inventory includes items such as golf balls, golf clubs, golf apparel and shoes, and accessories. Managing merchandise inventory in a retail setting, should include internal controls over authorizing and recording inventory purchases, properly receiving and tracking inventory, and finally paying for the inventory received. Proper segregation of duties between authorization, custody, and recording merchandise inventory transactions is essential to mitigate the risk that inventory items could be lost, stolen, or misappropriated. We found that all merchandise inventory at the golf course pro-shops is bar-coded and tagged to create efficiencies in recording sales transactions, taking inventory, and receiving inventory items.

All six County golf courses operate retail pro-shops.

Due to its nature, merchandise inventory is highly susceptible to theft and misappropriation by golf course employees. We found that merchandise inventory was properly safeguarded at night, but there were opportunities for theft during the day by pro-shop customers. We examined documentation of physical inventory counts at each golf course and compared that count to what was currently recorded in the inventory accounting system. We found an unusually high percentage of inventory shrinkage (inventory loss due to theft or damage) at both the Mick Riley and Mountain View golf courses.

In addition, we examined the most recent three inventory purchases made at each golf course and verified that the purchases had been received into accounting records. We found that all purchases had been properly recorded.

An unusually high percentage of inventory shrinkage was found at two golf courses.

Each golf course has contracted with a third-party concessionaire that offers food and beverages for sale to golf course patrons. As part of the agreement, each concessionaire is required to remit monthly a commission payment based on their gross sales, less taxes, to the County. We obtained 12 months of summarized gross sales records from each concessionaire. We verified that the correct amount of sales had been reported, and recalculated the amount of commissions due to the County. We found that all concessionaires had reported the correct amount of sales and remitted the correct amount of commissions.

Our findings in Merchandise Inventory and Concessions Revenues are as follows:

- **Merchandise inventory records at Mick Riley and Mountain View indicated an unusually high percentage of inventory shrinkage, compared to the other golf courses.**

FINDINGS AND RECOMMENDATIONS

FINDING 4.1:

Merchandise inventory records at Mick Riley and Mountain View indicated an unusually high percentage of inventory shrinkage, compared to the other golf courses.

Risk Ranking: 3 (High)

During our audit, we obtained merchandise inventory records that included physical counts performed by employees at each golf course. We compared the last physical inventory counts to the actual inventory accounting records entered into the point-of-sale system, and calculated the difference between

the last physical count of inventory items, and the item counts entered and tracked by the system. We found that there were discrepancies between the two at each golf course pro-shop.

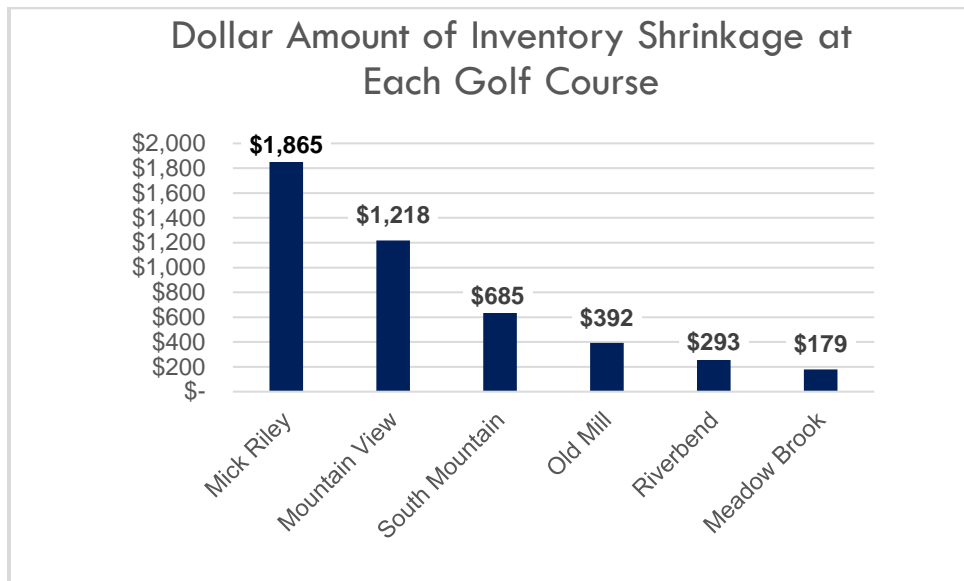
At two courses, Mick Riley and Mountain View, we found much larger inventory count discrepancies than found at the other golf courses. We found an inventory count variance of \$1,865 at Mick Riley, and a \$1,218 variance at Mountain View, respectively. We noted that most of these inventory count variances consisted of clothing items such as hats, socks, and golf shirts.

Inventory shrinkage is the common term used to describe when actual physical inventory counts do not agree with inventory accounting records, based on when inventory items are received. Inventory shrinkage is a risk of doing business in a retail setting, and can be caused by theft, such as shop-lifting, or when inventory items are accidentally damaged or destroyed. Management should have a sound system of internal controls in place to reduce the likelihood that inventory shrinkage will occur.

Although inventory shrinkage is a risk of doing business, large variances could be an indication that internal controls are not working as effectively as they should.

When large variances are discovered in merchandise inventory counts, it could be an indication that the internal controls over merchandise inventory are not working as effectively as possible, increasing the risk of loss or theft.

Figure 3: Dollar amount of inventory shrinkage at each golf course.



Mick Riley and Mountain View had inventory count variances that were two to three times as large as the other golf courses. We noted that most of the count discrepancies were for items that are highly susceptible to theft.

We also determined the percentage of inventory shrinkage compared to the total dollar amount of inventory from each golf course’s merchandise inventory

accounting records. Per a study performed by the Global Retail Theft Barometer, an organization that performs global research on the cost of inventory shrinkage, the average amount of inventory shrinkage experienced across similar retail industries was approximately 1.45% of total inventory. We found that both the Mick Riley and Mountain View golf courses exceeded this average at 4% and 3%, respectively.

Table 6: Percentage of Shrinkage to Total Inventory on Hand

PERCENTAGE OF INVENTORY SHRINKAGE TO TOTAL INVENTORY ON HAND			
Golf Course	Inventory Shrinkage	Total Inventory	Percentage
Mick Riley	\$1,865	\$43,367	4.30%
Mountain View	\$1,218	\$40,674	3.00%
South Mountain	\$685	\$55,107	1.24%
Old Mill	\$392	\$90,859	0.43%
Riverbend	\$293	\$43,425	0.67%
Meadow Brook	\$179	\$24,665	0.73%

Mick Riley and Mountain View had inventory shrinkage percentages well above the average (1.45%) for similar industries. The total dollar amount of the inventory shrinkage at these two golf courses was two to three times that of the other locations.

The white paper published by the **United States General Accounting Office (GAO), "Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property,"** page 20 states:

The two predominant approaches used by the leading-edge companies to physically count inventory are cycle counting and wall to wall. Each approach offers distinct advantages and serves some purposes better than others. As a result, organizations may choose to use only one approach or a combination of approaches.

Implementing cycle counting will help reduce variances, or at least detect them sooner.

The golf courses are currently using a wall-to-wall physical count inventory approach. The entire inventory is counted at a single point in time, usually at year-end. This method is primarily used for financial reporting purposes to ensure the correct amount of inventory is booked at year-end.

In contrast, cycle counting involves counting only a portion of the inventory at specified intervals throughout the year. For instance, all hats, shirts, and clubs may be counted one month while all golf balls may be counted the next. This approach allows inventory losses and issues to be detected and identified more

quickly. It also reduces the amount of time needed by employees to perform the physical count. Since security measures are relatively weak at the golf courses we believe that implementing cycle counting will help to reduce the amount of inventory variances or at least detect them in a timely manner.

RECOMMENDATIONS

- **We recommend that management at Mick Riley and Mountain View review their internal controls over merchandise inventory, and address the possible causes for the unusually high amount of inventory shrinkage discovered at their locations.**
- **We recommend that golf course managers, to the extent possible, implement the practice of performing cycle counts of merchandise inventory throughout the year, rather than the current practice of wall-to-wall periodic counts. This way, inventory count discrepancies can be discovered and identified more quickly, and corrections to the inventory accounting records can be made in a timelier manner.**

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V. CONCLUSION

The County golf courses have put into place several procedures for managing public funds and assets. We observed areas for improvement in managing change funds, cash handling, depositing, merchandise inventory, and capital assets. Our most significant findings related to excessive overages and shortages, both in frequency and magnitude at three of the six golf courses, as well as non-compliance with Countywide Policy for voided transactions. These occurrences merit focused attention and point to the need for additional training to reduce them to more reasonable levels.

Several smaller items also require attention to bring procedures into compliance with Countywide Policy. These include proper use of MPF Form 3 for recording overages and shortages, cashier's signatures on cash count forms or slips, and deposit timeliness. In addition, several capital assets need the designated asset tag attached, and one missing capital asset needs to be reported to Mayor's Office Financial Administration as a loss. Recommendations provided to golf course managers, if implemented, will strengthen the control environment and help support their organization as they strive to increase revenues and provide a high level of service to customers in the highly-valued operation they offer to the community.

We determined that the internal controls implemented by the County golf courses were effective in reducing the likelihood of loss to the County. However, we did make several observations where improvements can be made in terms of both compliance with Countywide Policies and best business practices.

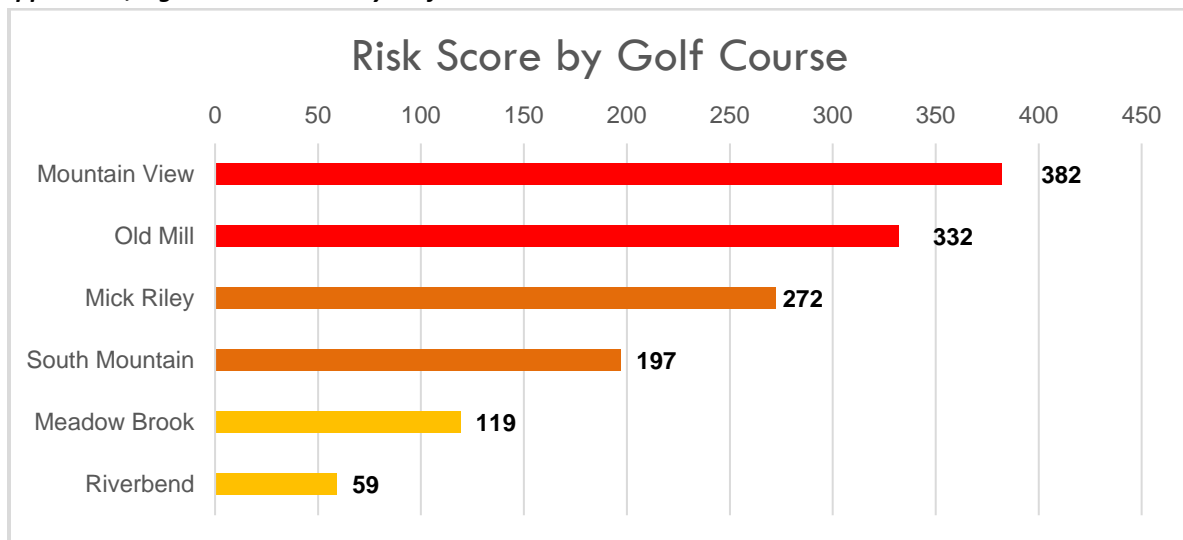
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VI. APPENDICES

Appendix A: Golf Course Key Controls Risk Matrix

As part of our audit analysis we compiled a comparative risk matrix of each County golf course. The graph below illustrates the overall risk score assigned to each course. The score is based upon our audit findings, whether they occurred at a certain course, and the frequency or magnitude that they occurred. Those facilities with the highest scores pose the biggest perceivable risk of loss to the County in comparison to the other golf courses.

Appendix A, Figure 1. Risk Score by Golf Course



The number of findings and risk score assigned to each finding determined the ranking of each golf course.

We found that the Mountain View golf course had the most significant number of findings compared to the other golf courses while Meadow Brook and Riverbend had the fewest. Each score was based off the following audit findings:

- 1.1: Cash balance discrepancies occurred an average of five times more frequently at Mick Riley, Mountain View, and Old Mill, compared to the other three golf courses.
- 1.2: Meadow Brook did not use cash over/short logs to track daily cash balance discrepancies.
- 1.3: Cash deposits were not made within three days of receipt, as required by Countywide Policy and Utah State law.
- 1.4: Cashiers did not sign their daily cash balance sheets.
- 1.5: Voided sales transactions were not reviewed and approved by supervisors.

- 1.6: Cashiers did not sign a fund transfer log when they retrieved change funds from the safe.
- 1.7: Multiple cashiers were working from the same cash register at Mountain View.
- 3.1: Property Managers did not conduct a capital and controlled asset inventory at least annually, as required by Countywide Policy.
- 3.2: A gas operated golf cart, used in caring for the greens at South Mountain, could not be found during our search for capital assets.
- 3.3: Four Kawasaki Mule utility vehicles were not on the controlled asset list at Mountain View golf course.
- 3.4: Capital assets were not properly identified at five out of six golf course locations.
- 4.1: Merchandise inventory records at Mick Riley and Mountain View indicated an unusually high percentage of inventory shrinkage, compared to the other golf courses.

Each finding score depended upon two factors: the characteristics of the finding itself and the perceived level of risk to the County. For example, if a golf course was found to have an issue with its over/short logs it would be given a score of “10” while a course that did not have issues would receive a score of “0.” If the findings could be quantitatively measured, such as the percentage of overages/shortages compared to the number of individual balance sheets examined, the score would be based off that percentage. This initial score would then be multiplied by a “risk multiplier.” High-risk findings would be multiplied by 3, medium-risk by 2, and low-risk by 1. The table below illustrates the overall score for each facility by finding number.

Appendix A, Table 1. Risk score by audit finding for each golf course.

FACILITY	RISK SCORE												TOTAL
	1.1	1.2	1.3	1.4	1.5	1.6	1.7	3.1	3.2	3.3	3.4	4.1	
Meadow Brook	21	0	0	0	0	0	60	0	0	5	30	0	119
Mick Riley	168	30	10	0	0	0	15	0	0	5	30	2	272
Mountain View	243	15	0	0	10	20	30	15	8	0	30	2	382
Old Mill	180	0	0	0	0	0	30	87	0	5	30	0	332
Riverbend	18	0	0	0	0	0	0	0	0	8	30	0	59
South Mountain	42	27	0	76	0	0	0	3	0	10	30	6	197

Golf courses with a score of “0” indicates that there were no exceptions found.

Appendix D: MPF Form 11, Cash Over/Short Log

SALT LAKE COUNTY

MPF FORM 11

CASH OVER / SHORT LOG

DIVISION _____

EMPLOYEE _____ MONTH / YEAR _____

DAY	AMOUNT OVER / (SHORT)	INITIALS OF CASHIER
1	_____	1 _____
2	_____	2 _____
3	_____	3 _____
4	_____	4 _____
5	_____	5 _____
6	_____	6 _____
7	_____	7 _____
8	_____	8 _____
9	_____	9 _____
10	_____	10 _____
11	_____	11 _____
12	_____	12 _____
13	_____	13 _____
14	_____	14 _____
15	_____	15 _____
16	_____	16 _____
17	_____	17 _____
18	_____	18 _____
19	_____	19 _____
20	_____	20 _____
21	_____	21 _____
22	_____	22 _____
23	_____	23 _____
24	_____	24 _____
25	_____	25 _____
26	_____	26 _____
27	_____	27 _____
28	_____	28 _____
29	_____	29 _____
30	_____	30 _____
31	_____	31 _____
	\$ _____	ACCUMULATIVE OVER / (SHORT)

Approved by Agent Cashier _____

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

Supervisor's Signature _____ Title _____

MPF 11 (Updated 10/10)

Appendix E: Response to the Audit

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**Parks & Recreation Division Response to
Summary of Findings and Recommendations**
for SALT LAKE COUNTY GOLF COURSE AUDIT dated Sept. 2016

Ben McAdams
Salt Lake County Mayor

Erin Litvack
Community Services
Department Director

**PARKS & RECREATION
DIVISION**

Martin Jensen
Division Director

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385/468-1799 fax

NO	FINDING	RECOMMENDATION	RESPONSE/ACTION TAKEN
1	Overages and shortages occurred frequently at Mick Riley, Mountain View, and Old Mill golf courses.	We recommend that head golf professionals at Mick Riley, Mountain View, and Old Mill golf courses isolate causes for frequent overages and shortages, and provide additional training to cashiers to reduce these occurrences to more acceptable levels and to reflect more accurate cashing practices.	Mick Riley does a high level of transactions and a higher percentage of cash than other County courses, which makes balancing a more difficult task. I monitor every clerk daily and review monthly their overages/shortages. We will continue to work on reducing these occurrences through training and monitoring each cashier. Mountain View will isolate causes for frequent overages and shortages and more training will be available for those cashiers that are not performing up to an acceptable level. Old Mill will monitor and work with employees that struggle with overage and shortage.
2	The cash drawer closing process at the Mick Riley golf course was not uniform among cashiers.	We recommend that all cashiers at the Mick Riley Golf Course perform their daily cash reconciliation process in a uniform manner by excluding the change fund amount from the count of daily collections.	Mick Riley now has all cashiers closing their drawers with a uniformed process.
3	A fund transfer log was not used to record the movement of the change fund to and from the safe at the Mountain View golf course.	We recommend that the head golf professional at Mountain View golf course implement an MPF Form 7, "Fund Transfer Ledger," or similar log, to document the movement of the change fund to and from the safe. MPF form 7 is provided in Appendix B.	Mountain View will implemented a new log to document movement of money to and from safe.
4	Individual accountability was not established for funds entrusted to each cashier at Mountain View golf course.	We recommend that the head golf professional at Mountain View golf course implement controls that establish individual accountability for funds entrusted to each cashier.	Mountain View will assign each cashier their own drawer to work off of to ensure accountability.
5	Deposits were not made in a timely manner at the South Mountain and Mountain View golf courses.	We recommend that South Mountain and Mountain View management deposit funds on the same day they are received, but no later than three days after initial receipt.	Deposits will be made in a timely manner to in accordance with Salt Lake County Policy.
6	Individual cash count slips were not always signed by the cashier.	We recommend that the management at the South Mountain golf course require that all cashiers sign their cash count slips at the end of their shifts.	South Mountain golf course management will require that all cashiers sign their cash count slips at the end of their shifts.
7	The designated over/short log was not used and did not identify differences by cashier name at Mountain View and Old Mill Golf Courses.	We recommend that golf course head professionals use MPF Form 11, "Cash Over/Short Log," and require cashiers to sign this log for their individual balancing differences.	Meadow Brook will have a hard copy of the over/short log that will coincide with the computer generated log that is linked to our cash count. Mountain View will have a hard copy of the over/short log that will coincide with the computer generated log that is linked to our cash count. Old Mill will use the required forms established by the division director.
8	Supervisors at the Meadowbrook and Old Mill golf courses did not always sign void slips.	We recommend that cashiers and supervisors sign void slips as evidence of approval and review for the voided transaction.	Meadow Brook will have void slips signed after they have been reviewed by Supervisor Old Mill corrected and trained supervisor on signing void slips and will continue to do so.



**Parks & Recreation Division Response to
Summary of Findings and Recommendations**
for SALT LAKE COUNTY GOLF COURSE AUDIT dated Sept. 2016

NO	FINDING	RECOMMENDATION	RESPONSE/ACTION TAKEN
9	Two capital assets could not be located in our asset search.	We recommend that the two capital assets not located in our search be addressed in a letter to the County Chief Financial Officer for removal from the capital asset list. Administrators did not report to us any knowledge of theft in these cases, even though the assets could not be located	Mick Riley Golf Ball Picker and cage have been identified and are not tagged as they are two separate items and thus fall under Controlled Assets. Their description was misleading which lead to confusion in locating these items. The cage is attached to our Gator and therefore will not have its own controlled tag and the ball picker is tagged with sticker KK0244.
10	The capital and controlled asset inventories were not conducted annually.	We recommend that the property manager, or delegated County golf course employee, conduct a physical inventory of capital and controlled assets at least annually, and submit the capital asset inventory form to the Mayor's Financial Administration office.	Mick Riley will conduct annual inventory on our Controlled Assets and submit the Capital Asset inventory form to Mayor's Financial Administration. Riverbend will conduct a physical inventory of capital and controlled assets annually and submit the Capital Asset inventory form to Mayor's Financial Administration.
11	Several capital assets did not have the asset tag attached as issued by Mayor's Financial Administration.	We recommend that property managers ensure that all County golf course capital assets are tagged. This process will require communication with all personnel in the administrative chain to ensure that delays in distributing the tags do not occur.	Mick Riley has 5 Capital Assets that are not tagged. We will communicate our need for tags and then tag all 5 items asap. Mountain View will work on the asset tagging process more diligently to ensure that all assets have tags. Riverbend has tagged all capital assets.
12	Accountability for four controlled assets was not established at Mountain View golf course.	We recommend that the Mountain View golf course superintendent of greens include the four Kawasaki Mule vehicles on the controlled asset list.	Mountain View superintendent of greens will put the four Mules on the controlled asset list.
13	Large differences occurred in the count of merchandise inventory at the Mick Riley and Mountain View golf courses.	We recommend that the head golf professionals at each golf course implement inventory cycle counting into their normal operating procedures to better track and reduce loss of merchandise inventory.	Mick Riley inventory is closely monitored and although shortages exist we have overages to compensate which is explained by ringing items incorrectly. This practice is unacceptable and will receive more attention in training and education. Our system will be reviewed by myself and my assistants to create a clear and workable system to reduce errors. Mountain View will do inventory cycle counting along with our semi-annual inventories.
	Name of person responding		Prepared: