

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



An Audit of the Key Controls of
Meadow Brook Golf Course

January 08, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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January 08, 2014

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 Meadow Brook Golf Course

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Meadow Brook 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 Meadow Brook Golf Course and the cooperation from Tim Fernau, Head Golf Professional, Adam Johnson, Assistant Golf Professional, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Meadow Brook 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 Leonardo Flores
Deputy Auditor

cc: Michele Nekota, Division Director
Paul Ross, Associate Division Director/Fiscal Administrator
Tim Fernau, Head Golf Professional

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

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

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



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Meadow Brook 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 Meadow Brook Golf Course has put into place several key controls for managing public funds. Most risks identified were minor and are not expected to result in material loss. Deficiencies in certain internal controls over the change fund, petty cash fund, cash depositing, and capital assets were observed and have a higher likelihood of leading to a loss of County property.

Findings and Recommendations

Finding # 1 - Petty cash reimbursement request forms were not maintained on file.

Risk Level: Moderate

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 5.3.3 states:

"Each Agency shall maintain copies of completed MPF Form 6, on file, in compliance with current County Records Management guidelines found in Section 1.2 of Countywide Policy #2070, 'GRAMA Records Retention Scheduling Process.'"

Meadow Brook Golf Course did not maintain copies of their petty cash reimbursement requests and supporting documentation on file.

When agencies do not maintain copies of their reimbursement requests and supporting documentation, accurate accounting cannot be verified.

Recommendation

We recommend that Meadow Brook Golf Course maintain copies of MPF Form 6, "Reimbursement Request and Control Listing," or similar form, with supporting documentation.

Finding # 2 - Employees working as cashiers also prepared the deposit.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," states in the introduction:

"In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

During a review of 30 deposits between November 2012 and October 2013, 12 deposits were prepared by a cashier.

When depositing duties are not segregated from cashiering duties, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the deposit be prepared by an employee that does not perform cashiering duties.

Finding # 3 - The Over/Short Log was reviewed and signed by a supervisor that performed cashiering duties.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," states in the introduction:

"In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

The Head Golf Pro at the Meadow Brook Golf Course reviewed the Cash Over/Short Logs and also acted as a cashier, thus not allowing for a clear segregation of duties.

Failing to segregate duties through a lack of independent supervisory review increases the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping.

Recommendation

We recommend that the MPF Form 11, "Cash Over/Short Log," or similar form, be reviewed and signed by a supervisor not involved in the cash handling process.

Finding # 4 - An SAQ representing Parks and Recreation's compliance with PCI-DSS 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 Parks and Recreation's compliance with PCI-DSS 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 the 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 Meadow Brook Golf Course keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Finding # 5 - Accountability for a capital asset was not appropriately established.

Risk Level: Low

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 assets and controlled assets within the organization's operational and/or physical custody."

Out of 16 capital assets reviewed, 1 capital asset, a SmithCo Verti-Star Dethatcher, was not found and was thought to have been transferred to another golf course facility. A PM-2 Form was not available for the missing asset.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Meadow Brook Golf Course properly report the transfer of all capital assets with a PM-2 Form to ensure correct accountability of capital assets.

Additional Information

Background

The Meadow Brook Golf Course is located at 4197 South 1300 West in Taylorsville and is in the center of the Salt Lake Valley. This classic old style course offers 18-holes of golf as well as a practice area. Meadow Brook offers an enjoyable golf experience suited to beginners and advanced players alike and can easily be maneuvered by walking or by golf cart. The Meadow Brook Golf Course facility includes a large banquet room, restaurant, and a well stocked pro-shop. Green fees for 18 holes are \$28 to walk and \$42 to ride. The staff includes the head golf pro, his two assistants, and seasonal workers during the busy summer months.

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 October 31, 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 (Meadowbrook Golf Course) Audit Dated: 12/18/2013

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Petty cash reimbursement request forms were not maintained on-file.	Maintain copies of MPF form 6 with supporting documentation.	Will be implemented.
2.	Employees working as cashiers also prepared the deposit.	Deposit is prepared by someone that does not perform cashiering duties.	Will not be implemented due to staffing constraints. Golf course manager reviews and approves all deposits.
3.	Over/short log was reviewed and signed by a supervisor that also performed cashier duties.	MPF form 11, or similar form be reviewed and signed by a supervisor not involved in cash handling process.	Will not be implemented due to staffing constraints but golf course manager will review it.
4.	An SAQ representing Parks and Recreations compliance with PCI_DSS had not been completed and was not on file.	An SAQ be completed annually and kept on file.	A copy of the SAQ is completed annually and kept on file with Parks and Recreation Administration, the copy is kept on the shared G-drive.
5.	Accountability for a capital asset was not appropriately established.	Meadowbrook properly report the transfer of all capital assets with a PM-2 form to ensure correct accountability of capital assets.	Will be implemented.
6.			
7.			

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
8.			
9.			
10.			

NAME AND TITLE OF PERSON RESPONDING: Jerry Brewster, Associate Division Director-Director of Golf Operations

DATE PREPARED: 1/3/2014