

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



An Audit of the Key Controls of
Mountain View Golf Course

July 29, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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July 29, 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 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 Roger Larsen
Sr. Deputy Auditor

cc: Martin Jensen, Division Director
Wayne Johnson, Associate Division Director, Park Operations
Jerry Brewster, Associate Division Director, Golf
Mark Owen, Golf Course Manager

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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

During our audit, retail inventory shrinkage was calculated at \$8,686 or 9%. According to Parks and Recreation Management, an acceptable level of shrinkage was 4.5%, or \$3,911. In addition, invoices were paid without packing slip confirmation, accountability for some controlled assets was not properly established, and voided receipts were not always handled properly. A report of the last audit of Mountain View Golf Course was released to the public in September 2013. Inventory control issues and voided transactions were addressed in the 2013 audit.

Findings and Recommendations

Finding # 1 - Pro Shop inventory shrinkage exceeded the agency's accepted level.

Risk Level: High

Interviews with Parks and Recreation Administration management and Mountain View Golf Course management disclosed that the maximum acceptable level of shrinkage for golf course pro shops was 4.5%.

The Mountain View Golf Course 2013 year end inventory write down was \$8,686 (23.8%) from a \$36,380 book inventory value at cost. Purchases of retail inventory for the year ended 31 December 2013 was \$86,920. Assuming that inventory levels remain fairly constant from year to year, the write down represents 9.9% shrinkage ($8,636 / 86,920$). The mid-year inventory adjustment was not available for review. If the June/July 2013 mid-year adjustment was negative, the shrinkage percentage would increase.

The five highest categories of negative adjustments were: Shoes - \$1,757.00, Golf Accessories - \$1,712.07, Men's Tops - \$1,093.47, Men's Outwear - \$925.86, and Ladies Tops \$885.82.

A previous audit report dated 10 September 2013 identified a condition where golf ball inventory shrinkage was \$1,458. The conditions identified in 2013 and 2014 are similar.

Shrinkage is an indicator of theft and improper inventory controls in the receiving, storing, display, and sales process. Some shrinkage is expected, therefore, limits are established. The Mountain View Golf Course 2013 shrinkage is more than twice the acceptable limit, resulting in an unanticipated, and unacceptable loss of approximately \$5,000.

Recommendation

We recommend that Mountain View Golf Course management take immediate steps to isolate the cause of excess shrinkage and implement necessary procedures to stay within acceptable limits.

Finding # 2 - Invoices did not always have packing slips attached as proof of merchandise receipt.

Risk Level: Moderate

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports."

None of the 14 invoices reviewed for January, August, November and December 2013 had packing slips attached to documentation as proof of merchandise receipt.

Inventory and budgets could be misrepresented when invoices are paid without a packing slip as proof of receipt.

Recommendation

We recommend that a signed copy of the packing slip be submitted with the invoice for payment.

Finding # 3 - Voids were not always handled in accordance with Countywide policy.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.7.2 & 3.7.3 state:

"The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution. ... 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."

We reviewed 6 voids in a 30-day period and found that 3 did not have VOID written on the front, were not documented and signed by the cashier, and were not signed by a supervisor as evidence of review. A previous audit conducted in 2013 found a similar condition for 2012 transactions, however, the six 2013 voided transactions tested in that audit met Countywide Policy.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that management of the Mountain View Golf Course ensure that VOID be written on the front of voided receipts, that cashiers document and sign the voided receipts, and that supervisors sign voided receipts as evidence of review.

Finding # 4 - Accountability for some controlled assets was not properly 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 and controlled assets within the organization's operational and/or physical custody."

We reviewed 31 of the 120 assets on the maintenance controlled assets list. One damaged/destroyed asset was still on the inventory list as well as a surplus asset that was still stored on the property. We reviewed all 75 of the golf carts and found no exceptions. We reviewed 31 of 93 assets on the golf course controlled assets list. Three assets were not found, one asset had two tags and was reported twice on the inventory control list, and a surplus asset was found in storage.

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 Mountain View Golf Course management update the controlled asset inventory lists where necessary and properly dispose of surplus assets.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending March 31, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

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



2014 Summary of Audit of Key Control

Findings and Recommendations

Mountain View GC

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Pro shop inventory shrinkage exceeded the agency's accepted level	Management takes immediate steps to isolate the cause of excess shrinkage and implement necessary procedures to stay within acceptable limits.	There was a problem with the software system for the year 2013 in which the midyear inventory reports were unavailable due to a software update. Management has done a proof of inventory for 2013 which resulted in inventory shrinkage levels being within the acceptable 1-3.5% range. Timely inventory checks will prevent this from happening in the future.
2.	Invoices did not always have packing slips attached as proof of merchandise receipt	Signed packing slip need be submitted with the invoice for payment.	Implemented
3.	Voids were not always handled in accordance with countywide policy	Ensure that VOID be written on the front of voided receipts, that cashiers document and sign the voided receipts, and that supervisors sign voided receipts as evidence of review.	Implemented
4.	Accountability for some controlled assets was not properly established	Management needs to update the controlled asset inventory lists where necessary and properly dispose of surplus assets.	Implemented
5.			
6.			
7.			
8.			
9.			
10.			

NAME AND TITLE OF PERSON RESPONDING: Mark Owen- Golf Course Manager

DATE PREPARED: July 9, 2014