



City of Bowling Green

Internal Auditor's Office

Follow-up Report on Golf Division Operations Audit

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Transmittal Letter

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CC: Ernie Gouvas, Parks and Recreation Director
Bob Jeffers, Golf Division Manager

FROM: Deborah Jenkins, Internal Auditor

Pursuant to the *Charter of the Internal Auditor's Office*, I hereby submit my follow-up report covering the Golf Division Operations of the City of Bowling Green's Parks and Recreation Department. The objective of this follow-up report was to determine if the Golf Division implemented the eight (8) recommendations made in an earlier report, *Golf Division Operations Audit* (Project# 2008-01, issued on October 26, 2007 and finalized on January 7, 2008).

The results of the *Golf Division Operations Audit*, which are contained within this report, have been discussed with management.

Results in Brief

Based on the results of this work, there were no significant examples of non-compliance with the recommendations from the original report. Management has made multiple improvements to their overall internal control environment. Additional recommendations are discussed within the body of this report that can enhance the improvements already implemented.

I would like to thank the City of Bowling Green Parks and Recreation Department's Golf Operations personnel and all those involved in assisting me regarding this report.

Sincerely,

Deborah Jenkins, CFE
Internal Auditor

Objective

The objective of this follow-up audit was to determine if the Golf Division implemented the 8 recommendations made in an earlier report, *Golf Division Operations Audit* (Project# 2008-01, issued on October 26, 2007 and finalized on January 7, 2008).

Scope and Methodology

The scope of this follow-up audit included Golf Pro Shop Operations from April 17, 2008 through October 31, 2008. To determine the implementation status of prior recommendations, I performed the following:

- Interviewed Golf Division Personnel
- Reviewed the original audit report
- Conducted unannounced site visits of each Golf Course
- Reviewed the updated *Golf Division Policies and Procedures Manual*
- Performed test work to determine compliance with various recommendations
- Observed the quarterly inventory process and spot counted random inventory items
- Analyzed the results of the test work performed and discussed results with management

Conclusion

Based on the results of this work, there were no significant examples of non-compliance with the recommendations from the original report. Management has made multiple improvements to their overall internal control environment. Additional recommendations are discussed within the body of this report that can enhance the improvements already implemented.

Results of the Follow-up Audit

Previous Observation and Recommendation:

1. “There is no management review of daily transactions.”

Previous Recommendation: *All daily transaction reports should be reviewed by management. Each void or refund should be initialed by a member of management. According to Paul Walker and Riverview Golf Courses policy and procedure manual “No one is to issue a refund without Chuck’s permission”. Crosswinds policy states that “No one is to tender a refund or post void except Bob Jeffers, Phil, Bob Wilson, or Angie”. Since management was not aware of the above mentioned void, employees are apparently not following this procedure. While reviewing software proposals this fall, management should look for software that does offer some internal security controls that limit what each employee can do and force employees to ring transactions up as themselves. While observing at Paul Walker, transactions were rang up as “BOB” and all transactions at Riverview were rang up with “CHUCK” being the employee rather than the staff using their own names.*

Current Status: IMPLEMENTED

A “Managerial Review Checklist” form is now completed daily by the Golf Professional or designated employee at each golf course. It is also periodically reviewed by the Golf Division Manager. This form documents managerial review of voids, refunds, discounts, rain/courtesy checks issued, and redeemed and includes a note section for unusual items. The new software and updated policy require each employee to sign in as their unique login name and password for each transaction. Security groups have been established which limit what each user can access according to their job function within the golf division.

2. “Internal controls and accounting for rain checks are weak.”

Previous Recommendation: *Golf Operations management should create a Standard Operating Procedure (SOP) to assist employees on issuing and redeeming rain checks. Specifically, rain checks should not be issued without a valid receipt and a required justification. In the case of an emergency situation, the signature or other authorization of golf professional should be noted on the daily reports until purchasing new software. The new software should have a field for comments where the reason can be added to the rain check record. Redeemed rain checks should be included with the daily documentation and retained in accordance with City retention policies.*

Since all Pro Shop personnel can issue rain checks, continuous monitoring of rain check activity should be performed by Golf Operations Management.

Current Status: PARTIALLY IMPLEMENTED

The Golf Division Policy and Procedure Manual has been updated and distinguishes between rain checks, which are for specific weather related reasons, and courtesy checks which can be issued for:

- A) Emergencies
- B) Slow pace of play
- C) Injury or physical limitations

The updated manual also requires that the rain and courtesy checks be “included in daily records”; however, Crosswinds is the only course that is currently keeping the rain and courtesy checks with the nightly documentation. A “Courtesy/Rain check Daily Log” has also been created and is provided to management for their daily review.

There is not a comment field or documentation stating the approved reason for a rain or courtesy check. The percentage of courtesy checks to rounds played from April 17, 2008-October 31, 2008 are as follows:

Crosswinds 0.41% (101 courtesy checks/24,564 rounds played)
Paul Walker 0.93% (135 courtesy checks/14,485 rounds played)
Riverview 1.31% (150 courtesy checks/11,412 rounds played)

The percentage of rain checks to rounds played from April 17, 2008-October 31, 2008 are as follows:

Crosswinds 1.08% (265 rain checks/24,564 rounds played)
Paul Walker 0.95% (137 rain checks/14,485 rounds played)
Riverview 0.79% (90 rain checks/11,412 rounds played)

I recommend that all three courses maintain their rain and courtesy checks according to policy as well as periodically monitor fluctuations and trends associated with courtesy checks to ensure that there isn't a course related issue that should be addressed.

3. Internal control and accounting for gift certificates are weak.

Previous Recommendation: *Golf Operations Management should implement the use of debit gift cards with the purchase of the new software budgeted for Fiscal Year 2007/2008, which would eliminate the need of gift certificates and ensure that the sale is recorded in the point of sale (POS) system. A thorough evaluation should be performed to determine whether the gift cards should be sold at all golf courses, or just at Crosswinds. This would involve measuring the demand for gift certificates at all three locations.*

In the meantime, Golf Operations Management should create, at a minimum, a spreadsheet log for gift certificates so that a record of certificates sold and redeemed can be tracked. A small inventory of certificates should be maintained in a secure location. The certificates should be counted by management and reconciled to the number of certificates sold and redeemed. Redeemed certificates should be stamped VOID and filed

with daily reports to satisfy City record retention policies and also provide support documentation for future reconciliations.

Current Status: IMPLEMENTED

Gift cards were implemented with the transition over to the new software in April 2008. Paper gift certificates are only issued at Crosswinds and specifically for outings. The paper certificates are entered into the system and a certificate cannot be redeemed that is not recognized by a number in the software. All redeemed paper certificates are stamped VOID upon redemption and maintained with the nightly paperwork. Zero balance gift cards are kept behind the counter so that they can be reused at a later sale in order to reduce card stock cost which is currently \$1 each.

Paper gift certificates were found behind the counter at Riverview. The Golf Professional stated that they were no longer used since implementing the gift card system so I recommended that they either be destroyed or secured in his office.

4. Employees should provide receipts to customers for all transactions.

Previous Recommendation: *A written policy should be made by management requiring employees to provide receipts to customers for all transactions. There should also be a permanent sign posted at each golf course giving some incentive to customers to look for and expect a receipt. All people on the course should either be listed on the t-sheet or sign in sheet, including golf employees and volunteers. All rounds of golf should be rung into the point of sale (POS) system, including golf employees and volunteers to track accurate rounds played on the course. Season pass holders should be required to show picture ID if not personally recognized by the pro shop attendant. Golf cart numbers should be assigned to customers when possible and/or keys should be provided to customers upon renting a cart, instead of leaving all keys in carts and not tracking which carts should be out on the course.*

Current Status: PARTIALLY IMPLEMENTED

Permanent signs are posted at each golf course asking customers to notify management if a receipt is not provided. In addition, the updated policy manual states “all customers are to be given a receipt-no exceptions”. Employee and volunteers rounds appear to be consistently entered into the software. Electronic t-sheets are now being utilized at all three courses. Golf carts numbers are assigned to customers and carts that are “staged for rental” have the keys removed.

However, there is no policy requirement for employees to require picture ID for season pass holders that are not easily recognized. Per management, this should be updated in the next policy revision due out in 2009.

5. All inventory counts should be overseen and reviewed by the Golf Division Manager.

Previous Recommendation: *The Golf Division Manager should oversee the quarterly inventory process, spot check the counts, review, and approve all inventory counts to ensure proper reporting. There should be proper segregation of duties. The employee responsible for ordering inventory should not be the person receiving and entering the inventory into the point of sale (POS) system. The employee in charge of the inventory should not be conducting the quarterly inventorying at their golf course. The employee responsible for inventory could possibly conduct the inventory of another course instead of their own.*

Current Status: PARTIALLY IMPLEMENTED

The January 4, 2009 quarterly inventory count was observed. At all three courses, part-time staff completed the counts using the “Physical Inventory Sheets Report” which allows the staff to complete blind counts. The blind counts are then submitted to the Golf Professional or Senior Shop Attendant who compares the physical counts against the inventory amounts listed in the IBS Software. If there is any variance, staff members are sent back out to verify their counts and a mass physical adjustment is processed by the Golf Professional or Senior Shop Attendant to change the amounts to reflect the physical counts. Independent spot checks are also performed at each golf course to verify accuracy of counts by the Golf Division Manager and other Parks and Recreation employees.

It was determined; however, that the inventorying process should implement additional controls. Since the software implementation in April 2007, there have been three quarterly inventory counts. Overall, the courses are doing a good job with their inventory with the exception of beer can variances at Crosswinds which are as follows:

- **06/30/08**-368 more cans were physically counted than in the software
- **10/9/08**-1,650 more cans were physically counted than in the software
- **01/4/09**-57 fewer cans were physically counted than in the software

According to the Golf Division Manager, the variances are due to employees who inadvertently failed to enter a couple of deliveries into the software. I recommend that they update their procedures to ensure all deliveries are entered into the software. The Golf Division Manager has implemented weekly inventories of beer on Sundays (since beer cannot be sold on Sunday). In addition, the Golf Division Manager is now reviewing the “Inventory Adjustment Report” weekly so that any issues can be addressed immediately.

6. Internal controls and accounting for assets need strengthening.

Previous Recommendation: *I recommend that the Finance Department not remove items from the books unless a Surplus Form is completed for the item and signed off by Management. I also recommend that the keys not be left in the golf carts, mowing or*

heavy equipment. Leaving the keys in the equipment makes it extremely susceptible to theft. The operations superintendent or crew supervisor should be responsible for all equipment keys.

Security Cameras should be installed at a minimum in all Golf Pro Shops. Many of the associates in the Pro Shops are young students and it is not unusual for one person to be working the Pro Shop alone. Security cameras would help management by giving them the ability to review the tapes if they suspect theft, either from a customer or employee, as well as provide information to police if or when any criminal activity such as a robbery should occur.

Current Status: PARTIALLY IMPLEMENTED

There is a communication issue that should be resolved with surplus work flow in order to verify approval for removal of assets from the books. Surplus forms were found in the Purchasing Office that were not within the Finance Department files as well as Surplus forms that were in the Finance Department files without an original in the Purchasing Office. The Finance Department continues to use e-mails and spreadsheets occasionally as approval verification for removal instead of the Surplus Form when they do not receive the form timely. I recommend the work flow be updated which would make the process more accurate and accountable.

In addition, the only carts which keys have been removed are in the “staged for rental” position. Keys remain in golf carts under remaining circumstances including after return from rental and within the storage buildings that are kept open during operating hours. The Golf Division Manager has agreed to remove keys from carts that are not rented to customers or awaiting cleanup from return. In addition, management has ordered distinctively sized key chains which state “Please return key to pro-shop after completion of your round.” There have been multiple instances of customers accidentally taking the cart keys home, which can be costly to replace if occurring regularly. The large and distinctive keychain should assist staff in keeping keys removed from the carts timely.

Golf courses security system is budgeted at \$39,100 in the FY2009 budget, however, the bid documents have not been finalized.

7. Internal controls and accounting of complimentary rounds needs strengthening.

Previous Recommendation: *I recommend that management enforce the accurate use of the complimentary logs, reconcile the log to the cards received, and sign off on the logs monthly. Any approved complimentary round that was not issued with a complimentary card, should have the approving manager’s initials on the log. All complimentary rounds, including volunteer and employee rounds, should be on the log. Volunteer rounds are not counted as a complimentary round; they are counted as a form of season pass holder. Volunteer rounds are no different than golf employee rounds and should be accounted for in the same fashion.*

There should be some basic written guideline of when complimentary cards or rounds should be provided, otherwise, they can potentially be abused.

Current Status: IMPLEMENTED

Complimentary or “Promotional” Card Policy has been implemented. The City Manager has the authority to approve rounds for community support and internal City promotions and drawings. The Golf Division Manager has the authority to approve rounds for professional courtesy to visiting golf professionals and superintendents, marketing/promotions, and customer complaints. Customer complaint cards may also “be issued by the course Pro” with approval from the Golf Division Manager. All complimentary cards are pre-numbered, secured in either the Office of City Manager or the Office of Golf Division Manager, and spreadsheets are maintained for issued cards. The redeemed cards are also maintained with the daily paperwork.

A “Volunteer Program” Policy has been created and is accounted for separately in the new software.

8. Division Policy and Procedure Manuals need to be consolidated and standardized.

Previous Recommendation: *With the purchase of a new software application that will be based on the City’s servers and supported by our internal IT Department, this is a great opportunity to update and standardize procedures throughout the entire division and consolidate the Policy and Procedure Manual. Written policies and procedures facilitate consistency in performance, establish standards for performance measurement, and allow for smoother employee transitions. I would recommend that the updated manual refer to positions instead of specific management names. This will help keep the manual current even if there is a change in personnel.*

Current Status: IMPLEMENTED

The “City of Bowling Green Golf Division Policies and Procedures Manual” was updated in March 2008 incorporating the three golf courses under one manual while changing references to positions instead of specific managerial names.