



Lexington-Fayette Urban County Government

Division of Internal Audit

INTERNAL AUDIT REVIEW

DATE August 15, 2005

TO: Teresa Ann Isaac, Mayor

CC: Milton Dohoney, Chief Administrative Officer
Kathy DeBoer, Commissioner of General Services
Chuck Ellis, Director of Parks & Recreation
DeWitt Hisle, Audit Board Chairman
Dr. David Stevens, Council Budget & Finance Committee Chairman

FROM: Bruce Sahli, Director of Internal Audit

RE: LFUCG Golf Course Collection Controls Review

Background

On April 2, 2004 the Division of Internal Audit issued an audit report on LFUCG Golf Course Collections & Inventory Controls. The report contained several significant findings related to the collection and depositing of funds. This review was conducted to evaluate controls put in place by management to address those specific findings from the April 2, 2004 report as summarized below:

- Significant amount of missing deposits
- Significant amount of late deposits
- Significant amount of undocumented returns/voids
- Deposit review procedures needed enhancement
- Daily Reports were not consistently completed
- Daily Reports typically reported cash over/short as \$0.00

Scope and Objectives

We reviewed LFUCG golf course collection and deposit procedures for the months of August 2004, October 2004, and March 2005 and the related Daily Reports and supporting documents,

deposit activity, and bank reconciliations to determine that effective collection controls were in place as indicated by management.

Results of Review

In our opinion, sufficient controls were in place to provide reasonable assurance that funds collected at the LFUCG golf courses were being accurately reported and deposited on a timely basis. Opportunities to enhance controls are included in the Summary of Audit Findings.

SUMMARY OF FINDINGS

Inconsistent Returns/Voids Documentation

Parks & Recreation requires that the golf courses use a Verification Sheet to document the date, dollar amount, and description of all returns/voids, along with the related cashier's initials. All related return receipts should be attached to this form as proof of these transactions, and the golf pro or manager should sign the form as evidence of management review. Our review noted improvement in the documentation of returns and voids, but also noted that compliance with this requirement was inconsistent, particularly at the Lakeside and Avon golf courses. Returns and voids represent sales adjustments that will reduce the amount of cash collections reported in the registers, and should therefore be fully documented on a consistent basis to provide evidence they are reasonable and appropriate. It is recommended the Verification Sheet be fully completed on a consistent basis with all related documents attached.

Division of Parks & Recreation Management Response: We checked a random sample of the auditor's criticisms and found that mistakes were made in handling returns/voids but not to the degree that the audit indicated. Incomplete documentation and lack of manager sign-off was the primary complaint. A delay of almost a year in replacing the Assistant Golf Professional due to a virtual hiring freeze left us with only two full time staff to cover the 80-100 hour weeks. Our Golf Pro has been counseled regarding attention to detail and the need for him to personally oversee the daily reporting and cash register training and operations.

Zero Balancing of Daily Reports

Examination of Daily Reports prepared by the golf courses noted that daily cash over/short was typically reported as \$0.00. During the busy season, the four primary golf courses can have cash sales exceeding \$1,500 per day, while Avon and Meadowbrook can have cash sales approaching \$900 per day. With such cash sales activity, including green fees, cart rentals, concessions, and merchandise, it is highly unlikely that cash will balance to the penny with recorded sales. The Daily Report includes a section entitled Over/Short which is used to identify variances between sales and collections and provides management information regarding the effectiveness of daily cash handling procedures. It is recommended the actual daily cash over/short amount be included on the Daily Report on a consistent basis.

Division of Parks & Recreation Management Response: We believe that this is currently the case, but the consistency of 'zero variance' is worrisome. The Golf Pro has been advised to pay particular attention to this aspect and to insist on 100% accuracy, regardless of the results.

Lakeside Golf Course Concession Deposits not Consistently Made on a Daily Basis

Our review noted several instances where the Lakeside golf course reported fairly significant golf activity sales (e.g., greens fees, cart fees, etc.) and related deposits but that those same days reported no concession sales or deposits. Management informed us that if concession sales are less than \$100 for the day, golf course personnel have permission per Parks & Recreation Policy to retain those collections overnight in the pro shop safe rather than depositing them. It is recommended that pro shop personnel properly close out the concession sales register on a daily basis, and that all related concession sales collections be deposited on a daily basis when golf sales deposits are made.

Division of Parks & Recreation Management Response: Our policy is that sales of less than \$100 do not need to be deposited daily. During the winter when our staff is at a minimum and sales may be only a few dollars, we will continue to place these small deposits in our safe and Auditor and Director of Parks and Golf have agreed that we shall insure that a deposit is made no less frequently than every other day, except when we are closed and have zero business to report.

(Auditor's Note: The Division of Internal Audit acknowledges the Division of Parks & Recreation policy that collections less than \$100 do not have to be deposited daily. Internal Audit accepts management's assurance that daily collections of less than \$100 will be deposited no later than every other day, and that collections of \$100 or more will be deposited daily.)