

CITY OF SAN ANTONIO

INTERNAL AUDIT DEPARTMENT

Golf Operations Department Golf Pro Shop Operations Audit



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EXECUTIVE SUMMARY

Overview

We have completed an audit of the Golf Pro Shop Operations of the Parks and Recreation Department. The objective of this audit was to determine if adequate internal controls are in place in Pro Shop Operations to ensure revenue is properly collected, recorded and accounted for.

This report includes background information to assist the reader in understanding Golf Course operations. The body of the report consists of observations and recommendations.

Results In Brief

Within the last year, City Management started planning for the transition of Golf Operations to an outside non-profit foundation. However, regardless of the final outcome of the transition to the non-profit foundation, this audit identifies opportunities to increase revenue, enhance controls, and reduce the risk of fraud.

Recommendations are summarized as follows:

- Golf Operations Management should determine the cause for the large number of daily shortages/overages and implement a Departmental policy addressing this issue. (Recommendation 1, Page 5)
- Golf Operations Management should implement controls in Golf Gopher by restricting the ability to change prices to Management only. While it is customary to periodically lower prices for sales and promotions, these events should be planned far in advance to allow Golf Course Managers to make appropriate price changes in the system. (Recommendation 2, Page 6)
- Golf Operations Management should develop formal written procedures with proper segregation of duties to assist Golf Operations staff in the purchasing and receiving processes. (Recommendation 3, Page 8)
- Golf Operations Management should ensure compliance with the City's current Administrative Directive 8.1 – Cash Handling, issued effective March 1, 2007, and the department's SOP 101 – Parking Policies and Procedures. Specifically, all parking proceeds should be deposited in a City bank account in tact and properly accounted for as revenue in SAP. Timely reconciliation of ticket stubs, unused tickets and collections should be performed for each event. Furthermore, unused ticket inventory should be secured in a safe location accessible only by staff performing parking duties. (Recommendation 4, Page 8)
- Given the large number and dollar value of Volunteer Rounds recorded in Golf Gopher, Golf Operations Management should monitor the usage of this item number and require documented justification for its use. Furthermore, Golf Operations Management should consult with the City Attorney's Office regarding the legality of compensating volunteers with free rounds of golf. (Recommendation 5, Page 9)
- Golf Operations Management should update SOP 205 to assist employees on issuing and redeeming rain checks, as well as monitor rain check activity in Golf Gopher weekly. (Recommendation 6, Page 10)
- Golf Operations Management should facilitate the implementation of debit gift cards, eliminating the need to create gift certificates all together. A thorough evaluation should be performed to determine whether the gift cards should be sold at all golf courses, or continue to be sold only at Brackenridge. (Recommendation 7, Page 11)
- Golf Operations Management should track the sale and use of punch cards by its unique identifying number, thus, ensuring that cards are only used the allowable number of times. Also, periodic reconciliations of punch card inventories should be performed. (Recommendation 8, Page 12)

INTRODUCTION

Background

Golf Course Operations (i.e., Golf Operations), with approximately 100 employees, operates six 18-hole golf courses, two par 3 9-hole golf courses, and two golf driving ranges.

Golf Operations is accounted for in a Special Revenue Fund and has an annual operating budget of \$6.5 million for fiscal year 2007. The operations can generally be divided into three sections: Pro Shop Operations, Golf Cart Operations, and Golf Course Maintenance.

Revenue is generated through green fees, cart rentals, pro-shop sales of golf merchandise, concession sales, junior golf clinics, and lease fees from Golf San Antonio, which operates the driving range at Polo Field. The City also contracts out the concession sales to a local company and collects 15% of sales. Total revenue generated in fiscal year 2006 totaled \$6.4 million.

In mid-2005, Golf Operations implemented a point-of-sale system called Golf Gopher throughout its courses. The system provides for sales of merchandise and golf fees, as well as inventory management, through a bar-coding system.

Within the last year, City Management started planning for the transition of Golf Operations to an outside non-profit foundation. The foundation is in the process of being formed, with efforts underway to create the articles of incorporation and an operating agreement with the City of San Antonio. Regardless of the final outcome of the transition to the non-profit foundation, the results of this audit will provide valuable information to Golf Course Management in its efforts to improve Pro Shop Operations.

Exhibit 1 presents a summary of golf rounds for each of the City's golf courses for fiscal years 2005 and 2006.

Exhibit 1 – Golf Rounds for Fiscal Years 2005 and 2006

<u>Golf Course</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Total</u>
Brackenridge	43,481	52,497	95,978
Cedar Creek	43,273	42,958	86,231
Mission Del Lago	34,143	25,300	59,443
Olmos Basin	51,339	52,913	104,252
Riverside	35,875	35,743	71,618
Willow Springs	<u>35,644</u>	<u>34,839</u>	<u>70,483</u>
Total	<u>243,755</u>	<u>244,250</u>	<u>488,005</u>

Source: Parks and Recreation Department, Golf Operations

Objectives

The objective of this audit was to determine if adequate internal controls are in place in Pro Shop Operations to ensure revenue is properly collected, recorded and accounted for.

Scope

The scope of this audit included Golf Pro Shop Operations for fiscal years 2005, 2006, and 2007 through December 31, 2006.

Criteria

This audit was based on documented policies and procedures, as well as general best business practices.

Methodology

The audit methodology consisted of collecting information and documentation, conducting interviews with personnel from Golf Course Operations, observing processes, performing selected tests and other procedures, and analyzing and evaluating the results of tests performed.

The audit was performed in compliance with generally accepted government auditing standards issued by the U.S. Government Accountability Office (GAO).

Conclusion

Internal controls over Golf Pro Shop Operations are not sufficient and adequate to ensure that revenue is properly collected and accounted for. The following observations were made during the course of the audit:

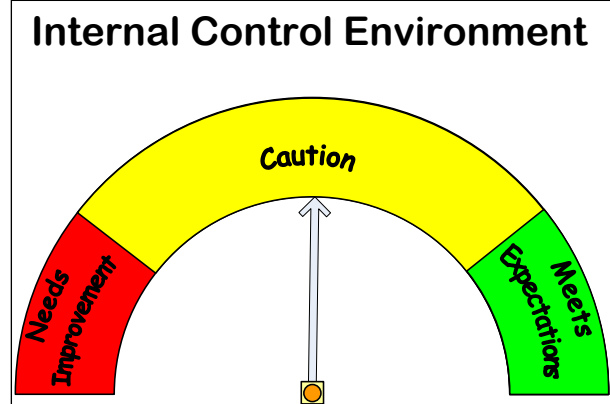
- The average daily shortage and overage in fiscal year 2005 was \$16.29 and \$15.01, respectively. Even though these averages dropped in fiscal year 2006, the number of instances and dollar amounts remained high.
- Although prices for golf green fees, equipment rentals and Pro Shop merchandise are programmed in the point of sale system by Golf Operations Management, these prices can be overridden during a sales transaction by any system user, including Golf Activities Attendants.
- Golf Operations' purchasing activities need improvement. Packing Slips/Receiving documents are not consistently maintained. Of the 57 purchases reviewed, 63% of the invoices were not supported by a packing slip verifying receipt of the items and 72% of the purchases were never entered into Golf Gopher as inventory. Furthermore, the duties related to purchasing activities are not adequately segregated as the Senior Accounting Clerk, who is responsible for processing purchase requisitions and purchase orders, also performs the Goods Receipt transaction (MIGO) in SAP.
- Parking ticket reconciliations are not consistently performed at Willow Springs Golf Course. Of the 25 events tested, there were 7 instances where ticket stubs did not support the Golf Gopher transaction amount or the SAP deposit amount. Also, it was noted that one event's parking proceeds of \$3,024 in cash was not deposited. These funds were used as a United Way charitable contribution in behalf of the Department of Parks and Recreation. This activity would be contradictory to the current Administrative Directive 8.1 – Cash Handling, issued effective March 1, 2007, which requires that all collections be deposited in tact and within twenty-four hours.
- Volunteer Rounds of golf recorded in Golf Gopher for fiscal years 2005 and 2006 has an estimated value of over \$245,000.
- According to Golf Gopher, 2,400 rain checks worth approximately \$49,000 were issued in fiscal years 2005 and 2006. Test results indicated that 253 rain checks with an estimated value of \$5,251 were issued on 200 different days with no recorded rainfall at Cedar Creek and Olmos Basin Golf Courses.
- There are no written procedures to guide Pro Shop personnel on how to account for the sale and redemption of gift certificates in the point-of-sale system. Gift Certificates, which are not sequentially numbered, are printed from the Management Analyst's computer and can be easily reproduced. Although a spreadsheet is used to track the sale and redemption of gift certificates, this document is maintained by the same person who also prints the gift certificates. Redeemed gift certificates are shredded by the Management Analyst; consequently, destroying the only available supporting evidence and audit trail.
- While Golf Gopher is used to sell Junior punch cards and record usage, the punch card's unique identifying number is not documented in Golf Gopher for tracking purposes. Thus, the usage of each card cannot be monitored. Also, even though a manual log is maintained by each golf course to record punch card sales, it may not be consistently maintained as evidenced by differences between sales recorded in Golf Gopher and the manual log.

Risk Assessment Capability

In performing this audit, five risk management capabilities were considered for purposes of determining key risks to the City. The capabilities include strategies, processes, people, technology, and information. Of the five risk management capabilities, technology and processes were deemed the most applicable to this audit. Each matrix is organized into five recognized capability maturity/development stages, of which a more detailed description has been included as **Attachment A**. However, it is important to note that most entities achieve a *managed* stage while fewer achieve an *optimized* stage.

Based on the Enterprise Risk Assessment Capability Matrix included as **Attachment A**, it was determined that the maturity level of the Pro Shop Operations' **Technology Capabilities** was at the *defined* stage. Although Pro Shop Operations' systems and technology are adequate to meet most of the business needs, the point-of-sale system (i.e., Golf Gopher) does not interface with the City's SAP system.

Using the Enterprise Risk Assessment Capability Matrix for **Processes Capabilities**, we believe Pro Shop Operations' processes were at the *repeatable* stage since some procedures are not well documented and there is infrequent monitoring of performance.



DETAILED OBSERVATIONS AND RECOMMENDATIONS

1. Daily overages and shortages in Pro Shops are excessive

Observation

With the implementation of SAP, Golf Operations is required to record daily overages or shortages per golf course. It was noted that for fiscal year 2005 the average daily shortage and overage was \$16.29 and \$15.01, respectively. While the average amount decreased in fiscal year 2006 and through December 2006, the number of instances and dollar amounts are still high. **Exhibit 2** is a summary of overages and shortages recorded in SAP for fiscal year 2005 through December 31, 2006.

**Exhibit 2 – Daily Pro Shop Overages and Shortages
 Fiscal Years 2005 through 2007**

Golf Course	FY 2005		FY 2006		FY 2007*	
	<u>Overages</u>	<u>Shortages</u>	<u>Overages</u>	<u>Shortages</u>	<u>Overages</u>	<u>Shortages</u>
Brackenridge	\$ 2,570	\$2,032	\$ 2,763	\$ 2,722	\$ 150	\$ 139
Cedar Creek	545	529	2,361	2,034	418	232
Mission del Lago	1,909	1,363	3,402	3,231	451	365
Olmos Basin	1,936	1,222	1,223	1,246	266	343
San Pedro	18	119	807	493	145	57
Riverside	485	797	3,000	2,768	494	94
Willow Springs	<u>3,662</u>	<u>1,853</u>	<u>4,444</u>	<u>4,354</u>	<u>470</u>	<u>234</u>
Totals	<u>\$11,125</u>	<u>\$7,915</u>	<u>\$18,000</u>	<u>\$16,848</u>	<u>\$2,394</u>	<u>\$1,464</u>
Total Number of Overages/Shortages	<u>741</u>	<u>486</u>	<u>1,618</u>	<u>1,001</u>	<u>324</u>	<u>206</u>
Average Amount	<u>\$15</u>	<u>\$16</u>	<u>\$11</u>	<u>\$17</u>	<u>\$7</u>	<u>\$7</u>
<u>Course Averages:</u>						
Brackenridge	\$15	\$12	\$11	\$23	\$4	\$3
Cedar Creek	12	18	10	14	9	7
Mission del Lago	11	17	14	20	10	11
Olmos Basin	23	19	6	9	6	13
San Pedro	0	20	4	5	3	3
Riverside	3	7	13	18	11	4
Willow Springs	94	71	21	24	10	8
Source: SAP	* Includes first 3 months of FY 2007: October, November and December 2006					

Risk

Daily shortages, regardless of their cause, result in lost revenue to the City of San Antonio; while overages, if caused by short changing golf patrons, result in a bad public image for the City.

Recommendation

Golf Operations Management should determine the cause for the large number of shortages/overages and implement a Departmental policy addressing this issue. The policy should include consistent supervisor monitoring of daily shortages/overages with consequences for multiple occurrences by the same individual. Employees should be properly trained to assist them in performing their duties in accordance with such policy.

2. Price controls in the point-of-sale system need strengthening

Observation

Although prices for golf green fees, equipment rentals, and Pro Shop merchandise are programmed into the point of sale system (i.e. Golf Gopher) by Golf Operations Management, these prices can be overridden during a sales transaction by any system user, including Golf Activities Attendants. It was noted that reasons for changing prices are not documented, nor required. Additionally, it appears that price changes are not monitored by Golf Operations Management.

Sales transactions were tested at the Cedar Creek and Willow Springs golf courses to determine if prices matched those published by the Parks and Recreations Department and provided by Golf Operations personnel. To test the prices of merchandise, the amounts charged for the same item in different transactions on the same day were compared. On eight of the ten days tested, prices were changed.

Exhibit 3 provides a summary of price changes that were made on the ten days tested.

Exhibit 3 – Summary of Price Changes in Point of Sale System

Golf Course	<u>Willow Springs</u>	<u>Cedar Creek</u>	<u>Total</u>
Number of days tested	5	5	10
Number of transactions tested	664	1,650	2,314
Number of price exceptions associated with green fees/rentals	22*	15	37
Number of price exceptions associated with merchandise	2	1	3
Total number of days with exceptions	3	5	8

*On one day tested, there were 16 transactions with no charge at all.
 Note: The exhibit does not reflect price changes due to promotions.

Risk

The risk of price manipulation and loss in revenue to the City increases when employees are allowed to change prices during sales transactions.

Recommendation

Golf Operations Management should implement controls in Golf Gopher by restricting the ability to change prices to Management only. While it is customary to periodically lower prices for sales and promotions, these events should be planned far in advance to allow Golf Course Managers to make appropriate price changes in the system.

3. Purchasing process controls and inventory management need improvement

Although most purchasing decisions are made by the Golf Operations Superintendent, Golf Course Managers will periodically request the purchase of certain items for resale in their Pro Shops. The expenses associated with Pro Shop merchandise are accounted for as Commodities for Resale in SAP and are budgeted separately for each golf course. Each corresponding Golf Course Manager is responsible for maintaining their inventories in Golf Gopher.

Observation

During the evaluation of the Golf Operations' purchasing function, the following issues were noted:

- Duties are not adequately segregated since the Senior Accounting Clerk, who is responsible for processing purchase requisitions and purchase orders in SAP, also records goods receipt in SAP using the "MIGO - Goods Receipt" transaction.
- Packing Slips/Receiving documents are not consistently maintained by Golf Operations. Of the 57 purchases tested, 36 or 63% of the invoices did not include a packing slip verifying receipt of the items and 41 of them or 72% could not be traced to receiving reports in Golf Gopher. See **Exhibit 4** for a summary of test results by Golf Course.

Exhibit 4 – Summary of Test Results for Merchandise Purchases

Golf Course	Number of Missing Receiving Documents	Dollar Value of Missing Receiving Documents	Number of Purchases not in Golf Gopher	Dollar Value of Purchases not in Golf Gopher
Brackenridge	3 of 5	\$ 1,779	1	\$ 415
Cedar Creek	2 of 3	1,480	0	-
Riverside	2 of 3	751	2	1,051
San Pedro	4 of 11	2,356	11	14,698
Olmos Basin	4 of 5	1,394	2	1,492
Mission Del Lago	4 of 6	1,402	4	1,242
Willow Springs	<u>17</u> of <u>24</u>	<u>11,160</u>	<u>21</u>	<u>9,872</u>
Total	<u>36</u> of <u>57</u>	<u>\$20,322</u>	<u>41</u>	<u>\$28,770</u>

Source: Golf Gopher

The Golf Gopher Receiving Reports and SAP were reviewed to determine the total value of merchandise purchased for resale during fiscal year 2006, as well as the first quarter for fiscal year 2007. It was noted that \$62,000 or 26% of merchandise purchased for resale during fiscal year 2006, and \$20,000 or 22% for the first quarter of fiscal year 2007, were not entered into Golf Gopher as inventory through a receiving report. Although inventory quantities may be adjusted after the fact to correct levels as a result of physical counts, a proper inventory management system requires items to be “received” into the system the first day they are available for sale to reduce the risk of theft or misappropriation. **Exhibit 5** reflects the differences identified between Golf Gopher and SAP per golf course.

**Exhibit 5 – Comparison of Golf Gopher and SAP
 Fiscal Years 2006 and 2007**

Golf Course	FY 2006			FY 2007*			Total Difference
	Golf Gopher Total Dollar Amount	SAP Total Dollar Amount	Difference	Golf Gopher Total Dollar Amount	SAP Total Dollar Amount	Difference	
Brackenridge	\$ 40,717	\$ 35,294	\$ (5,423)	\$16,392	\$16,512	\$ 120	\$ (5,303)
Cedar Creek	44,399	44,060	(339)	10,769	14,843	4,074	3,735
Mission del Lago	22,621	36,852	14,231	18,055	15,020	(3,035)	11,196
Olmos	32,100	36,496	4,396	12,585	15,203	2,618	7,014
Riverside	22,295	33,125	10,830	11,300	11,695	395	11,225
San Pedro	916	18,721	17,805	740	3,820	3,080	20,885
Willow Springs	<u>11,921</u>	<u>31,961</u>	<u>20,040</u>	<u>1,335</u>	<u>14,474</u>	<u>13,139</u>	<u>33,179</u>
Totals	<u>\$174,969</u>	<u>\$236,509</u>	<u>\$61,540</u>	<u>\$71,176</u>	<u>\$91,567</u>	<u>\$20,391</u>	<u>\$81,931</u>

* Includes first 3 months of FY 2007: October, November and December 2006

- Other issues noted in the Golf Gopher Receiving Reports include:
 - SAP and Golf Gopher do not interface directly, requiring that Purchase Orders and Receiving Orders be entered individually in SAP and in Golf Gopher.
 - Purchase Order (PO)/Receiving Order (RO) numbers do not correlate to SAP PO/RO numbers.
 - Supplier name (vendor) is not entered when a receiving report is completed.
 - Purchase Order date does not reflect actual date of PO. PO's and RO's are entered into the Golf Gopher system only after items are actually received.
- Discounts offered by vendors are not always taken by Golf Course Operations. Of the 57 purchases tested, there were 8 invoices allowing approximately \$550 in discounts that were not taken.

Risks

When procurement and receiving duties are not segregated, receiving documentation is not required, and all purchases are not entered into Golf Gopher's inventory upon receipt, the risk of fraud increases and opportunities arise for purchases to be easily diverted for non-City use.

Recommendations

Golf Operations Management should develop formal written procedures with proper segregation of duties to assist Golf Operations staff in the purchasing and receiving processes. Accordingly, these procedures should include the following:

- Those involved in the receiving function should ensure that an accurate receiving document is obtained, a count of all items received is performed, and that the receiving document is signed to achieve complete accountability.
- The inventory management function of Golf Gopher should be utilized as intended. All merchandise purchased for resale should be entered into the system, properly bar-coded, and made available for sale the day it is received by the individual golf course. When purchase orders and receiving orders are completed, all relevant information, such as vendor names and SAP PO and RO numbers should be included in Golf Gopher.
- The department should take advantage of discounts offered by vendors by promptly forwarding invoices to the Finance Department upon receipt of the goods purchased.

4. Parking collection procedures at Willow Springs Golf Course are not consistently followed

Willow Springs Golf Course, located across the street from the AT&T Center on AT&T Center Parkway, provides for paid parking during certain events held at the Center, such as San Antonio Spurs games, Stockshow and Rodeo events, and concerts. During fiscal year 2006, Willow Springs generated approximately \$215,000 in parking revenue.

Observations

- Golf Operations Management implemented SOP 101 – Parking Policies and Procedures for Willow Springs, which outlines the procedures to follow during parking events. While SOP 101 states that a reconciliation of tickets issued to money collected should be performed for each event, it was noted that reconciliations were not performed for twenty of the 25 events or 80% tested.
- Of the 25 events tested, there were seven instances where ticket stubs did not support the Golf Gopher transaction amount or the SAP deposit amount. Without the reconciliation forms, the cause of the discrepancies could not be determined.
- Inventory of pre-numbered parking tickets is not properly secured. Unused tickets are kept in a box located in the Golf Course Manager's Office with easy accessibility to any staff member or volunteer.
- One event's parking proceeds of \$3,024 in cash was not deposited. These funds were used as a United Way charitable contribution in behalf of the Department of Parks and Recreation. This activity would be contradictory to the current Administrative Directive 8.1 – Cash Handling, issued effective March 1, 2007, which requires that all collections be deposited in tact and within twenty-four hours.

Risks

If ticket inventory is not properly secured and a reconciliation between ticket stubs, unused tickets, and money collected is not performed, the risk of misappropriation, loss or theft increases. Also, if collections are not deposited in tact and allocated to the proper general ledger account, revenue generated for the department from parking activity is understated.

Recommendations

Golf Operations Management should ensure compliance with the City's current Administrative Directive 8.1 – Cash Handling and the department's SOP 101 – Parking Policies and Procedures. Specifically, all parking proceeds should be deposited in a City bank account in tact and properly accounted for as revenue in SAP. Timely reconciliation of ticket stubs, unused tickets and collections should be performed for each event. Unused ticket inventory should be secured in a safe location accessible only by staff performing parking duties.

5. Number of volunteer golf rounds is high

Volunteers help out at many of the golf courses by performing a variety of tasks, including assisting with tournaments. As a reward, they are allowed one free 18-hole golf round for every 4 hours of volunteer time. Each golf course is required to maintain a log to keep track of volunteer hours.

Observation

The number and dollar value of Volunteer Rounds is high. We reviewed sales reports from Golf Gopher, which indicate the number of Volunteer Rounds (Item No. VC) keyed in by Pro Shop personnel. The cost of an 18-hole round of golf was applied to the total number of rounds for the respective golf courses to determine the dollar value of volunteer rounds. See **Exhibit 6** for a summary of Volunteer Rounds recorded in Golf Gopher since its inception in fiscal year 2005, with a corresponding value for these rounds of golf. Note that some golf courses may be using the "Volunteer Rounds" item to redeem gift certificates and rain checks since it has a \$0.00 value.

**Exhibit 6 – Volunteer Rounds
 Fiscal Years 2005 and 2006**

Golf Course	FY 2005* Rounds	FY 2006 Rounds	Total Rounds	Weekday Rate	Total Value of Volunteer Rounds
Brackenridge	251	1,668	1,919	\$19	\$ 36,461
Cedar Creek	580	2,242	2,822	27	76,194
Mission del Lago	87	978	1,065	16	17,040
Olmos Basin	308	1,612	1,920	19	36,480
Riverside	520	2,560	3,080	16	49,280
San Pedro	-	1	1	N/A	N/A
Willow Springs	-	1,602	1,602	19	30,438
Total	1,746	10,663	12,409		\$245,893

Source: Golf Gopher

Risk

Free rounds of golf to volunteers result in potential lost revenue to the City.

Recommendation

Given the large number and dollar value of Volunteer Rounds recorded in Golf Gopher, Golf Operations Management should monitor the usage of this item number and require documented justification for its use. Furthermore, this item number should not be used to redeem gift certificates and rain checks.

Golf Operations Management should consult with the City Attorney's Office regarding the legality of compensating volunteers with free rounds of golf.

6. Controls over rain checks need improvement

According to Golf Operations' SOP 205, rain checks can be issued whenever the golf course has been closed or play must be stopped due inclement weather or in case of emergency. The dollar amount of the rain check is dependent upon the point of play and is based on the circumstances surrounding the situation. Golf Course Managers make the final decision.

Observation

Internal controls surrounding rain checks are weak:

- There is no written definition of what is considered an emergency situation or acceptable scenarios.
- There are no written procedures in place to instruct Pro Shop personnel how to issue and redeem rain checks in Golf Gopher.
- Pro Shop personnel issue rain checks without the required golf receipt.
- Rain check receipts only reflect green fees. For golf cart rental rain checks, Pro Shop personnel will write the cart rental amount on the receipt.
- Rain checks can be generated by anyone having access to Golf Gopher.

Test work performed showed that numerous rain checks were issued on days with no recorded rainfall, as verified through the National Weather Service Forecast Office. Reports from Golf Gopher, which summarize rain check activity per golf course, were used to select 100 days each from Olmos Basin and Cedar Creek for testing. The following issues were noted:

- Olmos Basin – On 60 of 100 or 60% days tested, Pro Shop personnel issued 131 rain checks totaling \$1,884 during days with no recorded rainfall. On 32 of the 60 days with no recorded rainfall, no other golf course issued any rain checks.
- Cedar Creek – On 66 of 100 or 66% days tested, Pro Shop personnel issued 122 rain checks totaling \$3,367 during days with no recorded rainfall. On 20 of the 66 days with no recorded rainfall, no other golf course issued any rain checks.

**Exhibit 7 – Rain Check Activity by Golf Course
 Calendar Years 2005 and 2006**

Golf Course	Quantity Issued	Dollar Value Issued	Average Amount Issued Per Month	Quantity Redeemed	Percentage Redeemed	Dollar Value Redeemed
Cedar Creek	753	\$20,604	\$1,212	4	1%	\$ 92
Olmos Basin	705	11,963	665	318	45%	5,845
Brackenridge	462	7,718	406	104	23%	1,698
Willow	251	4,769	298	37	15%	447
Mission	224	3,653	192	55	25%	721
Riverside	4	81	6	-	-%	-
San Pedro	1	7	7	-	-%	-
Total	2,400	\$48,795		518	22%	\$8,803

Source: Golf Gopher

Risk

Rain checks issued for reasons other than inclement weather and emergency situations can lead to lost revenues for the City.

Recommendation

Golf Operations Management should update SOP 205 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 comment section of Golf Gopher. In the case of emergency situations, the signature or other authorization of the Golf Course Manager should be noted on the rain check record in Golf Gopher.

If financially practical, Golf Gopher should be reconfigured to reflect the entire transaction amount in rain checks. Also, since rain checks can be issued by all Pro Shop personnel, continuous monitoring of rain check activity should be performed by Golf Operations Management.

7. Accounting for gift certificates should be improved

Observation

The controls in place to track the sale and redemption of gift certificates are weak:

- There are no written procedures in place to guide Pro Shop personnel on how to account for the sale and redemption of gift certificates in the point-of-sale system.
- Gift Certificates are printed from the Management Analyst’s computer, which are not sequentially numbered and do not contain a water mark, raised seal, or other feature rendering them difficult to photocopy.
- Although a spreadsheet is used to track the sale and redemption of gift certificates, this document is maintained by the same person who also prints the gift certificates.

- Gift certificate denominations may be in the form of a dollar amount or a specific Pro Shop charge, such as a round of golf and cart. Pro-Shop Attendants change prices in Golf Gopher for such items as green fees or cart rentals to match the dollar amount of the gift certificate.
- Redeemed gift certificates are shredded by the Management Analyst; consequently, destroying the only available supporting evidence and audit trail.
- There are no controls in place to associate the redemption of a gift certificate with the sale of the certificate.

Risks

Without appropriate internal controls and formal written procedures in place to guide Golf Activities Attendants, gift certificates are susceptible to manipulation by employees and/or photocopy by patrons without detection. Thus, it reduces the amount of revenue collected by the City.

Recommendations

Golf Operations Management should facilitate the implementation of debit gift cards, eliminating the need to create gift certificates all together. A thorough evaluation should be performed to determine whether the gift cards should be sold at all golf courses, or continue to be sold only at Brackenridge. This would involve measuring the demand for gift cards at all courses.

In the meantime, Golf Operations Management should track the sale and redemption of all gift certificates in Golf Gopher where a complete reconciliation can be performed at any given time. Certificates should be sequentially numbered and contain a feature that prevents them from being easily photocopied. A finite inventory of certificates should be created and maintained in a secure location. The inventory should be counted by Golf Operations Management and reconciled to the number of certificates sold and redeemed in Golf Gopher. Redeemed golf certificates should be stamped VOID and filed in Golf Operations offices to satisfy City record retention policies and also provide support documentation for future reconciliations.

8. Junior punch card sales and usage is not adequately tracked

There are two types of Junior punch cards sold at the golf courses: one costs \$60.00 and is good for 12 18-hole golf rounds and the other costs \$25.00 and is good for 10 rounds of par three golf or medium baskets of range balls. Cards are printed at a local printer and unused stock is maintained at the Golf Operations Administrative Offices at Brackenridge Park.

Observation

When a Junior punch card is purchased, the full purchase price is entered into Golf Gopher. As the card is used, the "Junior Punch card use" key is rung up in Golf Gopher with a zero dollar amount. However, it was noted that the unique identifying number (i.e., sequential number) for each card is not documented in Golf Gopher for tracking purposes. Thus, the use of the cards cannot be monitored.

Although punch cards are sequentially numbered and a manual log is maintained by each golf course to track sales, the log is not used to track usage. In addition, it was noted that the manual log may not be consistently maintained, as evidenced in **Exhibit 8** by the differences between sales recorded in Golf Gopher and the manual log.

**Exhibit 8 – Discrepancies between Golf Gopher and the Punch Card Manual Log
 Fiscal Years 2006 and 2007***

Total Dollar Value of Junior Punch Cards Sold						
Golf Course	18-Hole Cards			Range/Par 3 Cards		
	Golf Gopher	Manual Log	Difference	Golf Gopher	Manual Log	Difference
San Pedro	N/A	N/A	N/A	\$ 5,285	\$ 5,125	\$ 160
Olmos Basin	\$ 4,200	\$ 3,000	\$ 1,200	N/A	N/A	N/A
Brackenridge	12,295	6,540	5,755	N/A	N/A	N/A
Cedar Creek	7,440	1,380	6,060	3,275	750	2,525
Mission Del Lago	3,095	2,820	275	5,625	5,450	175
Riverside	<u>550</u>	<u>420</u>	<u>130</u>	<u>200</u>	<u>225</u>	<u>(25)</u>
Total	<u>\$27,580</u>	<u>\$14,160</u>	<u>\$13,420</u>	<u>\$14,385</u>	<u>\$11,550</u>	<u>\$2,835</u>

* FY 2007 includes the first three months only (October, November and December of 2006)

Risk

If the sale and usage of Junior punch cards is not adequately tracked or monitored, there is a risk that cards may be misappropriated, resulting in loss of revenue to the City. An example would be that a punch card is used more than its allowable number of times.

Recommendation

Golf Operations Management should track the sale and use of punch cards by its unique identifying number, thus, ensuring that cards are only used the allowable number of times.

In addition, punch card inventory maintained by each golf course should be periodically reviewed by Golf Operations Management and reconciled to sales recorded in Golf Gopher. A similar reconciliation of punch card inventory should be performed for those maintained at the Administrative Offices that are pending distribution to the individual golf courses.

ATTACHMENT A ENTERPRISE RISK ASSESSMENT MATRIX

Technology Capabilities

Stage	Integration	Enhancements	Security
Ad Hoc	Limited, <i>stand-alone</i> systems and technology.	System and technology <i>enhancements</i> are rarely done unless they crash or are proven to be obsolete.	Lax to nonexistent technology infrastructure throughout the company for physical and logical <i>security</i> .
Repeatable	Viable, but <i>non-interfacing</i> systems and technology.	System and technology <i>enhancements</i> consistently trail business needs.	Limited technology infrastructure, resulting in inconsistent application of physical and logical <i>security</i> across the company.
Defined	Systems and technology are adequate to meet most of the company's current business needs, but most do not <i>interface</i>.	System and technology <i>enhancements</i> are typically reactive to business changes, but are implemented timely.	A formal technology infrastructure exists company-wide, but some physical and logical <i>security</i> exposures exist in certain areas.
Managed	Systems and technology are mostly <i>integrated</i> , effectively meeting most current business needs, and should be adequate in the near-term.	System and technology <i>enhancements</i> are planned to be proactive, and are generally implemented effectively.	A sound and formal technology infrastructure exists, and physical and logical <i>security</i> is generally effective throughout the company.
Optimized	Fully <i>integrated</i> systems and technology effectively enable the business and are generally considered a competitive advantage.	Systems and technology are <i>continuously improved</i> to maintain the competitive advantage.	A strong technology infrastructure exists, with best practice physical and logical <i>security</i> procedures operating throughout the company.

Processes Capabilities

Stage	Procedures	Controls and Process Improvements	Metrics
Ad Hoc	No formal <i>procedures</i> exist.	<i>Controls</i> are either non-existent, or are primarily reactionary after a "surprise" within the company.	There are no <i>metrics</i> or monitoring of performance.
Repeatable	Some standard <i>procedures</i> exist.	Detective <i>controls</i> are relied upon throughout the company.	Few performance <i>metrics</i> exist, thus there is infrequent monitoring of performance.
Defined	<i>Procedures</i> are well documented, but are not regularly updated to reflect changing business needs.	Both preventive and detective <i>controls</i> are employed throughout the company.	Some <i>metrics</i> are used, but monitoring of performance is primarily manual.
Managed	<i>Procedures</i> and <i>controls</i> are well documented and kept current.	Best practices and benchmarking are used to <i>improve</i> process in certain areas of the company.	Many <i>metrics</i> are used, with a blend of automated and manual monitoring of performance.
Optimized	<i>Processes</i> and <i>controls</i> are continuously reviewed and <i>improved</i> .	Extensive use of best practices and benchmarking throughout the company helps to continuously <i>improve</i> processes.	Comprehensive, defined performance <i>metrics</i> exist, with extensive automated monitoring of performance employed.

Source: Auditor's Risk Management Guide: Integrating Auditing and ERM by Paul J. Sobel, CPA, CIA