City Auditor's Office

Coral Oaks Prior Audit Recommendation Follow-Up Audit

Report Issued: April 20, 2023

Audit Report No. 23-01

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TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: April 20, 2023

SUBJECT: Coral Oaks Prior Audit Recommendation Follow-Up Audit

The City Auditor's Office has completed the audit of the recommendations from prior audits, 19-01 Coral Oaks Operations and 22-01 Coral Oaks Cash Processes. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our appreciation to the Parks and Recreation Department management and Coral Oaks staff for the courtesy and cooperation extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380.

C: Michael Ilczyszyn, Interim City Manager
Connie Barron, Assistant City Manager
Dolores Menendez, City Attorney
Kimberly Bruns, City Clerk
Joe Petrella, Parks and Recreation Director
Mark Mason, Financial Services Director
Allen Manguson, Golf Professional Manager
Audit Committee

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EXECUTIVE SUMMARY

The City Auditor's Office conducted a limited scope follow-up audit of prior recommendations from the two previous audits conducted of Coral Oaks Golf Course; 19-01 Coral Oaks Operations audit issued May 22, 2019, and 22-01 Coral Oaks Cash Processes audit issued June 13, 2022. This audit was included in the City Auditor's FY23 approved Audit Plan.

Based on the test work performed and the audit recommendations noted below, we concluded that Coral Oaks has not properly implemented all prior audit recommendations. See Appendix A for all prior audit findings and implementation status. We noted several different levels of implementation for the recommendations that can be categorized as follows:

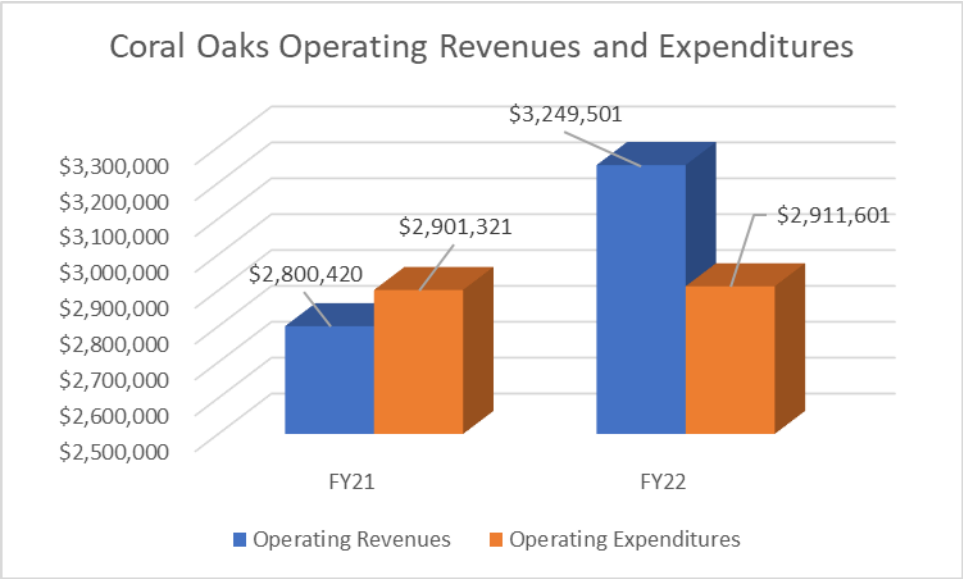
- Not Implemented - Information was provided by Coral Oaks management to indicate implementation but policies and procedures were not actually followed or put in place. Controls are not in place to mitigate risks.
- Partially Implemented - Some of the recommendation was implemented. Partial controls are in place; however, procedures to improve controls and mitigate risks were not completely implemented.
- Fully Implemented - Recommendation fully and properly implemented and controls are in place to mitigate risks.

Based on our review we developed additional findings to assist Parks and Recreation with properly implementing the prior recommendations. For further details on these findings and recommendations, see the Findings and Recommendations section.

Our audit identified numerous instances where controls exist but were not properly followed indicating the need for improved management at the golf course. Due to the limited scope of the audit, we cannot opine on the existence of material weaknesses because of these deficiencies.

BACKGROUND

Coral Oaks Golf Course, a division of the City's Parks and Recreation Department, is an 18-hole, Arthur Hills designed, championship course built within a century old oak hammock. In addition to the par 72 course, the facilities at Coral Oaks include a driving range, pro shop, and full-service restaurant and bar. Coral Oaks offers golf school, golf clinics, and private lessons by PGA professionals.



Source: Financial Services Department

The City Auditor's Office previously issued two performance audits of Coral Oaks, an audit of golf course operations and an audit of golf course cash handling processes. As a result of these audits, we identified various opportunities for process improvement which we presented in our findings. We made recommendations based on these findings to assist Coral Oaks with improving controls to mitigate identified risks. We performed limited procedures to assess the status of all recommendations from the two audits We considered many of these recommendations closed because their anticipated completion date for implementation had passed. It is important for City facilities, such as Coral Oaks, to operate as efficiently and transparently as possible to make the best use of limited resources.

AUDIT OBJECTIVE

To provide assurance that Coral Oaks Golf Course has properly implemented audit recommendations from the two previously conducted audits.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

FINDING 2023-01 Key Performance Indicators and Financial Information Reporting to Golf Course Advisory Board Need Improvement

Rank: High

Condition:

Reporting Overall

As a result of the 2019 Golf Course Operations Audit, there were recommendations for improvements to key performance indicator metrics and financial reporting. To determine if the recommendations were implemented properly and updates or changes were still in place, we reviewed support for the 9/28/2021 report from the Golf Course Advisory Board (GCAB) meeting. Overall, we noted many of the assertions included in the report were unsupported and the support kept on file is unorganized and contains offline, undocumented calculations. Although the audit scope covered FY21, FY22, and FY23 through December 2022, and according to the board requirement to meet every other month, we noted only nine, out of possible 12, financial update reports were available.

GCAB reporting is not consistent over reporting periods. From the nine reports completed, we performed a cursory review of the 11/24/2020 and the 11/29/2022 reports. Both reports were generated after the 2019 audit was issued on 5/22/2019. Although the reports were for similar time periods, approximately two years apart, the format and presentation of information was inconsistent due to no standardization for reporting. The 11/24/2020 report did not include period to period comparison, detail breakout of revenue sources, or round yield tables that were included in the report completed for the similar period, two years later. Section 4.B. Financial Update of the 11/24/2020 report includes labels for three totals: FY20 GL Summary Total Revenue; FY20 RecTrac Revenues - Sales Tax; and FY19 RecTrac Revenues - Sales Tax. The FY20 GL Summary line does not contain totals and there is no explanation of the difference between the GL Summary Total Revenue and the RecTrac Revenues - Sales Tax.

Key Performance Indicators and Benchmarks

As part of the 2019 audit, we recommended Coral Oaks report its key performance indicators in comparison to industry standards. During the current audit, the Golf Professional Manager (Golf Pro) indicated the metrics identified in our 2019 report were geared more towards private courses; however, our recommendation was to develop and implement benchmarks. We did not instruct which benchmarks to use. The selection of what benchmarks to use was left to the Golf Pro's discretion and what would best present an accurate picture of operations for the course. While Coral Oaks does include metrics for fees, rounds played, and round yield in some reports, they do not include what their benchmark is, as recommended, or a comparison of their metrics to these industry benchmarks. For example, on the 9/28/2021 report to the GCAB, Section 4.A. State of the course, fees for July 2021 are compared to July 2020 with dollar and percent differences, but there is no comparison to a benchmark.

An excerpt from the 9/28/2021 GCAB report states:

> *"Coral Oaks Golf rounds will exceed 58,000 for the first time since FY14, Coral Oaks will produce record revenues for FY21, our current YTD revenue thru September 20 is $2,770,219. This is with sales tax deducted. This portrays a winning facility and the Top Market Share in Cape Coral."*

When we reviewed the support provided for the revenue amount included in the statement above, we noted the report provided from RecTrac was as of 9/30/2021. Total revenue as of 9/30/2021 was $2,883,679, which does not support the total in the report dated 9/28/2021 because the report information was as of 9/20/2021. It appears the report run to generate the total revenue as of 9/20/2021 was not maintained in hard copy or electronically. In addition, the statement of "This portrays a winning facility and the top market share" is not supported because there was no data provided to indicate what the market share was, what percent of the market share belongs to Coral Oaks, and what the benchmark was to consider the portrayal of a winning facility.

Sponsorship Agreements

In section 4.A. State of the course on the 9/28/2021 report:

> *"Coral Oaks manager has negotiated agreements with multiple companies to ensure $21,500 in sponsorships for the upcoming City Championship."*

While a spreadsheet was provided that reflected sponsorships and donations totaling $23,000, there were no copies of signed agreements available. The Golf Pro provided copies of undated, unsigned proposals. The Golf Pro stated he received signed copies; however, none were available in Coral Oaks records or from the individuals who sponsored or donated items. Two of the donations listed were for donations in kind for beer kegs and a Club Car golf cart. No documentation was provided to support the details of these donations in kind.[1]

Rounds and Revenue and Expenditure Reporting

Rounds are reported for the month for current and previous year and include percent changes. We reviewed the July and August 2021 round data which was accurately supported by the Rounds Reports provided. Revenues for greens fees, cart rental fees, annual pass card, pro shop merchandise, and Knickers Pub are separately reported in similar fashion with a comparison to the prior year and include a dollar difference and percent difference for each category. There is also a total row included in the charts; however, the presentation is confusing because although it's listed at the bottom of the chart, it is not the total of the amounts above but rather a total of all revenues from RecTrac. There is no indication of why the amounts mentioned are reported separately or why certain amounts are only included in the total reported. The chart is confusing as the row should be labeled Total Revenues for the Period or Total Revenues for all operations. It is important to note, none of the reports selected for testing contained any expenditure data for golf course operations. A complete picture of golf course operations is not reflected when only revenues are presented.

[1] Special Events, a division of Parks and Recreation like Coral Oaks, has a detailed sponsorship agreement and procedures that includes a policy for donations in kind for special events sponsored by the City.

Miscellaneous Errors
As part of the review of the GCAB reports, we attempted to agree selected amounts from the reports to supporting documentation. We identified three amounts that did not agree to the support provided. Because these items were included in dollar and percent calculations, those amounts were also incorrect. A review of the report and data prior to issuance would help to identify errors.

Round Yield Calculations
The 9/28/2021 report included Round Yield tables for July and August. The methodology for calculating the yield and the source reports is not formally documented. The Golf Pro provided a high-level methodology after requested; however, there was not enough detail included to allow for verification of totals and calculations. We noted that the table included labels for "Total Facility Revenue - Tax Deducted" two times, but different totals were presented on the report and used in the calculation for yield. We determined the difference was due to the deduction of both taxes and annual green fees. Although we were eventually able to verify the totals for the revenue figures, it would be beneficial to report users to update row labels to correctly reflect exactly what the figures represent. For example, a clearer label for the amount would be "Golf Only Revenue - Tax and Annual Green Fees Deducted."

Criteria:
- Formal finalized policies and procedures for data gathering and external reporting
- Defined process for key performance indicators, benchmarking, and external reporting including what metrics will be reported on a regular basis to GCAB/City
- 19-01 Parks and Recreation Coral Oaks Golf Course Operations Audit
    - Finding 2019-04 Key Performance Indicators
    - Finding 2019-05 Knickers Pub Operations

Cause:
- Failure to implement prior audit recommendations
- Failure to continue process changes as recommended from prior audit (Recommendations 19-04 a, b, c, and 5b)[2]
- Confusing/undocumented process for data gathering
- Supporting documentation used for GCAB reporting is not maintained
- Lack of review for accuracy prior to report distribution

Effect:
- Lack of transparency of golf course operations
- Inaccurate reporting
- No defined key performance indicators/benchmarks

[2] Recommendation 2019-04a was to utilize RecTrac and convert to Excel to assist in analysis. RecTrac data is used but it is not in Excel. This recommendation is partially implemented.

RECOMMENDATIONS:

2023-01a: Develop and formally document key performance indicators to ensure management and stakeholders have adequate information to evaluate golf course operations including Knickers Pub. Key performance indicator documentation must include performance metrics used, define the methodology used to calculate the metrics, set target goals for operations associated with metrics, and provide a comparison and explanation for performance in comparison to metrics. (See Prior Audit recommendation 2019-04b; 2019-05b)

2023-01b: Standardize reporting to provide clear, concise, and comparable data for review and analysis by report readers and stakeholders and report on a regular basis even if the GCAB is not meeting. (See recommendation 2019-04c)

Management Response and Corrective Action Plan:

2023-01a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-01a A dedicated administrative specialist from our business unit (Business Manager) will work closely with golf course management and the director of parks and recreation to identify key performance indicators that clearly define the methodology to calculate, setting targe goals and providing comparable comparisons in the industry. Procedures will be developed that document the methodology for obtaining KPI data. Supporting data will be maintained electronically for ease of verification of reported data.

2023-01a **Management Action Plan Coordinator:** *Parks and Recreation Director*

2023-01a **Anticipated Completion Date:** 05/31/2023

2023-01b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-01b A dedicated administrative specialist from our business unit will work closely with golf course management and the director of parks and recreation to develop a standardized reports that are issued on a monthly basis. Procedures will be developed that document the methodology for obtaining KPI data

2023-01b **Management Action Plan Coordinator:** *Parks and Recreation Director*

2023-01b **Anticipated Completion Date:** 5/31/2023

FINDING 2023-02 Cash Handling Policies and Procedures Still Need Improvement

Rank: High

Condition:
As a result of the 2022 Coral Oaks Golf Course Cash Process Audit, there were recommendations for improvements to cash handling which included deposit processing and drawer close out processes. To determine if the recommendations were implemented properly and updates or changes were still in place, we performed tests on a sample of deposits and daily over and shorts for the Pro Shop and Knickers Pub Restaurant (Knickers). We also reviewed monthly audits and assessments performed by the Financial Services Department.

City Cash Handling Policies and Procedures Manual (Cash Manual) documents the guidelines and establishes procedures for City employees for the proper handling of cash and cash equivalents and appropriate segregation of duties. All employees who handle cash receive City cash handling training. In addition, Financial Services performs monthly reviews of Coral Oaks cash processes and details the results in its Monthly Audits and Assessments reports.

Deposits
We reviewed a sample of eight deposits, four from the Pro Shop and four from Knickers. We noted improvement in the processing of deposits; however, within our sample of deposits we noted the following exceptions:

- Two instances (25%) of the population were missing the required initials/signatures.
- Two instances (25%) were missing the required Cash Journal Report.
- One instance where it appeared a $22.37 a check was not deposited; however, the cashier entered an incorrect pay code. The deposit difference was not investigated or resolved at the time of the deposit.

These instances represent noncompliance with the Cash Manual.

Cash Overage or Shortage
The Cash Manual defines the procedures employees are required to follow when handling cash overage and shortage situations. According to the Cash Manual, an overage is defined as when a cash handler has collected too much money and cannot immediately return the excess to a specific customer. A shortage is an unintentional collection error such as a change making error and the cash register drawer is short. The RecTrac system produces an “End of Shift Change Report” that identifies these differences.

We reviewed the December 2022 End of Shift Change Report for the Pro Shop and Knickers. The Pro Shop had 21 out of 102 (21%) instances where the cash drawer, at time of close out, had either an over or short. Knickers had 50 out of 109 (46%) instances where the cash drawer, at close out, had a variance to register receipts[3]. 29 of the 50 (58%) instances are associated with nonspecific user IDs “207 Beverage Cart” and “208 Rolling Bar”. These IDs are generic and are not assigned to individual employees. This is a violation of ITS policies and procedures IT-DSS05.04 User Account Management, and DSS05.04 Password Policy. We previously

[3] Drawers are closed out with shift changes so there will be more than one close out per register per day. There were 211 closeouts for the month of December 2022 for both Knickers and the Pro Shop.

issued Finding 2022-02 Noncompliance with ITS Policies and Procedures, which recommended every user be assigned an individual login to be able to accurately track cash handling. This audit was a result of improper cash handling and possible theft; however, because there was no enforcement of individual logins, the ability to clearly identify individuals suspected of theft and the suspected theft was severely hampered.

We requested documentation to support investigation of differences as required by the Cash Manual; however, no documentation was attached to the deposits. The Pro Shop and Knickers managers only provided limited explanations and some supporting documentation after our request to indicate these over or shorts were investigated. The information provided was not in compliance with City policy and the differences were not corrected. According to the Cash Manual, it is the cash handler's responsibility to identify discrepancies and take appropriate corrective action. If the cash handler cannot determine the discrepancy themselves, the supervisor is to assist in the investigation and resolution. According to the Cash Manual, there is a zero-dollar difference allowed and repeat offenders may be subject to disciplinary action.

Monthly Audits and Assessments

Financial Services performs monthly audits and assessments to evaluate Knickers and the Pro Shop cash handling practices and provide an opportunity to discuss any cash handling issues or concerns. We selected the July, August, and December 2022 assessments to review.

Below are highlights of some issues, concerns, and recommendations Financial Services noted as a result of the review in their assessments.

- Key left in cash drawer in Knickers because issues with opening and closing the cash register drawer.
- Side/back door unlocked to Knickers where cash is counted.
- Change bag $9.00 short because the prior Knickers supervisor left without reconciling the difference.
- Issues with printer for printing cash journals.
- Knickers Supervisor not always present during Knickers' hours of operation.
- Suggest making all Knickers starting drawer counts the same. There are different starting counts for beverage/roll bar versus register drawer.

Financial Services also included the following recommendations in their monthly assessments.

- Have the Golf Course Administrative Assistant assist with preparing deposits.
- Create a policy for all supervisors to sign-off on all cash drawers, bags, and the safe before they leave their position.
- Addition of a full-time Knickers staff member that works the hours Knickers is open. Currently the Knickers manager leaves approximately 4 hours prior to closing.
- Keep side/back door always locked from outside. Change the type of lock if necessary.

Criteria:

- City of Cape Coral Cash Handling Policies and Procedures Manual
- Job Descriptions
- ITS Policies
    - IT-DSS05.04 - User Account Management

    - DSS05.04 - Password Policy
- City Inventory Management Policy for Cost Recovery Facilities- V. Policy (door locks)
- 22-01 Coral Oaks Golf Course Cash Process Audit
    - Finding 2022-02 Noncompliance with ITS Policies and Procedures
    - Finding 2022-03 Coral Oaks Cash Handling Policies and Procedures need to be better aligned with the City's Cash Handling Policies and Procedures
- 19-01 Parks and Recreation Coral Oaks Golf Course Operations Audit
    - Finding 2019-02 Cashier Policy and Procedures

Cause:

- Failure to continue process changes as recommended from prior audit (Recommendations 2022-02,2022-03 and 2019-02a)
- Noncompliance with Cash Manual
- No supervisors onsite at the end of shift

Effect:

- Potential cash theft
- Improper management
- Potential inaccurate cash deposits

RECOMMENDATIONS:

2023-02a: Fully comply with the City's Cash Handling Policies and Procedures Manual. (See prior recommendation 2022-03)

2023-02b: Implement recommendations from Financial Services Monthly Audit and Assessments.

2023-02c: Fully comply with ITS User Account and Password Policy requirements for user IDs. (See prior recommendation 2022-02)

Management Response and Corrective Action Plan:

2023-02a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-02a All staff at Coral Oaks who handle cash will be provided a City Cash Handling Policies and Procedures Manual and must sign off that they have read and understand the manual. Internal department audits will be conducted by an Administrative Staff member from Central Office (Senior Customer Service Representative) on a regular basis (once every two weeks to start).

2023-02a **Management Action Plan Coordinator:** *Parks and Recreation Director*

2023-02a **Anticipated Completion Date:** 05/31/2023

2023-02b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-02b Management and staff will work with Coral Oaks to implement financial services recommendations to provide better controls
2023-02b **Management Action Plan Coordinator:** *Parks and Recreation Director*
2023-02b **Anticipated Completion Date:** 05/31/2023

2023-02c Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-02c All RecTrac user accounts will be reviewed to ensure individual logins are provided to each staff member. All generic user-ids will become inactive. The Parks and Recreation Business Systems Analyst will review this quarterly. We will also speak with Vermont Systems and ITS to determine if they are using each other's log in credential to access the system.
2023-02c **Management Action Plan Coordinator:** *Parks and Recreation Director*
2023-02c **Anticipated Completion Date:** 5/1/2023

FINDING 2023-03 Tournament Documentation Still Needs Improvement
Rank: High

Condition:
As a result of the 2019 Golf Course Operations audit, there were recommendations for development of comprehensive policies and procedures. To determine if the recommendations were implemented properly and updates or changes were still in place, we requested a listing of tournaments during the scope of our audit.

Private Tournaments
Coral Oaks has several policy and procedures documents that provide guidance on tournament refunds and rates; however, other than the Tournament Outing Contract (Contract), implemented as a result of the 2019 audit, no policies and procedures exist to clearly state required documentation for a tournament or how to reconcile the event. The following documentation should be obtained prior to the tournament; a signed Tournament Outing Contract; calculation of potential costs; a tax exemption form; and deposit receipt. Paperwork should be reviewed prior to the event, to ensure accuracy, completeness, and request any outstanding items. After the event, a reconciliation should be performed to properly account for the event and ensure all fees were collected and update any changes to fees or costs.

We reviewed a sample of four tournaments on the list provided by the Golf Pro. We noted that one tournament did not have a Contract or any other documentation on file. When we inquired on this situation, the Golf Pro stated that because the tournament was held during normal tee times and did not include lunch, documentation was not required; however, there is no policy or procedures that state how to treat a tournament held during normal hours without lunch. The Contract includes details for tournament fees, expenses, and any special circumstances, such as no food or beverage.

The other private event reviewed had some supporting documentation attached, including a cost spreadsheet, but we noted inconsistencies between the spreadsheet and what actually occurred. The cost spreadsheet indicated the purchase of $620 in gift certificates by the organization hosting the tournament. We were unable to determine if the gift certificates were purchased because the final tournament receipt did not show an amount paid for the certificates, and there is no final reconciliation completed to properly account for all tournament revenues and expenses.

City Championship

We also selected one City Championship in our sample. City Championships are sponsored by Coral Oaks and supporting partners such as local businesses. As part of the testing, we reviewed the tournament documentation. Although the Golf Pro provided a significant amount of documentation, it was disorganized, lacked support, and did not include a post tournament reconciliation.

Reconciliation procedures provided are vague and only state the Golf Course Manager and RecTrac liaison will compile and review reports for the City Championship. We noted the following items:

- Amounts included as support for one tournament had different amounts listed for tips on different documents. The spreadsheet with potential costs indicated $3,715 in gift certificates; however, there was no documentation provided to support these gift certificates were awarded to tournament participants.
- There was a line item on the spreadsheet for "Golf Professional Payout" totaling $2,825. Based on the information received we were unable to determine what this amount was for or who it was paid to.[4]
- Tracking and reconciliation of donations for tournaments needs improvement. There was no support provided to demonstrate who made the donation or the amounts.[5]

Criteria:

- City Championship Distribution and Reconciliation Policies and Procedures
- Tournament Outing Contract
- Tournament Fee Collection Policies and Procedures
- Rate Policy and Procedure
- Tournament Refund Policy and Procedure[6]
- 19-01 Parks and Recreation Coral Oaks Golf Course Operations Audit
    - Finding 2019-01 Tournament Process

[4] Additional information was provided after review and supports that tournament documentation is disorganized and there are no formal policies and procedures.

[5] See Finding 2023-01 Performance Metric Reporting needs improvement for further information on donation information.

[6] These documents are not located in one manual/file but exist as separate Word documents.

Cause:

- Failure to continue process changes as recommended from prior audit (Recommendation 2019-01a)
- Policies and Procedures do not include requirements for tournament documentation and reconciliation processes
- Documentation for tournament scheduling is disorganized
- No post tournament reconciliation procedures

Effect:

- Inaccurate revenue and expense reporting for tournaments
- Inaccurate accounting of tournament donations
- Potential loss of tournament revenue

RECOMMENDATIONS:

2023-03a: Create tournament policies and procedures that document the process and documentation requirements for tournaments. (See prior recommendation 2019-01a)

2023-03b: Work with ITS to develop automated procedures for tracking tournament information in RecTrac.

Management Response and Corrective Action Plan:

2023-03a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-03a Management and staff will work with Coral Oaks staff to create a tournaments policy and procedures manual that covers all aspects of hosting a tournament at Coral Oaks Golf Course. Reviewing this with our budget analyst we will need to be sure to track all aspects of tournament operations consistently and within proper standard.

2023-03a Management Action Plan Coordinator: *Parks and Recreation Director*

2023-03a Anticipated Completion Date: 07/31/2023

2023-03b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-03b Management and staff from our business services division will work with Coral Oaks staff to develop an automated procedure for tracking tournament information in Rec-Trac when applicable.

2023-03b Management Action Plan Coordinator: *Parks and Recreation Director*

2023-03b Anticipated Completion Date: 07/31/2023

FINDING 2023-04 Inventory Processes Still Need Improvement
Rank: High

Condition:
As a result of the 2019 Golf Course Operations audit and the 2022 Golf Course Cash Process audit, there were recommendations for improvements to inventory management. To determine if the recommendations were implemented properly and still in place, we reviewed current policies and procedures with supporting inventory reports from October 2022 through January 2023.[7]

Financial Services created "Inventory Management Policy For Cost Recovery Facilities" which went into effect on October 26, 2022. The policy documents inventory management procedures for the golf course and includes specific procedures for monitoring and reviewing inventory on hand at the Pro Shop and Knickers. According to the policy, the Pro Shop and Knickers are required to perform monthly inventory counts. In order to assess compliance with the policy, we reviewed available inventory documents for the Pro Shop and Knickers.

Pro Shop
The Pro Shop Manager provided inventory reports for October 2022 through January 2023. Three of the four reports did not contain inventory count sheets as required supporting documentation. Inventory count sheets provide clear documentation to indicate who performed the count and identifies variances in actual inventory to inventory as recorded in RecTrac.

Knickers
The Restaurant Supervisor provided inventory reports for October 2022 through January 2023. None of these reports contained inventory count sheets as required supporting documentation. In addition, new procedures require Knickers to perform a weekly manual inventory on food items sold utilizing a count sheet from RecTrac. Knickers provided weekly reports for the period in an Excel spreadsheet, not the required count sheet from RecTrac. The weekly inventory counts provided did not indicate who completed the count or when the count was performed. We noted during review of the monthly and weekly inventory counts that the reports still do not accurately reflect actual inventory on hand as we previously noted in the 22-01 Cash Process Audit.

Knickers also operates the rolling bar and beverage cart. Finding 2022-04 from the 22-01 Cash Process Audit recommended the establishment of automated "live" inventory adjustments utilizing RecTrac. Parks and Recreation purchased iPads; however, the golf course did not coordinate with the ITS department to set up the automated inventory process with iPads. The inventory process is still manual.

Criteria:
- Inventory Management Policy For Cost Recovery Facilities
- 22-01 Coral Oaks Golf Course Cash Process Audit
    - Finding 2022-04 Improvement needed for controls over inventory management

[7] The January 2023 inventory report, although out of our audit scope, was requested because the implementation date for the policy was 10/26/2022.

- 19-01 Parks and Recreation Coral Oaks Golf Course Operations Audit
    - Finding 2019-05 Knickers Pub Operations

Cause:

- Failure to continue process changes as recommended from prior audit (Recommendations 2022-04a, 04b, and 04c)
- Failure to implement recommendation 2019-05a[8]
- Non-compliance with Inventory Management Policy For Cost Recovery Facilities

Effect:

- Inaccurate inventory, cost of goods sold, expense and gross profit
- Mismanagement of inventory

RECOMMENDATIONS:

2023-04a: Perform inventory counts in accordance with Inventory Management Policy For Cost Recovery Facilities. (See prior Recommendation 2022-04a)

2023-04b: Implement automated inventory in accordance with recommendation 2022-04c for the rolling bar and beverage cart. (See prior Recommendations 2022-04c)

Management Response and Corrective Action Plan:

2023-04a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-04a Administrative staff will work closely with Coral Oaks Management Staff to develop an inventory management system that is in accordance with the Inventory Management Policy.

2023-04a **Management Action Plan Coordinator:** *Parks and Recreation Director*

2023-04a **Anticipated Completion Date:** 12/31/2023

2023-04b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-04b I-Pads have been purchased for use by the rolling bar and beverage cart. Unfortunately Pay-trac is a necessary Rec-Trac module that needs to be added to our software system in order to meet the recommendation. Administration plans on adding this module in FY2024 to ensure compliance. Administrative staff will work on setting up the system and training in utilization of the I-Pads and software module with Coral Oaks staff members. Staff from Parks and Recreation central office (Business Systems Support Analyst) will work on conducting audits at random points in the interim.

[8] Finding 2019-05a was partially implemented. Knickers is utilizing RecTrac but rolling bar/beverage cart is manual.

2023-04b Management Action Plan Coordinator: *Parks and Recreation Director*
2023-04b Anticipated Completion Date: 12/31/2023

FINDING 2023-05 Golf Lesson Tracking and Supporting Documentation Needs Improvements
Rank: High

Condition:
As a result of the 2019 Coral Oaks Golf Course Operations Audit, there was a recommendation to utilize online scheduling for golf lessons to improve accountability and ensure lessons are properly recorded in RecTrac. To determine if the recommendation was implemented properly, we performed reviews of individual golf lessons, including golf schools. Coral Oaks employs five individuals who provide lessons. There are Golf Lesson Fee Split Memorandum of Understanding (MOU)/Agreements (Agreements) in place that specifically state the number of lessons an individual is allowed to teach per week, including a four-hour limit, and the fee split percentage. According to the Agreements, failure to abide by the four-hour limit can result in disciplinary action up to and including discharge.

Individual Lessons
Individual lesson scheduling changed at some point between calendar year 2021 and 2022 from recording lessons in a registration book[9] to utilizing employees' Microsoft Outlook calendars. As part of our audit testing, we requested the calendars for April 2022 and March 2023[10], and the supporting documentation for two individuals who have an agreement to provide lessons. Support included emails and RecTrac receipts; however, it was difficult to verify the calendar information to support because receipts were unsigned or did not have participant names, and calendar information did not directly agree to the receipt. In addition, it was difficult to determine if the information on the Outlook calendar was for a golf lesson.

We requested individual lesson receipts for April 2022 for one Golf Professional. We were provided with only four receipts even though the calendar appeared to have between nine to thirteen individual lessons. We were unable to determine if this was a complete population because calendar entries show only a name and phone number with limited to no additional information. We noted two (50%) of the receipts were unsigned and none of the RecTrac receipts had individual names recorded in the "daily guest name." This field showed a generic name of "Zzzhousehold." Utilizing the Outlook calendar for recording lessons and Golf School instruction is inadequate because of the lack of information entered in the calendar. We were unable to verify Coral Oaks staff compliance with the four-hour limitation for lessons because of the information and the way it was provided. We were also unable to verify if all the individual participant payments were properly logged into the RecTrac system based on the receipt documentation received.

[9] The hard copy lesson registration book was provided and although the Golf Pro stated change was made in early 2021, we noted dates in the book throughout calendar year 2021 up to mid-2022.
[10] Although outside of our audit scope we wanted to review the schedule in progress. We requested this at the end of February so as to obtain the most current schedule.

Golf School
Golf School lessons are group lessons provided over a period of two weeks and are booked through the RecTrac system. Participants have the ability at time of registration to pay the amount due through RecTrac or pay in person at the Pro Shop counter on the day of Golf School. The RecTrac "Activity Roster Fees Report" documents the students name, date, time, location of lessons, maximum attendees, enrolled attendees, waitlist, enrollment status, amount due, and amount paid. A final packet is prepared by the Golf Professional Manager at the end of each Golf School session. This packet is used to reconcile all attendees, payments, and fee split percent. We requested supporting documentation for the two Golf Schools held in February 2021 and the one held in April 2022.

Based on our testing we observed the following:

- No final roster and payment confirmation within RecTrac available for the three (100%) packets
- No evidence of external (an individual outside of those providing the school) review or approval for the three (100%) packets. An external review or approval would ensure that Golf School instructors receive the correct fee split percentage.
- Missing receipts
- Receipts without signature
- Canceled attendee with no supporting documentation other than a cross out on RecTrac Report
- Receipt for late attendee addition, but no final roster of attendees available within RecTrac

There is no evidence of a final reconciliation performed to ensure all funds were properly collected and applied before fee split payments to the eligible individuals.

Criteria:

- 19-01 Parks and Recreation Coral Oaks Golf Course Operations
    - Finding 2019-03 Golf Lessons
- Coral Oaks Golf Course Policy for booking and collecting payment for golf schools
- Golf Lesson Fee Split MOU/Agreements

Cause:

- Failure to continue process changes as recommended from prior audit (Recommendation 2019-03c)
- Poor record keeping
- Limited use of RecTrac for recording transactions and record keeping
- Noncompliance with Golf Lessons Fee Split Agreement
- Lack of defined policy and procedures regarding golf lesson processes and record keeping

Effect:

- Inaccurate reporting of lessons and golf schools
- Potential incorrect fee split payment

RECOMMENDATIONS:
2023-05a: Utilize RecTrac for scheduling, tracking, and reporting of lessons and golf schools. (See prior Recommendation 2019-03c)

2023-05b: Establish an external review and approval process for contractual fee split payments for golf lessons and golf schools.

Management Response and Corrective Action Plan:

2023-05a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-05a Parks and Recreation Administrative Staff will work with Coral Oaks staff on setting up Rec-Trac to meet the recommendation. Meetings have been scheduled to develop a system that can be easily managed and tracked to ensure compliance with agreements set in place for lessons.

2023-05a **Management Action Plan Coordinator:** *Parks and Recreation Director*

2023-05a **Anticipated Completion Date:** 06/30/2023

2023-05b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2023-05b Parks and Recreation Administration will establish a review of lessons scheduled and delivered by contractual staff that will be conducted by staff centrally located in parks and recreation administration. Audits will be randomly conducted central office to ensure all agreements are being adhered to.

2023-05b **Management Action Plan Coordinator:** *Parks and Recreation Director*

2023-05b **Anticipated Completion Date:** 06/30/2023

SCOPE AND METHODOLOGY

Based on the work performed during the planning and the assessment of risk, the audit covers follow up procedures on prior audit recommendations from the two audits, 19-01 and 22-01, for processes and data from FY21, FY22, and FY23 through December 31, 2022. Limited testing was performed utilizing policies and procedures in place during the scope as well as available data and reports from RecTrac.

Original records as well as copies were used as evidence and verified through physical examination. We conducted a walkthrough as part of planning to assess the processes currently in place in comparison to Management's responses and action plans from the prior audits. We also reviewed Financial Services monthly audits and assessments. Sample size and selection were based on the CAO Sample Methodology; however, in many instances due to the timing of testing after audit issuance or recommendation anticipated completion dates, a large population was not available for sample selection. We believe the sample selected allowed for us to make informed judgement on the status of implementation for the prior audits' recommendations. To gain a better understanding of the implementation status of the recommendations, we conducted walkthroughs and discussed processes with Coral Oaks employees. We reviewed records and data and compared to policies and procedures in place. These tests support the objective to assess if recommendations are properly implemented in accordance with prior audit findings and recommendations and also determine if controls are in place to support recommendation status. Judgmental sampling was utilized to select transactions and reports to determine compliance with policies and procedures. Certain selections were made for current reports or documents that although outside of the scope helped to ascertain the present state of processes and controls.

In order to achieve the audit objective, we may have used data from the City's financial accounting system. The information is tested by the external auditors as part of the Annual Comprehensive Financial Report. Based on the results of their procedures, no additional data reliance testing was deemed necessary. We also utilized data from RecTrac. We have tested the data as part of prior audits conducted and deemed it reliable.

Unless specifically stated otherwise, based on our selection methods, and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions for testing, findings, and recommendations on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

APPENDIX A

Finding Number	Finding Name	Recommendation	Implementation Status
2022-01c (existing software)	Cash Handling Policies and Procedures Need Improvement	PARKS AND REC (An individual outside of Coral Oaks) Monitor Coral Oaks employees' on-site compliance with all cash handling policies and procedures. (within existing software)	Not Implemented
2022-04c	Improvement needed for controls over inventory management	Utilize RecTrac to establish automated, live time inventory adjustments, in the restaurant and the beverage carts, to improve efficiencies, reduce errors and provide for appropriate inventory management.	Not Implemented
2019-02b	Cashier Policy and Procedures	Coral Oaks' management should perform, at a minimum, weekly reconciliations of cash journals to cash deposits to identify and address discrepancies.	Not Implemented
2019-03c	Golf Lessons	Utilize online scheduling for golf lessons to improve accountability and ensure lessons are properly recorded in RecTrac. The process should include proper segregation of duties to ensure contract stipulations, if any, are met (e.g. max. 4 lessons per week).	Not Implemented
2019-04b	Key Performance Indicators	Develop performance indicators to ensure management has adequate information to evaluate operations. Management should document performance indicators used, define methodology, and set target goals to meet operating objectives.	Not Implemented
2019-04c	Key Performance Indicators	Monitor performance indicators quarterly, at a minimum.	Not Implemented
2019-05b	Knickers Pub Operations	Monitor performance indicators quarterly, at a minimum.	Not Implemented
2019-06b	Golf Course Rate Methodology and Trans Code Usage in Rec Trac	In conjunction with monitoring performance indicators (see Finding 19-04), analyze monthly revenue data to ensure appropriate rates were charged.	Not Implemented

Finding Number	Finding Name	Recommendation	Implementation Status
2022-02	Noncompliance with ITS Policies and Procedures	Comply with user account and password policy requirements.	Partially Implemented
2022-03	Coral Oaks Cash Handling Policies and Procedures need to be better aligned with the City's Cash Handling Policies and Procedures	Coral Oaks staff should work with Financial Services to update current policies and procedures to provide strong internal controls and procedures that better align with day-to-day operations at Coral Oaks Golf Course. Updates should include a formal over and short threshold, monitoring procedures, and deposit documentation requirements.	Partially Implemented
2019-01a	Tournament Process	Management should develop comprehensive policies and procedures for tournaments that clearly define the tournament process including the methodology for establishing tournament fees, the procedures for recording tournament revenues and processing payments, and the procedures for reconciling City-sponsored tournaments.	Partially Implemented
2019-01b	Tournament Process	With the assistance of the City Attorney's Office, management should develop a standard tournament contract/agreement that clearly defines the tournament fees and policies.	Partially Implemented
2019-02a	Cashier Policy and Procedures	Coral Oaks' staff should comply with all cashier policies and procedures.	Partially Implemented
2019-03b	Golf Lessons	Human Resources Management should develop procedures to define appropriate documentation and authorization needed for supplemental compensation (e.g. teacher/split). In addition, implement internal controls to ensure contracts are in place prior to payroll adjustments for supplemental compensation.	Partially Implemented
2019-04a	Key Performance Indicators	Utilize RecTrac to accurately track performance indicator data and reduce or eliminate manual calculations.	Partially Implemented

Finding Number	Finding Name	Recommendation	Implementation Status
2019-05a	Knickers Pub Operations	Fully utilize RecTrac inventory system for the restaurant operations.	Partially Implemented
2019-06c	Golf Course Rate Methodology and Trans Code Usage in Rec Trac	Implement internal controls to ensure rates are used as intended.	Partially Implemented
2022-01a	Cash Handling Policies and Procedures Need Improvement	FINANCE Oversee the update or addendum of cash handling policies and procedures for areas specific to cash handling at Coral Oaks, such as tip recording, and physical safeguarding of cash assets.	Fully Implemented
2022-01b	Cash Handling Policies and Procedures Need Improvement	FINANCE Monitor Coral Oaks compliance with all Cash Handling policies and procedures to ensure proper procedures are in place for handing cash at Coral Oaks. (i.e., safe log completion and training requirement).	Fully Implemented
2022-01d	Cash Handling Policies and Procedures Need Improvement	FINANCE Update the City Cash Handling Policies and Procedures to define deficient areas such as a time standard for training and safe requirements.	Fully Implemented
2022-01e	Cash Handling Policies and Procedures Need Improvement	PARKS AND REC Parks and Recreation should work with Payroll to develop a process to utilize RecTrac to ensure accurate reporting of all (cash and credit card) tips within employee payroll.	Fully Implemented
2022-04a	Improvement needed for controls over inventory management	Work with Financial Services to develop inventory management policies and procedures to address the physical safeguarding and monthly inventory process.	Fully Implemented
2022-04b	Improvement needed for controls over inventory management	Work with Financial Services and ITS to evaluate the current inventory management system configuration and update as necessary to ensure transactions are properly recorded in the inventory system to allow for accurate capturing and tracking of inventory and sales.	Fully Implemented

Finding Number	Finding Name	Recommendation	Implementation Status
2019-03a	Golf Lessons	Management should evaluate if the number of Pros on staff is necessary and determine if the supplemental compensation is appropriate and in the best interest of the City.	Fully Implemented
2019-06a	Golf Course Rate Methodology and Trans Code Usage in Rec Trac	Develop and document a rate methodology that ensures the rate structure meets operational goals.	Fully Implemented
2022-01c (New System)	Cash Handling Policies and Procedures Need Improvement	PARKS AND REC (An individual outside of Coral Oaks) Monitor Coral Oaks employees' on-site compliance with all cash handling policies and procedures. (With implementation of new software)	Not Valid*

* Recommendation deemed no longer valid as Parks and Recreation communicated, they are no longer looking to acquire new software at this time.

APPENDIX B

Finding Classification
Findings are grouped into one of three classifications: High, Medium or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state or local laws, regulations, statutes or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state or local laws, regulations, statutes or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state or local laws, regulations, statutes or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.