



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

03-11

March 13, 2019

Mrs. Veronica Myers
El Paso County Parks and Recreation Director
6900 Delta Dr.
El Paso, Texas 79905

Dear Mrs. Myers:

The County Auditor's Internal Audit division performed an audit of the Ascarate Golf Course's financial records to determine if internal controls are adequate to ensure proper preparation of the Ascarate Golf Course financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating, compliant and efficient.

The audit report is attached. We tested seven financial controls and three operating controls with a total of 379 samples. There were three findings noted as a result of the audit procedures; one was a prior audit finding. We wish to thank the Parks and Recreation department for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

A handwritten signature in blue ink that reads "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:HM:ya

cc: Mrs. Betsy Keller, County Administrator
Mrs. Norma R. Palacios, Public Works Director



Ascarate Golf Course



EXECUTIVE SUMMARY

BACKGROUND

The Ascarate Golf Course is a 27-hole facility that was designed by architect George Hoffman and has been open for business since 1955. This makes the Golf Course at Ascarate Park one of the oldest golf courses in El Paso. The Golf Course welcomes all golfers from individual tee times to golf tournaments year round. The lighted practice facility and driving range makes it the ideal location to accommodate golfers practice needs. The course also offers a Pro-Shop that is equipped with a wide range merchandise and apparel. The Golf Course is managed by the Pro-Shop supervisor and the PGA Golf Professional. Financial reports are generated from RecWare showing daily transactions on a monthly basis and are accounted for in the County's financial accounting system (Munis). Collections for fiscal years 2016, 2017, and 2018 are illustrated below.



Source: Munis

The audit was performed by Hadi Medina, internal auditor. The most recent prior audit report was issued on February 5, 2018.

AUDIT OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to the Ascarate Golf Course's financial reports. Following are the business objectives and related control assessments.

Business Objective	Control Assessment
1. Functioning appropriate Pro-Shop inventory controls	Needs Improvement
2. Proper handling and controls of gift certificates	Satisfactory
3. Functioning appropriate cash controls	Satisfactory
4. Accuracy of void log information and functioning controls	Satisfactory
5. Posting of deposits to (Munis)	Needs Improvement
6. Appropriate and timely posting of manual receipts	Needs Improvement
7. Management of contracts in accordance with agreed terms and conditions	Satisfactory
8. Adherence to documented policies and procedures	Satisfactory
9. Adequate non-financial security and operational measures	Satisfactory

SCOPE

The scope of the audit is November 2017 through November 2018.

METHODOLOGY

To achieve the audit objectives we:



Ascarate Golf Course



EXECUTIVE SUMMARY

- Interviewed staff to gain an understanding of their current policies and procedures over sales, lessons, customer service, tournaments and Pro-Shop operations.
- Traced a sample of purchase orders received after November 1, 2017, to verify the inventory was entered accurately and updated when sold.
- Tested a sample of gift certificates to determine appropriate RecWare entry and use.
- Performed a surprise cash count in accordance with *Local Government Code (LGC) §115.0035*.
- Tested all voided transactions entered in RecWare to determine proper documentation and approval.
- Reviewed current contracts for compliance of agreed terms and conditions.
- Tested a sample of manual receipts for appropriate and timely posting.
- Traced a sample of daily deposit slips to the financial accounting system for compliance with *LGC §113.022*.
- Reviewed previous audit recommendations for implementation.
- Observed current security and operational processes and controls.

RESULTS

Listed below are control and finding summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for the status of the prior audit report findings and related details and management action plans for the current findings.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Gift Certificate controls (Obj. 2) • Cash handling procedures (Obj. 3) • Void log controls and procedures (Obj. 4) • Management of Contract Agreement (Obj. 7) • Maintain and follow department policies and procedures (Obj. 8) • Non-financial security and operational controls (Obj. 9) 	<ul style="list-style-type: none"> • Pro-Shop inventory controls (Obj. 1) • Timely deposit controls (Obj. 5) • Manual receipt controls (Obj. 6)
Finding Summary	
<ol style="list-style-type: none"> 1. The Golf Course Pro-Shop inventory is not properly maintained (prior audit issue). 2. Daily deposits were not being made in accordance to <i>LGC) §113.022</i>. 3. A payment made using a manual receipt was not entered into RecWare. 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County's assets from loss, theft, or misuse. The County's internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected

CONCLUSION

The Golf Course has implemented improvements in their operations but should continue working on weak controls reported in current and prior audits. Implementation of the recommendations provided in this report should assist the Golf Course in producing complete and accurate financial reports by strengthening their internal control structure.



Ascarate Golf Course



FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

H Open

See current finding #1

1. **Finding:** A purchase order was not updated correctly and after conducting a physical inventory an item was unaccounted for. Multiple transactions were processed using the miscellaneous charge code on RecWare totaling \$5,329.18. Each product or service should have its individual charge code. New inventory should be entered into RecWare as soon as possible to avoid inventory issues or the opportunity for fraudulent activity. This was a prior audit issue.

Recommendation: The Golf Pro-Shop supervisor should update all merchandise received and sold on a weekly basis. Due to the difficulty of updating the current software, it is recommended charge codes be deactivated for items that are obsolete and new ones added as necessary. This will help staff avoid choosing the incorrect codes at point of sale and facilitate the accuracy of the inventory process.

Action Plan: Items listed in the inventory have been updated to the standardized version of the product name to avoid errors at the point of sale. The miscellaneous transaction button has been disabled in RecWare, eliminating the ability for the cashiers to process miscellaneous transactions. Physical inventory and updating of secondary inventory spreadsheets will be completed every Monday by cashier on duty and verified by Pro-Shop Supervisor using a Pro-Shop Sales report generated in RecWare.

H Closed

2. **Finding:** With the exception of some cashiering duties, documented policies and procedures are vague. Documented policies and procedures help ensure implementation of controls, consistent processes and may also help with employee training. This was a prior audit issue.

Recommendation: Management should document policies and procedures as soon as possible to address the Golf Course and Pro-Shop operations. Procedures should include, but are not limited to, ordering and receiving of merchandise, inventory maintenance, manual receipts, gift certificates, deposits, and handling of overages and shortages.

Action Plan: A draft of Policies and procedures has been submitted to Norma Palacios, Public Works Deputy Director for review. *Resolved.*

H Closed

3. **Finding:** Current void procedures are not being followed and this can lead to the misrepresentation of revenue or create the opportunity for fraud. This was a prior audit issue.

Recommendation: A supervisor should verify all voids are processed and recorded appropriately. Adequate separation of duties should be implemented. Management has stated that due to other Golf Course duties, it is difficult to have a second individual present at all times in the Pro Shop. In addition to having customers sign their voided receipts, management should review voids on a daily basis. Under no circumstance should an employee void his or her own transactions.

Action Plan: Staff meeting was held January 12, 2018, to review the audit findings with the staff as well review the changes to the procedures. Customer signatures will now be required for all voided transactions. Every effort should be made by the cashier to avoid processing a void and voided transactions should only be used as a last resort. If void is required and is outside of normal working hours, the supervisor should be contacted by telephone and a detailed description of transaction will be sent via email. The emails will be attached to the corresponding void log. *Resolved.*

Current Audit Findings & Action Plans



Ascarate Golf Course



FINDINGS AND ACTION PLANS

Finding #1		Risk Level M					
<p><i>Pro-Shop Inventory:</i> Six inventory items were unaccounted for. A total of 35 purchase orders were received during the audit scope. A sample of 10 was reviewed for accurate inventory entry and traced to merchandise sales for proper accountability. An inventory was conducted on the items received from the purchase orders, which was 263 items, and compared to the items sold during the same time frame. After reconciling the inventory, six items were unaccounted for. The value of the items missing is \$40. This was a prior audit issue. The prior audit action plan of physical inventory and updating and verification of secondary inventory spreadsheets every Monday has not been implemented due to staffing limitations.</p>							
<p>Recommendation</p> <p>The Golf Pro-Shop supervisor should continue to find ways to improve inventory management. Due to the difficulty of updating the current software, it is recommended a documented inventory process be established to ensure that inventory is accurate and safeguarded. Some recommendations to be included are physical inventories and inventory placement to avoid theft. An annual 100% inventory is recommended until a new software is in place.</p>							
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Golf Course Pro</th> <th>Estimated Completion Date</th> <th>4/1/2019</th> </tr> </thead> </table>				Person Responsible	Golf Course Pro	Estimated Completion Date	4/1/2019
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<p>Policies and Procedures for the Pro-Shop are in the final stages of completion. They have been reviewed by our office and are awaiting approval from Public Works.</p>							

Finding #2		Risk Level M					
<p><i>Daily deposits:</i> Four (13%) of 30 daily deposits sampled were not deposited in a timely manner. One was deposited two days late and the other three were deposited a day late. Under <i>LGC §113.022</i>, collections are to be deposited with the county treasurer on or before the next regular business day after receipt. If this is not possible, without exception, they are to be deposited on or before the fifth business day after the day the money was received.</p>							
<p>Recommendation</p> <p>Golf Course management should ensure deposits are prepared daily and left ready for pickup in accordance with <i>LGC §113.022</i>. Parks and Recreation management should verify deposits are being prepared and deposited in a timely manner.</p>							
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<p>Ascarate Golf Course is in the process of reorganizing their staff to improve efficiency. A clerk will be hired to help with the administrative portion and will be in charge of preparing daily deposits. The Golf Course supervisor will review deposit slips on a daily basis for accuracy and timely preparation.</p>							



Ascarate Golf Course



FINDINGS AND ACTION PLANS

Finding #3		Risk Level M									
<p><i>Manual Receipts:</i> A sample of 30 manual receipts was reviewed and one (3%) was never posted to RecWare. This manual receipt was issued on 11/13/2017 for \$48 but no RecWare receipt was stapled to the manual receipt showing the payment was posted. A review of all transactions processed on 11/13 and 11/14 was done but no transactions were posted by the same cashier for that specific amount. When a manual receipt is used, procedures require the cashier include the date, product purchased, amount paid, payment type, and their initials. Once the cashiering system is functional, these transactions must be entered as soon as possible. The RecWare receipt number must be entered on the carbon copy of the manual receipt and the transaction receipt must be stapled as well. Due care should be exercised by Golf Course staff when using manual receipts to avoid the loss of County collections.</p>											
<p>Recommendation</p> <p>Manual receipts should be entered into RecWare as soon as possible. We recommend management verify the posting of all manual receipts in a timely manner.</p>											
<p>Action Plan</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Person Responsible</th> <th style="width: 25%;">Golf Course Pro</th> <th style="width: 25%;">Estimated Completion Date</th> <th style="width: 25%;">4/1/2019</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>Staff will be responsible for entering manual receipts into RecWare as soon as possible. The Golf Course supervisor will review the manual receipt book at the end of every week to ensure all payments have been posted and the receipt is attached.</p> </td> </tr> </tbody> </table>				Person Responsible	Golf Course Pro	Estimated Completion Date	4/1/2019	<p>Staff will be responsible for entering manual receipts into RecWare as soon as possible. The Golf Course supervisor will review the manual receipt book at the end of every week to ensure all payments have been posted and the receipt is attached.</p>			
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