

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

PARKS AND RECREATION DEPARTMENT  
GOLF COURSE DIVISION INVENTORY AND CASH LIMITED SCOPE AUDIT

A U D I T   R E P O R T

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**A U D I T   R E P O R T**

The Internal Audit Department conducted an inventory and cash audit of the Parks and Recreation Department Golf Course Division for the audit period May 1, 2005 through April 30, 2006. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

**BACKGROUND:**

The Parks and Recreation Department Golf Course Division manages the operations of two eighteen hole golf courses for residents and visitors at the Manatee County Golf Course and the Buffalo Creek Golf Course. At each course, the Division operates a golf shop facility and provides golfing privileges to patrons through the collection of greens fees, cart rentals, and driving range fees. Sales and purchases of inventory are processed and maintained by a point-of-sale computer system. In addition, greens fees, cart rentals, and driving range fees are also processed and tracked by the point-of sale system. The system produces monthly reports on inventory, sales, profits and charges for golfing privileges.

**PURPOSE/OBJECTIVE:**

The audit purpose / objectives included, but were not limited to, the following:

- Determine whether adequate safeguards exist to control physical access over merchandise inventory and cash.
- Determine whether adequate segregation of duties exists for both cash and inventory functions.
- Determine compliance with the County's purchasing procedures, discounting procedures, and approval and documentation requirements.
- Determine whether adequate computer controls exist within the point-of-sale system over purchases, sales, adjustments, reports and security.

**SCOPE:**

The scope of the audit included examining, on a test basis, evidence supporting the controls and procedures implemented by the Golf Course Division in managing the merchandise inventories and cash for the twelve-month period ending April 30, 2006.

**METHODOLOGY:**

Internal control evaluations were accomplished by flow charting the key operations of these specified areas, discussions with management and staff, observations, and analytical and substantive testing of individual internal controls and transactions. Risk analysis was used to establish priorities of audit objectives.

**IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:**

No indications of irregularities, abuse, or illegal acts were discovered for the period ending April 30, 2006 in the inventory and cash limited scope audit of the Golf Course Division.

**TEST OF COMPLIANCE:**

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested.

Except as noted in our audit report, tested items were in compliance with resolutions and other policies established by the Golf Course Division.

**STATEMENT ON INTERNAL CONTROL STRUCTURE:**

In planning and performing the Inventory and Cash Audit of the Golf Course Division for the period ending April 30, 2006, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to deficiencies in the design or operation of the internal control structure, that in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

#### **MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:**

A Management Action Plan will be used for each Area of Improvement reported. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Department's Management Team and the Internal Audit Department. The Management Team includes the Director of the Parks and Recreation Department, the Fiscal Services Manager, the Operations Administrator, and the Golf Course Division Manager.

#### **MANAGEMENT SUMMARY:**

The Golf Course Division operates golf shop facilities that sell merchandise inventory and golfing privileges using a point-of-sale computer system designed to record purchases and sales and maintain inventory balances. Based on the audit, the Golf Course's point-of-sale system has significant built-in controls that make the Division operate efficiently and effectively. As staff continues to increase their knowledge of their point-of-sale system, daily operations improve by eliminating manual processes. This has resulted in greater use of system controls and better accountability of inventory and cash.

The audit identified several areas where improvements can be made. While these areas are relatively minor, Internal Audit believes these improvements will continue to take advantage of the system's built-in controls that will improve accountability over operations. The following are areas identified for improvement and addressed by our Management Action Plans:

- Discounts are not being properly rung into the point-of-sale system at the Buffalo Creek Golf Course, thus, discounts were not able to be tested to determine whether they comply with the Manatee County Board of County Commissioners Resolutions R-05-223 and R-04-292. Management through its Management Action Plan has re-educated the Buffalo Creek Golf Course Clubhouse Manager with regard to the proper entry of discounts into the point-of-sale system. **(See Area for Improvement #1 on page 6.)**
- The Golf Courses are not accurately inputting into the point-of-sale system the type of payment tendered (i.e. cash, credit card, or check). Entering the proper type of payment provides control over the monies received and simplifies the process of identifying errors. Management through its Management Action Plan will require the proper type of payment be entered into the point-of-sale system. **(See Area for Improvement #2 on page 6.)**

**MANAGEMENT SUMMARY: Continued**

- The Buffalo Creek Golf Course did not always receive vendors' invoices, since original invoices go directly to the Clerk's Finance Department, and instead had been estimating merchandise costs input into the point-of-sale system. In addition, the Manatee County Golf Course is not entering the items received into the point-of-sale system in a timely manner; resulting in an average of 25 days once the goods are received. The Management Team through its Management Action Plan is in the process of working with vendors to improve receipt of invoices by its Buffalo Creek Golf Course Clubhouse Manager to allow for proper input of charges and develop a policy stipulating the amount of time after merchandise is received the Clubhouse Managers have to input the merchandise into the point-of-sale system. **(See Area for Improvement #3 on page 7.)**
- Controls do not currently exist to ensure that all inventory quantity adjustments resulting from the monthly physical inventory counts are accurately entered into the point-of-sale system. In addition, the monthly Physical Inventory Update report containing all the adjustments made to the point-of-sale system is not reconciled to a manual report created by golf course staff summarizing the same information. The Management Team through its Management Action Plan will begin performing quarterly physical inventory counts, instead of monthly, to be performed after business hours to reduce possible distractions and improve the quality of the inventory process. In addition, the use of manual reports will be discontinued. **(See Area for Improvement #4 on page 7-8.)**
- The Golf Course Division's return policy does not allow for cash refunds. If exchanges result in a difference owed to the customer, this amount is not returned to the customer and is just considered an overage for the day. While a credit policy is in place, the Golf Course managers were not utilizing it for these exchanges. Management through its Management Action Plan is reevaluating the current policy to make the process more efficient and allow for better customer service to golf patrons on merchandise exchanges. **(See Area for Improvement #5 on page 8.)**

We appreciate the efforts of Parks and Recreation Department and the Golf Course Division's management and personnel in timely addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plans included in this report, controls will be strengthened, improving operations. We commend the Golf Course Division for their commitment in providing quality recreational facilities and services to Manatee County residents.

**AUDIT REPORT AUTHORIZATION:**

This audit report has been reviewed and authorized by:

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Richard J. Orienti, CIA, CFE  
Director of Internal Audit

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R. B. "Chips" Shore  
Clerk of the Circuit Court and Comptroller

**AREA FOR IMPROVEMENT #1 .....**

**Subject: Discounts on Sales**

The process in the point-of-sale system for discounting golf course merchandise is scanning in the item and subsequently pressing the discount key for the percentage to be discounted. The system then produces a discount report that lists all items sold at a discount. The report is included as part of the monthly reporting package. At the Buffalo Creek Golf Course, discounts were not being rung into the point-of-sale system using the discount key. Instead, the price of the items that were discounted were simply changed in the point-of-sale system so that when the bar code for the item was scanned, the new price would ring as the sale price. As a result of this method used, no audit trail exists to verify the discounted items were in compliance with Resolutions R-05-223 and R-04-292, that states discounts are only allowed after the item has been in inventory over a stated period of time.

**Management Action Plan:**

Management has re-educated the Buffalo Creek Golf Course Clubhouse Manager on how to enter discounts into the system properly and the limitations of how much of a discount can be given on certain merchandise in accordance with the Resolutions approved by the Manatee County Board of County Commissioners.

**AREA FOR IMPROVEMENT #2 .....**

**Subject: Type of Payment Tendered**

The Recreation Assistants perform reconciliations on the total monies collected at the golf courses after each shift. Per review of these reconciliations, it was noted that the type of payment tendered is not being accurately input into the point-of-sale system. Entering the proper type of payment provides control over the monies received and simplifies the process of identifying errors. This control can also prevent or detect the misappropriation of cash.

**Management Action Plan:**

- Management will require Recreation Assistants to enter the proper payment type into the point-of-sale system for every transaction and the payment type will also be included as part of the reconciliation at the end of each shift. This requirement will be implemented by September 2007.

**AREA FOR IMPROVEMENT #3 .....**

**Subject: Input of Purchases and Associated Charges Into the Point-Of-Sale-System**

The golf courses purchase merchandise for resale from various vendors throughout the year. When merchandise is received, the items are input into the point-of-sale system and any shipping charges, discounts, and/or set up charges are input and allocated by the point-of-sale system to each item. The point-of-sale system calculates the per item cost based on the additional charges input. At the Buffalo Creek Golf Course, these charges are not being accurately input into the point-of-sale because the Manager is not receiving a copy of the invoices, since original invoices go directly to the Clerk's Finance Department, and instead is estimating charges. In addition, the Manatee County Golf Course is not inputting the items received into the point-of-sale system in a timely manner; resulting in an average of 25 days after the goods are received. By not inputting timely, inventory items on hand are not available for sale to the public.

**Management Action Plan:**

- Management is in the process of working with vendors to improve receipt of invoices by its Buffalo Creek Golf Course Clubhouse Manager for the merchandise purchased and received so the shipping charges, discounts, and set up charges can be input into the system at the correct amounts and the point-of-sale system can accurately calculate the per item cost.
- Management will develop and implement a policy requiring the Golf Course Clubhouse Managers to input the merchandise received into the point-of-sale system within 15 days after the receipt of the merchandise. The policy will be developed and implemented by September 2007.

**AREA FOR IMPROVEMENT #4 .....**

**Subject: Physical Inventory Input and Reconciliation Process**

The golf courses perform a monthly physical inventory count of merchandise on hand. The counted quantities are compared to the quantities on hand generated by the point-of-sale system and any overages or shortages are input into the system to adjust the inventory quantity to the correct amount. Currently, input controls do not exist to ensure that all inventory quantity adjustments are accurately entered into the point-of-sale system. As a result, Internal Audit noted several instances where inventory quantity adjustments were not input into the point-of-sale system for both golf courses producing inaccurate inventory quantities that were carried forward to the subsequent month.

**AREA FOR IMPROVEMENT #4 .....Continued**

After inventory quantity adjustments are made, the point-of-sale system generates a Physical Inventory Update Report. This report contains all the inventory quantity

exceptions that resulted from differences in the Point-of-Sale system and the physical count. The Clubhouse Managers also create a manual report summarizing this same information in a different format. Both of these reports are included in a reporting package that is submitted by the Clubhouse Managers to the Golf Course Division Manager. Internal Audit found some instances where the manual reports and the Physical Inventory Update Reports did not reconcile.

**Management Action Plan:**

- Due to the time required to perform monthly physical inventory counts, Management will begin to perform physical inventory counts on a quarterly basis and these counts will be performed after business hours to allow more time and less distractions to ensure that adjustments are accurately input into the point-of-sale system. In addition, the Golf Course Division Manager will oversee the process of inputting the overages and shortages into the point-of-sale system to ensure input accuracy. This process will be implemented by September 2007.
- The Golf Course Division Manager will no longer require the Clubhouse Managers to create the manual reports that were included in the monthly reporting packages. Instead, the Golf Course Division Manager will only require the Physical Inventory Update Report produced by the point-of-sale system to be submitted in a quarterly reporting package. This Management Action Plan will be implemented by September 2007.

**AREA FOR IMPROVEMENT #5 .....**

**Subject: Cash Owed to Customers For Exchanges**

The Golf Course Division's return policy does not allow for cash refunds, only for exchanges on merchandise. When a customer exchanges one item for another and the second item selected is less expensive on a cash sale, the difference is just considered an overage for the day. While a credit policy is in place, the Golf Course managers were not utilizing it for these exchanges.

**Management Action Plan:**

- Management is reevaluating the current credit policy to make the process more efficient by authorizing Golf Courses' management to issue and approve credits on merchandise exchanges resulting in better customer service. The updated process will be implemented by September 2007.