

OFFICE OF THE CITY CONTROLLER



PARKS AND RECREATION DEPARTMENT

**MEMORIAL PARK GOLF COURSE
CASH HANDLING PROCEDURES AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

February 22, 2007

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Parks and Recreation Department – Memorial Park Golf Course
Cash Handling Procedures Audit (Report No. 2007-13)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the Cash Handling Procedures at the Parks and Recreation Department's Memorial Park Golf Course (Course) for the period of July 1, 2005 through November 30, 2006. The audit's objective was to assist management with the assessment of the adequacy of internal controls related to the overall cash handling process. In addition, the audit evaluated compliance with the City's Cash Handling Policies and Procedures (AP 2-17).

The report, attached for your review, concluded that internal controls over the cash handling procedures at the Course are adequate to provide management with reasonable assurance that the funds are properly safeguarded and managed in compliance with AP 2-17, except for the findings noted in the body of the report. Draft copies of the matters contained in the report were provided to the department officials. The Views of Responsible Officials as to actions taken are appended to the report as Exhibit I.

We commend department management for their timely efforts to take action to remedy the findings identified by the audit staff. We also appreciate the cooperation extended to our auditors by department personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker
City Controller

xc: City Council Members
Anthony Hall, Chief Administrative Officer
Michael Moore, Chief of Staff, Mayor's Office
Joe Turner, Director, Parks and Recreation Department
Judy Gray Johnson, Director, Finance and Administration Department

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PURPOSE AND SCOPE

We have completed an audit of cash handling procedures administered by the Parks and Recreation Department's Memorial Park Golf Course for the period of July 1, 2005 through November 30, 2006. Total collections during Fiscal Year 2006 amounted to \$1,456,383. The audit's objective was to assess the adequacy of internal controls related to the overall cash handling process. In addition, the audit evaluated compliance with the City's Cash Handling Policies and Procedures (AP 2-17).

The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate procedures and internal controls related to the City's cash handling procedures, test for compliance therewith and provide recommendations for improvement where appropriate.

Departmental management is responsible for establishing and maintaining a system of internal controls to adequately safeguard cash as an integral part of the Department's overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that cash collections and deposits are safeguarded against loss from unauthorized use or disposition, and that deposits are made promptly and recorded accurately in City bank accounts.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and may not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

CONCLUSION

Based on the results of our audit, we conclude that internal controls over the Cash Handling Procedures at the Memorial Park Golf Course are adequate to provide management with reasonable assurance that these funds are properly safeguarded and managed in compliance with AP 2-17 except for the findings presented in the body of the report.



Ebenezer Robinson
Auditor-in-Charge



Richard Martinez
Audit Manager



Steve Schoonover
City Auditor

INTRODUCTION

The Parks and Recreation Department's Memorial Park Golf Course (MPGC) is located at 1001 East Memorial Loop street in Houston. The Memorial Park Golf Course began in 1923 as a 9-hole course built near the hospital at Camp Logan for use by convalescent soldiers. Today, the Memorial Park Golf Course is known as one of the best municipal courses in the nation and is visited by more than 60,000 patrons each year. The course has a fully stocked pro shop and the staff is available for lessons. City Ordinance establishes the golf course fees. Other services provided at MPGC have standard prices established by the Department. Payments are received in form of cash, Master Card, Visa and ATM cards. The total collections for Fiscal Year 2006 were \$1,456,383. The City of Houston Cash Handling Policies and Procedures (AP 2-17) provides the guidelines for the cash handling process. MPGC cashiers are responsible for operating the cash register, reconciling collections & preparing payments logs and a contract vendor (Armored Car Services) picks up the bank deposits.

I. UNTIMELY RECORDING OF DEPOSITS

BACKGROUND

AP 2-17 Section 21, outlines the procedures for the independent verification of cash receipts and FMS postings including balance sheet accounts. Additionally, AP 2-17 Section 21, requires that cash receipts are timely and accurately deposited in the City's bank account and properly recorded in the appropriate City FMS account records.

FINDING

We reviewed a sample of 50 cash deposits and noted the following:

- 23 receipts (46%) totaling \$108,928 were not recorded in the Financial Management System in a timely manner. These postings were delayed from 5 to 24 business days. Consequently, financial records are not always current.
- 3 deposits (6%) totaling \$17,513 were not timely deposited in the City bank account. Extended period of time between deposits and/or reconciliations increases the probability for errors or irregularities.

OUTCOME

The above issues were also noted in our recent audit of the Gus Wortham Golf Course and management has recently implemented procedures to ensure that all deposits are recorded in a timely manner and all that cash receipts are received from golf courses within three business days of the transaction date. It is our understanding these procedures will be established at the MPGC in the near future.

II. SUPERVISORY REVIEWS

BACKGROUND

AP 2-17 (11 &12) outlines the procedures for ensuring that daily cash receipts are signed and dated by an authorized approver. As such, the Cashier should sign the completed daily cash reconciliation report and submit it to the Senior Cashier or other administrative staff for review and approval prior to storage.

FINDING

We reviewed a sample of 50 cash deposits and noted the following:

- 8 Deposit Tickets (16%) totaling \$46,693 were not signed and dated by an authorized approver.
- 25 Reconciliations (50%) totaling \$150,767 were not signed and dated by an authorized approver.

RECOMMENDATION

To help improve control over cash collections, we recommend that the Head Golf Pro implement appropriate controls to ensure that daily cash receipts and reconciliations are properly reviewed and approved.

EXHIBIT I



CITY OF HOUSTON

Parks and Recreation Department

Interoffice

Correspondence

To: Annise Parker, City Controller

From: Joe Turner, Director

Date: February 9, 2007

Attn:

**Subject: Memorial Golf Course Cash Handling
Procedures Audit-Department's
Response**

The Parks and Recreation Department is in agreement with the findings of the Memorial Golf Course Cash Handling Procedure audit and offers the following response:

**Memorial Golf Course
Department's Response**

Untimely Recording of Deposits

Management has recently developed procedures for ensuring that all deposits are recorded in a timely manner.

Due to funding limitations, all cash receipts are submitted and entered by the Revenue Management staff. To guarantee that cash receipts are entered in a timely manner, management requires that the cash receipts be submitted within 3 business days of the transaction date to the Revenue section. If cash receipts are not received, management will be notified.

Supervisory Reviews

Management has been informed that all cash receipts must be signed and dated by an authorized approver. The department has implemented the appropriate controls to ensure that daily cash receipts are properly reconciled, reviewed and approved before submission to the Revenue Management, Financial Services Section.

Joe Turner, Director
Parks and Recreation Department

Cy: Cheryl Johnson
Doug Earle
Fred Buehler
Steve Schoonover
Richard Martinez
Ebenezer Robinson

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**Views of Responsible
Officials**