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# Golf Operations Audit

August 11, 2017



**City of Fort Worth  
Department of Internal Audit**

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**The Golf Operations Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2016 Annual Audit Plan.**

### **Audit Objectives**

The objectives of this audit were to:

- evaluate the effectiveness and efficiency of golf operations; and,
- ensure that revenue is properly accounted for, recorded and reported.

### **Audit Scope**

Our audit included a review of operations from October 1, 2014 through September 30, 2016.

### **Opportunities for Improvement**

- Evidence of proper rate change approval
- Eligibility verification for discounted rates
- Proper verification of annual passes
- Appropriateness and accountability for collections on behalf of local golf associations
- Accurate general ledger postings
- Proper completion of rental agreement logs
- Updated policies and procedures

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## **Executive Summary**

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As part of our FY 2016 Annual Audit Plan, the Department of Internal Audit conducted a performance audit of the City of Fort Worth's Golf Operations. Our audit covered the period from October 1, 2014 through September 30, 2016.

We identified instances where amounts charged for green fees and cart rental fees were in amounts other than those authorized by the Mayor and City Council. We also concluded that the Point of Sale (POS) system did not contain date of birth information to verify the eligibility of customers receiving senior and junior discounts. Also, proof of identification is not required for annual pass usage.

Fort Worth Golf staff collect dues on behalf of golf associations, although there is no written agreement and no procedures to ensure accountability for all dues collected. Also, one City staff person is noted on the City's website as an officer of one of the golf associations.

From our testing of over 300 deposit records, approximately \$20,000 in golf revenue was mis-posted in the general ledger. Golf revenue was erroneously posted to the cash over/short account, to the wrong revenue account or to the wrong golf course.

Golf cart rental agreement logs, at one golf course, were not completed as required. Although City policy requires that the customer's name, cart number and start time be documented, we observed logs that were missing information required to help minimize the City's liability.

The Golf Course Manual was outdated and did not reflect current operations.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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## Background

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The City of Fort Worth provides opportunities for golfers to play at reasonable costs, and to purchase beverages, snacks, and lunch through the snack shop. Fort Worth Golf, a division of the Park and Recreation Department, is managed directly by the City. Fort Worth Golf is divided into four sections: Golf Management, Pro Shop Operations, Snack Shop Operations and Golf Course Maintenance.

The City of Fort Worth (CFW) has four (4) golf courses that are accessible to residents of Fort Worth, the general public, and surrounding communities.

- Pecan Valley (two 18-hole courses and driving range facility) is located in southwest Fort Worth.
- Meadowbrook (an 18-hole course) is located on the eastern edge of the City, adjacent to Interstate 30.
- Rockwood (an 18-hole course with a six-hole practice course and a driving range facility) is located in the near northwest part of the city. At the time of our audit, Rockwood had been closed for renovations since November 2015. Only the driving range, short course, and foot golf were open. Rockwood was scheduled to open in mid-November 2016. However, management reported that excessive rain and cooler temperatures hindered the delivery of grass. Grass growth was, therefore, delayed. The opening was extended to June 2017.
- Sycamore Creek (a 9-hole course) is located in southeast Fort Worth, adjacent to Highway 287.



Source: CFW Graphical Information System

Each golf course has its own fees and rates that vary by time of day and age of customer. These fees must be approved by the City Council before they can be officially posted to the City's website



and added to Fort Worth Golf's Point-of-Sale (POS) system. Fort Worth also has a Loyalty Rewards Program where players earn points in exchange for greens and cart fees. The dollar value of loyalty points redeemed during FY2015 and FY2016 was \$95,722 and \$76,509, respectively.

Fort Worth Golf primarily grants complimentary golf to promote course use and to reward volunteers for their services. Current policy authorizes unlimited, complimentary golf for volunteers (at their home course for the week) who satisfy the commitment to volunteer eight (8) hours per week. Fort Worth Golf also allows employees to play at no cost if the course is available. In addition, Fort Worth Golf provides golf facilities to students and coaches of the Fort Worth Independent School District (FWISD) via a Memorandum of Understanding executed on June 22, 2000. FWISD practice times are limited to after 2:00 p.m. each day, during which time, students must be accompanied by a coach.

Fort Worth Golf also promotes play through annual tournaments, sponsored by the City. Tournament information is provided in pamphlets and on the City's website. Tournaments planned by other groups or organizations must be scheduled and a deposit must be paid in order to reserve the golf facility.

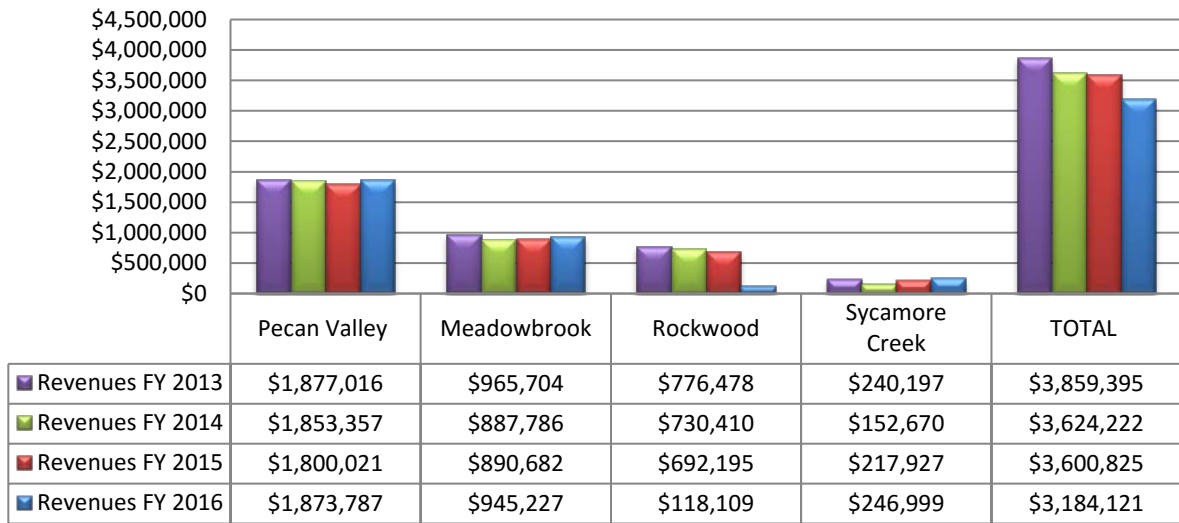
Expenditures within the City's Municipal Golf Fund are financed primarily from taxable and non-taxable revenue charges for green fees, cart rentals, merchandise sales, annual passes, food and beverage sales, and golf club rentals. Since the early 2000's, the Municipal Golf Fund has been operating at a loss. On September 9, 2014, the City Council approved measures to eliminate the negative fund balance.

Beginning in FY2015, an \$850,000 subsidy was received from the General Fund. The City Council also recognized that a minimal operating subsidy, use of gas well lease revenues (to pay down enterprise systems debt) and reinvestment into the golf system infrastructure would provide the most prudent, sustainable long-term strategy for golf. On July 28, 2015, the City Council approved the transition of the Municipal Golf Fund from an enterprise fund to a special revenue fund to meet Governmental Accounting Standards Board criteria.

According to the Policy Issues section of the CFW's FY2016 adopted budget, the Municipal Golf Fund will continue to receive an annual subsidy of 20% of its operating budget from the General Fund.



**Revenues by Golf Course  
FY 2013 - FY 2016  
(excludes investment income and transfers)**



Source: CFW General Ledger



## Objectives

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The objectives of this audit were to:

- evaluate the effectiveness and efficiency of golf operations; and,
- ensure that revenue is properly accounted for, recorded and reported.

## Scope

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The scope of this audit included a review of golf operations from October 1, 2014 to September 30, 2016. We did not review golf course maintenance operations, nor did we perform inventory testing.

## Methodology

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To achieve the audit objectives, the Department of Internal Audit performed the following:

- reviewed Park and Recreation Department's policies, procedures and directives related to Golf Operations;
- reviewed the Golf/Athletics Operations organizational chart;
- conducted interviews with Golf Management, Golf administration, Golf Pro, Golf Shop Attendants and Snack Shop/Bar employees;
- reviewed and documented internal controls related to Golf Operations' sales transactions;
- observed Pro Shop and Snack Shop/Bar operations;
- performed verification of safe contents and independent counts of change funds for Fort Worth Golf's four (4) golf courses;
- examined revenue summaries, deposit documentation, and general ledger entries;
- reviewed the Point of Sale (POS) system to assess the security and integrity of recording and reporting golf sales transactions;
- reviewed FY2015 and FY2016 annual budget summaries for the Municipal Golf Fund; and,
- compared rates charged in FY2016 to City Council-approved green fees.

We conducted this 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 objectives.



## Audit Results

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The Department of Internal Audit assessed the security of the Golf Division's POS system by testing all point of the sale transactions. For example, based on our audit results, each transaction record contained a unique ID, date/time stamp, specific golf center/store number and description, and a specific clerk ID and name. We, therefore, concluded that internal system controls for the distinction and identification of transactions (i.e. when and where transactions occurred, and who processed golf transactions) are adequate.

Our verification of golf course change funds revealed that change funds for Meadowbrook and Rockwood exceeded, although immaterially, the authorized levels per Financial Management Services' (FMS) accounting records of cash drawer or petty cash funds. Meadowbrook exceeded the authorized level of \$1,125.00 by \$50.00, while Rockwood exceeded the authorized \$1,000.00 by \$15.25. Park and Recreation staff promptly rectified these overages by depositing Rockwood's \$15.25 overage and obtaining FMS approval to increase the authorized change fund amount at Meadowbrook by the \$50.00 overage.

We identified internal control weaknesses within Fort Worth Golf's operations that could have a negative impact on operating revenues. For example, we identified instances where amounts charged for green fees and cart rental fees were in amounts other than those authorized by the Mayor and City Council. These fee discrepancies were noted when reviewing both regular rates and conditional rate changes.

While the City of Fort Worth (CFW) offers discounted rates to junior and senior golfers, we concluded that approximately 85% of the discounted transactions involved patrons for which the POS system had invalid dates of birth. Also, based on Internal Audit's observation and discussions with golf staff, proof of identification is not required for annual pass usage.

In addition to collecting revenue for golf play, Pro Shop, and concessions, Fort Worth Golf staff collect money on behalf of local golf associations. Since revenue collected on behalf of local golf associations does not belong to the CFW, the revenue is not processed in the POS system. Furthermore, there are no controls to ensure accountability for the funds collected. Our audit results also indicated that a CFW employee is an officer in a golf association that is associated with the golf course at which the City employee is assigned.

The Department of Internal Audit identified 18 revenue transactions that were erroneously posted in the general ledger. During our audit fieldwork, management made a corrective journal entry (totaling approximately \$15,000) to correct revenue that had been erroneously coded to cash over and short. The remaining errors, which included postings to the wrong account or to the wrong golf course, were not corrected.

The Golf Cart Rental Log is used to document the assignment of carts to customers and thus, assign liability for damages. The Golf Course Manual requires that Golf Cart Rental Log entries be made every time a golf cart is rented, and should include the customer's name, cart number, and time of rental. While the Golf Course Manual requires that Golf Cart Rental Log entries be made every time a golf cart is rented, and should include the customer's name, cart number, and time of rental,



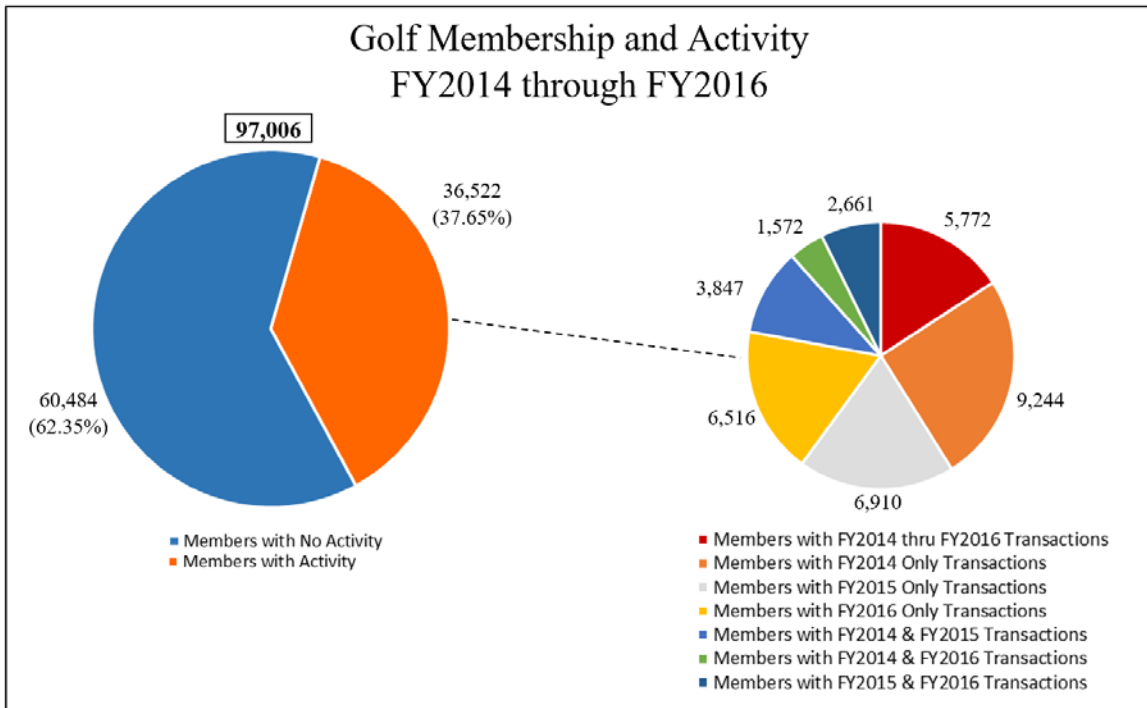


we observed more than 10 pages (with as many as 20 patrons listed on each page) of Golf Cart Rental Logs that were missing dates, cart numbers, and/or start times. We concluded that the Golf Course Manual is outdated and does not reflect current operations.

As of the end of audit fieldwork, there was a total of 97,006 records within the golf member database. Of those 97,006 records, 36,522 (or 37.65%) had at least one golf-related transaction (not involving food) during *at least one, but not all* fiscal years between FY2014 through FY2016. Internal Audit saw no golf transactions for the remaining 60,484 (62.35%).

Of the 36,522 member records with at least one golf-related transaction:

- 9,244 had golfing transactions in FY2014 only
- 6,910 had golfing transactions in FY2015 only
- 6,516 had golfing transactions in FY2016 only
- 3,847 had golfing transactions in FY2014 & FY2015
- 1,572 had golfing transactions in FY2014 & FY2016
- 2,661 had golfing transactions in FY2015 & FY2016
- 5,772 members had at least one transaction in FY2014, 2015 and FY2016

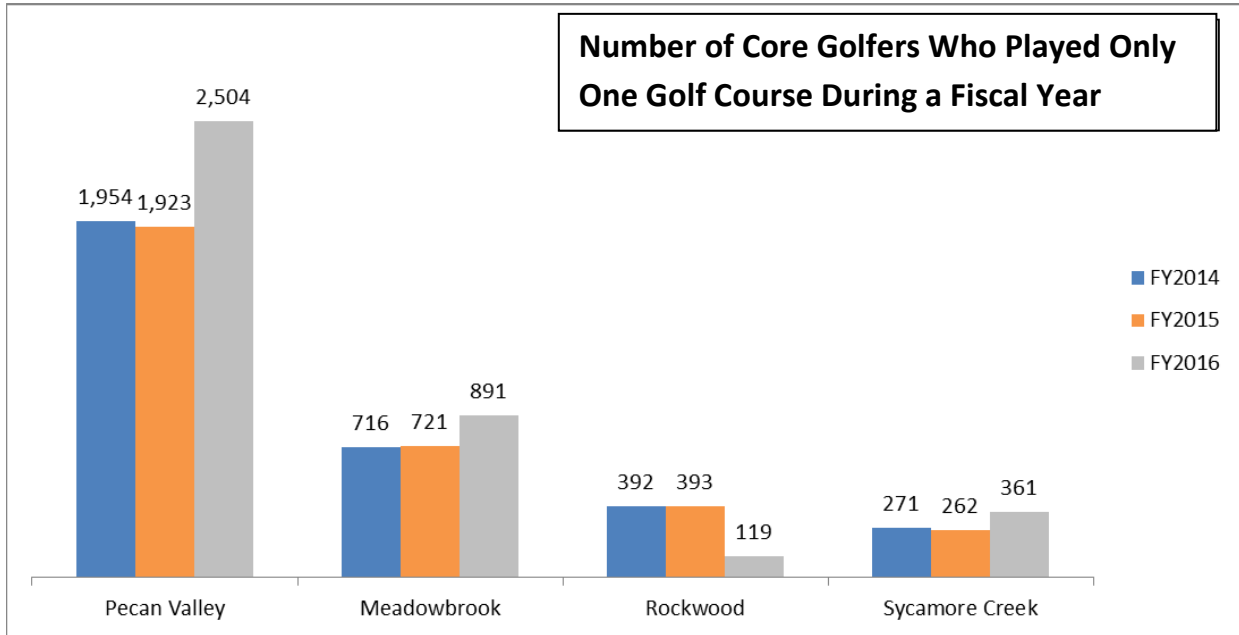


Source: Point of Sale (POS) system

The Department of Internal Audit concluded that the 5,772 patrons with at least one transaction in each of the three years represent the City’s core golfers. This group accounts for approximately 44% of FY2014, FY2015 and FY2016 revenue, makes up approximately 6% of the membership database (5,772 divided by 97,006) and over 75% of the annual pass holder population.

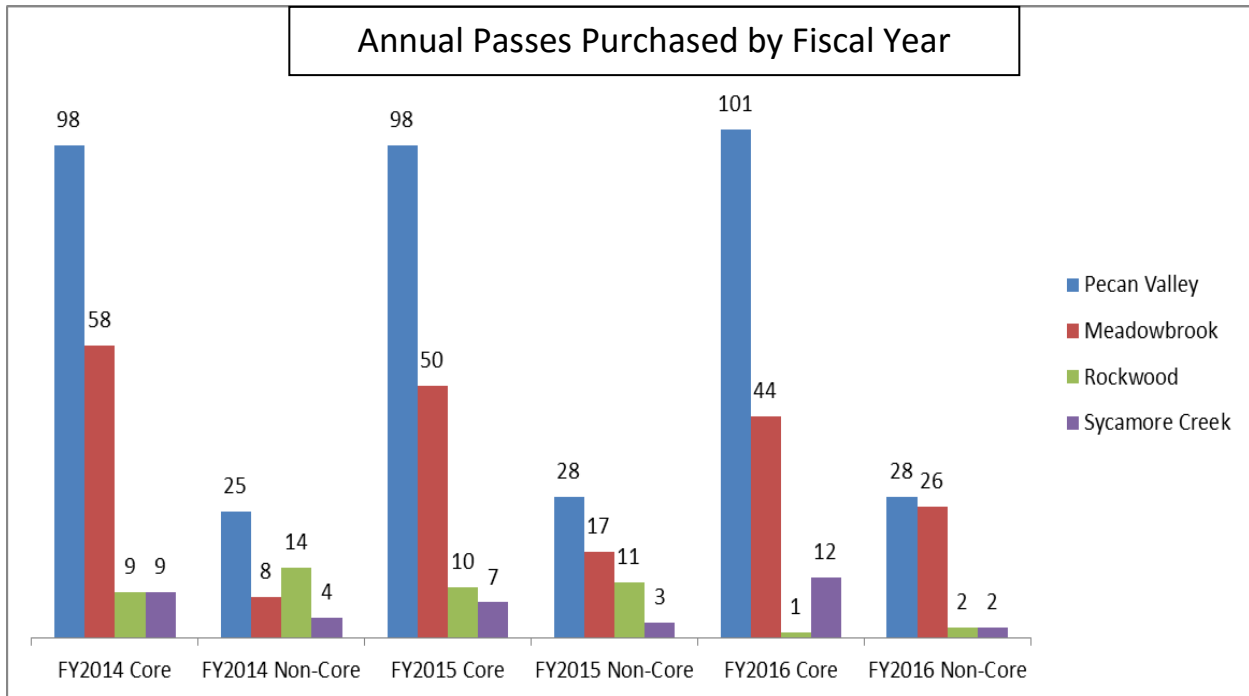


As shown in the chart below, between FY2014 and FY2016, some of the 5,772 core golfers played golf at one specific golf course for an entire year.



Source: Point of Sale (POS) system

The following chart depicts the number of core golfers with annual passes.



Source: Point of Sale (POS) system



Approximately 16,000 patrons that visited a CFW golf course during FY2014 and FY2015 did not return for golf play and/or Pro Shop purchases in FY2016.

Fort Worth Golf currently markets on the City's website, offers coupons via professional golf service websites such as GolfNow (an on-line booking service for tee times at golf courses), utilizes vendors to place door hangers on residential front doors, and provides golf pamphlets at each golf facility. While marketing on the internet and placing door hangers can target potential golfers, we concluded that providing pamphlets on-site only targets patrons already using the City's golf facilities and/or current patrons sharing pamphlets with others.

For FY2016, the City of Fort Worth expended \$21,254 of the \$50,000 budgeted for golf advertising. With there being 14 other public and private golf courses that citizens can choose from within a 15-mile radius from City Hall, and the fact that the General Fund subsidizes golf operations, we concluded that increased marketing could have a positive impact on the City's golf revenue. Because some data records contain incomplete or no addresses, the Department of Internal Audit was unable to further analyze the data to determine the proximity of members' residences to City golf courses. With invalid data, it can also be a challenge for Golf management to deploy effective marketing efforts in an attempt to reclaim golfers who have not golfed at a CFW golfing facility in the past two years.

As discussed within the Background section of this report, Rockwood was closed for renovation and was scheduled to be reopened on June 30, 2017. Golf management feels that the Rockwood renovations will attract new golfers and will be competitive against other golf courses in their respective market.

As noted in the following chart, Rockwood's FY2016 revenue dropped by approximately \$482,700 since its November 2015 closure. However, FY2016 revenues at other CFW golf courses only increased by approximately \$164,428. This indicates that Rockwood golfers (representing 66% of the income drop of \$318,272) went elsewhere or did not golf. Such results, combined with Fort Worth Golf's rates, complimentary rounds and loyalty points redeemed, supports the need to track user performance and develop a strategic plan to further enhance golf revenue.

Golf Course	FY2015	FY2016	Variance
Pecan Valley Pro Shop	\$ 1,568,275	\$ 1,643,719	\$75,444
Meadowbrook Pro Shop	772,684	834,682	61,998
Rockwood Pro Shop	587,762	105,062	(\$482,700)
Sycamore Creek Pro Shop	197,507	224,493	26,986
<b>Totals:</b>	<b>\$ 3,126,228</b>	<b>\$ 2,807,956</b>	<b>(\$318,272)</b>

Source: CFW General Ledger

In October 2014, the Golf Division contracted with Golf Convergence, Inc. to provide a series of webinars over a two-month period. The webinars were to help develop a 2015 strategic plan.



Additionally, the contract included 21 templates to assess items such as local market analysis, weather playable days review, technology assessment, etc., as well as guidance to properly measure golf operations through the use of the templates. The concepts provided through these webinars were to provide golf management with data required for creating a five-year financial forecast. Management indicated that the consultant provided new insights and perspectives into golf operations. Management also indicated they have taken some strategic steps, such as closing Z Boaz Golf Course, renovating the Rockwood Golf Course, etc. to address profitability within golf operations. Internal Audit's review of golfing data within the POS system supports the need for management's development of a strategic plan that helps maximize Fort Worth Golf's profitability.



## Overall Evaluation

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High	Medium	Low
<a href="#"><u>Greens and cart rental fees charged in amounts different from those approved by the City Council</u></a>		
<a href="#"><u>Customer eligibility for discounted golf rates not verified in the POS system</u></a>		
	<a href="#"><u>Annual passes honored without verification</u></a>	
	<a href="#"><u>No accountability for collection of monies not belonging to the CFW</u></a>	
	<a href="#"><u>Sales transactions recorded incorrectly in the general ledger</u></a>	
	<a href="#"><u>Golf Cart Rental Agreement Logs not completed</u></a>	
	<a href="#"><u>Outdated policies and procedures</u></a>	



## Detailed Audit Findings

### 1. Golf greens fees were charged in amounts different from those approved by the City Council.

According to the Golf Course Manual, the City Council is responsible for setting greens, cart rental and any other applicable fees. The Manual also states that golf patrons will be charged standard greens fees in compliance with the fee schedule approved by the City Council.

#### **Regular Rates**

As mentioned in the Background section of this report, golf rates differ based on golf course and time of day. During our audit, we compared rates charged with golfing activity on Monday through Friday, excluding holidays, at the various courses. We used the POS transaction date/time stamp to determine the corresponding rate (morning, midday or evening). The rates were then reviewed to determine whether they were appropriate based on the day and time. Based on our test results, inconsistencies were found in the fees charged. For example, in some instances, the midday rate was charged during morning hours and the evening rate was charged during midday hours. In addition, midday rates were being charged an hour or more before midday, and fees charged per the POS system did not always match the list of Council-authorized fees.

FY2016 Golf Course Rate Analysis Monday-Friday (Non-Holiday) Public Adult 18 Holes											
Course	Total Morning Transactions	Total Morning Transactions with Different Rate	Error Rate		Total Mid-Day (12 NOON) Transactions	Mid-Day Incorrect Rate	Error Rate		Total Evening (4:00 PM) Transactions	Evening Incorrect Rate	Error Rate
Pecan Valley	4,065	1,318	32.4%		3,550	535	15.1%		545	37	6.8%
Rockwood	379	119	31.4%		293	12	4.1%		46	0	0.0%
Sycamore Creek	665	104	15.6%		444	25	5.6%		91	12	13.2%
Meadowbrook	1,886	741	39.3%		1,879	524	27.9%		333	75	22.5%
<b>Totals</b>	<b>6,995</b>	<b>2,282</b>	<b>32.6%</b>		<b>6,166</b>	<b>1,096</b>	<b>17.8%</b>		<b>1,015</b>	<b>124</b>	<b>12.2%</b>

Source: Point of Sale (POS) system

Management indicated that during winter months, midday and evening rate times are sometimes moved back one hour. For example, evening hours would start at 3:00 p.m. instead of 4:00 p.m. and midday hours would start at 11:00 a.m. instead of noon. Management also indicated that there are instances where customers prepay for golf rounds that are to be played at a later time.

#### **Discounted Rates**

Based on our audit testing, we concluded that green fees and cart rental rates were set by the City Council. However, golf greens and cart fees were sometimes discounted (at different golf courses and in multiple instances) without City Council's approval.



- Due to the summer heat, a ‘Blazing Hot Special’ was offered from August 6, 2016 through the end of August. During this time, greens and golf cart fees were ‘bundled’ (at all golf courses except Rockwood) to promote play from 11 a.m. until the last tee time before 4:00 p.m. While there was no documentation of Council’s approval of the reduced rates, Fort Worth Golf provided an e-mail to support golf management’s authorization of the discounted rates. Based on our audit results, the reduced rates charged during the month of August 2016 agreed with the rates authorized by Golf management.
- In September 2015, the City Council authorized morning green fees of \$17.00 and golf cart rental fees of \$15.00. However, we identified 21 greens fees transactions at Rockwood that were priced at \$20.00 for weekday play between 7:37 a.m. and 8:34 a.m. Golf staff indicated that in the month leading up to Rockwood’s November 2015 renovations closure, Rockwood offered a discounted fee of \$20.00, which included greens and golf cart rental fees in a “bundle”.
- We identified 50 transactions that were processed within the POS system at the Sycamore Creek Golf Course for \$22 each. Since the authorized rates for Sycamore transactions were less than \$22 (18-hole rate of \$12; nine-hole rate of \$8.00 and golf cart rental rate of \$7.50 per nine holes), further inquiry was made. Based on that inquiry, Golf staff indicated that they were unable to determine why the fees were adjusted, nor were they able to provide documentation regarding an authorized price adjustment.

Since the Golf Course Manual indicates that the City Council is responsible for setting greens, cart rental and any other applicable fees, it appears that fees charged in amounts other than what was authorized by the City Council may have been inappropriate. However, it also seems time-consuming to have Council approve discounted rates for specials offered during certain times of the year and/or under certain course conditions.

Systematic controls do not prevent staff from having the ability to override a fee that has been programmed into the POS system. The lack of documentation to support rate changes prevents validation of rates charged.

Golf rates, by golf course, are posted on the City’s website, advertised on television and on golf rate cards at the various golf courses. It should be noted that during routine visits to golf courses, we only observed Pecan Valley having rates posted within the golf facility.

**Recommendation 1A:** *The Park and Recreation Director should ensure that rate changes are approved by the City Council, or should consult with the City Attorney regarding whether golf management has the authority to make conditional changes to rates that have been authorized by the City Council.*

**Auditee’s Response:** Concur. M&C G-18803 (8/30/2016) established new rates and rate increases for Golf, Public Events, Aviation, Library and Parks for FY2017. A Mayor & Council Communication is scheduled for consideration on September 12 or 19, 2017. Although Golf has no recommended fee increases in this M&C, language will be included authorizing the Park Director or his/her designee to approve discounts/specials as deemed necessary to compete within the area golf market.



**Target Implementation Date:** October 1, 2017

**Responsibility:** Assistant Director – Golf/Athletics

**Recommendation 1B:** *The Park and Recreation Director should require that authorized rates be posted conspicuously at each golf facility.*

**Auditee’s Response:** Concur. Currently rates are printed on golf course informational cards (“rack rate cards”) and are available in all the golf course pro shops. In addition, at some courses, rates are displayed on informational monitors located near the golf counter check-in area. Effective September 1, 2017, all pro shops will consistently display rates on monitors in the immediate area of the check-in counter.

**Target Implementation Date:** September 1, 2017

**Responsibility:** Assistant Director – Golf/Athletics

**Recommendation 1C:** *The Park and Recreation Director should ensure that conditional rate changes are either not overridden in the system or that adequate supervisory oversight is required for system overrides.*

**Auditee’s Response:** Partially Concur. The Golf Professional is responsible for periodically checking the transaction detail report to insure conditional rate changes are appropriate. Also, as an internal administrative procedure, it has been the division’s practice that the Assistant Director pre-approve all offered specials in advance and that the approved authorization be documented. This practice will be formalized and incorporated into the updated Golf Policies and Procedures Manual. In order to ensure consistency in the approval process and documentation thereof, management will develop a form that all golf professionals must complete prior to supervisory approval of any specials and discounts.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics or Golf Professional

## **2. Customer eligibility for discounted golf rates could not be verified.**

The Department of Internal Audit tested FY2015 and FY2016 junior and senior discount POS transactions to determine whether patrons who received a junior or senior discount were eligible, based on the date of birth (DOB) noted in the customer profile. Only 8,836 of the 60,513 transactions (14.6%) included valid DOBs. For example, some transactions had either no DOB or had unreasonable DOBs such as 01/01/1900. Thus, we could not determine eligibility for 51,677 transactions.

Golfers that are 17 years old and under are considered juniors, while golfers 62 years of age and over are considered seniors. The CFW offers discounted rates for junior and senior golfers, Monday through Friday, and after 12:00 noon on weekends and holidays.





From the 8,836 transactions with valid DOB's, 359 golfers (4.1%) did not meet the age requirement to receive junior or senior discounts. The discount for junior play ranges up to \$16, depending on the golf course, time of day, and whether golf play is on a weekday or weekend. In one case, a customer was charged the senior rate for an annual pass, even though their age per the POS system, was 47. The difference between a senior annual pass and an individual annual pass is \$300.

Type	Total Golf Play Transactions Per POS	Transactions with Valid Date of Birth in POS (A)	Transactions Where Calculated Age Does Not Meet Discount Eligibility (B)	% of Transactions with Valid DOB where Discount Incorrectly Applied (B/A)
Junior	3,406	209	122	58.4%
Senior	57,107	8,627	237	2.7%
<b>Totals</b>	<b>60,513</b>	<b>8,836</b>	<b>359</b>	<b>4.1%</b>

Source: Point of Sale (POS) system

For further analysis, we queried the 97,006 customer profiles listed in the member database to determine the extent of missing or invalid information, and noted our results in the following table.

	# Records	Percentage
No DOB	94,185	97.1%
DOB of 1/01/1900	1,175	1.2%
Valid DOB	1,646	1.7%
No Street Address	75,129	77.4%
No City	73,035	75.3%
No State Code	73,215	75.5%
No Zip Code or Invalid Zip Code	69,355	71.5%

Source: Point of Sale (POS) system

Discounts should be granted to individuals that meet eligibility requirements. Furthermore, POS systems should include accurate information to support transactions. The lack of accurate customer profile information could lead to incorrect rates being charged. Inaccurate customer profile information can also reduce the ability to identify marketing opportunities to reach potential customers.

**Recommendation 2A:** *The Park and Recreation Director should ensure that the DOB and other pertinent data fields, for customer records, are correctly populated when a new customer record is created or an existing customer record is updated.*



**Auditee's Response:** Partially Concur. The customers who are eligible to receive a discount off the approved green fee rate are seniors (age 62 and above) and juniors (age 17 and under). Also, golf offers an annual pass for juniors and seniors. When completing the annual pass application, juniors and seniors are required to submit their date of birth (DOB) for verification of eligibility for this pass classification. Beginning immediately, all employees will be required to gather all DOB information from new customers (juniors and seniors) as they are entered into the system. There is no reason to gather non-junior and non-senior DOB information because these customers will pay the daily green fee rate and are not eligible for any discounts. If a customer requests to pay a junior or senior daily rate, but cannot provide proof of age, that individual will be charged the regular rate and tagged in the system as regular public player.

**Target Implementation Date:** September 1, 2017

**Responsibility:** Assistant Director – Golf/Athletics and Golf Professional

**Recommendation 2B:** *The Park and Recreation Director should require that discounted fees are routinely verified for accuracy.*

**Auditee's Response:** Concur. If an adjustment is made at the time of the sale, and it is a discounted green fee that has previously been approved by the Assistant Director of Golf/Athletics, that documentation will be kept on file at the course as proof of prior approval. A policy will be created to address this process and be included in the updated Golf Policies and Procedures Manual. In relation to the adjustment of the sales price of golf merchandise, it is necessary when competing with other retail outlets to allow flexibility to price match in an effort to maximize sales and profitability of these items, or to increase the possibility of selling a customer multiple items rather than one. This process, including guidelines and supporting documentation, will be addressed in the updated Golf Policies and Procedures Manual.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics

### **3. Annual passes were honored without proper identification.**

The Fort Worth Golf Course Manual requires that “All passes are to be honored upon presentation of identification and rung into the register on the appropriate key #”. It further states that all passes must be physically checked for validation and expiration dates, by the Pro Shop attendant on duty, and are usually valid on weekdays only (excluding holidays).

Golf Shop Attendants indicated that they do not ask for identification when processing transactions for annual passes. Instead, they rely on the visual recognition of customers, ask for the name of the person and query the POS system for the customer's profile. Internal Audit observed that Golf staff did not request presentation of identification before honoring an annual pass. According to Golf Shop Attendants, they feel uncomfortable asking customers for their age or DOB, and would



rather rely on visual recognition of the person or the profile stored within the POS system. Without proper identification for the annual passes, the City may lose revenue due to improper use. The POS system has the capability to store a photo as part of the profile but this feature was not being used.

**Recommendation 3:** *The Park and Recreation Director should require that Golf staff adhere to the regulation requiring presentation of identification for use of annual passes or should remove or revise the requirement.*

**Auditee's Response:** Concur. Currently when an annual pass is sold, the customer is entered into the customer book module prior to the sale (unless they are already in the customer book) and upon the sale of the pass the system automatically sets the expiration date of the pass one year from the date of the sale. Paperwork of the individual's application is routed to the Golf Administrative office and upon receipt and verification, a pass card is mailed to the new annual pass holder. The customer may be asked to show this card as well as a valid picture ID if the staff member is not familiar with them or the staff member is a new employee. The card does not include the pass holder's picture. Staff is investigating the cost to upgrade the current golf software system to add a module allowing the current golf software system to produce picture ID's upon purchase of an annual pass. If this is not cost prohibitive, the module would be purchased and implemented in FY2018. In the interim, staff will take photographs of all pass holders and add their photo into their customer book profile. Upon checking in, the picture will be displayed on the computer screen so the golf staff can identify the pass holder.

**Target Implementation Date:** September 30, 2017

**Responsibility:** Assistant Director – Golf/Athletics

**4. The Golf Division collects monies that do not belong to the CFW, without properly accounting for the monies collected.**

The Golf Division accepts membership fees on behalf of local golf associations. These membership fees range from \$25 to \$30, and are kept in the City's possession until collected by each association's Treasurer. The Department of Internal Audit saw no evidence of a written agreement between the associations and the CFW, and did not observe written procedures regarding the processing of these monies.

Since golf association revenue does not belong to the City, money received is not entered into the POS system. Therefore, there is no accountability for money received on behalf of the associations. As a result, the City increases its exposure to potential liability if claims were to arise regarding missing funds. According to Golf Division management, collecting membership fees is customary in the industry.

Per association information published on the City's golf website, a City employee at the Pecan Valley Golf Course also serves as the Secretary/Treasurer of the Pecan Valley Golf Association and the Pecan Valley Senior Golf Association. Serving in dual capacities contributes to an



inadequate separation of duties. It should be noted that the Department of Internal Audit did not conduct testing of revenue received on behalf of golf associations.

The Government Finance Officers Association indicates that a revenue control and management policy establishes proper control over all receipts and receivables, and helps ensure sound financial management practices. It further states that governments should adopt a revenue control and management policy over revenues as an integral component of their overall financial policies. A formal manual that documents the entity's revenue control and management procedures can facilitate policy implementation, as well as serve as an effective internal control.

**Recommendation 4A:** *The Park and Recreation Director should request advice from the City Attorney, to determine the legality of collecting membership fees on behalf of local golf associations.*

**Auditee's Response:** Concur. Staff will work with the City Attorney's Office (CAO) to address the practice of accommodating the golf associations by assisting with collection of association revenues. A policy that will prohibit the collection of non-City revenues and provide a framework for how golf association revenues should be handled will be included in the updated Golf Policies and Procedures Manual.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics

**Recommendation 4B:** *The Park and Recreation Director should require written, standardized policies and procedures to be developed to the extent that the City Attorney concludes that there are appropriate situations.*

**Auditee's Response:** Concur. Staff will update the current Golf Policies and Procedures Manual and request a review by the CAO prior to finalization and implementation.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics

**Recommendation 4C:** *The Park and Recreation Director should request advice from the City Attorney regarding the legality of City employees holding positions or providing administrative support in connection with golf associations that are associated with City golf courses.*

**Auditee's Response:** Concur. This matter was reviewed with the CAO and recommendations provided by the CAO will be reflected in the updated Golf Policies and Procedures Manual.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics



**5. Sales transactions were recorded incorrectly in the City’s general ledger.**

The CFW’s Financial Management Policy Statements require that procedures be developed and maintained to ensure financial transactions and events are properly recorded, and that all financial reports may be relied upon as accurate, complete and up-to-date.

In our review of 336 dates with corresponding sales, we identified 18 Receipt Distribution Documents with multiple recording errors (seven from FY2015 and 11 from FY2016). The errors consisted of recording sales in incorrect account(s) and/or to the wrong golf course. Based on our sample, and as noted in the following chart, revenue totaling \$5,043.04 was posted to the wrong golf course(s) and the remaining \$10,987.19 was recorded to incorrect accounts such as Cash Over and Short and Non/Taxable Revenue.

Erroneously Posted To:									
Rockwood Golf Course	Meadowbrook Golf Course [Taxable Revenue]	Meadowbrook Golf Course [Non-Taxable Revenue]	Meadowbrook Golf Course [Pro Shop Non-Taxable Revenue]	Pro Shop Taxable Revenue	Snack Shop Non-Taxable Revenue	Pro Shop Non-Taxable Revenue	Non-Taxable Revenue	Sales Tax	Over/Short
\$1,418.70	\$674.05	\$51.76	\$856.75	\$2.31	\$282.25	\$1,856.85	\$167.90	\$7.02	\$5,799.29
\$1,144.59					157.60	128.38			2,558.10
\$525.45					26.91				0.58
\$371.74									
<b>\$ 3,460.48</b>	<b>\$ 674.05</b>	<b>\$ 51.76</b>	<b>\$ 856.75</b>	<b>\$ 2.31</b>	<b>\$ 466.76</b>	<b>\$ 1,985.23</b>	<b>\$ 167.90</b>	<b>\$ 7.02</b>	<b>\$ 8,357.97</b>

FY2015
  FY2016

As a result of our audit testing, golf management conducted a review of over and short account entries of \$20 and more. Based on their review, a \$15,116.01 corrective journal entry was made during audit fieldwork to correct erroneous postings to the Cash Over and Short general ledger account.

Inaccurate records result in inaccurate revenue trends and make it difficult to analyze and project revenues by golf course. It should be noted, that per Golf management, budget forecasting is based on revenue processed through the POS system. Also, revenues reflected in the general ledger are distorted. Also, erroneously posting taxable sales as non-taxable sales may cause underreporting of sales tax.

**Recommendation 5:** *The Director of Park and Recreation should ensure that deposit information is properly recorded on deposit records to help ensure accurate postings to the general ledger.*

**Auditee’s Response:** Concur. Additional training will occur with all staff to insure the accuracy of all sales at the golf courses to the correct revenue accounts by September 30, 2017.

**Target Implementation Date:** September 30, 2017

**Responsibility:** Assistant Director – Golf/Athletics



## **6. Golf Cart Rental Agreement Logs are not being completed at Meadowbrook Golf Course.**

Cart rental logs at Sycamore Creek and Pecan Valley were properly completed. However, daily logs observed at the Meadowbrook Golf Course were incomplete. For example, we reviewed more than 10 pages of Golf Cart Rental Logs that were missing dates, cart numbers, and/or start times. As many as 20 patrons can be listed on one page.

The Golf Course Manual requires that Golf Cart Rental Log entries be made every time a golf cart is rented, and should include the customer's name, cart number, and time of rental. The purpose of the Golf Cart Rental Log is to document the assignment of carts to customers and thus, assign liability in case of damages. Golf Pros admitted to consistently replacing damaged steering components, but being unable to assign damages to customers due to incomplete logs.

Golf personnel are instructed to coordinate with the City's Risk Management Division for damage claims that arise. However, according to the Risk Management Division, searches under loss descriptions of "golf" and "cart" did not result in any related claims. Therefore, if there were golf cart damage claims, those claims may not have been submitted to Risk Management or the description(s) could be insufficient. Risk Management did indicate that they were not aware of any risk management recoveries on damages to golf carts. Golf cart repairs, if any, could have been handled internally or with the manufacturer.

Golf staff could not ascertain why staff failed to adhere to the requirement to complete Golf Cart Rental Logs. Verbiage on the Golf Cart Rental Agreement states that the lessee agrees to pay or reimburse the lessor for all charges arising from or incidental to all breakages, shortages, or damages other than ordinary wear, to said property during the term of the lessee's usage of property. Without information documenting who rented the golf carts, the City is put in a difficult position to place liability for damage to golf carts.

**Recommendation 6:** *The Park and Recreation Director should require that Golf staff properly complete the Golf Cart Rental Log and obtain signatures from golf patrons during each golf cart rental.*

**Auditee's Response:** Concur. Meadowbrook has received the new Golf Cart Rental Log forms and began utilization on July 24, 2017. The first of the two riders to check-in and pay their applicable green fee and cart fee, are required to sign the Golf Cart Rental Log as the official golf cart operator. If they are riding with another golfer, the clerk will log the number of players on that cart, either one or two in the appropriate column. The golf cart number is assigned to the golfer as well as the start time of their round. The person signing the Golf Cart Rental Log is the person responsible for any damage that occurs to the cart while in their possession.

**Target Implementation Date:** August 1, 2017

**Responsibility:** Assistant Director – Golf/Athletics



## **7. The Golf Course Manual is outdated and does not reflect current operations.**

The National Golf Foundation states that the final success of a golf facility depends upon staff's understanding the operational issues and policies at the golf facility. The purpose of Golf's operational manual is to establish uniform rules, regulations, procedures, and operating policies. However, the Department of Internal Audit noted that the Golf Course Manual contains outdated information and/or information that does not coincide with current operations.

**Senior Citizen:** The Manual defines a senior citizen as a person 65 and over. However, other golf documents and pamphlets define a senior citizen as a person 62 and over.

**Complimentary Play:** The Manual requires that all complimentary players sign-in on the complimentary play sheet, which will be reviewed weekly by the Pro/Manager and reported monthly. We observed complimentary rounds being captured in the POS system as "Volunteer Adult", "Volunteer Senior", "Golf Employee", or "High School Team".

**Rainchecks:** The Manual notes that rainchecks are allowed if rain begins before the golfer has teed off on the 5th hole. Currently, customers are issued a raincheck for holes not played.

Based on our testing of 77 rainchecks issued in FY2015 and FY2016, we identified 49 instances where rainchecks were issued when there was no measurable precipitation observed, per the National Oceanic and Atmospheric Administration (NOAA) website. When following up with golf management, golf management responded that they monitored the weather through the NOAA, but did not cross reference rainchecks with the weather report. Additionally, management stated that it could rain at a golf course (e.g., "pop-up" rain shower) and not be captured by the NOAA. Furthermore, golf management indicated that there might be times when a raincheck is issued if a customer has an emergency and is called off the course, or customers complaining about slow pace of play or conditions of the greens.

**Pro Shop Opening and Closing:** The Manual requires reconciliations to ensure that all rental equipment has been returned. For example, the Manual requires that rental clubs and bags be reconciled with rental forms, and that all carts (pull and electric) be reconciled with log sheets. Golf Pros indicated that they do not perform a reconciliation of club, bag or cart rental forms to log sheets. Instead, golfers who rent clubs are required to leave their driver's license with the Pro Shop attendant until the golf clubs are returned.

**Gift Certificates:** The Manual requires use of pre-numbered, triplicate gift certificates that are distributed by the Golf Division. However, pre-numbered plastic cards (similar in size to a bank credit card) are used to load specific dollar amounts.

An outdated operations manual could lead to inconsistent and inefficient operations, varying interpretation and application of rules, regulations, procedures and responsibilities. An outdated policy also increases the risk of misuse and/or abuse of City assets and revenues. According to golf management, they did not have a person who could be assigned to updating the Golf Course Manual.



**Recommendation 7A:** *The Director of Park and Recreation should ensure the Golf Course Manual is updated and staff is required to comply with the written policies.*

**Auditee's Response:** Concur. The Golf Policies and Procedures Manual will be updated during the first quarter of FY2018 with a target date of publication of January 1, 2018. An implementation plan for the development of the manual, including the review of pertinent sections by the CAO and department management, and staff training on new and revised policies will be completed by October 1, 2017.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics

**Recommendation 7B:** *The Park and Recreation Director should ensure that the Golf Course Manual requires that the reconciliation of Golf Cart Rental Logs be expanded from log sheets to the POS system. In doing so, the Park and Recreation Director should ensure that staff perform these reconciliations.*

**Auditee's Response:** Partially Concur. On July 24, 2017 the revised Golf Cart Rental Log was implemented at all golf courses. Only one player is required to sign for the responsibility of the golf cart. In some instances, there will be two riders but at other times only one person will occupy the golf cart. The cart log will be revised to include the number of riders on the golf cart. At least one golfer per cart, whether paid or not, is required to sign the Golf Cart Rental Log. This would be the person responsible for any damage that occurs to the cart while in their possession. Upon the completion of the day, the golf professional will agree the total players logged on the Golf Cart Rental Log to the POS system.

**Target Implementation Date:** December 31, 2017

**Responsibility:** Assistant Director – Golf/Athletics





## Acknowledgements

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The Department of Internal Audit would like to thank the Park and Recreation Department, the Risk Management Division of the Human Resources Department and the City Attorney's Office for their cooperation and assistance during this audit.