

SPECIAL AUDIT REPORT
OF
GOLF MANAGEMENT DIVISION
POINT-OF-SALE SYSTEM
PARKS AND RECREATION DEPARTMENT

REPORT NO. 08-105



CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

Special Audit – Golf POS System Audit
Report No. 08-105
Executive Summary

Background: The Office of Internal Audit and Investigations (OIAI) conducted a special audit of the current point-of-sale (POS) system used by the Golf Management Division (Golf) of the Parks and Recreation Department (PRD) and the procurement of a new POS system. The audit was requested by the former Chief Financial Officer.

Golf currently uses a POS system which was installed in 1995. Golf is in the process of obtaining a new POS system by “piggy-backing” on an existing government contract between the City of Tucson and the vendor.

Objective: Did Golf perform a needs assessment for a new POS system?

- PRD did not perform a needs assessment for the proposed POS system.
- PRD did not submit the proposed acquisition of a new Golf POS system to the City’s Technical Review Committee (TRC) for the required approval.

Recommendations: PRD should ensure:

- A needs assessment is performed prior to the acquisition of a new POS system.
- Proposed acquisitions of new information systems are submitted to the City’s TRC for the required review and approval.

Objective: Does Golf have a process for the concessionaires to follow when the POS system is not functioning?

Golf does not have procedures for the concessionaires to follow when the POS system is not functioning. During the 5 ½ day period from noon of September 21 through September 26, 2007, the Golf POS system at the Los Altos Golf Course was not functional. The concessionaire could not provide Golf the manual records of greens fees received during this period.

Recommendation: PRD should develop procedures for the concessionaires to follow when the Golf POS system is not functioning.

Objective: Does the Golf Management Division have controls in place to monitor the usage of complimentary golf rounds?

Golf personnel are not monitoring the granting of complimentary golf rounds by the concessionaires.

- In June 2007, forty-seven complimentary rounds were granted at Puerto Del Sol Golf Course. Golf personnel could not provide the information the concessionaires were required to complete on the log.
- During July through October 2007, 47 complimentary rounds were granted at Ladera Golf Course. The concessionaire did not record the names of the individuals who were given these rounds.

Recommendation: PRD should monitor the granting of complimentary golf rounds by the concessionaires.

Objective: Does Golf reconcile POS system information to daily bank deposits made by the concessionaires?

- PRD does not reconcile the greens fees revenue recorded by the current Golf POS system to the general ledger (G/L).
- Golf does not perform surprise cash counts of greens fees.
- There are no security cameras in the clubhouses to monitor cash collections.

Recommendations: PRD should:

- Reconcile the greens fees revenues recorded by the Golf POS system to the G/L to ensure that all greens fees received are properly recorded.
- Perform surprise cash counts of the greens fees received by the concessionaires and consider installing security cameras in the clubhouses to monitor cash collections.

Objective: Were concessionaire payments made in accordance with the contract terms?

- 3 of 12 (25%) monthly payments made in 2007 by the Ladera concessionaire were late. PRD did not bill late fees on these payments totaling \$689 or refer the debt to the Legal Department as required.
- 9 of 12 (75%) monthly payments made in FY08 by the Los Altos concessionaire were late. PRD did not bill late fees totaling \$1,376.

Recommendation: PRD should enforce the Golf concessionaire contract payment terms and refer past due debts exceeding \$25,000 to the Legal Department.

Objective: Are there performance measures which relate to the Golf POS system and have these performance measures been achieved?

There was one performance measure relating to the Golf POS system in FY08. Golf was not aware of the measure and stated they had not attained the goal; however, PRD management reported the measure had been accomplished.

Recommendation: PRD should ensure performance measures are communicated to the employees responsible for accomplishing them.

Management responses are included in the audit report.



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Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Special Audit
Golf Management Division
Point-of-Sale System
08-105

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted a special audit of the current point-of-sale (POS) system used by the Golf Management Division (Golf) of the Parks and Recreation Department (PRD) and the procurement of a new POS system. The audit was requested by the former Chief Financial Officer.

The current POS system was installed in 1995. Concessionaires utilize the POS system to record greens fee revenue received from customers at the four City golf courses. The concessionaires deposit these revenues into the City's bank account. Fiscal Year (FY) 09 Approved Budget projected revenues are \$4.7 million.

Golf is in the process of obtaining a new POS system by "piggy-backing" on an existing government contract between the City of Tucson and the vendor. This is permitted by City Ordinance §5-5-10, ROA 1994: Public Purchases which states that goods or services may be purchased from a business under contract with another public governmental agency at prices which are equal to or less than the prices of the goods or services that the other public governmental agency paid. As of October 2008, a new Golf POS system has not yet been procured and Golf continues to use the existing POS system.

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Did Golf perform a needs assessment for a new POS system?
- Does Golf have a process for the concessionaires to follow when the POS system is not functioning?
- Does the Golf Management Division have controls in place to monitor the usage of complimentary golf rounds?
- Does Golf reconcile POS system information to daily bank deposits made by the concessionaires?
- Were concessionaire payments made in accordance with the contract terms?
- Are there performance measures which relate to the Golf POS system and have these performance measures been achieved?

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to the operation of the current Golf POS system and the procurement of a new POS system. Our examination was limited to the objectives noted above for the time period January 2007 through June 2008.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, July 30, 2008, and does not reflect events or accounting entries after that date.

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 objectives.

METHODOLOGY

OIAI interviewed City personnel who administered the current POS system and were involved in the procurement of a new Golf POS system. Documents and processes reviewed included the following:

- Golf POS system
- Concessionaire reports and contracts
- Green fee deposit procedures
- Complimentary golf rounds procedures
- Neighboring cities golf POS procurement actions
- Performance measure documentation

FINDINGS

The following findings concern areas that we believe would be improved by the implementation of the related recommendations.

OMITTED INFORMATION

Certain sensitive information has been omitted from this report. This information has been provided to City Administration, City Council and the Accountability in Government Oversight Committee.

1. PRD SHOULD ENSURE THAT A NEEDS ASSESSMENT IS PERFORMED AND PROPOSED ACQUISITIONS OF NEW INFORMATION SYSTEMS ARE SUBMITTED TO THE CITY'S TECHNICAL REVIEW COMMITTEE (TRC).

A. Needs Assessment

PRD did not perform a needs assessment for the proposed new POS system. PRD thought that since it was piggy-backing on an existing contract between another municipality and the vendor, it did not have to perform a needs assessment. OIAI surveyed neighboring cities and found that Phoenix and Tucson, who both recently acquired new golf POS systems, performed needs assessments prior to acquisition.

COBIT Control Practices recommends that a complete and accurate set of functional and technical requirements for new information technology systems is developed before initiating acquisition of those systems.

Not completing a needs assessment can result in:

- The selection of an inappropriate information technology solution.
- The discovery of significant requirements after implementation, resulting in additional costs and significant delays.

B. TRC Approval

PRD did not submit the proposed acquisition of a new Golf POS system to the TRC for the required review and approval. PRD management thought that a request had been submitted, but neither Golf nor PRD fiscal personnel had taken that action.

The City's Information Technology TRC policy requires that the proposed acquisition of new information technology systems are submitted to TRC for review and approval, prior to acquisition of the proposed system.

If the proposed acquisition is not submitted to the City's TRC for review and approval, PRD might acquire an information technology system that does not meet the City's needs.

RECOMMENDATION

PRD should ensure:

- A needs assessment is performed prior to the acquisition of new information systems.
- Proposed acquisitions of new information systems are submitted to the TRC for the required review and approval.

RESPONSE FROM PRD

“The Parks and Recreation Department concurs with this finding. The Parks & Recreation Department submitted the request for a new Point of Sales (POS) System to the Technical Review Committee (TRC). TRC approved the new proposed POS System for Golf Management. In making a recommendation concerning a new POS System for Golf Management, extensive research was conducted by the Parks & Recreation Department, Golf Management Division, and the City Purchasing Division staff. Based on that research, the new “state of the art” E-Z Links POS System was recommended. In the future, the Golf Management Division will follow the recommendations of the COBIT Control Practices concerning Needs Assessment Analysis for new purchases.”

2. PRD SHOULD DEVELOP PROCEDURES FOR THE CONCESSIONAIRES TO FOLLOW WHEN THE POS SYSTEM IS NOT FUNCTIONING.

The Golf Register and Cash Handling Procedures, dated January 2002, do not include requirements for concessionaires to follow when the Golf POS system is not operational.

OIAI determined that during the 5 ½ day period from approximately noon of September 21 through September 26, 2007, the Golf POS system at the Los Altos Golf Course was not

functional. Golf personnel asked the concessionaire to provide copies of manual records to support the greens fees transactions during this period. The concessionaire informed Golf personnel that the manual records had been destroyed.

The agreement between the City and the concessionaire requires the concessionaire to:

- Collect and deposit all greens fees daily, seven days a week.
- Prepare and submit a true and accurate Daily Cash Report.

COBIT Control Practices recommends that continuity plans are developed which include fallback and temporary operational procedures.

If there are no procedures for concessionaires to follow when the Golf POS system is not functioning, Golf Management may not be able to account for green fees received during that time period.

RECOMMENDATION

PRD should develop procedures for the concessionaires to follow when the Golf POS system is not functioning.

RESPONSE FROM PRD

“The Parks and Recreation Department concurs with this finding. Procedures have been put into place for the Concessionaries to follow when the POS System is not functioning. Procedures have been put in writing and are included in a document titled “Manual Tracking of Green Fees”. This procedural document includes specific instructions and guidelines that the Concessionaires are required to follow when the POS System is not operating and when manual collection is necessary until the automated POS System is restored. The procedural document also requires that all records and forms must be retained by the Concessionaires and submitted to the City at the time revenues are deposited.”

3. PRD SHOULD RECONCILE THE GREENS FEES REVENUES RECORDED BY THE GOLF POS SYSTEM TO THE GENERAL LEDGER (G/L).

PRD does not reconcile the greens fees revenue recorded by the current Golf POS system to the City’s G/L. Subsequently, PRD fiscal personnel attempted to reconcile January through December 2007. The reconciliation identified a variance of \$5,429 (0.15%). The Golf POS system subsidiary ledger records were less than the G/L by this amount. This indicates that transactions posted to the Golf POS system subsidiary ledger records may have been posted twice to the G/L. PRD was not able to determine the reason for this variance.

Neither PRD fiscal nor Golf personnel considered the need to reconcile the greens fees revenues recorded by the current Golf POS system to the G/L.

The Government Finance Officers Association (GFOA) recommends that organizations implement adequate internal control procedures to protect public funds and perform reconciliations to the G/L and other supporting accounting ledgers in a timely manner.

If greens fees revenue is not reconciled, Golf personnel will not be able to ensure that all transactions have been properly posted to the G/L. This may cause the Golf Fund revenue to be misstated in the City's Consolidated Annual Financial Report.

RECOMMENDATION

PRD should reconcile the greens fees revenue recorded by the Golf POS system to the G/L to ensure that all greens fees received by the concessionaires are properly recorded.

RESPONSE FROM PRD

“The Parks and Recreation Department concurs with this finding. The Parks & Recreation Department will be implementing monthly reconciliation of green fees with the general ledger. This practice will be implemented immediately.”

4. PRD SHOULD IMPLEMENT CONTROLS TO MONITOR COMPLIMENTARY GOLF ROUNDS.

The 2007 Operational Manual for the City of Albuquerque Municipal Golf Courses contains specific guidelines regarding who can be issued a complimentary round of golf.

In response to a finding related to complimentary golf rounds (Follow-up Audit Report 04-01-117F, Golf Management Division, dated June 25, 2004), PRD responded that it would require:

- Concessionaires to record the name and position of each individual who is given a complimentary golf round.
- Golf personnel to periodically review this information to determine if the concessionaires are complying with written policies regarding complimentary golf rounds.

Golf issued logs to each concessionaire to record the issuance of complimentary golf rounds in June 2004.

A. June 2007 – All Courses

OIAI determined that Golf personnel were not monitoring the granting of complimentary golf rounds by the concessionaires.

A comparison of the number of complimentary rounds per the Golf POS system to the concessionaires' logs for the month of June 2007 determined the following:

Complimentary Golf Rounds – June 2007			
Golf Course	Rounds per Golf POS System	Rounds per Concessionaires' Logs	Difference
Arroyo del Oso	1	1	0
Los Altos	6	6	0
Puerto del Sol	47	0	*47
Ladera	4	4	0

**Golf personnel stated that all 47 rounds were for the Mayor's Office Employee Appreciation Program; however, Golf personnel could not provide the information the concessionaires were required to complete on the log.*

B. July through October 2007 - Ladera

When the Ladera concessionaire provided complimentary golf round information for June 2007 (above), the log indicated that the concessionaire did not grant any complimentary rounds from July through October 2007. However, the Golf POS system indicated that 47 complimentary golf rounds were granted during this time period. The concessionaire did not record the names of the individuals who were granted these complimentary golf rounds. Golf personnel could not provide an explanation for this discrepancy.

If Golf personnel do not regularly monitor complimentary golf rounds, ineligible individuals might be granted golf rounds at no charge resulting in lost revenue to the City.

RECOMMENDATION

PRD should regularly monitor the granting of complimentary golf rounds by the concessionaires.

RESPONSE FROM PRD

“The Parks and Recreation Department concurs with this finding. The Golf Management Division has developed a Comp Round Ledger for each golf course. The ledger will be reconciled monthly for compliance by Golf Management Division personnel.”

5. PRD SHOULD ENFORCE THE GOLF CONCESSIONAIRE CONTRACT PAYMENT TERMS.

A. Ladera Concessionaire Contract

The Ladera concessionaire contract requires:

- Payments to the City by the 15th day of the following month,
- Fifteen percent interest on payments to the City which are more than 15 days delinquent.

Administrative Instruction No. 2-2 (Revised): Credit, Collections and Accounts Receivable Policy requires departments contact the Legal Department and legal action should be taken for past due debts exceeding \$25,000.

OIAI reviewed the Ladera concessionaire payments for calendar year 2007. Three of the 12 (25%) payments were late:

Month	Date Payment Due	Date Payment Received	Days Late	Past Due Amount	Interest Not Charged*
August 2007	September 15, 2007	December 15, 2007	91	\$ 10,354	\$ 387
September 2007	October 15, 2007	December 15, 2007	61	8,642	217
October 2007	November 15, 2007	December 15, 2007	30	6,888	85
Total				\$ 25,884	\$ 689

**Calculated by the amount past due x 15% annual interest divided by 365 days x the number of days that the monthly payment was delinquent.*

PRD personnel did not bill the Ladera concessionaire interest fees on these late payments. Golf Management personnel informed OIAI that the concessionaire refused to make any more payments until a new contract was finalized. The existing contract was set to expire December 31, 2007.

PRD did not refer this past due debt to the Legal Department for legal action. PRD does not have procedures to ensure that past due debts exceeding \$25,000 are referred to the Legal Department.

If contract payment terms are not enforced, funds due to the City may not be received timely.

B. Los Altos Concessionaire Contract

The Los Altos concessionaire contract requires payments to the City by the 10th day of the following month. The contract requires 18% interest on late payments to the City, if the payment is delinquent more than 20 calendar days.

OIAI reviewed the payments made by the Los Altos Concessionaire in FY08. Nine of the 12 (25%) payments were late:

Month	Date Payment Due	Date Payment Received	Days Late	Past Due Amount	Interest Not Charged*
October 2007	November 10, 2007	May 6, 2008	156	\$ 10,149	\$ 780
November 2007	December 10, 2007	January 14, 2008	14	4,367	30
December 2007	January 10, 2008	March 14, 2008	44	2,745	60
January 2008	February 10, 2008	March 14, 2008	14	2,337	16
February 2008	March 10, 2008	May 23, 2008	53	3,806	99
March 2008	April 10, 2008	June 5, 2008	35	6,565	113
April 2008	May 10, 2008	June 26, 2008	26	9,654	124
May 2008	June 10, 2008	July 15, 2008	15	10,354	77
June 2008	July 10, 2008	August 13, 2008	13	11,994	77
Total				\$ 61,971	\$ 1,376

*Calculated by the amount past due x 18% annual interest divided by 365 days x the number of days that the monthly payment was delinquent past the 20 day grace period.

PRD personnel did not bill the Los Altos concessionaire interest fees on these late payments. The City did not collect revenue they were entitled to under the contract.

RECOMMENDATION

PRD should:

- Enforce the Golf concessionaire contract payment terms.
- Refer past due debts exceeding \$25,000 to the Legal Department.

RESPONSE FROM PRD

“The Parks and Recreation Department concurs with this finding. The Golf Management Division is putting together additional written procedures for the collection of revenues to ensure that the contract with the concessionaire is followed. Specifically, a receipt will be issued to the concessionaires when a payment is made. Appropriate late charges will be applied per Concessionaire contracts to all payments to the City that are past due. All debts exceeding \$25,000 will be referred to the Legal Department. The written procedures will be completed by December 31, 2008.”

6. PRD SHOULD IMPLEMENT CONTROLS FOR MONITORING OF CASH HANDLING BY CONCESSIONAIRES.

OIAI determined:

- Golf does not perform surprise cash counts of the greens fees received by the concessionaires.
- There are no City security cameras in the clubhouses at any of the four golf courses to monitor cash collected by the concessionaires.

Golf personnel have not considered doing surprise cash counts. Golf management considered the cost of security cameras to be prohibitive, given their budgetary constraints.

According to the GFOA, an essential element of a comprehensive framework of internal controls is monitoring. Monitoring is a process that assesses the quality of the system's performance over time.

If monitoring controls are not implemented, the City might receive less greens fees revenue than what was actually collected by the concessionaires.

RECOMMENDATION

PRD should perform surprise cash counts of the greens fees received by the concessionaires.

PRD should consider installing security cameras in the clubhouses at each of the golf courses.

RESPONSE FROM PRD

"The Parks and Recreation Department concurs with this finding. Surprise cash drawer counts of the greens fees received by the Concessionaires will be performed regularly. This procedure will be included in the written policy document indicated in the answer to question No. 6 above."

7. PRD SHOULD ENSURE THAT PERFORMANCE MEASURES ARE COMMUNICATED TO THE EMPLOYEES RESPONSIBLE FOR ACCOMPLISHING THE MEASURE.

There was one performance measure relating to the Golf POS system in FY07. The goal was to have nine sessions to train concessionaires on the Golf POS system and City policies. Golf Management personnel informed OIAI that they were not aware of the measure and did not have nine training sessions in FY07 with the concessionaires. However, PRD management reported at year-end that the measure had been accomplished. According to

Golf personnel, a former PRD employee who had developed this measure never informed them about it.

This is a repeat finding from Follow-up Audit Report 04-01-117F, Golf Management Division, dated June 25, 2004. In response to that follow-up, PRD stated that the Superintendent of Golf and the PRD Financial Manager would review the accuracy of reported accomplishments regarding the performance measures.

City Ordinance §2-11-2 ROA 1994: Government City Budget – Definitions, states that performance measurement is a systematic approach to quantify and analyze activities. These measures help to determine the amount of service delivered, work performed and the impact of the division on the community and customer. The performance measures provide information regarding PRD's efficiency and effectiveness.

If Golf performance measures are not communicated to Golf personnel, they might not be accomplished. Additionally, the results accomplished may not be accurately reported to the citizens of Albuquerque, the Administration and City Council.

RECOMMENDATION

PRD should ensure that:

- Performance measures are communicated to the employees responsible for accomplishing them.
- The accomplishments reported in the City Performance Plan are accurate.

RESPONSE FROM PRD

“The Parks and Recreation Department concurs with this finding. Since 2004, there have been four different individuals in the Golf Superintendent position. In the future the division will document when training is occurring and will correctly record this information in the City Performance Plan.”

CONCLUSION

PRD should ensure a needs assessment and proper TRC review and approval is performed prior to the acquisition of a new information system. Credit card data that is transmitted and stored on City information systems should be encrypted. PRD should develop procedures for the concessionaires to follow when the Golf POS system is not functioning. OIAI believes the overall recommendations will strengthen PRD's controls over Golf revenue.

We appreciate the assistance and cooperation of PRD personnel during the audit.

Principal Auditor

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