Background:

The City of Clarksville has two municipal golf courses. Swan Lake Golf Course is an 18 hole course, and Mason Rudolph Golf Course is a 9 hole course and driving range. Each course has a small pro shop which stocks golf equipment such as tees and golf balls, as well as a limited amount of other merchandise. The Swan Lake pro shop stocks a wider variety of merchandise, as well as concessions in the off season. The Mason Rudolph pro shop stocks concessions year round. Fees for rounds of golf and carts are also collected at the pro shops. The Pro Shop Manager is responsible for pro shops at both courses and reports to the Golf Course Manager. Part time clerks make up pro shop staffing for the remainder of operating hours. Previously, both courses were managed as a separate City department; however, in May 2017, they became part of the Parks & Recreation Department. Since that date, management has been working to implement formalized procedures for cash handling and inventory that are consistent with current Parks & Recreation and Finance Department policies.

Audit Objectives and Scope:

The objectives of this audit were to:

- Determine the adequacy of internal controls over inventory and cash handling processes
- Assess compliance with applicable policies and procedures for inventory and cash handling
- Evaluate the adequacy of the rain check policy
- Determine whether inventory and cash receipts were properly recorded

The scope of this audit considered inventory and cash handling processes at both courses from January 2018 through March 2019.

Audit Results:

Cash Handling

Observation:	Management Action Plan:
The Tennessee Comptroller's Internal Control Manual states that an adequate internal control framework will help detect errors and fraud, while limiting the opportunity for unauthorized use of assets. During the audit, evidence was discovered which suggested that two separate employees were skimming cash from the pro shop register. Both employees were terminated, and the alleged cash theft was reported to the Comptroller's office as required by state law. Control gaps in the cash handling process likely allowed these alleged thefts to go undetected. Among the control gaps noted were the ability to open the cash drawer with a key and the ability to suspend and delete sales without a remaining record. These were in addition to other gaps	The Department, along with the City IT Department, have consulted ForeUP (point of sale software) in regards to correcting the employee functions that could lead to theft. This includes tailoring each individual function available in the system to each specific job code such that the only items available in the system for use will be those absolutely necessary for that employee to do their job. We requested from ForeUP that the "Suspend Sale" function be turned off for all staff. ForeUP has informed us that this is not currently a function that is available. To that end, the Golf Course Manager is researching a new POS system and has scheduled a demo time and date to review Chronogolf. All refund/deleted sales are

Observation (continued):	Management Action Plan (continued):
noted in the areas of refunds/deleted sales, cash overage/shortage documentation, drawer opening and closing procedures, and management's surveillance review procedures. Ultimately, control design issues noted are the result of City General's decentralized financial control structure, where the Finance Department is not involved in the development and monitoring of internal controls for cash receipting at the golf courses. Internal Audit will be working directly with Finance to address the decentralized control structure within the Financial Controls Assessment planned for FY 2020.	handled by management only with notes of the reason for the transaction in ForeUP. The open/close drawer procedures have been rewritten in the cash handling policy to address the issue of counting each bundled bill instead of counting them as a unit from the bank. We have further instituted a monthly audit of each employee through the video surveillance system. A random 4hr block of time is selected monthly by the Manager to view each employee as they go through transactions with customers to ensure they are following policy. It is also now required of employees to count all cash from the safe in full view of the camera system. The clerks have had refresher training to ensure they are filling out over/short forms completely and including the proper explanation to the best of their ability. A note has also been added to the employee reference book in bold, large, red letters as a reminder to do this. The key for the cash drawer has been removed so it is not available to the employees for use. This makes it impossible for employees to open the drawer unless it is associated with a sale.

Managers Responsible: Brad Damron

Estimated Completion Date: January 30, 2020

ForeUP Software User Permissions

Observation:	Management Action Plan:
Cybersecurity best practices established by the National Institute of Standards and Technology (NIST) state that users should be limited to the minimum access necessary to perform their jobs, and that authorizations should be monitored by management. Of the 70 unique users in the ForeUP point of sale software used by both golf courses, 16 users were assigned administrative role permissions, and 17 users no longer employed by the City still had access. The golf courses do not have properly designed software access assignment and maintenance procedures. The Golf Course Manager has previously been in charge of assigning user roles, although this is a responsibility more appropriately placed with IT in conjunction with a management approval process. There is currently no established procedure for regular role maintenance. Unmonitored permissions could have consequences	The Department worked with the City IT Department to tailor each individual function available in the system to each specific position. This ensures that the only items available in the system for use will be those absolutely necessary for that employee to do their job. The Administrative Supervisor at the Parks and Recreation Department, who is also our IT liaison, has administrative authority to add, delete and adjust permissions through IT as necessary thereby removing the Manager and Golf employees from the control process. It has also been added as a task in our On-boarding and Off-boarding process to add and delete employees in the system as they are hired and no longer with the Department.

Observation (continued):	Management Action Plan (continued):
including data corruption and fraud, depending on the severity of inappropriate access.	

Managers Responsible: Jennifer Letourneau, Lana Booker, IT, Michelle Austin, Administrative Supervisor

Estimated Completion Date: Completed

Inventory

Observation:	Management Action Plan:
During the audit period, the Golf Course Manager was performing both ordering and receiving duties for pro shop inventory. When notified of this improper segregation of duties, the course manager implemented procedures to separate these functions. As stated above, the Comptroller's Internal Control Manual states that an adequate internal control framework will help detect errors and fraud. While Parks & Recreation has established a policy requiring monthly physical inventory counts, the policy does not specifically require a reconciliation between physical inventory counts and purchases in Munis, the City's financial software, or discrepancy adjustments in ForeUP software. Similarly to the cash handling observation above, control design issues noted are the result of City General's decentralized financial control structure, where the Finance Department is not involved in the development and monitoring of internal controls for inventory at the golf courses. Internal Audit will be working directly with Finance to address the decentralized control structure within the Financial Controls Assessment planned for FY 2020. Ultimately, inadequate controls related to inventory can lead to misappropriation of assets or other types of fraud.	When items are ordered for resale now they are checked in by either the Pro Shop Manager or the Clerk on duty. Each box is opened and verified against the packing slip, which is then signed by whomever is checking the items. After the check in is complete and the items are ready to be placed into inventory, the proper price point is determined against the invoice price and any shipping cost. The Golf Course Manager then enters the product counts into the receiving module in the ForeUP system and generates a receivings slip that is signed and attached to the invoice that is then forwarded to Finance for payment. The inventory process has also been updated to reflect whatever the variance in the system is during any inventory period. Once a count is completed and entered into ForeUP, the system adjusts the counts up or down to reflect what is actually there so management can more quickly identify possible issues of theft or employee misuse that lead to product counts that are not accurate. This should also help with any Munis reconciliation issues as counts are updated monthly. They will now reflect the amount of added product associated with any bills paid by the City and if the proper amount is there for resale.

Managers Responsible: Brad Damron, Golf Course Manager

Estimated Completion Date: Completed

Rain Checks

Observation:	Management Action Plan:
Rain checks are issued at the golf courses when an undefined event prevents completion of a previously purchased round of golf. In the audit period, a total of	The entire raincheck policy was rewritten to cover any of the potential holes that were observed in the audit process. Furthermore, we now require all rounds to be

Observation (continued):	Management Action Plan (continued):
501 rain checks were issued between both courses. 34% were issued without a customer name and 50% did not have an expiration date listed in ForeUP, both of which are required by policy. Discussion with management and cashiers indicated that rain checks are issued in many circumstances other than inclement weather, and are sometimes used in place of refunds since policy prohibits refunds except those issued by a full time facility manager. We identified several areas that need to be addressed in the rain check policy, including a lack of guidance on when rain checks can be appropriately issued, no requirement for cashiers to check expiration dates on rain checks, and no requirement for manager approval to issue a rain check. Additionally, managers do not perform any periodic review or trend analysis of rain checks issued. Prior to the audit, management's assessment of risk in this area as low. Based on that assessment, they have not designed the policy to address potential gaps, nor have they reviewed rain checks to ensure existing policies were being followed. Incomplete internal controls related to rain checks could ultimately lead to abuse and lost revenues.	entered into ForeUP through the tee sheet which requires a customer name and phone number with each sale. When a rain check is issued, all the clerk will have to do is locate the customer on the tee sheet, click the drop down menu, hit issue rain check and it is tied to their particular sale at this date and time to the individual customer. Management now audits rain checks on rainy days to ensure they have been properly entered into the system and have an expiration date. Additionally, the rain check policy does not allow rain checks for range ball buckets at Mason Rudolph.

Managers Responsible: Jennifer Letourneau, Brad Damron

Estimated Completion Date: Completed