

OFFICE OF THE CITY CONTROLLER



PARKS AND RECREATION DEPARTMENT

**GUS WORTHAM 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

December 13, 2006

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Parks and Recreation Department – Gus Wortham Golf Course
Cash Handling Procedures Audit (Report No. 2007– 07)

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 Gus Wortham Golf Course (Course) for the period of July 1, 2005 through July 31, 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

CONTENTS

LETTER OF TRANSMITTALi
PURPOSE AND SCOPE1
CONCLUSION1
INTRODUCTION2

FINDINGS & RECOMMENDATIONS

I. UNTIMELY RECORDING OF DEPOSITS2
II. FREQUENCY OF BANK DEPOSITS3
III. SUPERVISORY REVIEWS.....3
VIEWS OF RESPONSIBLE OFFICIALS.....EXHIBIT I

PURPOSE AND SCOPE

We have completed an audit of cash handling procedures administered by the Parks and Recreation Department's Gus Wortham Golf Course for the period of July 1, 2005 through July 31, 2006. Total collections during this period amounted to \$390,210. 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).

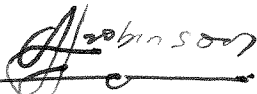
The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate procedures and internal controls related to the City's cash handling procedures, test for compliance therewith and provide recommendations for improvement 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 Gus Wortham 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 Gus Wortham Golf Course (GWGC) is located at 311 South Wayside street in southeast Houston. Recent improvements include renovated bunkers and a new fleet of electric golf cars. A full driving range is available for practice or warming up and other practice areas include a putting green, chipping green and practice bunker. 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 GWGC have standard prices established by the Department. Payments are received in form of cash, Master Card, Visa and ATM cards. GWGC's collections for Fiscal Year 2006 were approximately \$390,210. The City of Houston Cash Handling Policies and Procedures (AP 2-17 dated November 21, 1997) provides the guidelines for the Cash Handling Process. GWGC 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:

- 27 items (54%) totaling \$29,242 were not recorded in FMS in a timely manner. These postings were delayed from 5 to 35 business days. Consequently, financial records are not always current.
- 10 items (20%) totaling \$11,005 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.

Our review indicates that there are not specific policies and procedures to address the issues. Monitoring controls are essential to prevent or detect misappropriation, errors or irregularities.

RECOMMENDATION

To help ensure that deposit related transactions are recorded in a timely manner, we recommend that Department develop and communicate bank deposit and posting procedures specific to their operations.

II. FREQUENCY OF BANK DEPOSITS

BACKGROUND

The Department's Cash Handling Procedure allows sites to deposits cash collections twice a week. AP 2-17 (13) outlines the procedures for ensuring that CR Form data is recorded from a summary cash collection form and daily deposit report, however, A.P. 2-17 is not specific on the frequency of deposits.

FINDING

Prudent cash handling procedures suggest making bank deposits whenever a sufficient amount of revenue has been collected. We reviewed a sample of 50 cash deposits and noted that the 50 deposits in our sample were above \$1,000 including one for \$2,256.

RECOMMENDATION

To help reduce the risk of possible loss, we recommend that the Department consider adjusting its armored pickups to Monday and Friday rather than Tuesday and Thursday.

III. 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

Sixteen of 50 (32%) cash receipts statement reconciliations examined were not signed and dated by an authorized approver. GWGC's management stated that the daily cash reconciliations forms are not reviewed and approved during his normal days off.

RECOMMENDATION

To help improve control over cash collections, an individual with supervisory authority at the Gus Wortham Golf Course should review and approve Cashier's daily cash reconciliation whenever the Manager is not available.

EXHIBIT I



CITY OF HOUSTON
Parks and Recreation Department

Interoffice
Correspondence

To: Annise Parker, City Controller

From: Joe Turner, Director

Date: November 29, 2006

Attn:

Subject: **CASH HANDLING PROCEDURES AUDIT
- DEPARTMENT'S RESPONSE**

The Parks and Recreation Department agrees with the findings in the Cash Handling Procedures at Gus Wortham Golf Course audit, and offers the following responses:

Gus Wortham Golf Course
Department Response

Untimely Recording of Deposits

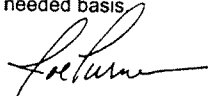
There is no specific procedure addressing what is a timely and accurate deposit. Due to funding limitations, all cash receipts are submitted to and entered by the revenue section. The department is developing steps to ensure that all deposits are recorded in a timely manner, and all cash receipts are received from the golf courses within 3 business days of the transaction date. If cash receipts are not received and deposits are not timely, management will be notified.

Frequency of Bank Deposits

Management has already adjusted its armored pickup from Tuesday and Thursday to Monday and Friday. The objective of changing the pickup dates was to ensure that bank deposits with sufficient amounts were deposited in a timely manner to safeguard against loss.

Supervisory Reviews

Limited funding and staffing have restricted the ability to have an individual with supervisory authority at this facility at all times. Management has been informed of the situation and has agreed to provide a senior cashier from another facility on an as-needed basis.


Joe Turner, Director
Parks and Recreation Department

Cheryl Johnson
Doug Earle
Steve Schoonover
Richard Martinez

CONTROLLER'S

2006 NOV 29 10:28 AM

*Views of Responsible
Officials*