

**CITY OF NORTH OLMSTED, SPRINGVALE GOLF COURSE
CUYAHOGA COUNTY**

SPECIAL AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1997

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**SCHEDULE OF ELECTED OFFICIALS
AS OF DECEMBER 31, 1997**

ELECTED OFFICIALS	TERM OF OFFICE	SURETY	AMOUNT	PERIOD
<u>City Council Members</u>				
James Boehmer	01/01/94 - 12/31/97	(C)	N/A	(C)
Duane Limpert	01/01/94 - 12/31/97	(C)	N/A	(C)
David L. Lind	01/01/94 - 12/31/97	(C)	N/A	(C)
Dean McKay	01/01/94 - 12/31/97	(C)	N/A	(C)
Norman Musial	01/01/96 - 12/31/99	(C)	N/A	(C)
George Nashar	01/01/94 - 12/31/97	(C)	N/A	(C)
Thomas O'Grady	01/01/96 - 12/31/99	(C)	N/A	(C)
Janet Saringer	01/01/96 - 12/31/99	(C)	N/A	(C)
<u>Mayor</u>				
Ed Boyle	01/01/90 - 12/31/97	(A)	\$25,000	(D)
		(B)	\$150,000	(D)
<u>Finance Director</u>				
Jim Burns	01/01/90 - 12/31/97	(A)	\$25,000	(D)
		(B)	\$150,000	(D)
<u>City Law Director</u>				
Michael Gareau	1993 - 2001	(C)	N/A	(C)

(A) Kemper Insurance Company

(B) Aetna Life and Casualty Company

(C) Covered by employee blanket bond, St. Paul Fire and Marine Insurance Company

(D) Concurrent with term

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

REPORT OF INDEPENDENT ACCOUNTANTS

Honorable Norman Musial
Mayor
Ms. Carrie B. Copfer, CPA
Director of Finance
City of North Olmsted
5200 Dover Center Road
North Olmsted, Ohio 44070

Pursuant to our Letter of Arrangement dated May 11, 1999 which was amended on September 1, 1999, we have conducted a Special Audit and performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report", which were agreed to by you, for the period January 1, 1997 through December 31, 1997 (the Period). These procedures were performed solely to review operational policies, procedures, and practices for the City of North Olmsted, Springvale Golf Course (the Golf Course); to determine that amounts processed as daily receipts, cart rentals, and golf outings were deposited into the Golf Course bank account in a timely manner; and to determine what procedures were in place related to the purchase and sale of bar items.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose. The procedures we performed are summarized as follows:

1. We reviewed operational policies, procedures, and practices for the Golf Course, to determine what procedures were being followed for receiving, documenting, and depositing funds for various activities (e.g., daily activity of receipts, golf car rentals, group outings, gift certificates).
2. We reviewed daily activity for receipts for the Golf Course to determine that amounts processed as receipts were deposited into the Golf Course bank account in a timely manner.
3. We reviewed golf car rentals for the Period, to determine that revenues from rentals had been recorded on the City of North Olmsted's daily worksheets, and were subsequently deposited into the Golf Course bank account.

4. We reviewed golf outing information to determine that revenue generated by golf outings had been recorded and deposited in the Golf Course bank account.
5. We reviewed operational policies, procedures, and practices for the Golf Course, to determine what procedures were in place related to the purchase and sale of bar items.
6. On December 21, 1999, we held an Exit Conference with the following Officials and Administrative Staff:

Norman T. Musial, Mayor
Carrie B. Copfer, Director of Finance
Michael R. Gareau, Jr., Councilperson
Carolyn J. Kasler, Councilperson
Duane K. Limpert, Councilperson
Dean McKay, Councilperson
Paul D. Miller, Councilperson
George M. Nashar, Councilperson
Thomas E. O'Grady, Councilperson
Tom Jenkins, Safety Director
Marty Young, Golf Course General Manager

The attendees were the opportunity to respond to this Special Audit. We received a response dated January 7, 2000 from Tom Jenkins, Safety Service Director, and Carrie Copfer, Director of Finance. This response was reviewed and evaluated and changes were made where we deemed appropriate.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report". Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion on the City's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures, and does not extend to any financial statements of the City, taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

JIM PETRO
Auditor of State of Ohio

October 4, 1999

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BACKGROUND INFORMATION

Our financial audit of the City of North Olmsted for the period ended December 31, 1997 disclosed significant discrepancies related to the receipts for greens fees, car rentals, over the counter sales, and golf outings.

Weaknesses documented in the financial audit included changing daily worksheets and register tapes to agree to amounts deposited, cash registers were not closed out on a daily basis, and unusual fluctuations in revenues.

A material weakness/reportable condition has been issued in every financial audit report since the City purchased the Golf Course in 1994.

This information was provided to our Special Audit Committee in late November 1998, for their review and consideration.

In early December 1998, after reviewing these issues, the Special Audit Committee voted to initiate a Special Audit of the Springvale Golf Course, which is owned by the City of North Olmsted.

In order to effectively devise our audit strategy, we performed preliminary work on the Golf Course records, which was completed on March 27, 1999. At that time, we pulled off-site to prepare our formal planning document. The Director of Finance preferred for us not to continue with our audit work until the Councilpersons had the opportunity to discuss the audit with us at the Entrance Conference. Difficulties in scheduling the Entrance Conference led us to push-back our return to field work, and caused us to be off-site for nearly seven weeks from completion of the preliminary work. The Entrance Conference was held on May 11, and we returned to the field on May 12, 1999.

During the performance of this engagement, the Springvale Golf Course personnel could not provide us with records of all daily receipts, days the course was open for business, and supporting documentation for all deposits made into the Golf Course bank account.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

RELEVANT INDIVIDUALS AND ENTITIES

Ed Boyle, Mayor (through 12/31/97)

Norman T. Musial, Mayor (effective 1/1/98)

Jim Burns, Director of Finance (through 12/31/97)

Carrie B. Copfer, Director of Finance (effective 1/1/98)

Bill Prest, Golf Course General Manager (through 12/30/97)

Len Strnad, Golf Course General Manager (January 1998 through 5/10/99)

Marty Young, Golf Course General Manager (effective May 1999)

Mike Dolansky, Parks and Recreation Commissioner (also Golf Commissioner 8/1/96 through 12/9/97)

Carolyn Kasler, Director of Public Safety (through 12/31/97)

Tom Jenkins, Director of Public Safety (effective 1/1/98)

Donna Rote, Secretary/Bookkeeper during the Period; currently Clerk of Commissions

Linda Lawrence, Golf Course Cashier

South East Golf Car Company (golf car lease agreement)

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

SUMMARY OF RESULTS

ISSUE 1 - Procedures for Receiving, Documenting, and Depositing Golf Course Revenue

We reviewed operational policies, procedures, and practices for the Golf Course to determine what procedures were being followed for receiving, documenting, and depositing funds for various activities (e.g., daily activity of golf course receipts, golf car rentals, group outings, gift certificates).

PROCEDURES

We obtained information pertaining to policies and procedures from employees currently working at Springvale Golf Course. The following persons were interviewed:

- < Len Strnad, Golf Course General Manager
- < Donna Rote, Secretary/Bookkeeper during the Period; currently Clerk of Commissions
- < Linda Lawrence, Golf Course Cashier

Additionally, we obtained and updated the detailed narrative of Golf Course procedures as documented during the 1997 financial audit.

RESULTS

1. The revenue collected at the Golf Course is through two cash registers located in the clubhouse. Prices are set by ordinance for golf fees and car rentals, whereas prices for food and retail items are established by management.
2. Donna Rote provided us with information regarding gift certificates. Ms. Rote stated the gift certificates were not rung up in the register, were not pre-numbered, and no records were kept of how many gift certificates were sold or outstanding at any given time. Gift certificates were not turned in until the golfer had used the full amount on the face of the certificate. When the full amount was not redeemed at one time, a Golf Course employee would document how much was used on the back of the certificate, and keep a running total until the full amount had been used.
3. We interviewed Linda Lawrence, Cashier, who informed us sales for nine or eighteen holes of golf were rung into the cash register by hitting a pre-set key for the number of holes being played. The cash or credit keys on the register were used when the type of sale was determined. However, it was possible to ring in the wrong type of sale and not realize it, thereby not correcting this mistake.
4. Ms. Lawrence confirmed the comments we received from Ms. Rote regarding gift certificates (i.e., gift certificates are not processed through the cash register, and if the face value of the gift certificate was more than the amount of the sale, the record of the sale was documented on the back of the certificate and it was returned to the golfer). Ms. Rote also stated in order for the golfer to begin, a "no sale" was rung and given to the golfer.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

5. Cash registers were closed only at the end of the business day. The money in closed register drawers was counted and recorded on the "Total Golf Daily Deposit" worksheet by the Golf Course Secretary. This worksheet is a handwritten document which records the amounts recorded on the cash register tapes and attempts to reconcile this amount with the amount of cash, checks and charges received each day.
6. According to Ms. Lawrence, the Cashiers did not count the contents of their cash drawers until after September 1997 (when the Golf Course purchased new cash registers). Prior to September 1997, the Office Secretary would count the daily receipts. Once the new cash registers were purchased, the Cashiers began counting the detail of their daily receipts, and the Secretary would complete the Total Golf Daily Deposit worksheet.
7. There are no policy/procedure manuals associated with the Golf Course.

MANAGEMENT COMMENTS

Gift Certificates

Gift certificates issued were not pre-numbered, and when redeemed, the amount was not rung into the cash register or recorded as being used. When partial amounts of gift certificates were redeemed, the amount used was subtracted on the back of the certificate and returned to the golfer. Only when the gift certificate was used in full was the certificate retained by the Golf Course.

Golfers could easily alter the amounts written on the back of the gift certificates. Additionally, without processing the gift certificate through the cash register, the Golf Course records are incorrect for the amount of play per day.

We recommend the Golf Course issue gift certificates for a specific item, such as one round of golf or one car rental. By issuing gift certificates for only one golf round or one car rental, the Golf Course will not encounter a situation where the gift certificate has not been used in full at the time it is redeemed.

Should the Golf Course wish to offer gift certificates for the purchase of merchandise, we recommend they be issued in a set amount of \$20, so that if the entire face value of the certificate is not redeemed at one time, the Golf Course can retain the gift certificate, and refund the difference to the golfer.

The Golf Course should consider pre-numbering gift certificates, and including a statement on the face of the certificate that it cannot be redeemed only for cash.

We also recommend gift certificates be processed through the Golf Course cash registers to accurately track gift certificates which have been redeemed, and to accurately record the number of golfers per day.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Policy/Procedure Manual

The Golf Course does not have a policy/procedure manual detailing the various processes that need to be performed for receiving funds, issuing and redeeming gift certificates, procedures for processing golf outings, and reconciling cash register totals to funds received.

A policies/procedure manual is an important part of the control process because it outlines the exact procedures that must be performed and who is responsible for those procedures. Without a policies/procedure manual, there is no clear instruction for the performance of routine tasks at the Golf Course, and the staff have no source of reference when they experience uncertainty.

We recommend the Golf Course compose a policies/procedure manual that details the procedures and processes that need to be performed for all operations at the Golf Course. This manual should also state what position or person is responsible for each process or procedure. This manual should be given to all personnel who are involved in any of these areas, and should be updated periodically.

Shift Changes/Cashier Assignments

Multiple employees transacted sales from the same cash drawer because each cashier was not provided with his/her own cash drawer. Operator codes are required to be input into the register only at the initial opening of the cash drawer each day, not for each transaction. With multiple persons using the same cash drawer, the Golf Course is unable to hold individual cashiers accountable for cash overages/shortages. Additionally, multiple users increase the risk of error or misappropriation.

We recommend each cashier be provided with her own cash drawer at the start of his/her shift. The Cashier should count the beginning cash amount and place it in the drawer. This should be documented by the Cashier and verified by a Golf Course Supervisor. At the end of his/her shift, the Cashier should process a register tape documenting all revenue earned. The Cashier should again count his/her cash drawer for his/her closing balance. This should also be verified by the Golf Course Supervisor.

If it is not feasible for only one cashier to be assigned the responsibility of operating the cash drawer, the Golf Course should consider assigning authorization codes to each employee who would then be required to enter their personalized code prior to operating the cash drawer. This would allow the Golf Course to track register usage by cashier, should multiple employees use the same cash drawer.

Additionally, the revenue per the register tape printed at the end of each shift should be reconciled to the cash, check, and credit card amounts in the register drawer.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE 2 - Daily Receipt Activity

We reviewed daily activity of receipts for the Golf Course to determine that amounts processed as receipts were deposited into the Golf Course bank account in a timely manner.

PROCEDURES

We obtained records for the Period from Len Strnad, Golf Course General Manager. Documents received included daily cash count records, cash register tapes, and monthly summaries. Using the cash register tapes, we prepared a spreadsheet which scheduled Golf Course receipts by date and amount. We then compared client-prepared worksheets of daily activity to the cash register tapes and daily deposit slips, on each day for which records were available. Finally, we traced the amount of calculated revenue to the Golf Course bank statements.

RESULTS

1. During our testing, there were one hundred and twenty-four days where no records existed, as follows:

Month	Number of Days in Month	Number of Days for which No Records Exist
January	31	26
February	28	24
March	31	17
April	30	19
May	31	8
June	30	10
July	31	0
August	31	1
September	30	2
October	31	3
November	30	5
December	31	9
Total	365	124

The Golf Course did not maintain any information with regard to when the course was open or closed, therefore we could not determine if revenues were generated on the days when records were missing.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Deposits were not made in a timely manner. Of 240 deposits tested, 144 were not deposited within 24 hours, rather they were deposited anywhere from two to ten days after the actual revenues were received.
3. Golf course personnel were routinely using the “No Sale” key to open the cash registers. Based on the records provided to us, there were 5,778 “No Sales” on the golf register during the Period, and 4,409 “No Sales” on the golf course food register. In total, cash registers were opened 10,187 times during the Period for purposes other than for recorded golf course activity. Employees interviewed regarding “No Sales” stated the “No Sale” key is used to process gift certificates, rain checks, and to provide change for vending machines or telephones.
4. We documented the amounts presented on the cash register tapes for each day records were available. We then compared that amount to the daily deposit slips for the Golf Course. Based on calculations from the register tapes provided to us, results indicated that individual deposits did not equal the amount of revenue that was collected. However, when deposit amounts appeared to be less than the register tapes, there were unsupported deposits on subsequent days which may have been the remaining amount of revenue.

On two-hundred nineteen (219) of two-hundred forty-one (241) days tested, there was a variance between the amounts recorded on the register tapes and the amounts on the bank deposit slips.

NON-COMPLIANCE CITATIONS

Retention of Records

Ohio Revised Code Section 149.351 states all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Sections 149.38 to 149.42. The Golf Course employees did not retain records in accordance with the aforementioned provisions. Many of the documents supporting daily activity at the Golf Course, including daily cash register tapes and daily worksheets, had been destroyed or were lost, and therefore Golf Course personnel were not able to present us with these documents for our audit. These documents are the support for the amount of revenue earned and subsequently deposited into the Golf Course bank account. The lack of such records could result in errors being made in recording activities in the City’s general ledgers.

We recommend all documents supporting daily activity, cash register activity, worksheets, bank deposit information and car rentals be maintained at the Golf Course, and filed in chronological order. Procedures should be formulated, and a filing system should be established, that will provide a mechanism for all records created by the Golf Course to be filed and maintained.

Timely Deposits of Public Money

Ohio Rev. Code Section 9.38 states that a public official other than a state officer, employee, or agent shall deposit all public monies received by him/her with the treasurer of the public office or properly designated depository once every twenty-four consecutive hours. Of two-hundred forty (240) deposits tested, one-hundred forty-four (144) were deposited more than twenty-four (24) hours after receipt. Untimely deposits can result in undeposited funds being more susceptible to theft or misappropriation, and could cause receipts to be recorded in the wrong fiscal period. Additionally, by not depositing in a timely manner, cash can also be under or overstated, causing adjustments to the cash reconciliation.

We recommend the Golf Course perform timely deposits of receipts.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

MANAGEMENT COMMENTS

Record of Golf Course Openings/Closings

The Golf Course does not maintain a daily record of course conditions, weather conditions, and hours of operation. Such information would assist management in determining the reasonableness of daily revenue collections and would also serve as a planning tool for subsequent years' operations.

We recommend the Golf Course keep a daily record of course conditions, weather conditions, hours of operation, whether or not golf cars were allowed on the course, and any other significant information which may impact daily operations (e.g., local or nearby conventions, holidays, etcetera).

Opening the Cash Register

The Golf Course had 10,187 recorded "No Sales" during the Period. A "No Sale" allows the cash register drawer to open without a transaction being processed. Repeatedly opening the cash registers allows golf course employees access to cash without authorization, thereby increasing the risk of theft or misappropriation.

We recommend the Golf Course implement a policy establishing controls over the opening of the cash register drawers. This policy should set a minimum of two "No Sales" each day: one to open the register at the beginning of the day, and a second at the end of the day when the register is closed. Any other "No Sales" should be supported by an employee's written explanation and authorized by a Golf Course Supervisor. To eliminate the need to open the cash drawer to make change for the vending machines or telephones, we recommend the Golf Course install a change machine in the clubhouse.

Cash Register Capabilities

The cash registers at the Golf Course are not equipped to 1) separately identify gift certificate sales and redemptions; 2) provide a break-down of the different components of daily revenue (e.g., car rental, club rental, greens fees, golf lessons, golf merchandise); or 3) identify group outing revenue versus an individual round of play. The lack of such information reduces management's ability to effectively monitor daily operations and greatly increases the risk of theft going undetected.

We recommend the Golf Course purchase cash registers which have the capability of 1) separately identifying gift certificate sales and redemptions; 2) providing a break-down of the different components of daily revenue collected by each employee (e.g., car rental, club rental, greens fees, golf lessons, golf merchandise); and 3) identifying group outing revenue versus an individual round of play whether 9 or 18 holes.

Overages and Shortages of Cash Drawers

On two-hundred nineteen (219) of two-hundred forty-one (241) days tested, the Golf Course incurred overages or shortages between the amount of money collected and the amount of money deposited. Management did not monitor or investigate these daily overages and shortages and thereby greatly increased the risk that receipts could be misappropriated without detection.

We recommend the Golf Course create a log to record the date, the cashier, and the amount of the cash overage or shortage. The overages and shortages incurred by each cashier should be reviewed by a supervisor and used as supporting documentation for employee performance evaluations. By requiring the cashiers to reimburse shortages in their cash drawers, the Clerk could have significant turnover of employees or theft of overages.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE 3 - Golf Car Rentals

We reviewed golf car rentals for the period, to determine that revenues from rentals had been recorded on the City of North Olmsted's daily worksheets, and were subsequently deposited into the Golf Course bank account.

PROCEDURES

We obtained and read the rental agreements with South East Golf Car Company in effect during the Period.

For our testing of golf car receipts, we obtained golf car rental tickets maintained by the Golf Course. We selected five (5) months of tickets and scheduled the receipts by date, receipt numbers, and amount of revenue recorded. We then compared these amounts to the spreadsheet prepared in Procedure No. 2 (above) to determine whether golf car revenues agreed to the Total Golf Daily Deposit worksheets, cash register receipts, and daily deposits.

Finally, we contacted South East Golf Car Company to review their procedures for performing car rental reviews every thirty (30) days, in accordance with their rental agreement with the City.

RESULTS

1. The City assumed a rental agreement with South East Golf Car Company from the previous, private owners on October 27, 1994 which provides that revenues generated from car rentals will be split evenly between the City and the Company. The agreement is effective through the 1999 golf season.

The City also assumed a July 26, 1993 rental agreement from the prior Golf Course owners which provided for two gasoline utility vehicles for the 1993, 1994, 1995 and 1996 golfing seasons. The cost of this agreement was \$1,200 per vehicle for each year of the agreement. Again, this agreement was with South East Golf Car Company.

A third agreement, dated April 2, 1994, with South East Golf Car Company was assumed by the City when the Golf Course was purchased. This agreement provided for a ranger vehicle during the golf season for a period of six years at a rental charge of \$900 per year.

A rider to the July 26, 1993 rental agreement was signed by the former Golf Course owners on July 1, 1994. The rider provided an extension to the original agreement, to include the 1996 through 1999 seasons. Additionally, South East Golf Car Company was to replace the original gasoline utility vehicles with newer models.

2. In addition to assuming the rental agreements discussed above, the City entered into the following contracts with the South East Golf Car Company subsequent to the purchase of the Golf Course:

On February 20, 1998, the City entered into a contract rider to the February 3, 1993 agreement. This rider provided four utility vehicles and one beverage vehicle at no charge to the City, in exchange for extending the term of the original contract through the year 2003. It also voided the rental agreement dated July 26, 1993 and the rider dated July 1, 1994 (both of which were regarding the gasoline utility vehicles). This rider was signed on behalf of the City by the Golf Course General Manager, Leonard Strnad.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Mr. Strnad signed an additional contract rider on February 20, 1998 to extend the agreement dated April 2, 1994 (for the ranger vehicle) through the 2003 golf season, and to decrease the rental fee for that vehicle to \$650 per year.

3. The City's Legal Counsel, Michael R. Gareau and George H. Carr have issued a memorandum dated July 13, 1999 to City officials stating the contracts with the leasing company signed after the City purchased Springvale Golf Course are invalid. Counsel explains that "although the contract was valid when the City purchased Springvale, since the purchase agreement expressly provided for the assumption of existing contracts, the contracts signed since the City's purchase are void." Counsel further urges the City to renegotiate a contract with South East Golf Car Company, or some other provider.
4. The Golf Course is utilizing receipts, signed by the golfer, for car rentals. In our prior interviews with Ms. Lawrence, she stated if a group of golfers wanted a car and they were waiting on the last golfer to arrive, the others were able to start and the final golfer would let the cashier know so that she could make a correction on the car rental form, by crossing out the previous amount and correcting it to the appropriate amount.

Of 1,524 golf car receipts reviewed, 92 were not properly voided or were altered (e.g., the sales amounts were changed; dates were changed). These instances, combined with a lack of documentation supporting the number of cars rented, made it impossible to determine whether car revenue, when segregated from daily receipts, was accurately recorded and deposited into the Golf Course bank account.

We looked at the cash register tapes in conjunction with the rental receipt books to attempt a reconciliation of the two amounts. There were numerous instances where the cash register tapes did not specify golf car rental revenues, as shown in the following table:

Month Tested	Number of Days for which Register Tapes Documented Car Rentals	Number of Days for which Register Tapes Did Not Document Car Rentals
April	8	22
June	19	11
August	24	7
October	0	31
Total	51	71

Register tapes did not agree to golf car rental receipts. This could be due to cashier error when processing rentals through the cash register, or because not all golfers were required to sign rental agreements.

5. The Golf Course Starter uses the signed golf car receipts to determine the amount of revenue to be shared with South East Golf Car Company.
6. During a phone interview with Mr. Dave Tribby, Sales Representative, South East Golf Car Company, we found this company is not performing a review of golf car rental records, in accordance with contract language. Mr. Tribby informed us that his company does perform reviews of other client's records, but for Springvale Golf Course, he relies on the information provided by the City, and does not audit this data.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

NON-COMPLIANCE CITATION

Entering into Contract Agreement

City Charter Article III, Section V, requires the Mayor to execute on behalf of the City, all contracts, conveyances, evidences of indebtedness, and all other instruments to which the City is a party. The Golf Course General Manager entered into agreements with South East Golf Car Company instead of the Mayor.

The Golf Course has been operating under the contract entered into by the Golf Course General Manager. There is no evidence that the Mayor was involved in negotiating these contracts, so it is not clear if the agreements could have been negotiated at lower cost to the City.

According to an opinion from the City's legal counsel, the contracts entered into by the General Manager are void. We recommend the Golf Course and Mayor renegotiate these agreements with South East Golf Car Company. Additionally, the City should research with other City-owned golf courses for information on how revenues are shared with leasing companies, or whether a set fee is paid to the golf car companies for the rental of golf cars.

MANAGEMENT COMMENTS

Golf Car Rental Agreements

Receipts written for golf cars were scribbled out, but did not state "void." Amounts recorded originally on the receipt were crossed out and other amounts were written over top of the crossed out numbers, making it difficult to determine the actual amount of the receipt. The Golf Course Starter used the car rental agreements when determining what percentage of revenues to send to the car leasing company. Without properly recording and voiding receipts, this record of revenue received may be inaccurate because the Starter may not realize the correct receipt amount when he is preparing his calculations.

The golf car rental agreements are the only liability waiver the City requires golfers to sign when playing at Springvale. For this reason, it is crucial for the Golf Course to ensure the forms are filled out completely, with correct information, and the signature of the golfer using the car.

We recommend the Golf Course take immediate action to ensure the golf car rental agreements are completed in full, with required signatures of golfers. Cashier mistakes made when writing a receipt should be voided and a new receipt should be issued to the golfer. The original receipt with the error should be clearly marked "void." Additionally, we recommend the City utilize ledgers which have been reconciled to daily activity as a source for revenue sharing with the golf car leasing company.

Review of Car Rentals by Leasing Company

According to the lease agreement between the City of North Olmsted and South East Golf Car Company, monthly reviews of the Golf Course's car rental information are to be performed by the leasing company. Rather than complete this monthly review, South East Golf Car Company has been relying on the Golf Course to calculate the revenue amounts due to each party. According to representatives of South East Golf Car Company, the company has had a long relationship with the Golf Course and trusts the revenue amounts provided to them by the Golf Course Starter.

We recommend the Golf Course insist South East Golf Car Company comply with the provisions in the lease agreement to review golf car rental records every thirty days of fleet operation.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE 4 - Golf Course Outings

We reviewed golf outing information to determine that revenue generated by golf outings had been recorded and deposited in the Golf Course bank account.

PROCEDURES

We obtained client-prepared "Year-To-Date Golf Outing" spreadsheets, which document information related to golf outings held in 1997 and 1998. We scanned these documents to determine the number of outings held in calendar years 1997 and 1998.

We selected twenty-five (25) outings held in 1997 (53 receipts in total). We obtained the Golf Course files which contained receipt copies and executed agreements between the City and the organizations participating in the outings, and used these documents to prepare a spreadsheet with relevant information regarding group name, date of outing, date paid, and the amount of the outing. Finally, we traced the amounts paid to deposit slips and bank statements.

RESULTS

1. Golf outing revenues per City ledgers increased forty-percent (40%) from 1997 to 1998. Outing revenues recorded in City ledgers for 1997 was \$104,596; 1998 outings revenue was \$147,087. There were 29 more outings in 1998 than in 1997.
2. The Golf Course prepares "Year-To-Date Golf Outing" reports which estimate the gross income from the outings contracts. The report is a simple spreadsheet prepared by Golf Course personnel, and includes information on the date of the scheduled event, the organization name, estimated number of golfers, and estimated gross and net income.

In 1998, the "Year-To-Date Golf Outing" reports were expanded to include anticipated and actual income, expenses to the Golf Course (labor, food, administrative costs), and the net profit.

For both 1997 and 1998, the amounts recorded on the "Year-To-Date Golf Outing" reports did not reconcile to the City's general ledger, as shown below:

Year	Year-To-Date Golf Outing Report	City Revenue Ledger	Variance
1997	\$103,639.29	\$104,596.08	\$956.79
1998	169,676.01	147,086.68	(22,589.33)

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

3. While testing the 1997 golf outings, we obtained all files maintained by the Golf Course personnel related to golf outings. There was one file for an outing which generated revenue in the amount of \$608 but had not been included on the 1997 "Year-To-Date Golf Outing" report. Additionally, out of twenty-five outings tested, there were fourteen outings for which total receipts in the files did not reconcile to the Golf Course Year-To-Date Golf Outing report, in the aggregate amount of \$13,888.82.
4. The following items were noted during testing of golf outing receipts:

Description of Item	Number of Occurrences
Amount was recorded on cash register tape as a golf outing, and it was included in the daily deposit	34
Receipt amount was not found on the cash register tape as a golf outing, however funds were included in Golf Course bank deposits	3
Register tape records were unavailable for receipt date, however funds were included in Golf Course bank deposits	10
Two receipts were written for the same payment received	1
Receipts could not be directly traced to cash register tapes or deposit slips, but could have been included in other deposits on the bank statements for which the Golf Course did not provide supporting information (e.g., deposit slips)	4
Outing was held on 6/27/97 but funds were not collected and deposited until 8/21/97	1
Total	53

5. In our prior interview with Ms. Rote, Secretary/Bookkeeper, she stated revenues for golf outings were kept separate from the cash registers, and there was no specific person charged with the responsibility of tracking outing revenue.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

MANAGEMENT COMMENTS

Golf Outing Records

The Golf Course kept a record of golf outings, but this record was not complete and the amount of revenue recorded did not agree to the amounts recorded on receipts maintained in the golf outings files. The spreadsheet prepared by Golf Course personnel contained the name of the outing, the approximate number of golfers, gross income, and net income. The net income did not reconcile to the City's general ledgers. Without accurate records of golf outing revenue, the City will not have adequate support for the amounts recorded in their ledgers. Additionally, incorrect amounts may be inadvertently relied upon by management and officials of the City.

We recommend the Golf Course maintain an accurate account of revenue earned through golf outings by properly recording the amount of the outing per organization, the number of golfers who attended, the amount of revenue anticipated and received. These amounts should be periodically reconciled to the City's general ledger.

Issuing Receipts and Recording Outings on the Cash Registers

The Golf Course issued two receipts from two different employees for the same check which was presented as payment for a golf outing. By writing multiple receipts, the Golf Course could overstate its revenue. Additionally, the Golf Course did not always process outings payments through the cash registers.

We recommend a receipt be issued by the employee receiving revenues for golf outings. Receipts for golf outings should be processed through the cash registers, and should be reconciled on a daily basis.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

ISSUE 5 - Procedures for Bar Inventory

We reviewed operational policies, procedures, and practices which were exercised by the Golf Course, to determine what procedures were in place related to the purchase and sale of bar items.

PROCEDURES

Through inquiry of Golf Course employees, we documented the procedures in place regarding purchasing and selling bar items at the Golf Course. We also determined what items are included in the City's Revenue Ledger for the broad classification of "Bar." This information was summarized in the form of a narrative.

We obtained a client-prepared trend analysis of bar receipts and analyzed it to determine whether any significant variances existed. We also inquired with City officials as to why it appeared that revenue recorded in 1998 as "Bar" was significantly greater than 1997 "Bar" revenues.

RESULTS

1. The 1997 Revenue Ledger maintained by the City documents \$12,641 in bar receipts. In 1998, the Revenue Ledger for Bar receipts is \$88,829. We received an explanation from the City that they had been recording bar revenues under the classification of 'food' prior to September 1997. Beginning in September 1997, the line item "Clubhouse Bar" was created, thereby allowing the City to track revenue by specific classification.

To corroborate the City's explanation, we reviewed a client-prepared trend analysis which reflected no revenues recorded as Clubhouse Bar until September 1997. We also scanned the client-prepared trend analysis in comparison to the City's ledgers and found September 1997 to be the date when Clubhouse Bar revenues were first recorded.

2. The City is not performing counts of bar inventory levels. With no beginning or ending stock balances, it was not possible for us to perform reconciliations of expenditures for the purchase of alcohol and revenues from sales.
3. While performing our interviews, we reviewed the Golf Course checking account (used primarily for purchasing bar items). We noted Golf Course employees were signing checks from this account, rather than the Finance Director. We also noted thirteen (13) checks in this account which were returned for non-sufficient funds during the Period resulting in \$325 of overdraft charges and \$104 of service fees. This account is not subject to timely reconciliations.
4. There were twenty-seven checks from the Golf Course checking account which were issued to employees of the Golf Course for reimbursement purposes. Four checks totaling \$148 were not supported by receipts. The remaining checks were supported by receipts and invoices.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

NON-COMPLIANCE CITATIONS

Signatories on Special Account

City Codified Ordinance, Section 135.05, states the Assistant Director is hereby authorized to sign checks on behalf of the City, but only in the event the Director of Finance is absent from the City. The Golf Course issued checks from the Golf Course checking account which were signed by either the Golf Course General Manager or the Clubhouse Food Manager, neither of which are authorized signatories per City Ordinance.

The City is aware of the wording in the cited Ordinance, but delegates check-signing authority to the above mentioned managers due to the fact that beer and liquor must be paid upon delivery. In order to be in compliance with the Ordinance, we recommend the Finance Department prepare the check and send it to the Golf Course prior to the delivery of beer and liquor. If this is not feasible, the City should investigate the option of setting up an escrow account with it's beer and liquor distributor, and draw upon that account as deliveries are made.

MANAGEMENT COMMENTS

Inventory Records for Alcohol Purchases

The Golf Course did not perform a formal inventory assessment for the Period, or for the years prior. Without inventory records, it is not possible to effectively track the amounts of alcohol purchased and sold.

At a minimum, we recommend bar inventory be taken at least once each month. The inventory should be attended by a member of management, or other official of the City, who can observe the employee responsible for actually performing the inventory count.

We further recommend the Golf Course prepare a monthly reconciliation of beginning inventory, purchases, sales of alcohol as documented through the cash register, and month-end inventory records (i.e., the next month's beginning inventory record). This should effectively calculate and monitor the amounts of alcohol purchased and sold.

Special Checking Account

The Golf Course special checking account for alcohol purchases reflected \$325 of non-sufficient funds check charges and \$104 in service fees during the Period. Because monthly reconciliations were not performed, thirteen (13) checks were returned for non-sufficient funds during the Period. Additionally, checks were issued from this account to reimburse employees for work-related expenses, yet four of twenty-seven expenditures tested did not have support for those expenditures.

We recommend monthly reconciliations of the Golf Course special account be performed in a timely manner, and adequate funds be maintained within the account to avoid overdraft charges. Additionally, we recommend the Golf Course only issue reimbursements to employees who provide valid receipts and/or invoices to support such payments.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF NORTH OLMSTED, SPRINGVALE GOLF COURSE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2000**