



GARLAND

INTERNAL AUDIT

Firewheel Internal Control Audit

September 19, 2017

Report 201705

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Overall Conclusion

On items which were recommended in the Firewheel Internal Control Audit 201504 report, 11 of 23 items (48%) have been fully implemented. 10 of 23 items have been partially implemented (43%), and 2 items (9%) have not been implemented.

The scope of this follow up was expanded to include pro shop and food inventory. IA found significant gaps in internal controls for inventory and has made recommendations to put control systems in place. Additional recommendations were offered regarding creating an official method for updating policies and procedures, and deactivating staff in the Golf System.

Authorization

We have conducted an audit of Firewheel Internal Controls. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter. An audit follow-up was originally approved on the Annual Audit Plan approved by the Garland City Council; however discussions were held with the Audit Committee Chairman to expand the scope.

Objective(s)

The objectives of this audit were to:

1. Follow up on issues identified in the Firewheel Internal Control Audit 201504 report dated December 16, 2015, and determine if audit recommendations have been implemented.
2. Determine if sufficient controls exist regarding the inventory cycle at the pro shops, including inventory orders, receiving, transfers between shops, and sale.
3. Determine reliability of the Golf system.
4. Inquire about inventory cycle at restaurants and determine if appropriate controls exist.

Scope and Methodology

IA 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.

The scope of our audit was from January 1, 2016 through August 31, 2017.

To adequately address the audit objectives and to describe the scope of our work as part of the methodology, IA performed the following:

- Reviewed a sample of scheduled weekly alcohol inventory counts for reconciliation and notes in Point Of Sale (POS) system (Obj. 1)
- Reviewed a sample of surprise alcohol inventory counts and ensured these were performed by an independent party (Obj. 1)
- Reviewed a sample of tournament documentation for approval by Director of Golf, alcohol sales, deposit information, and payment processing information (Obj. 1)
- Met with finance to determine if previous tax errors had been corrected, and payroll review process had been implemented (Obj. 1)
- Obtained list of Firewheel employees from Finance to test for background checks, Texas Alcoholic Beverage Commission (TABC) certification (where appropriate), and titles and pay rates (Obj. 1)
- Performed a surprise visit to look for unsecured PII (Obj. 1)
- Performed a surprise visit to determine if staff are carding customers who appear to be under 40 years of age (Obj. 1)
- Reviewed user access rights in the POS system (Obj. 1, 2)
- Obtained copies of policies and procedures developed since the last follow up and review (Obj. 1)
- Reviewed processes and documentation for comp rounds given (Obj. 1)
- Obtained copies of armored car contract and log of pickups (Obj. 1)
- Obtained information regarding the reconciliation of several systems used to book tournaments (Obj. 1)
- Reviewed bank statements, credit card statements and other relevant information (Obj. 1)
- Interviewed Firewheel staff (Obj. 1, 2, 3, & 4)
- Performed a surprise inventory (Obj. 2)
- Compared inventory purchases to inventory entered in system (Obj. 2)
- Examined transactions in the POS system including discounts and voids (Obj. 2)
- Reviewed the contract with the City's online vendor (Obj. 3)
- Performed testing for correctness and timeliness of payments (Obj. 3)
- Examined documentation regarding food inventory cycle, tracking, and coupons (Obj. 4)

To assess the reliability of reports produced by Firewheel's Golf System, IA interviewed multiple individuals at Firewheel regarding their processes, reviewed source receipts, invoices, contracts and reports and compared this information to the system used for payroll, the City's Finance system, and the Credit Card System in use at Firewheel. IA also conducted a surprise inventory.

However several system limitations were noted. The most severe of these was that the provider of the Golf System is unable to provide a key for security settings. This prevents IA or management from determining if security settings are at appropriate levels. Furthermore

several reports, such as transaction details, do not print notes out with the report. Therefore transactions must be individually pulled to view notes.

However no inaccurate information was identified in the POS during testing. IA determined that the above data was sufficiently reliable for the purposes of this report.

Based on the audit work performed, any deficiencies in internal control that are significant within the context of the audit objectives are stated in the Opportunities for Improvement section on page 6.

Management was also provided with Additional Opportunities for Improvement to enhance internal controls. These were not considered significant to the objectives of the audit, but warrant the attention of Management. Consequently, they do not appear in this report.

Background

“Garland is...home to Firewheel Golf Park, the largest municipal golf course in Texas, with 63 holes of championship-style golf.

The Firewheel Golf Course is a premier facility that originally offered two 18-hole courses. In September 2001, 27 additional holes were added along with a second clubhouse, pro shop, driving range, and practice facility. Currently, the facility offers 63 holes of golf consisting of the Old Course (18 holes), Lakes Course (18 holes), Bridges Traditions (9 holes), Champions (9 holes) and Bridges Masters (9 holes).”¹

The City has “complete financial and operational responsibility of all aspects of the Golf Park, including the Branding Iron restaurant and Grill 64 snack bar which serve alcoholic beverages. To provide liability protection to the City, the mixed beverage permits from the Texas Alcoholic Beverage Commission (TABC) were acquired by the Garland Foundation for Development Corporation (GFDC). To meet the TABC’s permit requirements, all food and beverage services at the Golf Park must be provided under the GFDC.”¹

Merchandise for sale is maintained at each of two pro shops; one services the Old and Lakes Courses, and the other services the Bridges courses. Orders for merchandise are placed by the Head Golf Pro. Merchandise is received by pro shop staff at one pro shop and entered in the Golf System. Inventory is then taken to the other pro shop by available staff if necessary. There is not currently a tracking mechanism for transfer of inventory between shops. The Business Operations Manager verifies the invoice for the merchandise matches the inventory put into the Golf System, and requests payment of the invoice in the City’s Finance System.²

Pro shop staff perform a partial inventory monthly (ex: hats and gloves) for informational purposes. A full inventory count is done quarterly; following the full inventory adjustments to inventory levels are made in the Golf System, which records the results.²

At the time of the original audit in 2015, both the Branding Iron and the Grill were being managed by the same individual. However in January 2016, management of the two facilities was split between two managers. Each facility uses a different food supplier; both augment these orders with use of a warehouse club card facility. Food orders are not entered or tracked in any system as outlined in the Firewheel Policies and Procedures. Invoices are forwarded to the Business Operations Manager for payment. ³

In August 2016 Firewheel began using a new Golf System. This system allows golfers to schedule tee times on several websites operated by the vendor, in exchange for allowing the vendor to sell two tee times per day at each course (for a total of 6 tee times per day) at whatever price the vendor deems appropriate. The golfers pay an online booking fee, but come into the pro shop to check in and pay for golf. The system additionally operates as a time clock for employee hours, an inventory tracking system for the pro shops, and a point of sale system (POS) for both the pro shops and the restaurants. ²

Source:

¹ The City of Garland 2016-17, Annual Operating Budget

² Firewheel Head Golf Pro

³ Firewheel Policies and Procedures: Accounts Payable – Food Ordering and Receiving

Management Accomplishments*

The mission of the Firewheel Golf Park is to provide exceptional customer service and pristine playing conditions at an affordable rate. The Firewheel organization will constantly strive to ensure the Firewheel Golf Complex remains a vital part of the Garland community as well as a top destination place for individuals, families, corporate clients, and visitors.

Firewheel for the first time in almost a decade is on pace to exceed 100,000 rounds at the at the 63 hole complex. Recent system enhancements allow customer web based tee-time scheduling which has improved overall revenues and customer convenience.

Both the Firewheel Bridges and Lake Course were recognized by Avid Golfer Magazine as two of the top public golf courses in the DFW area. In 2017, Firewheel was also the host site for several prestigious professional events including the Professional Golf Association (PGA) Byron Nelson Qualifying Tournament, the Texas State Amateur Golf Association Qualifying Tournament, and the Texas Golf Association Ladies Mid-Amateur Qualifying Tournament.

*Please note that "Management Accomplishments" are written by the audited entity and that Internal Audit did not audit or verify its accuracy.

Opportunities for Improvement

During our audit we identified certain areas for improvement. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

FINDING #1 PRO SHOP INVENTORY CONTROLS (OBJ. 2)

**CONDITION
(THE WAY IT IS)**

IA observed a full pro shop inventory June 26, 2017. The results have been summarized by category in the table below:

Category	Units	Amount
Golf Balls	-145	\$ (1,057.79)
Golf Gloves	-30	\$ (257.14)
Golf Accessories	-4	\$ 292.38
Men's Apparel	-11	\$ (448.43)
Women's Apparel	-1	\$ (31.08)
Headware	-30	\$ (423.28)
Shoes	-3	\$ (109.77)
Golf Bags	-2	\$ (288.00)
Golf Clubs	1	\$ 54.87
Men's Outerware	-4	\$ (88.97)
Kids	0	\$ -

Note: negative values indicate shortages, and positive values indicate overages

Stock from the two pro shops are consolidated into one inventory in the Golf System. Details on the order and inventory process are available in the background section. A count of an item from one shop is added to the count of that item from the other shop, and this total is compared to the Golf System.

**CRITERIA
(THE WAY IT
SHOULD BE)**

The Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government (also called the Green Book), Section 10, outlines control activities which should be designed and implemented by management, including:

- Comparing actual performance to planned or expected results and analyzing significant differences;
 - Ensuring physical control to secure and safeguard assets;
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	<ul style="list-style-type: none"> Separating responsibilities of key duties includ[ing] (but not limited to) authorizing transactions, processing and recording transactions, reviewing transactions, and handling assets so that no one individual controls all key aspects of a transaction or event; <p>Designing control activities which may include verifications, reconciliations, authorizations, and approvals, physical control activities, and supervisory control activities.</p>
EFFECT (SO WHAT?)	<p>There are large variances in pro shop inventory. It is not possible to determine if this is occurring at a particular pro shop, or during transfer of inventory. This could allow thefts to go undetected.</p> <p>Inaccurate inventories also make it more difficult for management to order appropriate levels of inventory.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>Separate item numbers would have to be created for inventory at each pro shop which was time consuming and not considered efficient.</p> <p>A tracking mechanism for transfer of inventory between pro shops was not considered necessary.</p>
RECOMMENDATION	<p>Firewheel Management should:</p> <ol style="list-style-type: none"> Develop a systematic way of tracking inventory at each location that can better identify where inventory variances are occurring; Include a mechanism for tracking inventory transfers between pro shops that will ensure the inventory that departs one pro shop is received at the other.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	<ol style="list-style-type: none"> New point of sale system inventory identification numbers are being created to separate inventory by specific location so that product can be tracked by location. Monthly merchandise counts will be conducted at both locations and any variance will be documented, and explained to the General Manager and Managing Director. The variance report will be printed from the point of sale system.

2. A transfer policy and form is being developed to track the transfer of inventory between locations.

IMPLEMENTATION 10/1/2017
DATE

FINDING #2 FOOD INVENTORY CONTROLS (OBJ. 4)

**CONDITION
(THE WAY IT IS)**

The current system is dependent on specialized knowledge of existing staff who estimate what food and supplies are needed.

- Grill 64 does not have a list of required levels of necessary supply items but estimates based on visual inspection;
- Branding Iron has an approximate list that acts as a baseline, but inventory varies significantly by season, event, etc.

Food inventory is not tracked in any system. Upon arrival, staff compare the inventory received with the invoice. However trends in purchases from the two food vendors are not tracked to evaluate purchasing trends.

Warehouse club card purchases are reviewed for reasonableness and prohibited items. The review will not detect impropriety such as employees purchasing excess items and only taking a portion to Firewheel, because the review is not compared to anything such as purchasing trends.

**CRITERIA
(THE WAY IT
SHOULD BE)**

The Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government (also called the Green Book), Section 10, outlines control activities which should be designed and implemented by management, including:

- Comparing actual performance to planned or expected results and analyzing significant differences;
- Ensuring physical control to secure and safeguard assets;
- Separating responsibilities of key duties includ[ing] (but not limited to) authorizing transactions, processing and recording transactions, reviewing transactions, and handling assets so that no one individual controls all key aspects of a transaction or event;
- Designing control activities which may include verifications, reconciliations, authorizations, and approvals, physical control activities, and supervisory control activities.

EFFECT

There is not sufficient tracking in place to determine if there is food inventory shrinkage. Food could be stolen from either Grill

(SO WHAT?)	<p>64 or Branding Iron due to lack of accountability. Lack of tracking could also result in management ordering surplus inventory when it is not needed.</p> <p>If current staff were to leave, it would be difficult for replacement staff to determine supply order needs.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>Tracking was being completed for both the Branding Iron and Grill 64 at the time of the original audit in 2015. However this process was discontinued during several management transitions that have occurred since then.</p> <p>In establishing review procedures for warehouse club card purchases, duties were segregated to the extent that the individual performing the review will note prohibited items (such as alcohol) but has nothing to compare the purchase to. The purchase is verbally authorized and obtained by other individuals.</p>
RECOMMENDATION	<p>Firewheel Management should:</p> <ol style="list-style-type: none"> 1. Develop a systematic way of tracking inventory that does not rely on experienced staff visually estimating what should be on hand; 2. Track food vendor purchases and warehouse club card purchases by category to evaluate inventory and purchase trends over time.
MANAGEMENT RESPONSE	<p>Concur</p>
ACTION PLAN	<ol style="list-style-type: none"> 1. Primary food items will be received and immediately entered into the point of sale. A base line level for each item will be established through sales history. Employees will be required to conduct weekly counts of inventory and place orders that do not exceed the baseline number. A general restaurant food ordering process or policy will be written to cover the tracking and inventorying of items. 2. All food purchase invoices shall be reviewed and signed by the Firewheel Restaurant Manager and the Firewheel General Manager before they are processed for payment. All purchases will be counted and verified

immediately upon receipt by a Manager or their designee.

IMPLEMENTATION DATE	Prior to 10/1/2017
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FINDING #3 POLICY AND PROCEDURE CHANGES (OBJ. 1)

CONDITION (THE WAY IT IS)	When inquiring about updating and creating policies and procedures for several items, IA noted that there was not a designated person for this. Staff are unsure which version of the policies and procedures is the most recent, and updates are not made.
CRITERIA (THE WAY IT SHOULD BE)	The Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government (also called the Green Book) recommends establishing structure, responsibility, and authority for an effective control environment, which includes communicating the quality information necessary for each unit to fulfill its overall responsibilities (3.04).
EFFECT (SO WHAT?)	Staff do not have a clear point of reference for policies and procedures, or even the same version of the printed copies. This may result in different individuals following different procedures.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>The Business Operations Manager stated he was originally tasked with creating and updating policies and procedures under a previous manager, but does not always change the effective date or know about all needed changes.</p> <p>The Head Golf Pro stated that several people might make updates, which makes it difficult to determine if they have been updated and which version is correct.</p>
RECOMMENDATION	Firewheel Management should: <ul style="list-style-type: none">• Designate an individual to approve policies and procedures rather than having multiple people perform this function;• Establish a method of labelling policies and procedures so staff can verify they have the most recent version (ex: sign and date, number, etc.).
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Documenting policies and procedures is the responsibility of the General Manager of Firewheel. Final approval of departmental policies must be approved and signed by the Managing Director of Firewheel. A workshop date in November

has been established by the Firewheel management team to develop new and/or revise existing policies. A new policy form will be used similar to the form utilized by Customer Service.

IMPLEMENTATION DATE	11/15/17
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FINDING #4 DEACTIVATE EMPLOYEES (OBJ. 3)

**CONDITION
(THE WAY IT IS)**

At the time of testing, seasonal staff who have left were not being deactivated in the Golf System. IA identified 21 employees who were active in the Golf System, but were terminated (as determined by either a signed Personnel Action Form or had not received a pay check in the last 8 weeks). Four of these had security level 3, which allow system privileges such as processing negative transactions (refunds) and receiving or adjusting inventory.

Staff who have left are not being terminated from the Golf Payroll System timely. Management occasionally reviews employees and terminates staff that have not returned.

For information on additional system issues, please refer to system limitations on pages 2-3 and Follow Up #5 User Access.

**CRITERIA
(THE WAY IT
SHOULD BE)**

The Government Accountability Office (GAO) 2014 Standards for Internal Control in the Federal Government (also called the Green Book) states management should “promptly update access rights when employees change job functions or leave the entity.” (11.14)

**EFFECT
(SO WHAT?)**

Staff who are no longer employed with Firewheel have an opportunity to tamper with the system if their logins have not been deactivated.

Current staff could utilize logins of terminated employees to disguise malicious activity.

**CAUSE
(DIFFERENCE
BETWEEN
CONDITION &
CRITERIA)**

Currently employees are not terminated when they leave for the season. This way, if they return within 6 months, management can avoid the cost and effort of performing new hire functions, including a background check, and have a trained employee that can start immediately.

A new Golf System was implemented in August of 2016 and a procedure for deactivating employees in the system had not yet been considered.

RECOMMENDATION

Firewheel Management should develop and communicate a policy which includes:

- How quickly an employee is deactivated from the system, including leaving temporarily (seasonal, to attend school, etc.);
- Personnel Action Forms (PAF) are submitted promptly following termination;
- Procedures for reinstating access if a person returns to work, including when a background check is required.

An independent party should perform periodic, surprise checks to ensure staff receiving paychecks are current employees.

MANAGEMENT RESPONSE	Concur
ACTION PLAN	<ol style="list-style-type: none"> 1. All inactive or previously terminated employees have been deactivated in the system. 2. Policies and procedures have been adopted that mirror City of Garland practices. 3. Management is initiating a new process whereby an independent third party spot checks regular, temporary, and seasonal employees.
IMPLEMENTATION DATE	9/12/17

Follow-Up Items

FOLLOW UP #1 TABC ITEMS (OBJ. 1)

CONDITION (THE WAY IT IS)

Texas Alcoholic Beverage Commission (TABC) Related Items:

1. In 9 out of 10 (or 90%) weekly alcohol inventory records reviewed, there were significant alcohol inventory overages and shortage at both the Branding Iron and Grill 64, ranging from an overage of \$890 to a shortage of \$172 for beer, wine and liquor. While spillage is recorded in Club Prophets Point of Sale (POS), it does not amount to the entire variance. There is no reconciliation of the overall variances found during the weekly alcohol inventories conducted by the Food & Beverage Manager.
2. An alcohol inventory and reconciliation is not regularly performed by the Business Operations Manager.
3. There was a tax-free alcohol sale recorded in the amount of \$2,971 for the month of June 2015. No sales of alcohol should be tax-exempt.
4. Out of the 11 background checks reviewed, 10 (or 91%) were not completed prior to an employee's start date. Of these, the delay date ranged from 2 days to 44 days late. One was still not completed as of the date of last request; 58 days after hire.
5. Out of the 12 employees reviewed for valid TABC certificates, three (or 25%) were not issued within 30 days of their hire date. One was still not obtained as of the date of last request; 109 days after hire.
6. TABC Checklist is not being utilized (as recommended in TABC Follow-up from September 2014).

RECOMMENDATION

Firewheel Management should:

1. Ensure that during the weekly inventory counts, the cause of all variances should be identified and reconciled. Notes should be made into the POS regarding these variances. Any variances should be reported to management during the weekly staff meetings.
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2. Ensure that periodic surprise inventory counts by an independent party are performed at least monthly. Documentation of the count and reconciliation performed should be retained. Any variances should be reported to management during the weekly staff meetings.
 3. Work with the Finance department to make a correction to the June 2015 Gross Receipts Tax. Pay any additional taxes to correct this error. The Point of Sale should be updated to ensure that this error does not occur in the future.
 4. Implement a process to ensure that all background checks are completed prior to when an employee starts work. Establish a designated backup to process background checks.
 5. Implement a process to ensure that all TABC certificates are completed within 30 days of when an employee starts work.
 6. Develop a TABC Checklist that addresses all of the above items, as well as other items deemed necessary by Firewheel management. Complete this checklist quarterly (or more frequently as deemed appropriate by management).

**MANAGEMENT
RESPONSE**

Concur

ACTION PLAN

1. Weekly inventories are now being performed and reviewed at the weekly staff meetings. All variances will be discussed and resolved appropriately.
 2. An independent party or individual will be identified to perform monthly surprise counts. The results will be documented and provided to the Director of Golf. The results will also be reviewed and discussed during staff meetings.
 3. This issue has already been corrected by finance.
 4. A back up person has been identified and will be trained in the area of background checks. New employees will
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not start work until the background check has been submitted.

5. Food & beverage employees will be required to complete the TABC training course during their first week of employment.
6. A TABC checklist is being developed and will include all essential TABC regulations. The checklist will be reviewed by the Director each month during a weekly staff meeting.

IMPLEMENTATION DATE	January 1, 2016
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FOLLOW-UP

1. IA obtained copies of the inventories that had been performed and any available reconciliations. Discrepancies are being discussed with management. However there is no threshold for reconciliation, and management stated only a small portion are reconciled. System limitations do not permit printing of reports with notes.
 2. Alcohol counts, both surprise and planned, are being performed regularly by an independent party.
 3. IA obtained documents from Finance confirming the previous tax error had been corrected. Additionally, IA was able to review setup for customer tax status and verify that controls are in place to reduce the likelihood that this error will occur again.
 4. Background checks are not performed before an individual starts work. Instead, new hires sign a contingency form which states they understand their employment depends on being able to successfully pass the background check and drug test. A sample of 15 new and rehired employees was examined (Exhibit A), and 14 of 15 (93%) had signed a contingency form. Additionally, it was noted that background checks are not being redone at the time of rehire, and the Business Operations Manager is not notified if the gap in employment was
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greater or less than six months. Although a backup has been identified for new hire paperwork, that individual informed IA he was not fully functioning as a backup for this role.

5. TABC certificates are now being tracked by an independent party. IA compared the list of employees receiving a paycheck to the list of individuals with TABC certifications and was able to confirm all necessary staff, as well as recommended backup staff, have current TABC certifications. No gaps in TABC certification were noted since this process has been put in place January of 2016.
6. IA was able to confirm a checklist was created in January of 2016. This checklist contains all elements recommended in past audits.

Staff were unable to provide IA with a completed checklist.

Staff cannot review the checklist at staff meetings if it has not been completed.

IMPLEMENTATION

1. Partially Implemented
 2. Fully Implemented
 3. Fully Implemented
 4. Partially Implemented
 5. Fully Implemented
 6. Partially Implemented
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FOLLOW UP #2 TOURNAMENT AND EVENT OVERSIGHT (OBJ. 1)

**CONDITION
(THE WAY IT IS)**

Tournament/Event Oversight Concerns:

1. The Tournaments and Events Manager has access to book tournaments in the POS and accept payments in the POS system.
2. Contracts for tournaments/events were not appropriately authorized by the Director of Golf.
3. Deposits not retained for 39 out of 44 upcoming tournaments/events (or 85%) that were booked as of 6/15/2015.
4. No reconciliation between the tournaments/events calendar, the POS and QuickBooks was performed.
5. Firewheel management has been allowing outside servers to serve alcohol at tournaments/events by verbally confirming that servers have a TABC certificate. However, they were not verifying/retaining evidence of these TABC certificates.
6. There are no policies related to special purchases (alcohol or food) made for tournaments/events.

RECOMMENDATION

Firewheel Management should:

1. Restrict the Tournaments and Events Manager's access to accept payments in the POS system. In addition, access to the physical checks should be limited to the Business Operations Manager.
 2. Ensure that all contracts are signed by a person that is independent from the booking of the tournaments/events.
 3. Determine and document policies related to deposit collection (what customers require them, how much (% or set fee), ability to refund if tournament/event is cancelled, etc.).
 4. Perform a periodic reconciliation between the tournaments/events calendar, the POS and QuickBooks in order to ensure money was deposited.
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5. Make every effort to limit alcohol service to Firewheel employees. Firewheel management should consider obtaining TABC certificates for other Firewheel employees (such as golf professionals, management and/or kitchen staff) in order to help with service during large tournaments/events.
 6. Ensure that special purchases of alcohol are paid for at the time of booking or another time deemed appropriate by Firewheel management.

MANAGEMENT RESPONSE	Concur
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ACTION PLAN

1. The Tournament Director will no longer enter payments into the point of sale system (POS). The Business Operations Manager will secure/receive all checks including those received in the mail and will ensure these types of payments are entered into the POS by pro shop staff.
2. The Firewheel Director of Golf now reviews and signs all tournament and event contracts.
3. An event policy addressing deposits is currently being developed.
4. Management will review and discuss weekly tournament/event activities to ensure proper billing and payments have been processed during weekly staff meetings.
5. Anyone serving alcohol will have a TABC Certificate on file at Firewheel, all full time employees will be required to have a TABC certificate.
6. Implemented a requirement that any "special purchases" of alcohol for use by an outside party is paid for the day of the event.

IMPLEMENTATION DATE	January 1, 2016
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FOLLOW-UP

1. IA discussed the procedure for mailed checks and other payments with the Business Operations Manager (BOM), the Tournaments and Events Coordinator, the Head Golf Pro, and two pro shop staff members. Mail is collected by the BOM who passes any payments received on to the Head Golf Pro or pro shop staff. Individuals who come personally to pay are served by pro shop staff. A sample of 12 event contracts was reviewed for payment information. Refer to Exhibit A for sampling methodology. IA found that while the Tournaments and Events Coordinator can release the account funds to the appropriate event for payment, there is no evidence she is taking payment.

No system limitation was put into place to prevent her from taking payments. Doing so would not allow her to perform her other duties.

2. IA reviewed a sample of 12 event contracts (Exhibit A) and found that all had been signed by the Director of Golf before the event occurred.
 3. IA reviewed Firewheel policies and procedures and tournament and event contracts and confirmed that no written policy has been developed. Firewheel's Head Golf Pro and Tournaments and Events Coordinator state that they only take deposits for new customers; returning customers are not required to provide a deposit. IA noted that Firewheel does not have a procedure for updating policies as described in Finding #3.
 4. IA was able to confirm with several staff members that upcoming events are discussed at staff meetings. The Head Golf Pro periodically reviews customer accounts to ensure all payments have been received, as does the Tournaments and Events Coordinator. However no written evidence of this is available for review, nor is it happening on a scheduled basis. Furthermore IA was
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informed not all customer accounts are accurate (due to rounding errors, etc.).

5. IA examined TABC certifications for all individuals pulled from payroll, and was able to confirm that backup staff are certified to act as TABC certified servers.

As of 2016 and 2017, Firewheel allowed outside servers (marking the relevant contract section with “omit”) without obtaining copies of their TABC certifications. Although Firewheel staff inform us this will change going forward due to a change in TABC policy, IA is unable to yet verify if this will take effect in 2018.

6. Language has been added to tournament and event contracts which states alcohol “must be served by Firewheel’s TABC certified staff. Under no circumstances can anyone except Firewheel staff serve alcohol even if TABC certified. Unopened containers of alcohol that have been purchased cannot be taken off premises.” This is not clear that the customer will not receive a refund for the special alcohol purchases.

No policy was created requiring special alcohol purchases to be paid the day of the event. Per Food and Beverage staff, special purchases are really only done for about 2 customers. IA reviewed one of these and found payment was not required the day of the event, but was paid later in the month with the other event fees.

IMPLEMENTATION

1. Partially Implemented
2. Fully Implemented
3. Not Implemented
4. Partially Implemented
5. Partially Implemented

6. Partially Implemented

FOLLOW UP #3 PAYROLL (OBJ. 1)

**CONDITION
(THE WAY IT IS)**

Payroll Concerns:

1. Per Firewheel's policies and procedures and a practice called "server wage", servers are paid below minimum wage. Tip credit adjustments are made to increase wages if the hourly rate falls below minimum wage during any pay period. In one instance, an adjustment was not made to increase the wages of one individual, resulting in an \$11.31 underpayment.
2. One server had a pay increase authorized; however, there was a manual coding error by Firewheel management, resulting in an underpayment of \$299.76.
3. There were two employees that were overpaid due to payroll entry errors. One was overpaid by \$251.83 and a second was overpaid by \$152.58.
4. Personal Action Forms are not always filed and processed in an accurate and timely fashion.
5. There are multiple items Human Resource (HR) related items (Payroll, TABC certificates, background checks, etc.) that have gone uncorrected as noted in the other findings noted in this report as well as previous audits.

RECOMMENDATION

Firewheel management should ensure:

1. The Payroll Spreadsheet is reviewed for errors.
2. Titles for all Firewheel employees are reevaluated and consolidated.
3. Payroll information entered into QuickBooks is reviewed for accuracy prior to paychecks being processed.

Firewheel management should consider:

4. Using the City's forms within Outlook to begin processing PAF's electronically for all employee changes. In the meantime, PAFs should be filled out completely and accurately and submitted to Payroll timely.
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5. Evaluating the need for a dedicated individual (or changing an existing employee's duties) to manage HR issues at Firewheel.
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MANAGEMENT RESPONSE Concur

ACTION PLAN

1. Each pay period the payroll spreadsheet will be checked against the time clock before it is submitted to payroll for processing.
 2. All employees are now paid at least minimum wage, have been assigned only one job title and pay rate.
 3. A review procedure has been implemented, consisting of the Payroll Supervisor agreeing paycheck information (hours, tips, gratuities entered, etc.) to the payroll spreadsheet, for each individual paycheck, every pay date. Any discrepancies would be brought to the Payroll Specialist for correction prior to checks being sent to the Managing Director for signature.
 4. PAF forms are now being filled out completely and accurately and we are reviewing other options such as electronic formatting.
 5. Management is considering the addition of an employee dedicated to Human Relations. Will discuss options related to securing additional assistance from the HR department.
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IMPLEMENTATION DATE 1, 2, 4, 5 – January 2016
 3. October 16, 2015

FOLLOW-UP

1. IA confirmed with management that they compare their employees' time to the schedule and time clock before approving. Fields were added to the spreadsheet to assist the Head Golf Pro in catching errors, and the payroll is additionally reviewed as noted below before payments are final.
 2. IA obtained payroll from the Payroll Coordinator and did a comparison for job titles and pay rates across each title.
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IA confirmed that job titles have been consolidated and all staff are paid above minimum wage.

3. IA was able to observe the payroll process and interview the Payroll Coordinator and backup to confirm that a secondary review is occurring before the checks are sent to the Managing Director for signature.
4. IA was able to review PAF forms for a sample of pay periods and confirm that the Payroll Coordinator is not processing new hires, pay rate changes, or title changes without a completed PAF form. Terminations are done in batches rather than as individuals are terminated as noted in Finding #4.
5. Although not in the HR Department, an additional individual is assisting with a number of Firewheel issues including TABC and food handling certifications, payroll concerns, and surprise inventory counts.

IMPLEMENTATION

1. Fully Implemented
 2. Fully Implemented
 3. Fully Implemented
 4. Fully Implemented
 5. Fully Implemented
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FOLLOW UP #4 COMP ROUNDS (OBJ. 1)

**CONDITION
(THE WAY IT IS)**

Currently, free rounds of golf are given to volunteers who function as starters, marshals, etc. on the courses. These are called compensation rounds.

However, based on rulings by the Department of Labor (DOL), they generally find that payment of less than 20% of the amount that otherwise would need to be paid to hire someone full-time for the same services is considered a nominal fee. Thus a volunteer may be considered to be an employee if paid more than 20% (“the “20% Rule”). (Wage and Hour Division Opinion Letters FLSA 2008-15 (Dec. 18, 2008) and FLSA 200628 (Aug. 7, 2006).)

Compensation Rounds are being provided to volunteers without proper tracking of hours worked, rounds taken, or times rounds are played, therefore, it is impossible to track whether we are complying with the DOL’s rulings on this matter. However, it should be noted that 9 volunteers each received over 100 compensations rounds from October 1, 2013 – June 2015, one of whom received 419 rounds of golf.

RECOMMENDATION

Firewheel management should:

- Increase oversight and tracking of compensation rounds in order to comply with Department of Labor’s “20% rule”.
- Update the policies and procedures to include guidance related to compensation rounds.

OR

- Consider phasing out compensation rounds given to volunteers.

**MANAGEMENT
RESPONSE**

Concur

ACTION PLAN

Management is reviewing various options with the Firewheel Golf volunteer leadership group. We are also surveying other golf operations to determine best practice and changes will be implemented later next year.

**IMPLEMENTATION
DATE**

October 1, 2016

FOLLOW-UP

IA confirmed that a log is now being kept of volunteer hours. However this is not reviewed to compare hours of volunteer work to the amount of comp rounds received. There is no limit to the number of comp rounds volunteers receive. No additional Policies and Procedures have been developed.

IA performed an estimate of the wage value of the average volunteer based on parameters provided by the Head Golf Pro. This was compared to the value of golf received by the volunteer, after the fee for playing the Bridges course had been removed, based on the senior weekday rates. This estimates showed that 5 of 41 volunteers exceeded the DOL guidelines for “nominal compensation” by over \$1,000.

IMPLEMENTATION

Not Implemented

FOLLOW UP #5 USER ACCESS (OBJ. 1)	
CONDITION (THE WAY IT IS)	IA was unable to verify if all of the user access rights to the Point of Sale System (Club Prophets) were accurate. IA was also unable to verify if adjustments/cancellations made in the POS were reviewed for appropriateness.
RECOMMENDATION	<p>Firewheel management should work with Club Prophets to get the reporting errors corrected. This report should be run periodically to ensure proper segregation of duties and access rights based on least-privilege.</p> <p>If this is not possible, management should work on developing an in-house report to monitor user access periodically.</p>
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Staff has confirmed that all current user access is valid. Currently working with Club Prophets to properly report existing user access rights.
IMPLEMENTATION DATE	March 1, 2016
FOLLOW-UP	<p>Firewheel has adopted a new Golf System which went into effect August of 2016 and allows for booking of golf online at several sites besides our own. Management was not aware of how to run a report to show access rights and security levels of all staff, but was aware of where these fields are located and was reviewing them. IA noted staff were not being deactivated as described in Finding #4.</p> <p>Unfortunately, the vendor is not able to provide a guide for what each of the security fields mean. Therefore management is continuing to adjust various security levels by "trial and error."</p> <p>Therefore while IA wishes to credit Firewheel staff for their continuing efforts to review and set separate security levels, the risk for inappropriate access remains very high due to this system limitation.</p>
IMPLEMENTATION	Partially Implemented

FOLLOW UP #6 CASH HANDLING (OBJ. 3)

**CONDITION
(THE WAY IT IS)**

Cash Handling Concerns:

1. Personal Identifying Information (PII), such as credit card information, names and addresses, was not secured at the Tournaments & Events Manager's desk.
2. Daily deposits are not picked up by an armored car service.
3. The approval process for purchases made using the Warehouse Club Card and is not documented. The process to activate/deactivate and account is not always consistent and/or documented.

RECOMMENDATION

Firewheel Management should:

1. Ensure that all drawers containing sensitive data are consistently locked.
2. Consider scheduling an armored car service to pick up daily deposits.
3. Document the policies/process to set up a Warehouse Club Card, activate/deactivate users, make purchases, and pay invoices.

**MANAGEMENT
RESPONSE**

Concur

ACTION PLAN

1. Obtained locking file cabinets in order to secure sensitive information.
2. The City of Garland is reviewing the possibility of an armored car pick up service at Firewheel.
3. Will develop processes similar to P-Card policy and restrict purchases to resale only. Will not authorize any Warehouse Club Cards to be issued.

**IMPLEMENTATION
DATE**

February 2016

FOLLOW-UP

1. IA performed two surprise visits and noted PII unsecured on the Tournaments and Events
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Coordinator's desk. However management was able to move her desk into an office that locks before the end of testing, and all information is now secure.

2. At the start of testing IA obtained the copy of the armored car contract. Although the contract had been put in place, scheduled pickups had not begun because the pickup time in the contract was not possible for the BOM to meet. Firewheel, Finance, and the armored car company continued to work on this issue. However during the course of testing IA observed the armored car driver telling pro shop staff he was able to come at any time of day and was not restricted to a particular time. Management is currently revisiting the armored car process. Pickups are happening occasionally, but not daily.
3. Firewheel has not developed any policies and procedures regarding warehouse club cards. However the City has put a Directive in place which addresses this (Purchasing Directive 1) which Firewheel is using. Although a review has been implemented, IA is recommending additional tracking as described in Finding #2.

IMPLEMENTATION

1. Fully Implemented
 2. Partially Implemented
 3. Partially Implemented
-

FOLLOW UP #7 THIRD PARTY DATABASE (OBJ. 1)

**CONDITION
(THE WAY IT IS)** A third-party database, which is not supported by the City, is being used to document and record tournament and event information. This database is web-based and data is not being securely stored and/or backed up on a City server.

RECOMMENDATION Firewheel management should ensure that no third-party databases are used. All data should be entered and stored on the POS system, which is backed up daily by the City's IT Department.

**MANAGEMENT
RESPONSE** Concur

ACTION PLAN Discussed issue with the employee and the third party database is no longer being utilized. Data is now being entered and stored on the POS and a new City outlook tournament/events calendar is in place.

**IMPLEMENTATION
DATE** Completed

FOLLOW-UP The City's IT Department was able to review the browser history for the past two months for the entire Firewheel network. They were able to confirm that the third party database was not being used.

A network calendar that is shared between all necessary staff is now being utilized, and details such as the event contract are attached so everyone can access it. This calendar is backed up by the City's IT Department.

IMPLEMENTATION Fully Implemented

Exhibit A – Sampling Methodology

Follow Up: Background Checks

From the population of 58 new hires during the audit scope, IA randomly selected 12. IA then judgmentally added 2 rehires, and 1 additional individual for a total sample of 15. Results can be projected to the intended population.

Follow Up: Tournament and Event Contracts

The Tournaments and Events Coordinator keeps a spreadsheet of all upcoming and completed events. Of the 68 events which had been completed since the beginning of 2017, 8 were excluded because they were Firewheel Golf Association which is a standing event that does not provide deposits, have contracts, etc. IA judgmentally selected one per month from the list (5) and selected another 7 from the drawer to compare to the list. 12 of 60 (20%) were sampled. The results can be projected to the intended population.