

CITY OF ALLENTOWN

CASH COUNT

Golf Course

09/24/2020

Date of Report: October 16, 2020

Opened in 1952, the Allentown Municipal Golf Course is a year-round 18-hole municipal golf course that is City owned and operated. The golf course includes a Clubhouse, Pro Shop, Driving Range, and a restaurant. The restaurant is independently operated by a third party.

The Allentown Municipal Golf Course maintains 3 cash drawers:

- 2 (two) for the Pro Shop,
- 1 (one) for the Driving Range, and
- 1 Change fund which is to be used for the 3 Cash Drawers.

OBJECTIVE

The audit objectives were:

1. To perform a surprise cash count of all cash funds maintained by the Allentown Municipal Golf Course.
2. To ensure the funds and supporting documentation of cash drawer balances for the day of our visit were present and properly reported.
3. To determine the existing policies and procedures including AIMs were being followed and whether internal controls were adequate to ensure that all cash is collected, accurately recorded, safeguarded, and deposited.
4. To evaluate the reasonableness of the amount of the funds.
5. To identify any potential cash receipt and cash handling internal control weaknesses including but not limited to the physical security of the funds.

PROCEDURES

This audit was conducted in accordance with generally accepted governmental auditing standards and utilized an approach that included staff interviews, reviews of documents, and reports and examinations of individual financial transactions.

Our process began by counting the individual cash funds while being observed by Golf Course Personnel. The physical counts were compared to the prescribed system (cash drawers). Any discrepancies between the prescribed totals and the physical counts were validated with the Golf Course Personnel.

Thru discussion and observation we completed the Internal Control Questionnaire and identified potential internal control weaknesses. The potential internal control weaknesses were then confirmed with Golf Course Personnel.

FINDINGS, RECOMMENDATIONS AND RESPONSES

CASH COUNT: OVERAGES/SHORTAGES AND WEAKNESSES

Based on the review performed, controls appear adequate and no exceptions were noted.

INTERNAL CONTROL WEAKNESSES

1. Cash Fund Balances

The Driving Range is not physically manned; 2 (two) ball machines which accept credit cards or exact change are used for the Driving Range ball sales. The Driving Range Cash Drawer is not being used.

Since May 2020, as a COVID safety feature, the Golf Course Pro Shop has not accepted cash purchases.

Recommendation

Consideration should be given to eliminating the Driving Range Cash Drawer and decreasing the Change Fund Golf Course cash fund.

Administration's Response

Golf Course Response: We will need extra one's and five's when we start using cash again. This will allow us to make it through the weekend with change. The banks are continuing to have limited lobby and drive thru hours. We also need change if the driving range ball machines lose power or have program issues and cannot operate. We would need to operate range using personnel to stay open.

Treasury Response: Treasury will discuss this with the Parks Director before deciding to reduce the cash on hand.

Additional Auditor's Comment

Until cash is used again, Administration should limit the risk of fraudulency by temporarily reducing the cash fund balances. Risk exists of theft or misappropriation especially when the funds are not counted daily.

2. Access to the Safe

Currently, due to COVID, cash drawers are not being used at the Golf Course.

During our count, we noted:

- The cash drawers are stored in the safe, but the cash drawers are unlocked,
- The keys for the cash drawers are hanging in the safe,
- Other cash items (league money) that are not City property are also safeguarded in the safe.

We noted 6 people have the safe combination.

Recommendation

At a minimum, while the cash registers are not being used, the cash drawers should be locked, the safe combination should be changed, and the access to the safe should be limited. Non-City property should be secured elsewhere.

When the Golf Course begins accepting cash and all the registers are needed, consideration should be given to limiting the safe combination to only key individuals.

Administration's Response

Golf Course Response: The only individuals that have the combination to the safe are the six pro shop staff personnel. The driving range ball machines accept cash. They do not give change therefore they must be exact change. Even though we don't use cash in the pro shop we do offer to make change for the customer that doesn't have exact change. They must be able to access the safe. All non-city property will be stored in another location.

Treasury Response: Administration agrees with the recommendation. The Treasury cash boxes are locked in the safe with only the cashier having access to their drawer. Non-City property should be stored elsewhere. We will go over this with the Director of Parks.

Additional Auditor's Comment

It is highly recommended that Administration review this process to limit the risk of fraudulency.

3. Unredeemed Gift Cards

As of 09/2020 there were 1,811 outstanding gift cards with outstanding balances totaling \$62,234.11.

It is unclear whether the gift cards are deemed abandoned property by the State. If the gift cards are deemed abandoned property, their value is required to be escheated to the state.

Additionally, we noted the revenue from the initial sale of the gift card is immediately recognized at point of sale and not deferred.

Recommendation

Administration should consult with the City Solicitor to determine whether the gift cards are deemed abandoned property.

If the gift cards are deemed abandoned property, Treasury should be consulted to insure the abandoned property is remitted to the state in compliance with PA Escheat Guidelines.

Administration should review the gift card sales and redemption accounting process with the City's Accounting Firm to ensure compliance with revenue recognition.

Administration's Response

We will consult with the City Solicitor and our external auditors to determine whether the gift cards are deemed abandoned property. Additionally, we will address the accounting and processing of the initial sale of gift cards with our external auditors.

4. Overpaid Sales Tax Remittance

The cost of the Driving Range balls includes sales tax.

The Driving Range ball machine does not track the sales tax separately therefore the sales tax must be computed manually and remitted to the state.

We reviewed the sales tax calculation and noted that the calculation was incorrect resulting in overpayment of sales tax.

For the period January 2019 – August 2020, the City overstated and remitted sales tax by \$1,198.26

Recommendation

Administration should verify and correct the sales tax computation. If possible, a credit or reimbursement of the sales tax should be requested.

Administration's Response

We have already reached out to the State to find out how to correct this error. We have corrected it for the September tax bill.

5. Untimely Deposits

Deposits should be made daily. During our cash count on 09/24/2020 we identified 4 deposits that needed to be made. The oldest deposit was dated 09/20/2020.

Recommendation

Deposits should be made daily.

Administration's Response

We contacted the bank and requested night deposit keys which were received on October 9th. We will be able to make deposits daily from this point forward.