

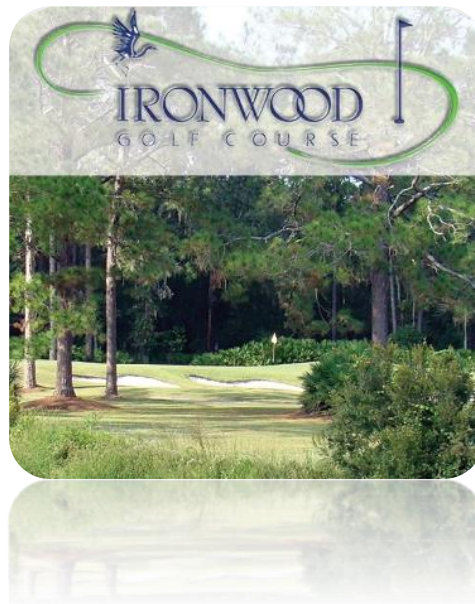
Office of the City Auditor

City of
Gainesville,
Florida

PUBLIC

2023 Ironwood Golf Course Financial Controls Limited Review

September 18, 2023



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2023 Ironwood Golf Course Financial Controls Limited Review

Executive Summary

What We Did

The objective of this engagement was to review the adequacy and effectiveness of select Ironwood Golf Course (Ironwood) financial policies, procedures, operational procedures, and internal controls.

Specifically, we:

Governance

- Reviewed adequacy and completeness of policies and procedures around key elements of fiscal control.
- Assessed adequacy of oversight and monitoring of fiscal activities for compliance with City policies and procedures.

Cash Management

- Assessed adequacy and effectiveness of cash management internal controls and processes.

Procurement to Payment

- Assessed adequacy and effectiveness of internal controls and processes around procurement to payment activities.

Inventory

- Reviewed effectiveness of inventory controls around purchased goods.

The scope of our review did not include operations related to green fees, golf lessons fees, and driving range fees.

Information technology information is not available in this public report, pursuant to Florida Statutes 119.0725(2).

What We Found

Based on our review, Ironwood Golf Course procedures and oversight controls were not sufficient to ensure operations and processes were efficient, effective, and adequate. The following opportunities for improvement were identified:

Issue #1 – Enhance Golf Course Procedures and Oversight

- Oversight and monitoring of processes and activities related to the purchase and sale of alcoholic beverage products at Ironwood were not sufficient. The average pour cost of alcoholic beverages sold at Ironwood Golf Course during our review was higher than expected based on management's pricing strategy (50% rather than 20%).
- An effective inventory management program was not established to record, track, and monitor products for sale at Ironwood. Periodic analysis of purchase and sales activity for products where tracking inventory may not be efficient (e.g., concession food items) was not conducted.
- Four of 10 purchasing card transactions sampled were identified as split transactions pertaining to three invoices.
- Facility and grounds rentals were not consistently documented.
- Sixteen of 20 checks reviewed that were received from external parties were not processed timely.
- There is no established process for management to approve or review sales voids and refunds issued.
- Duties were not adequately segregated in some functions.

Information technology information is not available in this public report, pursuant to Florida Statutes 119.0725(2).

We would like to thank the City Manager's Office, including management and staff from Parks, Recreation, and Cultural Affairs, Ironwood Golf Course, and the Department of Financial Services for their cooperation, accessibility, and professionalism throughout this review.



INTRODUCTION

We conducted a limited review of financial controls at Ironwood Golf Course (Ironwood), which was added to the audit plan in fiscal year 2023 after a management request by the Director of Parks, Recreation, and Cultural Affairs. The objective of the City Auditor's Ironwood Golf Course Financial Controls Limited Review was to review the adequacy and effectiveness of select Ironwood Golf Course financial policies, procedures, operational processes, and internal controls. *Background* information begins on page 5, followed by audit issue details with management's action plans.

SCOPE AND METHODOLOGY

The scope of this review included the areas highlighted below for activities from July 1, 2021 – February 28, 2023, with additional testing of alcoholic beverage sales and purchase activity through May 31, 2023. The review was conducted through inquiry, observation, and limited testing for processes in scope. Specifically, we:

Governance

- Reviewed adequacy and completeness of policies and procedures around key elements of fiscal control.
- Assessed adequacy of oversight and monitoring of fiscal activities for compliance with City policies and procedures.

Cash Management

- Assessed adequacy and effectiveness of cash management internal controls and processes.

Procurement to Payment

- Assessed adequacy and effectiveness of internal controls and processes around procurement to payment activities.

Inventory

- Reviewed effectiveness of inventory controls around purchased goods.

IT General and/or Application Controls

- Reviewed appropriateness of select application controls around the point-of-sale (POS) system.

The scope of our review did not include operations related to green fees, golf lessons fees, and driving range fees.



RESULTS AND CONCLUSION

As a result of our review, we identified a high risk opportunities for improvement. Audit issue details with management action plans are included within the *Audit Issue and Management Action Plan* section beginning on page 11.

Figure 1 - Audit Issues and Risk Ratings

AUDIT ISSUES AND RISK RATINGS			
High Risk		Moderate Risk	Low Risk
1. Enhance Golf Course Procedures and Oversight			

- **High Risk:** Key controls do not exist or are not effective, resulting in an impaired control environment. High-Risk control weaknesses require immediate corrective action detailed in the management action plan.
- **Moderate Risk:** Adequate control environment exists for most processes. Moderate risk control weaknesses require corrective action detailed in the management action plan.
- **Low Risk:** Satisfactory overall control environment with a small number of low-risk control improvement opportunities that do not require corrective action or a management action plan.

We would like to thank the City Manager's Office, including management and staff from Parks, Recreation, and Cultural Affairs, Ironwood Golf Course, and the Department of Financial Services for their cooperation, accessibility, and professionalism throughout this review.

BACKGROUND

Ironwood Golf Course, a division of Parks, Recreation, and Cultural Affairs, is an 18-hole, par 72 championship golf course purchased by the City of Gainesville in March 1992. Ironwood hosts multiple golf tournaments and leagues, junior programs, and golf lessons throughout the year, and includes a golf driving range. The clubhouse includes a retail area for golf merchandise (Pro Shop), a kitchen and concessions area, a full bar, and a banquet area available to rent for weddings, birthday parties, meetings, or other community events. Ironwood operates seven days a week and is open from early morning and closes late evening.

The City Auditor's Office conducted a review of Ironwood's revenues in FY 2012 and communicated several recommendations related to strengthening internal controls over receipting and recording Ironwood revenues, improving the timeliness of cash reports and deposits, strengthening green fee surcharge collections, improving internal controls over gift cards and complimentary rounds, as well as updating operating policies and procedures. Ironwood operated as an enterprise fund of the City, but was moved into the City's general fund starting in fiscal year 2020. The State of Florida Auditor General conducted an operational audit of the City of Gainesville and reported a finding in their January 2022 report that related to Ironwood entitled *Transparency of Golf Course Operations*.

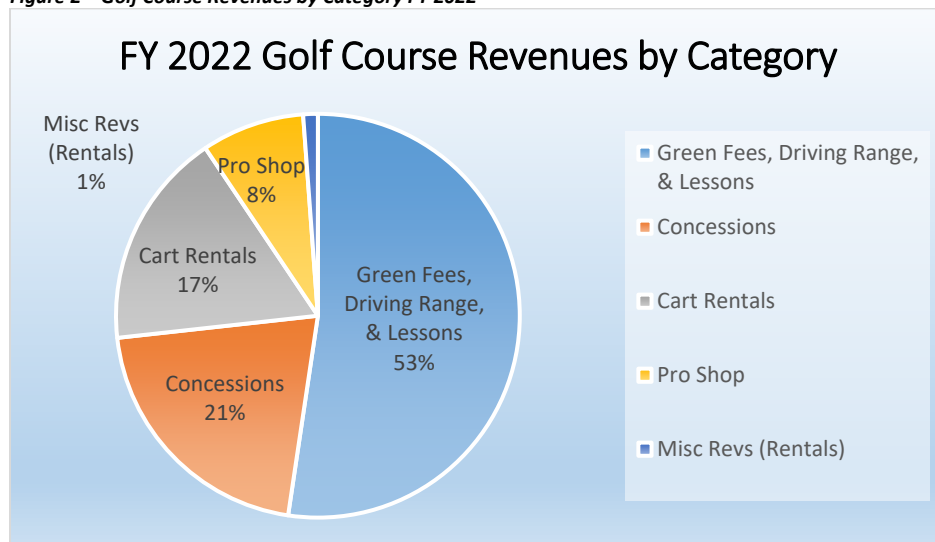
Financial Overview

All sales at Ironwood are processed through the POS system where payments can be made by cash, check, credit/debit card, or gift card. Revenues received at Ironwood consist of concessions, facility and grounds rentals, cart rentals, Pro Shop sales, golf lessons fees, green fees, and driving range fees. Expenses consist of administrative and operational costs, such as salaries, concessions (food/drinks/alcoholic beverages), grounds maintenance, equipment, and utilities. A \$6.00 capital surcharge, captured for the replacement of golf carts and other capital needs, is added to the cost of each golf round purchased. Figures 2 and 3



depict Ironwood’s revenue categories and the percentage of revenue each represented in fiscal year 2022. Ironwood fiscal year 2022 revenues totaled \$1,168,405.

Figure 2 – Golf Course Revenues by Category FY 2022



Source: Department of Financial Services (DFS) and City of Gainesville Enterprise Resource Planning (ERP) system

Figure 3- Golf Course Revenues by Category FY 2022

Revenue Category	\$ Amount
Green Fees, Driving Range, & Lessons	611,876
Concessions	244,121
Cart Rentals	202,676
Pro Shop	96,282
Misc Revs (Rentals)	13,668

Source: Department of Financial Services (DFS) and City of Gainesville ERP system

*Figure 3 amount does not include -\$218 for cashiering over/short.

Transfers from the general fund to Ironwood’s fund or cost center have historically mitigated anticipated operating losses for the golf course. The percentage of operational losses for Ironwood from fiscal year 2020 to fiscal year 2023 has decreased each year as depicted in Figure 4. Despite management’s efforts to identify ways to remediate Ironwood losses, expenses continued to outpace revenues. Fiscal year 2022 revenues totaled \$1,168,405, with expenses totaling \$1,328,317 resulting in a deficit of -\$159,912. Fiscal year 2023 year-to-date June 30, 2023 management reported a -\$118,238 deficit. Fiscal years 2020 – 2023 revenues and expenses are displayed in Figure 4.

Figure 4 – Golf Course Revenues vs. Expenses



Source: Department of Financial Services (DFS) and City of Gainesville ERP System

Funds added to the Golf Course Capital Surcharge Fund totaled \$657,459 from fiscal years 2020 – 2023, are not represented as revenue dollars.

Staffing

Ironwood staffing consists of three full time positions, including a Golf Course Manager, Golf Course Concessions Supervisor, and a Staff Assistant (transferred from PRCA in November 2022). The remaining team members consist of temporary employees and volunteers who assist with golf course operations. Ironwood operations continued to offer golf recreation seven days a week for extended hours to the public with limited staffing.

We limited our review to fiscal activities associated with Concessions (food/beverages & alcohol), Pro Shop Merchandise and Facility Rentals/Other Income, as well as select Information Technology application controls for the POS system.

Governance

Department procedures are necessary governance controls to guide and manage day-to-day operations, ensuring activities and processes are carried out in a consistent, effective and efficient manner. Policies and procedures should be documented to establish and guide operations, oversight and monitoring activities. During our review, we noted that management created an Ironwood Golf Course Employee Manual to guide operations, and additional departmental and financial procedures were in place. However, documented procedures were not sufficient to guide Ironwood’s operational activities. See issue #1 on page 11 for more details and management’s action plan.



Concessions

Alcoholic Beverages

Ironwood has a full bar where alcoholic beverages (alcohol) are available for purchase by customers in the clubhouse and while playing on the green or driving range. Alcohol products sold at Ironwood include liquor, mixed drinks, wine, bottled/canned beer and draft beer. Alcohol is procured by the supervisor as needed using purchase orders from five vendors. Management or staff on hand receives alcohol orders, verifies the quantity received, and signs the invoice verifying receipt. When available, the alcohol products are verified and stored by the supervisor until needed. Management or staff obtain products from storage and checks the products out on a physical log sheet located in the storage area and places them in the bar area. As customers arrive, staff processes alcohol sales using Ironwood's POS system. Periodically, the supervisor provides invoices to the Department of Financial Services as documentation of alcohol purchases. We noted that the supervisor could purchase, receive, store, and submit invoices for payment for alcohol items, resulting in inadequate segregation of duties. See issue #1 on page 11 for more details and management's action plan.

Management periodically monitors bar activity by using Bar Patrol®, a device used to weigh liquor bottles and determine that the appropriate amount is being served. The physical log is available for periodic monitoring; however, monitoring was not consistent and management was unable to provide documentation indicating that these reviews were being performed.

Alcohol sales are processed through the POS system. The POS has reports available showing which products were sold during a certain period. During our review, we noted that alcohol products are not recorded, tracked, and monitored as inventory in the POS system. Without documented recording, tracking, and monitoring of product inventory, management cannot periodically monitor and analyze alcohol purchases to sales, increasing the risk of waste or abuse. See issue #1 on page 11 for more details and management's action plan.

We analyzed alcoholic beverage purchases recorded in the City's Enterprise Resource Planning system and sales captured in Ironwood's POS system during October 1, 2021 – May 31, 2023 to determine Ironwood's average pour cost. Pour cost is the percentage that drinks cost compared to the resulting sales from those products. Management uses an average pour cost of 20% for alcoholic beverages, an industry best practice. Based on our analysis, Ironwood's pour cost was closer to 50%. See issue #1 on page 11 for more details and management's action plan.

Food/Beverages

Ironwood's clubhouse includes a kitchen used to provide simple, easy-to-prepare food products such as hot dogs, sandwiches, shrimp, chicken tenders, and French fries for sale. There is also a snack area for customers on the go who would like a quick bite to eat or drink. Concession products are ordered on an as-needed basis. Customer purchases are processed using the POS system. At the end of the day, staff submits cashiering documents to the assistant, who prepares the deposit and submits support documentation to the Department of Financial Services. Based on our review, concession products are not recorded or tracked in inventory and oversight and monitoring controls such as periodic analyses of



purchase and sales activity were not in place to streamline processes or prevent/detect waste or abuse. See issue #1 on page 11 for more details and management's action plan.

Management procured contracts with a local food service provider and a local bottler to purchase food items and non-alcoholic beverages to stock for sale in the concessions area and on the green. We reviewed internal controls over purchasing and receiving concession items, and determined that a supervisor could purchase, receive, and submit payment (receipt) for concessions purchases resulting in inadequate segregation of duties. See issue #1 on page 11 for more details and management's action plan.

Previously, management also used purchasing cards to purchase concession items from local grocery stores. In March 2023, the City Manager's Office decreased the number of active purchasing cards in multiple departments across the City, which removed purchasing card usage from Ironwood. This action, which occurred during our review, removed the segregation of duties risk for purchasing card usage at Ironwood.

Pro Shop

The Ironwood Pro Shop is a retail area where customers can purchase golf merchandise, including golf clubs, bags, balls, tees, gloves, shoes, and apparel. Purchases for Pro Shop merchandise go through the same cash management process as concession items. Management instituted a process to enter Pro Club products in the POS system sales module to allow for monitoring. While this process allowed management to review products on hand, using the POS inventory module would enhance monitoring. Evidence of monitoring was not provided. See issue #1 on page 11 for more details and management's action plan.

Based on our comparison of a sample of Pro Shop products captured in the POS system to the quantities on hand, inventory was mostly accounted for. Only limited nominal items were not accounted for. All large dollar items were accounted for.

Management and staff processing sales in the POS system occasionally process voids and refunds. In retail sales, it is common to process voids/refunds when errors occur or when a customer returns a previously purchased product. Typical oversight and monitoring controls would include requiring that voids and refunds are approved or reviewed; however, there is no established process for management to approve or review sales voids and refunds issued before or after processing in the POS system. See issue #1 on page 11 for more details and management's action plan.

Pro Shop merchandise was procured using purchase orders from four vendors. Prior to March 2023, management also purchased Pro Shop merchandise using purchasing cards. We noted that some transactions were split into two or more transactions to purchase golf tournament gear and apparel in order to circumvent purchasing card maximum transaction amounts. See issue #1 on page 11 for more details and management's action plan.

For Pro Shop merchandise procured using purchase orders, a manager could purchase, receive, and stock products resulting in inadequate segregation of duties. See issue #1 on page 11 for more details and management's action plan.



Facility Rentals/Other Income

The Ironwood clubhouse includes a special area for facility rentals used by private citizens and organizations. Set Ironwood room rental rates are established by management and included in the City of Gainesville's code of ordinances Appendix A – Schedule of Fees, Rates, and Charges (see [link](#)). Ironwood's facility and grounds are also available for tournament rentals hosted by private citizens or organizations. Tournament rentals are handled by management; however, agreements are not documented. Rental schedules are recorded in journals when deposits or payments are received. Our review determined that this process was not consistent and did not contain adequate information for tracking. A defined process to record and track rental activity is needed. See issue #1 on page 11 for more details and management's action plan.

At times, checks are received for rentals and for miscellaneous income from vending machine sale proceeds and ATM fee proceeds. We found that several checks received were not processed timely, increasing the risk of waste or abuse. See issue #1 on page 11 for more details and management's action plan.



AUDIT ISSUE AND MANAGEMENT ACTION PLAN

ISSUE #1 – Enhance Golf Course Procedures and Oversight

Risk rating: **High**

Observation:

Procedures and oversight of golf course operations around sales performance, ordering, receiving, facility rentals, inventory, and the processing of checks for deposit need enhancement. Opportunities for enhancement were identified in the following areas: Oversight and Monitoring of Alcoholic Beverage Product Sales and Purchase Activities, Recording and Tracking Product Inventory, and Fiscal Management.

Oversight and Monitoring of Alcoholic Beverage Product Sales and Purchase Activities

Oversight and monitoring of operations and activities related to the purchase and sale of alcoholic beverage products at Ironwood Golf Course were not sufficient. Alcoholic beverages purchased for sale yielded an approximate pour cost¹ of 49% from October 2021 to May 2023. Specifically, the pour cost percentages were 51% for FY 2022 and 47% for FY 2023 (Year-to-Date May 31, 2023). The pour cost (49%) was not in line with expectations based on the pricing strategy communicated by management (20% average pour cost), which is also an industry best practice among sellers of alcoholic beverages. See table below.

Figure 5 – Average Pour Cost and Expected Sales Analysis

Purchases and Sales Alcoholic Beverages			Expected Sales Based on Management's Costing Strategy of 20% Pour Cost	Average Pour Cost %
Period	Purchases	Sales	Expected Sales	Pour Cost %
FY 2022	90,116.83	177,064.45	450,584.15	51%
FY 2023 May YTD	63,622.35	136,574.20	318,111.75	47%
Total	153,739.18	313,638.65	768,695.90	49%*

Sources: Ironwood Point-of-Sale System (POS) and City of Gainesville Enterprise Resource Planning (ERP) System

*49% = Average Pour Cost

During our analysis, the performance of individual alcoholic beverages could not be assessed as some unique item numbers were not assigned in the POS system prior to May 2023, and some items were sold under the incorrect item number.

Recording and Tracking Product Inventory

An effective inventory management program was not established to record, track, and monitor products for sale at Ironwood Golf Course. A periodic analysis of purchase and sales activity for products where tracking inventory may not be efficient (e.g., concession food items) was not conducted. Management

¹ Pour Cost Definition - Pour Cost is the percentage of the cost of a drink in relation to sales resulting from the product.



utilizes the POS system to record Pro Shop merchandise received; however, upon review, the inventory module was not utilized, so data such as product entry date was not tracked. Management also utilized a physical log sheet for staff to track when and who removed alcoholic beverages from the storage room and placed them in the bar area. In addition, management subscribed to Bar Patrol© to track the amount of alcoholic beverage poured from an individual bottle; however, documentation that periodic reviews were conducted was not provided. Since beginning inventory was not tracked, an analysis of overall sales activity could not be determined.

Evidence of periodic Pro Shop inventory counts was not provided.

Fiscal Management

Internal controls around fiscal activities at Ironwood Golf Course were not sufficient in the following areas reviewed:

- Four of 10 purchasing card transactions sampled were identified as split transactions pertaining to three invoices. All four split transactions were from a single vendor for golf tournament gear. City management removed purchasing cards from several departments in March 2023, including the golf course.
- Facility and grounds rentals were not consistently documented.
- Sixteen of 20 checks reviewed that were received from external parties were not processed timely. Checks reviewed were processed for deposit an average of 33 days after the date of the check. One check was deposited 120 days after the check date.
- There is no established process for management to approve or review sales voids and refunds issued before or after processing in the POS system. There were no available reports in GolfNow that display voids or refunds; however, the processing of voids or refunds was identified during the audit.
- Duties were not adequately segregated to ensure that staff assigned with ordering products were not also responsible for receiving products and remitting payment for those products without management review or approval.

Criteria:

Ironwood management established an average 20% pour cost pricing strategy for alcoholic beverage sales.

Government Accountability Office (GAO) Standards for Internal Control principle 16 states that management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

The Government Finance Officers Association (GFOA) best practices recommend that governments should adopt formal policies regarding charges and fees. The policy should identify the factors (affordability, pricing history, inflation, service delivery alternatives, and available efficiencies) to be taken into account when pricing goods and services. The GFOA also recommends that governments should have written



policies and procedures for invoicing and collection of revenues and establish proper controls to segregate duties over transactions from initiation through reconciliation and custody.

Cause:

Procedures and processes guiding the oversight and monitoring of golf course activities were not in place. An effective inventory management program was not established to sufficiently track and monitor purchase and sales performance. Product pricing strategies for alcoholic beverages were not formalized, reviewed, approved, and monitored by management and fiscal personnel. Ironwood Golf Course is a unique entity within the City of Gainesville, requiring processes and needs differing from other divisions. Staffing limitations for managing and staffing the golf course were also a contributing factor.

Risk:

The lack of procedures guiding effective oversight, monitoring, and inventory controls could impact management's ability to sufficiently cover product and service costs and overhead, including personnel and reserves for capital costs. In addition, the lack of effective inventory controls and performance monitoring also increases the risk of financial loss due to errors, waste, and inventory shrinkage.

Recommendation:

We recommend management:

- Analyze to determine whether the pricing strategy established for alcoholic beverages sold at Ironwood Golf Course is adequate to provide desired revenues. Include the Department of Financial Services and/or other subject matter experts in the strategic analysis.
- Establish an effective inventory management program to track, monitor, and analyze the performance of alcoholic beverage product purchases and sales. Analyzing inventory activity provides a more precise analysis for monitoring pour costs and controls over product activity. Utilize the inventory management system to effectively monitor Pro Shop products. Periodically analyze and monitor purchase and sales activity for Golf Course products where tracking inventory is not efficient.
- As Ironwood Golf Course is a unique division within the City of Gainesville resulting in processes and needs differing from other divisions, procedures should be enhanced and tailored to guide oversight and monitoring to ensure operations and processes are efficient, effective, and adequate. Enhanced procedures should cover each segment of Ironwood operations, including facility rentals, Pro Shop, and concessions.
- Assess staffing resources and determine required expertise and levels for cost-effective and efficient operations. Define roles and responsibilities to ensure duties are adequately segregated.



Management Action Plan

On June 14, 2023, the City Manager instituted a Management Watch for the Ironwood Golf Course pending the results of the limited scope review audit of the program. The objective was to review the adequacy and effectiveness of select Ironwood Golf Course financial policies, procedures, operational processes, and internal controls using the audit findings as a guide. Working in conjunction with the City Auditor's Office, management will use the findings from this review to inform the steps required to strengthen the operation and management of the Ironwood Golf Course as part of the Management Watch.

Specifically,

- Department Management will work closely with the City's Department of Financial Services to analyze sale prices for alcoholic beverages sold at Ironwood Golf Course, and a pricing strategy will be in place considering the GAO (Government Accountability Office) standards.
- The department has implemented an Excel inventory process and is working with the software (GolfNow) to begin tracking inventory electronically. The department also creates policies and procedures to adequately track, monitor, and analyze all alcohol purchases and consumption, providing a more precise analysis for monitoring pour costs and overall controls over product activity. Pro Shop inventory is currently being analyzed and will be included in the inventory process with policies and procedures. Management will perform periodic reviews to analyze and monitor those purchases and sales activities for Golf Course products where inventory tracking is inefficient.
- The Department Director and/or designee is currently evaluating, creating, and implementing customized policies and processes that apply to the City, Department, and Division, covering each segment of Ironwood operations, including facility rentals, Pro Shop, and concessions. All procedures will be appropriately filed in the Department's PowerDMS software system that applies to our National Accreditation Standards. The Department of Financial Services will approve all policies and procedures.
- The Department Director and/or designee is assessing adequate staffing needs, hours of operations, and proper succession plan. Management will evaluate all positions, including appropriate definitions of roles and responsibilities, to ensure duties are adequately segregated.

Due date: 9/1/2024

Responsible Party: Roxana Gonzalez, Director of PRCA
Ironwood Golf Course Management

Accountable Party: Cynthia Curry, City Manager

Consulted Party: Sue Wang, Director of Financial Services
Cesar Leal, Internal Controls Manager

Informed Party: Leslie Ladendorf, Assistant Director of PRCA



GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement 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 observations and conclusions based on our audit objectives.

INTERNAL AUDIT TEAM

Brecka Anderson, CIA, CFE, CGAP, Interim City Auditor and Lead Auditor for this Engagement

Diana Ferguson-Satterthwaite, FCCA, CIA, IA Manager

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