

AUDIT TEAM

***Matt Weller, CPA, Interim City Auditor
Janet McWilliams, CPA, Audit Manager***

**LAKE HEFNER GOLF COURSE
RESTAURANT INVESTIGATION REPORT**

MAY 3, 2022

MAYOR AND CITY COUNCIL

<i>David Holt</i>	<i>Mayor</i>
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<i>Mark K. Stonecipher</i>	<i>Ward 8</i>



May 3, 2022

The Mayor and City Council:

The Office of the City Auditor has completed an investigation of potential embezzlement of Lake Hefner Golf Course restaurant cash receipts. Our investigation stemmed from fraudulent purchases by the previous Restaurant Manager identified during our purchasing card audit.

Because of the extent of weaknesses in Lake Hefner Golf Course restaurant procedures for cash register operations and controls ensuring cash receipt deposits are accurate and complete, we could not determine if cash receipts were embezzled.

Significant control weaknesses noted during our investigation and discussed in detail in the attached report include the following:

- Multiple cash register users are allowed to use a single sign on to operate the cash register, making it impossible to identify specific users that may have deleted or voided transactions in the point-of-sale system to conceal theft. See Recommendation 1.
- Sales transactions and customer tabs are routinely deleted in the point-of-sale system without documentation of a reason or assessment for validity, and customer tabs are not settled daily. See Recommendations 2 and 3.
- Reasons for voided sales transactions are not consistently documented or assessed for validity. See Recommendation 4.

All comments, recommendations, suggestions, and observations arising from our audit have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the content and emphasis of items in this report. Responses to this report from management are attached.

Handwritten signature of Matt Weller in black ink.

Matt Weller
Interim City Auditor

Handwritten signature of Janet McWilliams in black ink.

Janet McWilliams
Audit Manager

**LAKE HEFNER GOLF COURSE
RESTAURANT INVESTIGATION REPORT**

BACKGROUND, SCOPE AND METHODOLOGY

The Office of the City Auditor recently completed an audit of the effectiveness of controls over purchasing card purchases by selected cardholders during the four months ended April 26, 2021. A tested cardholder employed as the Lake Hefner Golf Course Restaurant Manager had purchasing card purchases including fraudulently purchased personal items and other purchases that were presumably fraudulent because of missing receipts totaling \$11,060 from January 2020 through August 2021 when the Restaurant Manager's employment was terminated.

Given the results of our audit of the Restaurant Manager's purchasing card use, the Restaurant Manager's job responsibilities were assessed for opportunities to commit other fraudulent acts. Our assessment found extensive involvement by the Restaurant Manager in handling restaurant cash receipts, including entry of transactions in the point-of-sale cash register system (POS system), payment collection and daily balancing of the restaurant cash drawer.

We investigated the potential for embezzlement of Lake Hefner Golf Course restaurant (Hefner restaurant) cash receipts by the Restaurant Manager. Our investigation identified weaknesses in Lake Hefner Golf Course's procedures for operating the restaurant cash register and controls ensuring daily restaurant cash receipt deposits are accurate and complete that could have allowed embezzlement to occur without detection. The extent of those weaknesses was such that it was not possible to conclude if restaurant cash receipts were embezzled by the Restaurant Manager.

Procedures performed during our investigation included interviewing golf course personnel; assessing daily procedures for reconciling restaurant cash drawer counts to POS system reports and preparing golf course deposits; testing the accuracy and completeness of golf course deposits; and reviewing the reasonableness of daily restaurant cash drawer overages and shortages and POS system reports containing voided and deleted restaurant transactions.

Our work focused on investigating potential embezzlement of Hefner restaurant cash receipts by the Restaurant Manager and did not include an audit of golf course operations or cash receipts. Therefore, we have no opinion regarding the adequacy of internal controls in those areas.

RESULTS OF WORK PERFORMED

Recommendations included in this report are intended to provide constructive suggestions for addressing certain operational matters at Lake Hefner Golf Course noted during our investigation. To the extent that these operational matters exist at the other City golf courses, the following recommendations would also apply to those golf courses. Each recommendation is immediately followed by *management's response*, which is also attached to this report in its entirety.

Cash Register Operations

Comment 1

Each Hefner restaurant cash register user does not sign on to the restaurant cash register using their POS system log-in information before they begin entering transactions or sign out when finished entering transactions. Each cash register user is assigned unique POS system log-in information to allow for identification of users responsible for specific cash register transactions.

Instead, any one of the restaurant cash register users signs on to the cash register and that user's sign-on is used by all users to operate the cash register to reduce the time required to process transactions. The restaurant cash register may be operated by several users using a single user's POS system log-in information for several days.

Transactions could be deleted or voided in the POS system to conceal cash theft by employees without accurate evidence of the user responsible for such deletions or voids if multiple users are allowed to use a single sign on to operate the cash register.

Recommendation 1

Each Hefner restaurant cash register user should sign on to the restaurant cash register using their POS system log-in information before they begin entering transactions and sign out when finished entering transactions. If not deemed practical given the time required, golf course management should investigate other options for quicker cash register sign on with the POS system vendor such as individually assigned ID cards that can be scanned by users to sign on to the cash register.

Management Response 1

Agree. Effective immediately, each employee shall be assigned a unique pin number to be used for each transaction. The Point of Sales (POS) system shall be configured to require this pin number be entered to unlock the transaction screen. At the end of each transaction, the POS will log off and require another pin entry prior to the next transaction. This will allow the golf course to have a log of each sale and who entered the transaction while working from the same POS.

Additionally, shift end employees that use that POS shall be required to sign off and verify the cash count sheet at the time of each shift change. This sheet will be verified by the Restaurant Manager and Manager on Duty daily.

Deleted Sales and Customer Tabs

Comment 2

A significant number of restaurant sales transactions and customer tabs were deleted from the POS system by Hefner restaurant cash register users without documentation or review for validity. From January through August of 2021, 173 restaurant sales totaling approximately \$4,000 were deleted and 60 customer tabs totaling nearly \$4,000 were deleted. In comparison, other City golf courses had almost no deleted sales and only 6 deleted customer tabs during the same period.

Hefner restaurant staff indicated they were instructed to delete sales at the end of the day when cash drawer counts were unreasonably short compared to POS system sales totals by the previous Restaurant Manager but could not provide an explanation for the number of deleted customer tabs. While reports containing these deletions are available from the POS system, golf course management was not aware of these reports or of the deleted transactions.

Employee theft of cash from the cash register or payments received on customer tabs could go undetected if deleted sales and customer tabs are not documented and reviewed for validity.

Recommendation 2

Golf course management should consider whether the POS system function allowing sales and customer tabs to be deleted is necessary or could be disabled. If the ability to delete sales and customer tabs in the POS system is deemed necessary:

- Cash register users should be required to document the reasons for the deletions and obtain documented supervisory approval before deleting the transactions,
- Documentation supporting the deleted transactions should be submitted with the daily cash drawer counts, compared to applicable POS system reports for completeness, and reviewed for validity during daily deposit preparation, and
- The Golf Director should assess the reasonableness of the quantity and dollar amount of deleted sales and customer tabs through monthly review of the applicable POS system reports.

Management Response 2

Agree. Effective immediately, the Point of Sales (POS) system will be configured to not allow a sales transaction or customer tab to be deleted unless the manager's pin number is entered. If a sales transaction or customer tab does need to be deleted, a standardized void/deleted ticket slip must be completed by the employee and signed off on by the Restaurant Manager or Manager on Duty. This documentation must be submitted to the golf course Business Manager along with the daily tickets and the sales report to be verified. The Golf Director will get regular updates and reports regarding deleted sales transactions to review their reasonableness.

Open Customer Tabs

Comment 3

Lake Hefner Golf Course customer tabs are not all collected and closed or deleted in the POS system each day and no procedures are in place to ensure open tabs are collected. Customer tabs remain open in the POS system until closed after payment collection or deletion. Of the 60 deleted customer tabs discussed in Comment 2, half were deleted an average of 25 days after creation. Besides the risk of deletion to conceal theft, open tabs could also be left open in the POS system deliberately after payment collection to conceal payment theft.

As of November 2021, the POS system indicated 10 golf course pro shop customer tabs totaling \$1,169 open for an average of 245 days and 17 restaurant customer tabs totaling \$343 open for an average of 55 days. While a report containing open customer tabs is available from the POS system, golf course management was not aware of the report or the open customer tabs.

Employee theft of payments received on customer tabs could go undetected if customer tabs are not either collected and closed or deleted each day and there are no procedures in place to ensure open tabs are collected.

Recommendation 3

Golf course management should consider requiring all customer tabs either be collected and closed or deleted each day. Current open customer tabs should either be collected or deleted if deemed uncollectable. If allowing open customer tabs is deemed necessary, procedures should be developed for invoicing amounts due, closing tabs in the POS system upon payment collection and deposit, assessing collectability periodically, and deleting open tabs deemed uncollectable.

Management Response 3

Agree. Effective immediately, Golf Course Management will require that all tabs must be collected, closed, or deleted at the end of each business day. The closing shift shall review open tabs report before finalizing end of day business to ensure there are no open tabs. The Point of Sales (POS) system will be configured to send an automatic "Open Tab Report" email to the Restaurant Manager, Business Manager, and Director of Golf each night. In the event of an open tab at the end of the day, employees shall refer procedures outlined in response #2 to close them out.

Voided Sales

Comment 4

Void tickets are not consistently completed for voided Hefner restaurant sales nor are the reasons for all voided sales assessed for validity daily. Completion of a void ticket documenting the reason

for the voided sale, signed by the cashier and the cashier's supervisor is expected for each voided sale by golf course management.

The POS system sales return report for January 2021 through August 2021 included 36 voided sales on 29 days totaling \$457. Completed void tickets were not available for 4 voided sales on 3 of the days selected for testing. Submitted void tickets are not compared to the POS system sales return report for completeness during daily deposit preparation to ensure void tickets have been completed for all voided sales.

Employee theft of cash from the cash register could go undetected if void tickets are not properly completed for all voided sales and reviewed for validity daily.

Recommendation 4

Void tickets should be completed for all voided restaurant sales and submitted with daily cash drawer counts. Submitted void tickets should be compared to the applicable POS system report for completeness and voided sale reasons should be assessed for validity during daily deposit preparation. Additionally, the Golf Director should assess the reasonableness of the quantity and dollar amount of voided sales monthly by reviewing the applicable POS system report.

Management Response 4

Agree. Effective immediately, the point of sale (POS) system shall be configured to require Restaurant Manager or Manager on Duty's pin number to void a sale. In the event a sale does not need to be deleted (voided), a standardized "Voided Ticket" form with explanation, must be signed by the employee and Restaurant Manager and/or Manager on Duty, and submitted with the daily tickets. The POS system will be configured to send an automatic "Voided Ticket Report" email to the Restaurant Manager, Business Manager, and Director of Golf each night to reconcile daily business and review validity of transactions.

Cash Payment Option

Comment 5

Giving golf course customers the option to pay in cash increases theft risk, work effort and costs. Cash is naturally highly susceptible to theft. Additionally, accepting cash payments increases the accounting workload and necessary costs incurred for transporting daily cash deposits to the bank via armored car. The benefits of going "cashless" by discontinuing the cash payment option could outweigh revenues lost, if any, or customer dissatisfaction from such a decision.

Cash payments represented 15% of Trust deposit amounts on average based on examination of a quarter of the business days in calendar year 2021. Acceptance of cash payments from customers was temporarily discontinued from April 2020 through July 2020 because of the COVID pandemic.

While golf course revenues were down during this period in 2020 compared to the same period in 2019 and 2021, this could be because of the proximity of the period to when the pandemic began.

Discontinuing the cash payment option would reduce theft risk, work effort and costs possibly without significantly impacting revenues or customer satisfaction.

Recommendation 5

Golf course management, along with management of the other City golf courses, should consider permanently discontinuing the cash payment option for customers based on an assessment of the potential impact of such a change on revenues and customer satisfaction. Assessment of the potential impact should include polling customers to gauge reactions to such a change.

Management Response 5

Agree (but not feasible for the following reasons). While cash transactions are a smaller portion of transactions compared to credit/debit cards, they are still a vital part of how Lake Hefner and the Golf System do business. We do not believe our customers will be satisfied without the ability to use cash at the City's Golf Courses. In many instances, younger customers (junior golfers) would not have the ability to make purchases without the use of cash. While we agree with the recommendation, we believe it to be in the best interest of the Golf System to still utilize cash.



MEMORANDUM

The City of
OKLAHOMA CITY



TO: Matt Weller, Interim City Auditor

THROUGH: Craig Freeman, City Manager *CF*

DATE: April 8, 2022

FROM: Melinda McMillan-Miller *MM*
Director, Parks & Recreation Department

SUBJECT: Lake Hefner Restaurant Investigation Audit

1. Recommendation 1 Response:

Agree. Effective immediately, each employee shall be assigned a unique pin number to be used for each transaction. The Point of Sales (POS) system shall be configured to require this pin number be entered to unlock the transaction screen. At the end of each transaction, the POS will log off and require another pin entry prior to the next transaction. This will allow the golf course to have a log of each sale and who entered the transaction while working from the same POS.

Additionally, shift end employees that use that POS shall be required to sign off and verify the cash count sheet at the time of each shift change. This sheet will be verified by the Restaurant Manager and Manager on Duty daily.

2. Recommendation 2 Response:

Agree. Effective immediately, the Point of Sales (POS) system will be configured to not allow a sales transaction or customer tab to be deleted unless the manager's pin number is entered. If a sales transaction or customer tab does need to be deleted, a standardized void/deleted ticket slip must be completed by the employee and signed off on by the Restaurant Manager or Manager on Duty. This documentation must be submitted to the golf course Business Manager along with the daily tickets and the sales report to be verified. The Golf Director will get regular updates and reports regarding deleted sales transactions to review their reasonableness.

3. Recommendation 3 Response:

Agree. Effective immediately, Golf Course Management will require that all tabs must be collected, closed, or deleted at the end of each business day. The closing shift shall review the open tabs report before finalizing end of day business to ensure there are

no open tabs. The Point of Sales (POS) system will be configured to send an automatic "Open Tab Report" email to the Restaurant Manager, Business Manager, and Director of Golf each night. In the event of an open tab at the end of the day, employees shall refer procedures outlined in response #2 to close them out.

4. Recommendation 4 Response:

Agree. Effective immediately, the point of sale (POS) system shall be configured to require Restaurant Manager or Manager on Duty's pin number to void a sale. In the event a sale does need to be deleted (voided), a standardized "Voided Ticket" form with explanation, must be signed by the employee and Restaurant Manager and/or Manager on Duty, and submitted with the daily tickets. The POS system will be configured to send an automatic "Voided Ticket Report" email to the Restaurant Manager, Business Manager, and Director of Golf each night to reconcile daily business and review validity of transaction.

5. Recommendation 5 Response:

Agree (but not feasible for the following reasons). While cash transactions are a smaller portion of transactions compared to credit/debit cards, they are still a vital part of how Lake Hefner and the Golf System do business. We do not believe our customers will be satisfied without the ability to use cash at the City's Golf Courses. In many instances, younger customers (junior golfers) would not have the ability to make purchases without the use of cash. While we agree with the recommendation, we believe it to be in the best interest of the Golf System to still utilize cash.