



CITY AUDITOR'S OFFICE

TO: John Szerlag, City Manager  
THRU: Margaret Krym, City Auditor *mk*  
FROM: Kathy Magaw, Assistant City Auditor *cbm*  
DATE: December 9, 2014  
SUBJECT: Beverage Cart Loss

On July 12, 2014, the Golf Professional/Manager at Coral Oaks Golf Course notified the City Auditor's Office regarding an alleged theft of beverage cart starting bank and the day's sales. The Golf Professional/Manager told us that he also notified the City of Cape Coral Police Department and Risk Management.

The alleged incident involved money being stolen from the beverage cart while the attendant was restocking the cart. The attendant had left her bag with other belongings (credit card machine, pen, clipboard, and water bottle) to go into the stock room that was close by to stock the cart. Upon her return, she discovered that the bag containing her money (starting bank of \$50, sales of \$99, and \$11.25 in credit card sales) was gone. It is unknown who took the moneybag from the cart.

Administrative Regulation (AR) #38, Theft/Loss Reporting states that City asset thefts, losses, other misappropriations must be reported within 24 hours of discovery to the respective Department Director, City Auditor, and Risk Manager. The purpose of the City Auditor's Office involvement is:

- to determine what Internal Controls may have been compromised;
- in what way they may have been compromised;
- the extensiveness of the problem;
- and finally to make recommendations to mitigate possible future similar risks

Our review of this incident indicated that it was an isolated event that occurred because of the opportunity provided when cash was left unattended. Subsequent to the incident, department management has implemented a requirement that all staff wear aprons with pockets and that cash be retained in these pockets at all times. Had this control be in place prior to the incident, most likely the loss would not have occurred.

Because we were at Coral Oaks Golf Course, we reviewed many of the other cash management preventative controls that have been recommended to Management in prior audit reports dating from July 2008 through October 2013. We observed that many were not in place or were not current.

**In general, preventive controls are stronger than detective controls because they prevent mistakes and other undesirable events from occurring.**

The first seven listed missing controls were reported as control weaknesses in previous audit reports for the Financial Services and Parks and Recreations Departments

They were recommended in order to assist in the prevention of undesirable events such as theft.

The following is a list of some of these missing controls:

- Cash Handling Training for staff – Staff at Knickers Pub Restaurant had not received this training prior to our review. Training has now been completed, with the exception of one person, who is registered for an upcoming training event.
- Chain of Custody forms – The Financial Services Department did not have this form in place for change funds at Knickers Pub Restaurant during our review. We have been told that they are in the process of implementing this form now.
- Limited access to the safe - All staff members had access to the safe.
- Vaults and safe combinations changed out with new combinations when “key” personnel left the City – This had not been done at Knickers Pub Restaurant.
- A Master Database of custodians and cash banks – The Financial Services Department did not have a current listing of this database and the vending machine dollar amounts listed were not complete.
- Policies and procedures; The Financial Service Department's City of Cape Coral Cashier Policy for Cash Drawers and Change Funds was to be made applicable to all departments – This policy was not in place for the Coral Oaks Golf Course or Knickers Pub Restaurant.
- Requirements for cash handling training in job descriptions – The job descriptions for those handling cash at Knickers Pub Restaurant did not include language that cash handling training is mandatory.
- Inventory controls for restocking the beverage cart - We observed a lack of inventory control from stock room to beverage cart.
- The controls for restocking and counting ending inventory items were weak (for the beverage cart).

Internal controls are techniques used by Management to achieve its objectives and to fulfill its responsibilities. It is the role of Management to provide the leadership needed for an entity to maintain a strong control environment.

Fraud (theft) does not just “happen.” Typically, various circumstances combine to create a situation favorable to fraudulent activity. One important factor is *opportunity*. It is Management’s responsibility to prevent the *opportunity* needed for fraud (theft) to occur by creating and maintaining a strong, sound and comprehensive framework of internal controls.

C: Mayor and Council Members  
Michael Ilczyszyn, Interim Assistant City Manager  
Dolores Menendez, City Attorney  
Rebecca van Deutekom, City Clerk  
Steve Pohlman, Parks & Recreation Director  
Victoria Bateman, Financial Services Director  
Allen Manguson, Golf Professional/Manager  
Laura Tanner, Senior Accounting Manager  
Audit Committee

CITY OF CAPE CORAL  
PARKS AND RECREATION DEPARTMENT

TO: John Szerlag, City Manager

THRU: Steve Pohlman, Parks and Recreation Director

FROM: Allen Manguson, Golf Professional/ Manager, Coral Oaks Golf Course

DATE: 11/25/14

SUBJECT: Beverage Cart Loss Audit Management Response

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This is a response to the audit completed at Coral Oaks Golf Course for the Beverage Cart Loss. We appreciate the Auditor's time, efforts and recommendations to strengthen inventory controls and mitigate future risks. The response will follow each item listed in the Auditor's report. This was the first such incident at Coral Oaks in regards to the beverage cart.

- Cash Handling Training for staff – Staff at Knickers Pub Restaurant had not received this training prior to our review. Training has now been completed, with the exception of one person, who is registered for an upcoming training event. **Management Response:** Training was completed for the Knickers Pub Manager and remaining staff on November 20, 2014.
- Chain of Custody forms – The Financial Services Department did not have this form in place for change funds at Knickers Pub Restaurant during our review. We have been told that they are in the process of implementing this form now. **Management Response:** Coral Oaks has received the forms from the Financial Services Department and Coral Oaks has provided completed copies to the Auditor.
- Limited access to the safe - All staff members had access to the safe. **Management Response:** The current safes at the golf course are behind locked doors with video security cameras pointed at the front door of the safe rooms and safe. Staff access is integral to a seven day per week operation. Drop safe's can be purchased although they would deter from staff having access to change the last hour of each day and would not be cost effective.
- Vaults and safe combinations changed out with new combinations when "key" personnel left the City – This had not been done at Knickers Pub Restaurant. **Management Response:** The current safe would need the mechanism replaced in order to change the codes. A security key has been purchased for the Knickers Pub Manager and the Coral Oaks Golf Course key box. Management feels risk is significantly reduced when video security is in place.
- A Master Database of custodians and cash banks – The Financial Services Department did not have a current listing of this database and the vending machine dollar amounts listed were not complete. **Management Response:** The

updated database has been provided to the Financial Services Department and the vending machine dollar amount at Coral Oaks has been updated along with an updated inventory plan for that vending machine. The Parks and Recreation Department will work with the Financial Services Department to update the balance of vending machine dollar amounts.

- Policies and procedures; The Financial Service Department's City of Cape Coral Cashier Policy for Cash Drawers and Change Funds was to be made applicable to all departments – This policy was not in place for the Coral Oaks Golf Course or Knickers Pub Restaurant. **Management Response:** Coral Oaks has printed the Cash Policy Document and placed at the register in Knickers Pub and The Golf Shop, Staff will read and sign for verification. Future orientations will include the same.
- Requirements for cash handling training in job descriptions – The job descriptions for those handling cash at Knickers Pub Restaurant did not include language that cash handling training is mandatory. **Management Response:** Coral Oaks has coordinated with Human Resources and included language requiring Cash Handling Training within 90 days of hire for the Contract Beverage Cart Waiter / Waitress and Contract Golf Shop Clerk job descriptions. Those Job descriptions have been updated on the City Website.
- Inventory controls for restocking the beverage cart - We observed a lack of inventory control from stock room to beverage cart. **Management Response:** Coral Oaks has updated the policy for stocking and re- stock verification. There are security cameras provided that face the door of the beverage stock room. The beverage stock room houses beer, soda and water. The liquor is stored in the upstairs safe room which also has security cameras.
- The controls for restocking and counting ending inventory items were weak (for the beverage cart) **Management Response:** Coral Oaks has a policy in place and created an addendum that strengthens the policy by ensuring the opening manager will count the ending inventory against the previous day's sales. Copies of that policy and updated forms have been given to the auditor.

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