



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

City of Renton

For the Investigation Period January 1, 2017 through February 6, 2018

Published September 17, 2018

Report No. 1022267





**Office of the Washington State Auditor
Pat McCarthy**

September 17, 2018

Mayor and City Council
City of Renton
Renton, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the City of Renton. On February 9, 2018, the City notified the State Auditor's Office of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation of the former pro shop cashier's unallowable activities at the City from November 23, 2017 through February 6, 2018. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (360) 902-0470. Otherwise, please contact Fraud Manager Sarah Walker at (509) 454-3621.

Pat McCarthy

State Auditor

Olympia, WA

cc: Jamie Thomas, Fiscal Services Director

FRAUD INVESTIGATION REPORT

Investigation Summary

On February 9, 2018, the Fiscal Services Director for the City of Renton notified our Office regarding a potential loss of public funds as required by state law.

We investigated and determined a cash receipting misappropriation had occurred at the City-managed golf course between November 23, 2017, and February 6, 2018. Because of factors described below, it is difficult to determine the exact amount of the loss. The misappropriation totaled about \$9,120. Our investigation found a pro shop cashier was responsible for the misappropriation. He was let go from his position at the pro shop right before our investigation.

The City has filed a report with Renton Police Department, which is investigating. We will refer this case to the King County Prosecuting Attorney's Office.

Background and Investigation Results

The City, located in King County, operates a public golf course that offers year-round golf, including a driving range and pro shop. The golf course brings in annual revenues of about \$2.1 million to \$2.8 million. The City appoints a golf course manager to oversee daily operations. The golf course also employs 30 staff, including an Operations Specialist to monitor the cash receipting activities. Most employees have the ability to issue receipts and record sales transactions for golf-related activities and pro shop inventory sales. However, two full-time and five part-time pro shop cashiers handle most of the cash receipting activities.

Our investigation focused on cash receipting activities at the golf course. Our investigation identified issues in the following areas:

Driving range cards

The golf course sells rechargeable range cards to customers to obtain range balls for golfing. These cards can be loaded with funds in the driving range kiosk system by a cashier in the pro shop. After a cashier loads a card with funds, the transaction must be manually recorded into the separate point-of-sale system for proper accounting of sales transactions and daily cashier till reconciling.

In February 2018, the City realized a pro shop cashier had been adding funds to cards without receipting the funds into the system.

We reconciled reports from the two systems and determined about \$9,120 was misappropriated through this method between November 23, 2017, and February 6, 2018.

Gift cards

Gift cards are linked with the point-of-sale system. Therefore, funds loaded onto gift cards would show up on the point-of-sale system reports. The golf course performs a daily reconciliation verifying that actual cash receipts match the point-of-sale system reports. Because of these controls, we determined the risk of misappropriation through golf course gift cards was low.

Greens fees and golf cart rentals

Customers pay greens fees and for golf cart rentals in the pro shop. A pro shop cashier records the sale in the point-of-sale system. The cashier then uses a tee-time booklet to document who is on the green, their tee time and which golf carts they have.

We planned to reconcile the point-of-sale system reports to the tee time booklet to ensure all green fees and golf cart rentals were properly receipted into the system. However, we found large discrepancies between the information recorded in the system and the tee time booklet, and the tee-time booklet information did not provide enough detail to know which information in the booklet reconciled to the system transaction. We determined tee-time booklets are not consistently used and would not be a reliable way to determine a loss amount related to misappropriated green fees and golf cart rentals. With no other documentation to tie greens fees and golf cart rentals to, we could not determine the amount of possible misappropriation related to greens fees and golf cart rentals.

Other areas we examined

To determine if any additional misappropriations occurred, we examined systems to which the former pro shop cashier had access. We reviewed golf course fuel and pro shop inventory, but did not find additional misappropriation. We did identify a potential loss of approximately \$2,507 in pro shop inventory between 2014 and 2017; however, we could not determine whether this was caused by employee misappropriation, inventory errors or customer theft.

Interview with former employee

In July 2018, we interviewed the former pro shop cashier who acknowledged taking funds beginning in November 2017. He explained that he would collect funds for customer range cards and apply the credit onto the card, but would not record the sale into the system. He further acknowledged taking pro shop inventory without paying for it and allowing acquaintances to play golf without charging them greens fees to play. He estimated he had taken between \$7,000 to \$15,000, and no more.

Control Weaknesses

Internal controls at the City were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

- The daily point-of-sale reconciliations did not include a reconciliation to recorded funds added to cards.
- The driving range kiosk system did not require a unique username and password to sign in.
- The golf course did not adequately track who paid for greens fees and golf carts in the tee-time booklets. This information should be analyzed and compared to revenues for reasonableness.

Recommendations

We recommend the City strengthen internal controls over golf course cash receipting to ensure adequate oversight and monitoring to safeguard public resources and compliance with City policies. This should include ensuring all systems used to receipt customer sales transactions are included in the daily receipting reconciliation. Further, someone independent of the golf course should perform secondary reviews of golf course cash receipting records, pro shop inventory, and all system adjustments for reasonableness.

We also recommend the City seek recovery of the misappropriated \$9,120 and related investigation costs of \$22,406 from the former pro shop cashier and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the City must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or mattk1@atg.wa.gov. The contact for the State Auditor's Office is Brandi Pritchard, Assistant Director of Local Audit, who can be reached at (509)662-0440 or Brandi.Pritchard@sao.wa.gov.

City's Response

The City of Renton would like to thank the staff at the State Auditor's Office for their support and assistance in this matter.

The City acknowledges and agrees with the State Auditor's Office recommendations and has already begun implementing many of the recommendations provided. The City will continue to develop processes to address the remaining recommendations. In addition, City staff is in the process of developing a comprehensive cash handling training program, which includes mandatory training for employees who handle cash, and creating specialized cash handling manuals for each cash receipting location throughout the City. The City has also implemented unannounced spot checks/inspections at all locations that manage money to verify that employees who handle funds are conducting their work in compliance with City policies and procedures.

With respect to the loss of funds that occurred, the City has begun taking action to maximize the plans to recover as much of the misappropriated funds from the former employee responsible for the theft as possible.

State Auditor's Office Remarks

We thank City officials and personnel for their assistance and cooperation during the investigation.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov