



**METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY**

**OFFICE OF INTERNAL AUDIT**

**Professional Audit and Advisory Service**

**FINAL REPORT**

**Audit of the Metro Parks and Recreation  
Department - Golf Operations**

Date Issued: May 22, 2012

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*The Metropolitan Nashville Office of Internal Audit is an independent audit agency  
reporting directly to the Metropolitan Nashville Audit Committee*

**EXECUTIVE SUMMARY**  
**May 22, 2012**

Results in Brief	Recommendations
<p>We conducted a performance audit of the Golf Operations Division at the Metro Parks and Recreation Department. Key audit objectives and conclusions are as follows:</p> <ul style="list-style-type: none"> <li>• <i>Were golf operations efficient?</i>            Generally yes. However, management should consider alternative business models if deficits continue in fiscal year 2012 (see Observation A).</li> <li>1. <i>Were internal cost accounting reports reliable for management decision making?</i>            No. Not all revenue and expenditures were recorded directly to the particular business units of the respective golf course (see Observation B).</li> <li>• <i>Were Metro Nashville assets safeguarded?</i>            Generally yes. However, inventory procedures should be reviewed and more protection measure should be taken at two maintenance sites.</li> <li>• <i>Were all fee reductions and waivers in compliance with approved Board policy?</i>            Generally yes. However, discounted activities should be reported to the Board of Parks and Recreation as required (see Observation C).</li> </ul>	<p>Key recommendations of this report include:</p> <ul style="list-style-type: none"> <li>• Determine if changing accounting practices to a proprietary enterprise fund would improve management cost reporting and public transparency of golf operations.</li> <li>• Identify all costs that are associated with each course business unit so that they are reflected on the EnterpriseOne cost accounting reports.</li> <li>• Fully allocate all costs and revenue within each fiscal year from the resale account to the business unit of origination.</li> <li>• Consider other business models at one or more locations.</li> <li>• Establish an overall Golf Operations identity (branding).</li> <li>• Periodically report to the Metro Board of Parks and Recreation the purpose and impact of discounted sales.</li> <li>• Replace gas pumps and/or meters so fuel usage can be accurately assigned.</li> <li>• Establish and enforce point of sale controls that require documenting information about overages and shortages greater than \$20.</li> </ul> <p>Management's response can be seen in Appendix C.</p>

## TABLE OF CONTENTS

INTRODUCTION.....	1
AUDIT INITIATION.....	1
BACKGROUND .....	1
FINANCIAL INFORMATION.....	4
INFORMATION TECHNOLOGY .....	6
OBJECTIVES AND CONCLUSIONS.....	7
OBSERVATIONS AND RECOMMENDATIONS.....	9
A – Alternative Business Models .....	9
B – Revenue and Expense Recording.....	10
C - Discounted Revenue Reporting .....	12
D - Overage/Shortage of Receipts.....	13
E – Safeguarding of Assets .....	13
GENERAL AUDIT INFORMATION.....	16
STATEMENT OF COMPLIANCE WITH GAGAS.....	16
SCOPE AND METHODOLOGY .....	16
CRITERIA .....	16
STAFF ACKNOWLEDGEMENT .....	16
APPENDIX A. METRO GOLF COURSES REVENUES AND EXPENDITURES.....	17
APPENDIX B. METRO GOLF COURSE SURVEY RESULTS .....	19
APPENDIX C. MANAGEMENT RESPONSE .....	23

# INTRODUCTION

## AUDIT INITIATION

The performance audit of the Metro Parks and Recreation Department Golf Operations was part of the work plan approved by the Metropolitan Nashville Audit Committee. The audit was initiated primarily due to the length of time (in excess of five years) that has elapsed since the last internal audit was performed of the Golf Operations function.

## BACKGROUND

The mission of the Metro Parks and Recreation Department is to offer the most diversified recreational services possible, ensuring that all citizens have equal opportunity and choice of participation. The Metro Parks and Recreation Department maintains seven golf courses owned by the city. These courses, located in five city parks, are listed below.

Course	Holes
McCabe	27
Harpeth Hills	18
Ted Rhodes	18
Two Rivers	18
Shelby	9
Percy Warner	9
VinnyLinks	9

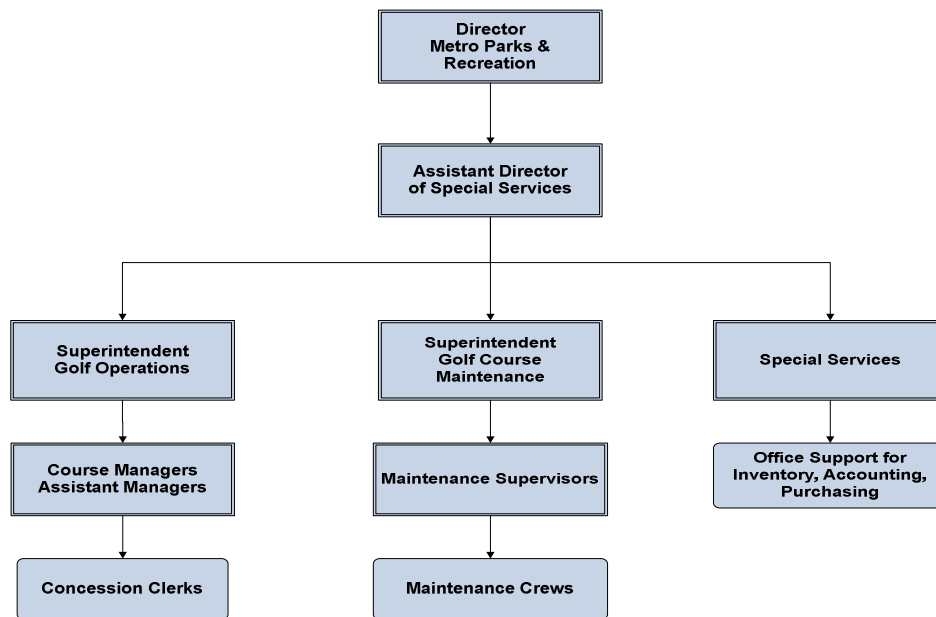
VinnyLinks was built based on a memorandum of agreement between Metro Nashville and the Tennessee Golf Association to host the “First Tee” program, which provides golf training, golf events and all equipment needed for Metro Nashville area participating youth.

The Golf Operations Division is under the direct supervision of the Assistant Director for Special Services of the Metro Parks and Recreation Department. Reporting to the Assistant Director are two superintendents. One superintendent supervises the clubhouse operations and another superintendent supervises golf course maintenance. Each golf course has an individual manager and assistant manager, except for Percy Warner and VinnyLinks. The manager of the Harpeth Hills course also manages the Percy Warner course while the director of the Tennessee Golf Association’s First Tee program manages daily activities at the VinnyLinks course. Metro’s only clubhouse employee at that location is a part-time clerk that collects green fees and other revenue from public players. Additionally, Metro Parks and Recreation Department has one part-time maintenance employee who is solely responsible for grass cutting and course upkeep.

The Special Services Division provides accounting, purchasing, and inventory services to the golf courses and all other revenue generating facilities within

the Metro Parks and Recreation Department. The organizational chart of the Golf Operations is presented below.

**Exhibit A – Golf Operations Organization Structure**



*Unusual Circumstances:*

Nashville experienced a severe flood in May 2010. This resulted in three courses being partially or completely closed for a period of time. To their credit, Metro Parks and Recreation Department made a remarkable effort to restore the courses so that the damage was eventually repaired. For the most part, activities gradually returned to normal during calendar year 2011. From a financial standpoint, the flood’s impact is difficult to estimate. For starters, Metro’s fiscal year ends on June 30 of each year. As a result, the flood’s impact significantly affected the revenue, expenditures and rounds played in two reporting periods (fiscal years 2010 and 2011), particularly since the flood occurred during the busiest period of the year for golfing activities.

Most affected by the flood were the McCabe, Harpeth Hills and Ted Rhodes courses. McCabe’s 27-hole course became an 18-hole course until mid-October 2012; Ted Rhodes was closed until July 2010 then had no clubhouse until February 2011; and, Harpeth Hills was closed for one month then was plagued with greens maintenance problems due to flood damage.

Another unknown is to what degree the community of golfers who utilized the golf courses were impacted by the flood. Many were caught up in restoring their own property or helping those around them so that they had reduced time for golf. Others had less discretionary spending than before. All said fiscal year 2009 was the last fiscal year unaffected by the flood and not yet completed (at the time of this report) fiscal year 2012 will be the next year unaffected by the flood.

*Golf Industry and Metro Parks Golf Trends:*

According to the National Golf Foundation, golf has been trending downward nationally over the last several years. Overall, activities at Metro Nashville's six public courses (VinnyLinks excluded) have also declined the last four years as well. From year 2008 to 2009 (the last year of reliable, non-flood affected figures) rounds played decreased between one and eleven percent at Metro Nashville courses, except McCabe, whose 27-hole course showed a seven percent increase in rounds played.

*Rounds played:*

A comparison of the change in rounds played at Metro courses compared to industry averages from year 2008 to 2009 can be seen below. VinnyLinks was not included in this analysis since its major purpose and activity is the First Tee Program.

Note the large change in rounds played for 2010, which were greatly affected by the Nashville flood.

**Exhibit B – Annual Percent Changes in Rounds Played Comparison**

Course	Holes	Percent Change Rounds Played 2009 to 2010	Percent Change Rounds Played 2008 to 2009
US Average	18	-2.3	-0.6
US Public Course	18	-2.0	-0.3
TN State	18	2.0	-1.0
Nashville Area	18	0.8	0.9
McCabe	27	-30.9	7.0
Harpeth Hills	18	-22.5	-4.0
Ted Rhodes	18	-27.5	-1.0
Two Rivers	18	-4.6	-11.0
Shelby	9	-8.8	-3.0
Percy Warner	9	-11.2	-6.0

Source: 1) National Golf Foundation - Rounds Played Reports of 2009 and 2010  
2) Metro Parks Golf Operations sales data

*Costs per Employee:*

In year 2010, there were 1,671 golf course establishments nationwide with 10 to 19 employees. Four Metro Nashville golf courses fell into this category during 2010. A comparison of the data shows that Metro Nashville's golf course personnel costs per full-time equivalent employee (payroll, benefits, administration) were higher than the nationwide average (includes public and private courses). This is not an unexpected finding since benefit and administration costs are generally higher for government employees than for private company employees (see below).

## Exhibit C – Average Personnel Cost for Calendar Year 2010

	Full Time Equivalents Establishment	Personnel Cost per Employee
Nationwide Establishments	10 to 19	\$32,563
McCabe	17	43,424
Harpeth Hills	15	44,458
Two Rivers	12	50,781
Rhodes	12	46,887

Source: Barnes Reports Golf Courses and Country Clubs Industry 2010

### *Capital Spending:*

In year 2010, total capital expenditures (from 1,671 United States establishments with 10 to 19 employees) were \$224.6 million or an average of \$134,410 per establishment. Over the last five fiscal years, no capital expenses were recorded in any of the Metro Nashville's golf course business units. Construction of a driving range at McCabe (\$50,000) was the only capital project approved within the five year span.

## FINANCIAL INFORMATION

In Metro Nashville's EnterpriseOne accounting system, all seven golf courses have their own business unit (since fiscal year 2010). Revenue generated from green fees and cart rental fees were recorded in each unit where the transactions occurred. Payroll and maintenance expenditures were recorded in each unit accordingly.

Utilities, fuel cost, and fleet maintenance cost were all recorded to the administrative business unit of the department instead of each individual course business unit. All purchases and costs related to resale inventory were recorded in one consolidated resale business unit. No internal service charges were allocated to any of the golf course business units.

The major revenue source for the golf courses is the green fee (includes membership fees). Concession sales and cart rental fees are a relatively small portion of total revenue. The most significant expenditure is salaries and benefits of employees. Total personnel costs were 90 percent of total golf operations expenditures in fiscal year 2010. There were 50 full time employees and 17 part time employees working for the seven golf courses at the time of this audit. Seasonal employees were used every year at the courses where activity volumes were high.

Comparative revenue and expenditure information on all seven golf courses can be seen below. A more detailed breakdown of revenues and expenditures can be seen in Appendix A.

**Note: Both years displayed below were impacted by the May 2010 flood.**

**Exhibit D – Golf Courses Net Contribution/Loss Fiscal Year 2010**

<b>Courses</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Contribution/Loss</b>
McCabe	\$1,378,086	\$1,039,890	\$ 338,196
Harpeth Hills	924,967	969,489	(44,522)
Two Rivers	839,404	829,905	9,499
Rhodes	469,102	781,894	(312,792)
Percy Warner	276,736	339,549	(62,814)
Shelby	276,433	512,930	(236,497)
VinnyLinks	43,215	151,445	(108,231)
<b>Totals</b>	<b>\$4,207,942</b>	<b>\$4,625,102</b>	<b>\$(417,161)</b>

Source: 1) JD Edwards EnterpriseOne Financial System  
 2) Calculations from Metro Parks and Recreation Golf Operations profit and loss data

**Exhibit E – Golf Courses Net Contribution/Loss Fiscal Year 2011**

<b>Courses</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Contribution/Loss</b>
McCabe	\$1,211,476	\$1,026,109	\$185,366
Harpeth Hills	957,459	978,603	(21,144)
Two Rivers	808,717	749,523	59,195
Rhodes	503,380	797,294	(293,914)
Shelby	270,533	496,048	(225,515)
Percy Warner	242,714	331,921	(89,206)
VinnyLinks	33,476	166,328	(132,853)
<b>Totals</b>	<b>\$4,027,755</b>	<b>\$4,545,826</b>	<b>\$(518,071)</b>

Source: 1) JD Edwards EnterpriseOne Financial System  
 2) Calculations from Metro Parks and Recreation Golf Operations profit and loss data

Golf operations had several discount programs. Two major ones were the volunteer program and courtesy cards. Due to a shortage of staff, Golf Operations used volunteers to serve as starters, and help with various tasks on the courses. This practice is somewhat widespread in the golf industry. In exchange for the work, the volunteers were allowed corresponding amounts of free golf on the course where they worked.

Metro Parks and Recreation Department also provides all of its employees the opportunity to request up to four courtesy cards per month (golf employees may play free anytime not working). These courtesy cards are redeemable for half the price of a nine-hole green fee. Metro Parks and Recreation Department employees may use those cards themselves or distribute them to other people. Management of Golf Operation’s stated they expect to improve customer service through employee awareness and one-on-one advertising through the courtesy cards.

Analysis showed that annual rounds played from these two discount programs added to the Golf Operations employee free play accounted for



about four percent of total rounds played for the last three fiscal years. Total rounds played with all available discounts were approximately between five and six percent annually.

## **INFORMATION TECHNOLOGY**

### *Golf Events Network*

Golf Events Network is a system, from Active Network Ltd based in Canada and Colorado, employed at the Metro Nashville golf courses. The system has the following main components:

- Tee Sheet Administration - Manages tee times for sales and reservations.
- Point of Sales Administration – Performs cash register functions. All sales, including from pro-shop, concession and green fees, are recorded through this module.
- Inventory Management - Allows the Special Services Division to manage the entire flow of inventory from purchasing, receiving and transfer to sales.
- Customer Management - Manages customer and member information.
- Reports - Allows users to generate various predefined reports for accounting and managerial purposes.

The Point of Sale Administration module is available at all registers installed at golf courses. Tee Sheet module is used at six of seven courses. The other three modules are mainly used at the central office by the Special Services Division. Golf course club managers can access those modules through the intranet using their assigned rights to the system.

User privileges are classified into four levels. The Security Administrator is the most privileged level. At each level, user rights can be set in a more granular way to grant view and/or edit functionalities for different components.

Data from the Golf Events Network system is used by the Special Services Division to generate sales and inventory reports. Daily receipts are prepared for deposits at the end of the day before being entered into the EnterpriseOne journal. All transactions are summarized and transposed into the EnterpriseOne general ledger.

### *Other Systems*

The Special Service Division uses Microsoft Access and EnterpriseOne, Metro Nashville's financial accounting system, for accounting purposes.

## OBJECTIVES AND CONCLUSIONS

### 1. *Were golf operations efficient?*

**Generally yes** (see Observation A for additional information). Our conclusion was based upon evaluations of the following sub-objectives:

#### a) *Were golf operational costs reasonable compared to industry wide averages?*

**Generally yes.** However, as noted earlier the effect of the historic Nashville flood and the losses of the past two years cloud the analysis. Any earlier analysis of financial results was difficult since individual business unit designation did not exist prior to fiscal year 2010. Fiscal year 2012 is not yet completed.

#### b) *Were risk management factors considered and controlled in operational activities?*

**Generally yes.** However, Golf Operations should establish standard procedures for submitting claims under the coverage of the Metro Nashville Volunteer Insurance Policy for their volunteers hired at courses.

#### c) *Were revenue programs and pricing structures reasonable compared to industry averages?*

**Generally yes.** A benchmark comparison of sales per employee indicated that only one of six Metro Parks courses (Shelby) was materially lower than the United States average while four were higher (VinnyLinks was excluded from the analysis).

#### d) *Were golf courses maintained for daily play?*

**Generally yes.** Several issues were suggested by members via our member survey, such as divot repair, bunker and tee box maintenance (see Appendix B for survey results.)

### 2. *Were internal cost accounting reports reliable for management decision making?*

**No.** We derived our conclusion by first evaluating each of the sub-objectives below.

#### a) *Were cash receipts deposited daily and recorded accurately?*

**Generally yes.** We tested 209 deposits from seven different courses made during June 2011. Approximately 93% were deposited within two business days as required while the remaining 7% were made within three business days.

#### b) *Were reported revenues complete and accurate?*

**No** (see Observations B and D).

c) *Were reported costs and expenditures complete and accurate?*

**No** (see Observation C).

3. *Were Metro Nashville assets safeguarded?*

**Generally yes.** Our conclusion was based upon the following sub-objectives:

a) *Was re-sale inventory safeguarded?*

**Generally yes.** However, inventory variance and spoilage should be actively monitored and reviewed to identify issues and seek reduction solutions (see Observation D).

b) *Were maintenance equipment and supplies safeguarded?*

**Generally yes.** However, measures should be taken to improve equipment protection (see Observation E).

4. *Were all fee reductions and waivers in compliance with approved Board policy?*

**Generally yes.** However, the department should comply with the current policy manual; approved by the Board of Parks and Recreation, to report all discounted activities to the Board periodically (see Observation C).

## OBSERVATIONS AND RECOMMENDATIONS

### *A – Alternative Business Models*

Additional alternative business models exist that may aid in limiting losses while maintaining a viable golf program for the citizenry of Nashville. It remains to be seen how the Metro Parks and Recreation Department Golf Operations will end the first year unaffected by the 2010 Nashville flood. Fiscal year 2009 did not have individual business units for each course and the past two affected years (2010 and 2011) indicated weakness of the golf program from a financial standpoint. If losses continue going forward in 2012, after all other costs (internal service fees, fuel charges, resale activity, etc.) have been applied, alternative approaches should be considered. Golf Operations currently outsources cart rental services and has considered other alternative business models in the past such as privation of concession operations and closing underperforming courses.

While efficient operations greatly enhance the ability to limit losses, financial weakness from low revenue streams make the task much more difficult. Five out of seven courses were consistently running deficits in fiscal years 2010 and 2011.

- In fiscal year 2010, the total combined loss was \$417,160. Shelby had losses of \$236,497.
- In fiscal year 2011, the total combined loss was \$518,071. Shelby had losses of \$225,515.
- Activities at Shelby and Percy Warner (measured by sales) were seriously low compared to others. Shelby and Percy Warner were both approximately 76 percent lower than United States golf industry average. Contrastingly, Harpeth Hills and Two Rivers respectively ranged between 20 and 28 percent lower than average. Although this is not a distinct *apples to apples* comparison, it does show that despite the flood, some courses are operating less than a third below national averages while others are significantly (76 percent) lower. Both Shelby and Percy Warner had only moderate long-term impact from the Nashville flood compared to McCabe, Harpeth Hills and Ted Rhodes as evidenced by the moderate reductions in rounds played from 2009 to 2010 (8 and 11 percent respectively).

Note: Lower prices for public courses do explain a lower than average figure for Metro courses; however, very low sales such as those at a few courses (Shelby, Percy Warner) may continue to result in significant losses.

Note: National golf industry sales data was provided by the *Barnes Report*, a leading publication on United States industry sales.

*Criteria:*  
Prudent business practices

*Risk:*

Lack of prudent management practices and strategic planning will cause waste and lost resources that could be utilized elsewhere.

*Recommendations:*

The management of the Parks and Recreation Department should:

- 1) Consider strategic targeting of other potential customers for sales and promotional options.
- 2) Evaluate and consider if implementing a non-Tennessee resident green fee (at a higher price) would provide additional revenue from vacationers and visitors.
- 3) Consider alternative business models such as: public/private ventures, government/contractor operated locations, partnering with neighborhood or non-profit organizations for upkeep and use of one or more non-performing courses, closing one or two courses, leasing one or more locations, etc. Such alternatives should be carefully evaluated and documented to provide a sound basis for adoption or rejection.
- 4) Consider outsourcing components such as maintenance or concessions at certain or all sites.
- 5) Survey the market for interested parties to construct a free-standing, add-on or remodeled contractor operated restaurant on one or more golf facilities. In private and some public courses elsewhere, restaurant owners desire the beautiful settings, peacefulness and golf play observation that a course location can provide for full service restaurant.

## ***B – Revenue and Expense Recording***

It is not possible to ascertain the individual profitability or loss magnitude of each golf course by inspecting the EnterpriseOne management cost reports. Even though golf operations are a business-type activity<sup>1</sup>, they are not classified as such on the Metro Nashville financial statements. Although this is not required, it would aid in the identification of the true financial picture of the golf operations. Examples of other Metro enterprise funds are: Police Impound, Farmer's Market, Fair Board, Municipal Auditorium, Police Secondary Employment, and the Surplus Property Auction. Although additional Golf Operations internal reports exists, they are not commonly known and at the fingertips of decision makers such as Metro Council, Mayor's Office, Metro Finance or the Board. The following items prevent an inspection of the EnterpriseOne management cost reports from ascertaining the true financial picture and viability of each golf course.

- Internal service charges are not allocated to golf courses as they are to other business units.

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<sup>1</sup> Defined by the Governmental Accounting Standards Board Fund Types

- Fuel charges are not segregated between golf course business units and other parks business units.
- Water and electricity costs were not assigned directly to the incurring golf course business units.
- The range ball rental fee was recorded as green fees at one site but rental fees at another site.
- Gift card sales and other pre-paid services, which should be treated as deferred revenue (liability), were recorded as an account receivable (asset).
- Tokens sold for range ball rentals were not inventoried and reconciled to sales.
- Novelty and concession sales revenue and costs communally recorded in one resale business unit were not fully allocated to the particular business units that generated the sales activities.

*Criteria:*

- *Internal Control and Compliance Manual for Tennessee Municipalities – Title 4, Chapter 3*
- Prudent business practices

*Risk:*

Inaccurate or incomplete data in management cost reports may mislead management in its strategic decision making process. Metro Council, the Mayor's Office, Metro Finance and others may make decisions based on improper assumptions or incomplete information.

*Recommendations:*

The management of the Parks and Recreation Department should:

- 1) Identify all costs that are directly incurred from each individual golf course business unit and assign accordingly so that each is reflected on the EnterpriseOne management cost reports.
- 2) Treat all particular revenue elements consistently (such as range ball tokens) across golf course business units.
- 3) Fully allocate costs and revenue, within each fiscal year, from the resale account to the business units which generated those costs and revenues. The allocation should be calculated using a reasonable allocation formula.
- 4) Work with the Metro Nashville Finance Department to determine if changing Golf Operations accounting practices to a proprietary enterprise

fund would provide improved management cost reporting and public transparency of golf operations.

### ***C - Discounted Revenue Reporting***

Discounted revenue activities should be periodically reported to the Metro Board of Parks and Recreation. In reviewing the Board meeting minutes and other documentation, we did not find evidence that this reporting had been performed, although we did find that approximately six percent of rounds played were discounted rounds of golf.

Discounted rounds to be reported included free play for volunteers, free play for Golf Operations employees, courtesy cards (up to four per month) provided to all Metro Parks and Recreation Department employees, senior discounts and other promotional discounts.

Discounted rounds would normally be part of a Golf Operations marketing strategy. Discussions with Golf Operations personnel did not reveal any apparent overall strategy to address very weak sales and unprofitable conditions at some locations (see Observation A). Marketing efforts were directed at particular courses or particular segments. No large identifiable Metro Parks and Recreation golf program *identity* has yet been established. Such branding of the golf program may encourage users to explore other Metro courses and driving range activity.

#### *Criteria:*

Per policy manual 3000.28.B: *“The Assistant Director of Special Services, with the approval of the Director, is authorized to establish reduced rates and/or specials for revenue producing facilities when excess capacity exists, market conditions warrant and/or to promote the facilities to various users. Such activities shall be periodically reported to the Board.”*

#### *Risk:*

Without proper tracking and reporting, discounted services, products and use of facilities could diverge from the desires of those charged with governance. Periodic reporting ensures no surprises with regard to activities.

#### *Recommendations:*

The management of the Parks and Recreation Department should:

- 1) Periodically report to the Board of Parks and Recreation the purpose and impact of all discounted sales.
- 2) Reevaluate yearly marketing efforts for the Golf Operations. The evaluation should include all aspects of discounted rounds.
- 3) Consider attempting to establish an overall single marketing *identity* (unique branding) for the golf products and courses within the Metro Parks and Recreation Department rather than differentiated courses that stand on their own from a marketing aspect.

## ***D - Overage/Shortage of Receipts***

Cash receipts which are over or short in excess of \$20 should be investigated. Testing of 209 deposits showed 39 instances (19 percent) were greater than \$20 between the point of sales system revenue and the deposit amount. These differences ranged from a shortage of \$789 to a \$105 overage. The department's internal policy requires that all discrepancies larger than \$20 should be investigated; however, no documentation of such could be located.

### *Criteria:*

- *The COSO Internal Control Integrated Framework* establishes a common definition of internal controls, standards, and criteria by which organizations can assess their internal control systems. Properly safeguarding assets enhances the control activities and monitoring component of a strong internal control framework.
- *Internal Control and Compliance Manual for Tennessee Municipalities – Title 5, Chapter 14, Section 1, 5 and 6.*
- *Prudent business practices*

### *Risk:*

Cash collections may be stolen or misappropriated without repercussions. Misuse of cash is encouraged through failure to follow-up on shortages. Overages can be a symptom of failure to record (ring up) sales.

### *Recommendations:*

The management of the Parks and Recreation Department should:

- 1) Establish and enforce point of sale controls that require documenting overages and shortage at each site. Such documentation should include the closing cashier's name, names of all money handlers of the cash drawer, manager on duty and possible reasons or description of the incidents causing the discrepancy.
- 2) Ensure the amount of overage/shortage is recorded in a dedicated object account so that management can analyze entries to identify potential issues and individuals associated with repeated variances.

## ***E – Safeguarding of Assets***

Several areas were noted that could compromise the safety and security of Metro assets as follows:

- Maintenance equipment borrowed between sites was not effectively tracked.
- Annual inventory on maintenance equipment was either not performed or not documented.



- Gas meters were found missing or not functional at three sites, leaving tracking of fuel use to business units impossible.
- Large equipment was parked outside secure maintenance sites due to a lack of protected storage space.
- Inventory variance (shrinkage) and perishable spoilage was not actively monitored and analyzed.
- Equipment not belonging to Metro and not currently functional was found at several sites, presenting a potential safety hazard and ownership issue.

*Criteria:*

- *The COSO Internal Control Integrated Framework* establishes a common definition of internal controls, standards, and criteria by which organizations can assess their internal control systems. Properly safeguarding assets enhances the control activities and monitoring component of a strong internal controls framework.
- *Internal Control and Compliance Manual for Tennessee Municipalities – Title 5, Chapters 1, 20 and 21*
- Metro fixed asset policy
- Prudent business practice

*Risk:*

Lack of proper controls to safeguard assets increases the risk of theft and harm to Metro assets. Fuel costs may be improperly assigned due to missing or non-functional meters on gasoline fuel sites.

*Recommendations:*

The management of the Parks and Recreation Department should:

- 1) Enact viable controls to track inventory spoilage separately. The amount of spoilage should be reported in a dedicated object account.
- 2) Establish a standard automated or manual form for each maintenance site to track transfers of equipment.
- 3) While in the custody of Golf Operations, protect and document whereabouts of heavy maintenance machinery belonging to the Office of Fleet Management.
- 4) Scrap or transfer all non-functional equipment, following proper Metro Nashville surplus procedures.
- 5) Where cost effective, replace old gas pumps and meters, with new equipment so that the use of fuel can be tracked with improved accuracy.

Furthermore, the use of gas logs or other recording mechanism should be enforced at sites feeding multiple business units.

- 6) Seek solutions, such as a locked fence, to protect maintenance sites from being accessed by unauthorized individuals during non-business hours.

# GENERAL AUDIT INFORMATION

## STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit from September 2011 to April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations 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. Our audit included tests of management controls that we considered necessary under the circumstances.

## SCOPE AND METHODOLOGY

The audit period focused primarily on the period July 1, 2009, through September 30, 2011, financial balances, transactions, and performance on the processes in place during the time of the audit. Data outside but close to the scope was also used to provide insight.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information, various forms of data, reports and information pertaining to the entire golf operation and other relevant divisions. Additionally, management, administrative and operational personnel were interviewed and directly observed.

## CRITERIA

In conducting this audit, the performance of golf operation management was evaluated for compliance with:

- *The Committee of Sponsoring Organizations Internal Control-Integrated Framework*
- Metro Parks and Recreation Department Policy Manual 3000.28.B
- *Metro Finance Policy # 9, Cash Deposits*
- *Metro Fixed Assets Policy*
- *Internal Control and Compliance Manual for Tennessee Municipalities*
- *Barnes Report* - National sales publication on United States golf industry sales.
- Prudent Business Practices

## STAFF ACKNOWLEDGEMENT

Carlos L. Holt, CPA, CIA, CFE, CFF, CGAP - Audit Manager  
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## APPENDIX A. METRO GOLF COURSES REVENUES AND EXPENDITURES

**Table 1 – Golf Courses Revenue Fiscal Year 2010**

Courses	Green Fees	Rentals	Resale *	Concessions	Totals
McCabe	\$ 909,402	\$228,675	\$230,015	\$ 9,994	\$1,378,086
Harpeth Hills	579,111	179,118	157,799	8,939	924,967
Two Rivers	533,315	159,995	145,098	996	839,404
Rhodes	285,424	91,113	89,204	3,361	469,102
Percy Warner	238,223	10,531	27,982	-	276,736
Shelby	135,637	85,656	55,140	-	276,433
VinnyLinks	39,876	1,123	2,216	-	43,215
<b>Totals</b>	<b>\$2,720,988</b>	<b>\$756,211</b>	<b>\$707,453</b>	<b>\$23,290</b>	<b>\$4,207,942</b>

\*Resale revenue was allocated to each course from resale business unit based on percentage of total sales (includes other revenue facilities at Metro Parks).

**Table 2 – Golf Courses Expenditures Fiscal Year 2010**

Courses	Salaries and Benefits	Other Expense	Water	Electric Service	Fleet Service	Resale*	Totals
McCabe	\$ 737,553	\$ 85,113	\$ 9,383	\$12,663	\$ 78,396	\$116,782	\$1,039,890
Harpeth Hills	666,281	67,710	54,190	14,682	86,510	80,117	969,489
Two Rivers	608,826	59,323	7,770	12,375	67,943	73,668	829,905
Rhodes	562,190	62,804	13,636	24,805	73,170	45,290	781,894
Shelby	366,058	35,945	16,898	11,156	54,877	27,995	512,930
Percy Warner	249,462	23,939	7,717	7,640	36,585	14,207	339,549
VinnyLinks	94,632	13,005	21,553	5,452	15,679	1,125	151,445
<b>Totals</b>	<b>\$3,285,002</b>	<b>\$347,839</b>	<b>\$131,146</b>	<b>\$88,771</b>	<b>\$410,274</b>	<b>\$359,184</b>	<b>\$4,625,102</b>

**Table 3 – Golf Courses Revenue Fiscal Year 2011**

<b>Courses</b>	<b>Green Fees</b>	<b>Rentals</b>	<b>Resale *</b>	<b>Concessions</b>	<b>Totals</b>
McCabe	\$ 780,666	\$208,108	\$219,499	\$ 3,203	\$1,211,476
Harpeth Hills	598,975	174,004	171,467	13,013	957,459
Two Rivers	518,446	151,046	129,370	9,855	808,717
Rhodes	321,851	101,162	75,929	4,438	503,380
Percy Warner	211,916	7,317	23,481	-	242,714
Shelby	126,062	84,471	56,592	3,408	270,533
VinnyLinks	30,903	838	1,735	-	33,476
<b>Totals</b>	<b>\$2,588,819</b>	<b>\$726,946</b>	<b>\$678,073</b>	<b>\$33,917</b>	<b>\$4,027,755</b>

\*Resale revenue was allocated to each course from resale business unit based on percentage of total sales (includes other revenue facilities at Metro Parks).

**Table 4 – Golf Courses Expenditure Fiscal Year 2011**

<b>Courses</b>	<b>Salaries and Benefits</b>	<b>Other Expense</b>	<b>Water</b>	<b>Electric Service</b>	<b>Fleet Service</b>	<b>Resale*</b>	<b>Totals</b>
McCabe	\$ 696,483	\$ 78,939	\$ 12,493	\$ 46,378	\$ 84,724	\$107,093	\$1,026,109
Harpeth Hills	619,335	84,155	68,440	32,595	90,420	83,659	978,603
Two Rivers	527,835	49,945	15,722	21,738	71,163	63,120	749,523
Rhodes	534,670	88,097	19,683	39,492	78,306	37,046	797,294
Shelby	348,596	41,954	5,136	11,633	61,119	27,611	496,048
Percy Warner	240,211	24,005	8,490	9,440	38,318	11,456	331,921
VinnyLinks	69,196	23,204	49,511	6,306	17,265	846	166,328
<b>Totals</b>	<b>\$3,036,326</b>	<b>\$390,299</b>	<b>\$179,474</b>	<b>\$167,582</b>	<b>\$468,571</b>	<b>\$330,831</b>	<b>\$4,573,083</b>

## APPENDIX B. METRO GOLF COURSE SURVEY RESULTS

<b>Methodology:</b>			
Population (Total active members)	763		
Randomly sample size	200		
Measuring scale	5		1 strongly disagree 5 strongly agree
<b>Summary:</b>			
Number of returned cards	93		Not including 13 cards non-deliverable due to bad address
Total Responses	110 <sup>2</sup>		
Responsive rate (Non-deliverable cards not included)	50%		
Harpeth Hills		28	
Percy Warner		7	
Shelby		2	Data collected was not sufficient to draw individual conclusion
Ted Rhodes		15	
McCabe		33	
Two Rivers		25	
<b>Conclusion:</b>			
Responses heavily distributed to scale 3, 4 and 5 indicated that most Metro Parks and Recreation golf course customers were satisfied with the course conditions.			
High numbers in scale 1 indicating areas that most surveyed customers have concerns with divots (row 2) and bunkers (row 4).			

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<sup>2</sup> 12 cards had multiple responses, which were equally distributed to each selected course, 3 cards were invalid due to no selection of course.

### Consolidated Distribution of Responses

Total Number of Responses:	110				
Service Dimensions	Distribution of Responses				
Service Dimensions	1	2	3	4	5
1. The greens speed was satisfactory.	5	12	29	40	23
2. Divots were repaired properly.	19	22	40	21	8
3. Tee blocks guaranteed enough teeing space.	3	1	18	60	28
4. Bunkers had enough sand and it was distributed well.	14	16	35	27	15
5. There was no debris or other objects in bunkers.	4	7	26	39	31
6. Signage for cart path was clear.	6	3	22	34	40
7. The course condition is satisfactory.	3	3	32	39	31
8. The price I pay to play at this facility is a good value.	5	9	42	28	26
<b>Total responses per scale</b>	<b>59</b>	<b>73</b>	<b>244</b>	<b>288</b>	<b>202</b>

### Distribution of Responses for McCabe

Total Number of Responses:	33				
Service Dimensions	Distribution of Responses				
Service Dimensions	1	2	3	4	5
1. The greens speed was satisfactory.	0	4	9	15	5
2. Divots were repaired properly.	4	5	17	6	1
3. Tee blocks guaranteed enough teeing space.	0	0	6	20	7
4. Bunkers had enough sand and it was distributed well.	1	4	14	9	4
5. There was no debris or other objects in bunkers.	1	3	8	11	10
6. Signage for cart path was clear.	0	0	6	12	13
7. The course condition is satisfactory.	1	0	8	16	8
8. The price I pay to play at this facility is a good value.	1	2	12	12	6
<b>Total responses per scale</b>	<b>8</b>	<b>18</b>	<b>80</b>	<b>101</b>	<b>54</b>

### Distribution of Responses for Ted Rhodes

<b>Total Number of Responses:</b>		<b>15</b>				
<b>Service Dimensions</b>		<b>Distribution of Responses</b>				
		1	2	3	4	5
1.	The greens speed was satisfactory.	1	1	4	4	4
2.	Divots were repaired properly.	3	4	3	3	2
3.	Tee blocks guaranteed enough teeing space.	0	0	2	8	5
4.	Bunkers had enough sand and it was distributed well.	2	1	7	2	3
5.	There was no debris or other objects in bunkers.	0	0	3	8	3
6.	Signage for cart path was clear.	1	1	3	4	5
7.	The course condition is satisfactory.	0	0	6	1	6
8.	The price I pay to play at this facility is a good value.	0	1	9	2	3
<b>Total responses per scale</b>		<b>7</b>	<b>8</b>	<b>37</b>	<b>32</b>	<b>31</b>

### Distribution of Responses for Harpeth Hills

<b>Total Number of Responses:</b>		<b>28</b>				
<b>Service Dimensions</b>		<b>Distribution of Responses</b>				
		1	2	3	4	5
1.	The greens speed was satisfactory.	0	4	5	11	8
2.	Divots were repaired properly.	4	8	8	5	3
3.	Tee blocks guaranteed enough teeing space.	2	0	7	11	8
4.	Bunkers had enough sand and it was distributed well.	5	7	4	7	5
5.	There was no debris or other objects in bunkers.	0	3	8	9	8
6.	Signage for cart path was clear.	2	1	5	8	11
7.	The course condition is satisfactory.	0	2	8	9	9
8.	The price I pay to play at this facility is a good value.	1	4	7	7	9
<b>Total responses per scale</b>		<b>14</b>	<b>29</b>	<b>52</b>	<b>67</b>	<b>61</b>



### Distribution of Responses for Two Rivers

Total Number of Responses:		25				
Service Dimensions		Distribution of Responses				
		1	2	3	4	5
1.	The greens speed was satisfactory.	3	3	8	8	3
2.	Divots were repaired properly.	6	4	9	4	2
3.	Tee blocks guaranteed enough teeing space.	1	1	2	14	7
4.	Bunkers had enough sand and it was distributed well.	6	4	7	8	0
5.	There was no debris or other objects in bunkers.	3	1	5	10	6
6.	Signage for cart path was clear.	2	1	3	8	10
7.	The course condition is satisfactory.	1	1	8	10	5
8.	The price I pay to play at this facility is a good value.	3	2	9	5	6
<b>Total responses per scale</b>		<b>25</b>	<b>17</b>	<b>51</b>	<b>67</b>	<b>39</b>

### Distribution of Responses for Percy Warner

Total Number of Responses:		7				
Service Dimensions		Distribution of Responses				
		1	2	3	4	5
1.	The greens speed was satisfactory.	1	0	2	1	3
2.	Divots were repaired properly.	2	1	3	1	0
3.	Tee blocks guaranteed enough teeing space.	0	0	0	6	1
4.	Bunkers had enough sand and it was distributed well.	0	0	3	1	2
5.	There was no debris or other objects in bunkers.	0	0	2	1	3
6.	Signage for cart path was clear.	0	0	5	1	1
7.	The course condition is satisfactory.	1	0	2	1	3
8.	The price I pay to play at this facility is a good value.	0	0	5	1	1
9.	The greens speed was satisfactory.	<b>4</b>	<b>1</b>	<b>22</b>	<b>13</b>	<b>14</b>

## **APPENDIX C. MANAGEMENT RESPONSE**

- Management's Response Starts on Next Page –

KARL F. DEAN, MAYOR

**METROPOLITAN BOARD OF PARKS AND RECREATION**

Centennial Park Office  
Park Plaza at Oman Street  
Nashville, TN 37201



(615) 862-8400  
Fax (615) 862-8414  
www.nashville.gov/parks

Thomas M. Lynch, Director

May 17, 2012

Office of Internal Audit  
Mr. Mark Swann, Metropolitan Auditor  
222 3<sup>rd</sup> Avenue North, Suite 401  
Nashville, TN 37201

RE: Audit of the Metro Parks and Recreation Department-Golf Operations

Dear Mr. Swann:

This letter acknowledges that the Metro Parks and Recreation Department received the golf operations audit report and has reviewed the audit comments and recommendations. The department has implemented a majority of the recommendations since the completion of the fieldwork by your staff and will strive to continue to implement the recommended improvements as appropriate.

It is important to acknowledge that the two fiscal years examined were the very years impacted by the historic flood of 2010. The Department welcomes the recommendations and will continue to strive to provide residents and visitors a quality golf course system.

It was a pleasure working with your staff on this project and we will continue the process of improving our operations.

Sincerely,

Thomas M. Lynch  
Director

TML:jf

*"It is the mission of the Metropolitan Board of Parks and Recreation to provide every citizen of Nashville and Davidson County with an equal opportunity for safe recreational and cultural activities within a network of parks and greenways that preserves and protects the regional natural resources"*



FOR ADA ACCOMMODATIONS, PLEASE CONTACT 862-8400  
WE ARE AN EQUAL OPPORTUNITY EMPLOYER

**Metro Parks and Recreation Department Golf Operation  
Management Response to Audit Recommendations - May 2012**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p><b>A.</b> The management of the Parks and Recreation Department should:</p> <p>1. Consider strategic targeting of other potential customers for sales and promotional options.</p>	<p><b>Accept</b> We just purchased our POS' Rewards program that will allow us to target all customers for future sales and promotional options.</p>	Bob Benson	7/1/12
<p>2. Evaluate and consider if implementing a non-Tennessee resident green fee (at a higher price) would provide additional revenue from vacationers and visitors.</p>	<p><b>Reject.</b> The Parks Department under the direction of the Park Board has implemented higher fees to people who live outside our county for membership rates and for reservations of picnic shelters, etc.. This decision was based on ensuring that no reduced rate would be the same for these types of fees. The Board consistently has determined that the process of identifying where a person lives prior to determining an entry fee, or a greens fee would be more detrimental to our customer service than beneficial to our overall development of revenue. This determination applies to our out of state visitors as well. Vacationers already add to the economy of Davidson County and we want to add to the feeling of hospitality they feel visiting our city.</p>		
<p>3. Consider alternative business models such as: public/private ventures, government/contractor operated locations, partnering with a neighborhood organization or non-profit organization for upkeep and use of one or more non-performing courses, closing one or two courses, leasing one or more locations, etc. Such alternatives should be carefully evaluated and documented to provide a sound basis for adoption or rejection.</p>	<p><b>Reject.</b> We have proposed closing under-performing courses many times in the past, but those recommendations have been rejected by the administration and Metro Council during the budget process. We have also studied other municipalities who have contracted out golf services in the past, and have not found a positive example of such a venture.</p>	Sally Davis	Completed
<p>4. Consider outsourcing components such as maintenance or concessions at certain or all sites.</p>	<p><b>Reject.</b> The high maintenance costs make outsourcing maintenance areas prohibitive. Concession areas were already considered for outsourcing a few years back by Metro's concession vendor, Ovations; however the negative effect that weather sometimes plays in our overall operating hours, coupled with the difficulty in any outside</p>	Sally Davis	Completed
Audit of the Metro Department of Parks and Recreation - Golf Operations			25

**Metro Parks and Recreation Department Golf Operation  
Management Response to Audit Recommendations - May 2012**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
	<p>company securing their inventory in our buildings, made outsourcing very unattractive. Oventions even stated that they could not do a better job than we were doing in this area.</p>		
<p>5. Survey the market for interested parties to construct a free-standing, add-on or remodeled contractor operated restaurant on one or more golf facilities. In private and some public courses elsewhere, restaurant owners desire the beautiful settings, peacefulness and golf play observation that a course location can provide for full service restaurant.</p>	<p><b>Reject:</b> A full service restaurant located at any of our golf courses does not meet the mission statement of the Board of Parks and Recreation, which is to provide recreational and cultural opportunities to our citizens. We offer concession services only as an amenity to the recreational activity of golf. If there were available land at any of our courses, we don't feel that outsourcing the land to a private operator for use as a restaurant would be a proper use of that park land.</p>	<p>Sally Davis</p>	<p>Completed</p>

**Metro Parks and Recreation Department Golf Operation  
Management Response to Audit Recommendations - May 2012**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p><b>B.</b> The management of the Parks and Recreation Department should::</p> <p>1. Identify all costs that are directly incurred from each individual business units and assign accordingly so that they are reflected on the EnterpriseOne management cost reports.</p>	<p><b>Partially Accept.</b> We will continue to internally track utility usage at facilities to determine incurred costs. The Parks Accounting Division keeps a record of costs incurred by facilities as utilities are paid. The record is not visible in EBS, but is verifiable and readily available upon request. We will use the indirect cost rates identified in the annual Indirect Cost Rate Proposal to allocate internal service fee costs to facilities. Using these methods to allocate consolidated costs is currently the most feasible option to capture expenses.</p>	<p>Bob Benson, Monique Odom, Jan Goss</p>	<p>Completed</p>
<p>2. Treat all particular revenue elements consistently (such as range ball tokens) across golf course business units.</p>	<p><b>Accept.</b> All particular revenue elements are now coded correctly within the POS system.</p>	<p>Bob Benson</p>	<p>Completed</p>
<p>3. Fully allocate costs and revenue, within each fiscal year, from the resale account to the business units which generated those costs and revenues. The allocation should be calculated using a reasonable allocation formula.</p>	<p><b>Accept:</b> Special Services will work with Metro Parks Finance to determine more specific amounts to allocate to the golf Business Units during this process.</p>	<p>Bob Benson, Monique Odom</p>	<p>7/1/12</p>
<p>4. Work with the Metro Nashville Finance Department to determine if changing Golf Operations accounting practices to a proprietary enterprise fund would provide improved management cost reporting and public transparency of Golf Operations.</p>	<p><b>Partially Accept.</b> We are currently talking with Finance to see if this recommendation is feasible for our four largest courses</p>		

**Metro Parks and Recreation Department Golf Operation  
Management Response to Audit Recommendations - May 2012**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p><b>C.</b> The management of the Parks and Recreation Department should:</p> <p>1. Periodically report to the Board of Parks and Recreation the purpose and impact of discounted sales.</p>	<p><b>Accept.</b> The Golf Superintendent will begin reporting all seasonal specials and discounted rates, if any, to the Park Board quarterly.</p>	Sally Davis	Completed
<p>2. Reevaluate yearly marketing efforts for the Golf Operations. The evaluation should include all aspects of discounted rounds.</p>	<p><b>Accept.</b> The Golf Superintendent will meet with golf managers (in Summer and Winter) to establish the upcoming season's marketing strategy.</p>	Sally Davis	8/1/12
<p>3. Consider attempting to establish an overall single marketing identity (unique branding) for the golf products and courses within the Metro Parks and Recreation Department rather than differentiated courses that stand on their own from a marketing aspect.</p>	<p><b>Reject.</b> We already do this. Currently the golf system is collectively marketed as Nashville Fairways. We have a website (<a href="http://www.nashvillefairways.com">www.nashvillefairways.com</a>), a Facebook page, and have Nashville Fairways apparel and golf novelties available for sale at all courses. We also have a monthly column titled "Nashville Fairways" in the local Tee Times publication.</p>		
<p><b>D.</b> The management of the Parks and Recreation Department should:</p> <p>1. Establish and enforce point of sale controls that require documenting overages and shortage at each site. Such document should include the closing cashier's name, names of all money handlers of the cash drawer, manager on duty and possible reasons or incidents causing the discrepancy.</p>	<p><b>Accept.</b> We are reinstating the Cash Handling Discrepancy report, which was used several years ago, and addresses the items listed in the recommendation. Whenever an overage or shortage above or below \$20 is encountered, that form will be completed by the manager, signed by the Golf Superintendent and attached to the daily bank deposit paperwork.</p>	Allison DeVault	Completed
<p>2. Ensure the amount of overage/shortage is recorded in a dedicated object account so that management can analyze entries to identify potential issues and individuals associated with repeated variances.</p>	<p><b>Accept.</b> We have requested that a specific object account be created for this purpose and will begin recording these amounts in it as soon as it has been created by the Finance Department.</p>	Allison DeVault	7/1/12

**Metro Parks and Recreation Department Golf Operation  
Management Response to Audit Recommendations - May 2012**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p><b>E.</b> The management of the Parks and Recreation Department should:</p> <p>1. Enact viable controls to track inventory spoilage separately. The amount of spoilage should be reported in a dedicated object account.</p>	<p><b>Accept.</b> The POS does not track spoilage separately; however we are training staff to compile monthly spoilage amounts, and have requested a specific object account from Finance. We will then begin posting monthly spoilage amounts to EBS via journal entry.</p>	Bob Benson, Delilah Tuck, Allison DeVault	7/1/12
<p>2. Establish a standard automated or manual form for each maintenance site to track transfers of equipment.</p>	<p><b>Accept.</b> We will start a Site Transfer spreadsheet for each location to track this activity.</p>	Phil Lockett	7/1/12
<p>3. While in the custody of Golf Operations, protect and document whereabouts of heavy maintenance machinery belonging to the Office of Fleet Management.</p>	<p><b>Accept.</b> We have completed an inventory of small equipment and tools. <i>We believe Item #3 may have been phrased incorrectly, since Fleet Management already tracks their own equipment at our sites. Previous notes on this subject dealt only with equipment under \$5,000.00, and that equipment is not Fleet Management owned.</i></p>	Phil Lockett	Completed
<p>4. Scrap or transfer all non-functional equipment, following proper Metro Nashville surplus procedure.</p>	<p><b>Accept.</b> We are addressing this on a continual basis as time allows. This process is currently on-going.</p>	Phil Lockett	12/1/12
<p>5. Where cost effective, replace old gas pumps, or meters, with new ones so that the use of fuel can be tracked with improved accuracy. Furthermore, the use of gas log should be enforced at sites feeding multiple business units.</p>	<p><b>Accept.</b> Gas pump at Percy Warner now has a new meter &amp; new pump, and gas logs are now being kept. Two others (McCabe &amp; Ted Rhodes) are being worked on and will be put in place when 4% funding becomes available.</p>	Phil Lockett	12/1/12
<p>6. Seek solutions, such as a locked fence, to protect maintenance sites being accessed from unauthorized individuals during non-business hours.</p>	<p><b>Accept:</b> We are in full agreement with this recommendation; however, until 4% funding becomes available, this is not in our current operational budget.</p>	Phil Lockett	Unknown at this time