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Shocking Your Systems

Examining Your Organization's Internal & External Controls



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Objectives



- Introduce an Internal Control Framework
- Solve a 'Real World' Problem
- Share/Steal Shamelessly

Agenda



- 5 Areas of Effective Controls
- Case Study
- Interactive Breakout Groups
- Q&A
- Wrap it Up

5 Areas of Effective Controls



These components work together to ensure effective controls

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring Activities



Control Environment



Key characteristics:



- Commit to integrity and ethical values
- Independence and oversight
- Established structures, authorities and responsibilities
- Attract, develop, and retain competent individuals
- Accountability

Control Environment



Practical Application:

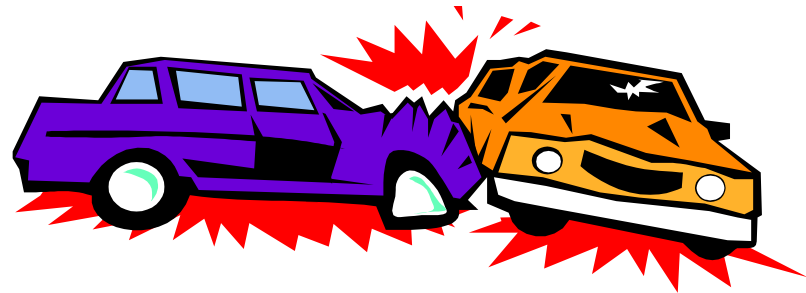
- Issue a code of conduct or performance standards
- Ensure segregation of duties
- Ensure a manager approves all refunds
- Enable a whistleblower process

Risk Assessment



Key characteristics:

- Identify and assess risks
- Determine how the risks should be managed
- Consider the potential for fraud
- Identify and assess changes



Risk Assessment



Practical Application:

- Inquire to determine areas at risk for fraud, theft, etc.
- Prioritize by high/medium/low financial impact
- Prioritize by “not likely” or “likely” to occur

Control Activities



Key characteristics:

- Develop control activities to mitigate risk
- General control activities over technology
- Set expectations through policies
- Implement procedures to put policies in place



Control Activities



Practical Application:

- Risk merchandise theft when received from vendor
- Controls
 - common receiving area policy
 - two individuals receive and load into system
- Ensure inventory system logs user activity
- Monthly inventory and margin review

Information & Communication



Key characteristics:

- Relevant and timely information to enable controls
- Internal communications
 - Expectations & objectives
 - 360 information flow
- External Communication
 - Customers
 - Suppliers
 - Shareholders



Information & Communication



Practical Application:

- Publish inventory control procedures
- Train staff and assign responsibilities
- Communicate expectations to vendors for deliveries

Monitoring Activities



Key characteristics:

- Select, develop and perform evaluations
- Evaluate and communicate deficiencies
- Hold the team accountable
- Maintain standards and be transparent



Monitoring Activities



Practical Application:

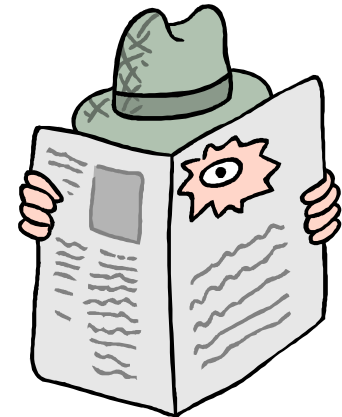
- Inspect what you expect
 - Quick reasonableness test
 - Full internal audit
- Provide immediate feed back
- 'Third Rail' items



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A Case Study...





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NATIONAL GOLF COURSE OWNERS ASSOCIATION

Wrap Up



- Be skeptical
- Don't apologize for controls
- Worthwhile investment of time and resources
- Secure your clubs financial future

References:

<http://www.coso.org/documents/Internal%20Control-Integrated%20Framework.pdf>

How'd we do?



- Introduce an Internal Control Framework
- Solve a 'Real World' Problem
- Share/Steal Shamelessly