



June 21, 2018

To: Kathy Crile, Recreation and Parks Director

From: Alice Garner, Internal City Auditor *Alice Garner*

Re: Ocala Golf Club Financial Audit - Project No. 2018-03

We have conducted an audit of the Ocala Golf Club operated by Billy Casper Golf, LLC and monitored by the Recreation and Parks department, as scheduled per the FY 2018 Internal Audit Plan. The objectives of the audit were to determine whether receipts and disbursements are recorded correctly in terms of amount, account and period and whether the operator is compliant with specific provisions of the contract. The audit was conducted by Alice Garner.

To accomplish our objectives, we inquired with the operator's General Manager, analyzed revenue and expense statements, selected samples of cash receipts, disbursements, and events and observed pro shop and starter activities. We also examined receipts, invoices, bank statements, insurance certificates, sales reports, monthly accrual entries and City journal entries.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our audit period was October 1, 2016 through September 30, 2017. However, transactions, processes and situations reviewed were not limited by the audit period.

During the course of our audit, we noted several aspects of the operations that were working effectively including:

- Monthly management meetings are thorough and an effective use of time.
- Insurance policy coverage is current and amounts are in accordance with contract requirements.
- Controls are in place to ensure that revenues are accurately posted.
- Monthly revenues and expenses are accurately posted in the City's financial records.
- The golf management system used adequately meets management's needs.

Based on our work performed, we conclude that except for the needed improvements as noted in the report, receipts and disbursements are recorded correctly in terms of amount, account and period and the operator is compliant with specific provisions of the contract.

We appreciate the cooperation and assistance provided by the Recreation and Parks department and Billy Casper Golf staff and also other entities contacted during the course of our audit.

Cc: Ocala City Council Members
John Zabler, City Manager
Bill Kauffman, Assistant City Manager
Ken Whitehead, Assistant City Manager
Sandra Wilson, Deputy City Manager
Anthony Webber, Fiscal Operations Supervisor
Jason Lenhart, Ocala Golf Club General Manager

BACKGROUND:

On July 12, 2012, the City of Ocala entered into a contractual agreement with Billy Casper Golf, LLC (BCG) to operate the City's Ocala Golf Club (OGC). OGC consists of an 18-hole golf course, clubhouse, driving range, banquet facilities and other amenities located in Ocala, Florida.

Ocala Golf Club is lined with oak and pine trees, providing golfers with a beautiful backdrop as they navigate the 18-hole, 6,552-yard, par-72 golf course. A driving range and practice putting green, as well as private and semi-private lessons, adds to the Ocala Golf Club experience. The clubhouse includes a fully-stocked golf pro shop, grill room dining and banquet area. The banquet hall is a great location for wedding receptions, birthday parties, and family or business events.

Customers can extend their enjoyment of the Ocala Golf Club through membership. Several types are available including single, family, junior and seasonal memberships.

The City's Recreation and Parks department oversees the operation of OGC. Management of both organizations meet on a monthly basis to review the prior month's financial and operational activities, as well as monthly and annual projections, basic operations and course maintenance.

The City's goal is to provide a well-managed golfing and meeting experience to the citizens of Ocala at an affordable price. Over the past several years, Billy Casper Golf, LLC has managed to significantly decrease the overall cost of the OGC's operations to the City.

OPPORTUNITIES FOR IMPROVEMENT:

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. **The required minimum funds balance is not maintained in the operating account.** The contract with Billy Casper Golf, LLC states that, "At no time shall the Minimum Funds Balance be less than fifty thousand dollars (\$50,000)." We reviewed the daily cash balances from October 1, 2016 through September 30, 2017 and found that out of 250 business days, the cash balance was less than \$50,000 for 109 of the days, or 44% of the time. According to the City's accountant, it is a common practice to transfer money from the operating account using "good judgment" based on current operating needs and considering the time of the year. However, at one point during the year, the account balance was as low as \$26,444, which is not sufficient to cover the month's payroll and benefits expenses.

We recommend City management develop a minimum funds balance requirement for each month that reflects the amount required to sustain financial business operations. Subsequent contract years should allow for financial fluctuations such as an additional ten percent. The contract should be amended to reflect the established practice.

Management Response: Staff can not anticipate the amount of fund balance needed month to month in advance. This balance is monitored through regular financial reporting and discussed at meetings related to same. The Recreation and Parks Department will process a contract amendment to eliminate the minimum fund balance of \$50,000 and instead suggested revised language that provides for regular fiscal reviews to ensure minimum fund balances are adequate to support operations. This will satisfy the intent of the original language.

Expected Completion Date: Staff will have the addendum completed before the end of September 2018.

2. **Vendor invoices are not paid timely.** Invoices are paid either upon delivery of goods with a BCG on-site check or through the accounts payable process by the BCG corporate office. During our audit work, we selected a sample of invoices paid by the corporate office during March 2017 and found that 18 out of 26 invoices (or 69%) were paid past the invoice due date. We considered those payments that were due upon receipt to be timely if they were paid within 30 days of the due date. According to the contractual agreement, the organization is paying for these expenses on behalf of the City. It is necessary for the organization to ensure that its invoices are paid timely because paying the bills late reflects poorly on the City.

We recommend BCG management ensure that all vendor invoices for the Ocala Golf Club are paid timely within the terms stated on the invoices. Invoices that require payment due upon receipt should be paid within 30 days.

Management Response: BCG will continue to process and review AP in a timely manner and pay down any AP by the term date. BCG will communicate with the City of Ocala the need for funds to maintain adequate account balances to support same. City will make timely transfers as requested and approved.

Expected Completion Date: Immediate and ongoing.

3. **Vendor invoices are posted to the incorrect accounting period.** We reviewed the accuracy of the posting of 26 vendor invoices recorded by the BCG corporate office during March 2017 and found that 11 out of 26 (42%) invoices were posted in the wrong month. We reviewed the accrual entries that were made for the periods and confirmed that these invoices were not included. Expenses should be recorded in the period that the goods or services were

received, regardless of the effect on cash. Posting the expenses in the incorrect period affects the accuracy of the monthly financial reporting provided to the City.

We recommend BCG management ensure that expenses are recorded in the period in which the expenses were incurred.

Management Response: BCG will ensure invoices are properly record in the period in which the expense is incurred.

Expected Completion Date: Immediate and ongoing.

4. **Some events do not have a contractual agreement on file.** We selected a sample of ten events during the audit period in which the banquet facilities were rented and found that 3 out of 10 events (or 30%) did not have a contract on file. According to the BCG Policy and Procedure Manual, "All banquets and events will have an event contract with language provided or approved by BCG Risk Management." Without a contract in place, management cannot effectively enforce the terms and provisions set forth for events.

We recommend BCG management ensure that a copy of the signed event agreement is obtained and retained in the event file.

Management Response: BCG will ensure a signed event agreement is obtained and retained per policy.

Expected Completion Date: Immediate and ongoing.

5. **Event records do not include approved event pricing.** During our review of supporting documentation for events held during the audit period, we found that the files for 8 out of 10 events (80%) showed no evidence of approved written pricing. According to the BCG Policy and Procedure Manual, "General Manager or Food and Beverage Manager will approve in writing before any event pricing worksheet is sent out." Without evidence of approved pricing in place, all that exists is a verbal agreement in which one or both parties may not comply.

We recommend BCG management ensure that event pricing is documented in writing and included in the event file.

Management Response: BCG will ensure all events have an approved written pricing worksheet documenting agreed upon pricing. The General Manager or Food and Beverage Manager will approve in writing before any event pricing worksheet is sent out.

Expected Completion Date: Immediate and ongoing.

6. **Cashiers are permitted to have personal items in the register area.** During a meeting with the OGC General Manager, he stated that cashiers are allowed to have personal items such as a cell phone or purse in the register area. However, according to the BCG Policy and Procedure Manual, “Before using the register, Clerk or POS Employee will find a place to secure all personal belongings and not access until their instance has been closed for the day unless granted permission from on-duty manager.” The purpose of this procedure is to ensure that cash is not transferred to or from personal belongings. Therefore, employees should not have access to items such as a purse or wallet in the register area.

We recommend BCG management should not permit cashiers to carry or store personal belongings holding their cash in the cash register area. All personal items containing cash should be secured in a separate location away from the register area.

Management Response: No personal items will be allowed around the register area. BCG Policy has been reviewed by the onsite team and is being enforced.

Expected Completion Date: Immediate and ongoing.