



Date: March 2, 2018

To: Mayor Shelli Freeland Eddie
Vice Mayor Liz Alpert
Commissioner Jen Ahearn-Koch
Commissioner Hagen Brody
Commissioner Willie Charles Shaw

From: Pamela M. Nadalini, MBA, BBA, CMC, City Auditor and Clerk / Chief Audit Executive

Subject: Final Audit Report #17-05 Bobby Jones Golf Course

Good afternoon, Mayor, Vice Mayor and Commissioners:

Attached for your information and review are copies of the audit report.

If you have any questions, please do not hesitate to call me at (941) 954-4169.

Attachment(s):

Audit Report #17-05

c: Thomas Barwin, City Manager
Robert Fournier, City Attorney
D. Edward Daugherty, CPA, Manager Internal Audit
Mark L.Sulloway, Senior Internal Auditor
File



Date: March 2, 2018

To: Thomas Barwin, City Manager

From: Pamela M. Nadalini, MBA, BBA, CMC, City Auditor and Clerk / Chief Audit Executive

Subject: Final Audit Report #17-05 Bobby Jones Golf Course



Attached for your information and review is a copy of the audit report.

If you have any questions, please do not hesitate to call me at (941) 954-4169.

Attachment(s):

Audit Report #17-05

c: Marlon Brown, Deputy City Manager
Jerry Fogle, Director, Parks & Recreation
Susan J. Martin, Manager Golf Course
Ed Daugherty, CPA, Manager Internal Audit
Mark Sulloway, Senior Internal Auditor
File

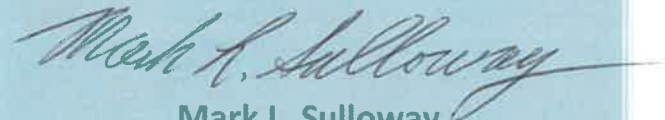
Audit #17-05:

Bobby Jones Golf Course

Audit Report

Office of the City Auditor and Clerk
Internal Audit

Prepared by:

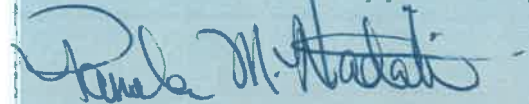


Mark L. Sulloway
Senior Internal Auditor



D. Edward Daugherty, CPA
Manager Internal Audit

Reviewed and Approved by:



Pamela M. Nadalini, MBA, BBA, CMC
City Auditor and Clerk /
Chief Audit Executive

You can obtain copies of this report by contacting us at:

Office of the City Auditor and Clerk

1565 1st Street
Sarasota, FL 34236
(941) 954-4135

Or download and view an electronic copy by visiting:

www.sarasotagov.com



Table of Contents

Executive Summary.....	3
Objective Ratings.....	4
Background and Introduction.....	5-9
Audit Purpose.....	9
Audit Scope.....	9
Audit Objectives.....	10
Audit Standards.....	10
Testing Methodology.....	10
Audit Criteria.....	11
Audit Observations and Recommendations.....	12-17
Exhibit A: Audit Priority Classification System.....	18
Exhibit B: Bobby Jones Greens Fee Schedule.....	19

Executive Summary

Audit #17-05 Bobby Jones Golf Course

Audit Purpose and Scope

To provide reasonable assurance that Bobby Jones Golf Course facilities and resources are being utilized in the most efficient manner and in accordance with City policies and procedures. The completion of an independent internal audit of Bobby Jones operations was included in the 2016 City Risk Assessment.

The scope of this audit includes a review of Bobby Jones activity, including cash receipts, inventory, facilities management, and physical and information system security of the club assets for the period October 1, 2015 through March 31, 2017.

Report Content and Limitation of Use

This executive summary is limited in detail. To obtain the full background on a particular item, please review the details prior to drawing conclusions based upon the limited information contained in this summary.

Audit Conclusions

The level of golfing activity at Bobby Jones has been on a gradual decline over the past 17 years. An older facility in need of renovation, competing with newer local golf courses, and aging golfer demographics all appear to be factors in this trend. There is no current restaurant vendor and no significant restaurant income. The facility requires subsidies from the City to maintain operations.

The results of our review are based upon current conditions and indicate that internal controls are generally in place and functioning effectively to ensure compliance with City and facility policies and procedures; no significant inefficiencies were identified; exceptions are noted in the detailed observations and recommendations on pages 12-17 of this report.

For information on priority levels assigned to audit recommendations, please see [Exhibit A](#).

Audit Objective Ratings

This audit focused on the following objectives:

Audit Objectives	Objective Ratings		
1. Determine if controls and procedures are in place and operating as intended for the proper management of the facility, staff, vendor contracts, grounds and equipment.		X	
2. Determine if controls and procedures are in place and operating as intended to properly manage cash and receipts.	X		
3. Determine if controls and procedures are in place and operating as intended to properly manage purchasing.	X		

Green – A green control rating indicated that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control, where risk appears to be minimized and appropriately managed.

Yellow – A yellow control rating denotes opportunities for improvement exist relating to the controls reviewed.

Red – A red control rating denotes significant risk or exposure to the City that requires immediate attention and remediation efforts.

Background and Introduction

Bobby Jones Golf Course (Bobby Jones) was established in 1926 as the City's municipal 18-hole golf course. The facility was expanded in 1952, 1967, and again in 1977, and currently encompasses 324 acres with two 18-hole golf courses, one 9-hole executive course, a driving range, putting greens, and three tennis courts.

Operations and facilities include:

Clubhouse with restaurant and pro shop, golf cart storage and charging building, golf club and equipment storage lockers, large maintenance building, and small starter building. Other course items to be maintained include 16 bridges, electrical, irrigation, water drainage systems and three tennis courts.

From July 31, 2017 to November 1, 2017, there was no restaurant vendor. The lack of a restaurant vendor and the inability to sell alcoholic beverages had a negative effect on golf course operations. The highest restaurant rental income to Bobby Jones in the past five years was \$20,512 in FY 2014.

In the past, the restaurant vendor held the required 11CG-PC (Municipally-owned Golf Club) liquor license to limit exposure of City officials. Staff advised City management reconsidered their position, and signed a temporary liquor license application that became effective November 16, 2017. The newly contracted restaurant vendor will still be required to be the manager of the license, with applicable liability insurance coverage.

Course maintenance including fairways and greens landscaping is handled by an outside vendor, ABM Onsite Services - West Inc. under a City competitive bid requiring Commission approval. 2015 annual contract cost was \$1,379,768. 2016 annual contract cost was \$1,397,076. The current contract expires September 30, 2018.

Bobby Jones uses EZ-Links golf course management software along with FMS, the City's financial management software, to record and track golf and merchandise sales activity.

Bank deposits are made on-site using the City-wide adopted dual key cash deposit automatic counting safe and on-site check scanner.

Bobby Jones currently employs seven full-time employees and 14 part-time seasonal employees.

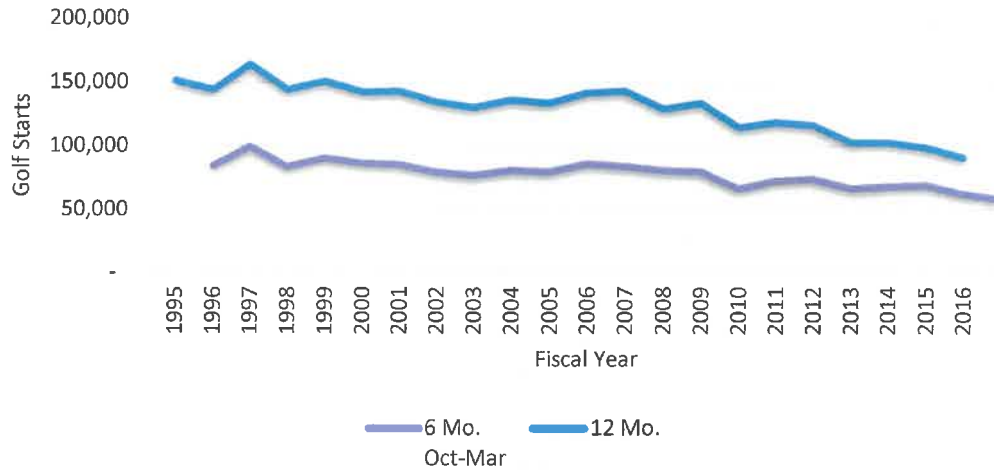


Fairway

Golf Starts

Golf starts (individual rounds of golf) at Bobby Jones have been in a general decline since the FY 1997 high of 164,000 starts. FY 2016 golf starts were 90,493. The first six months of FY 2017 indicate a continued decline in the number of rounds played.

Bobby Jones Golf Starts



GOLF STARTS

FY	12 Mo.	6 Mo. Oct-Mar
1995	151,489	
1996	143,981	83,928
1997	164,000	99,180
1998	143,939	83,307
1999	150,554	90,014
2000	142,214	86,006
2001	142,840	84,904
2002	134,129	78,933
2003	129,834	76,497
2004	135,860	80,531
2005	133,524	79,141
2006	141,489	85,393
2007	143,066	83,491
2008	129,004	80,135
2009	133,570	79,510
2010	114,321	65,810
2011	118,212	72,090
2012	116,134	73,603
2013	102,283	66,099
2014	102,427	67,442
2015	98,315	68,465
2016	90,493	61,757
2017		57,789

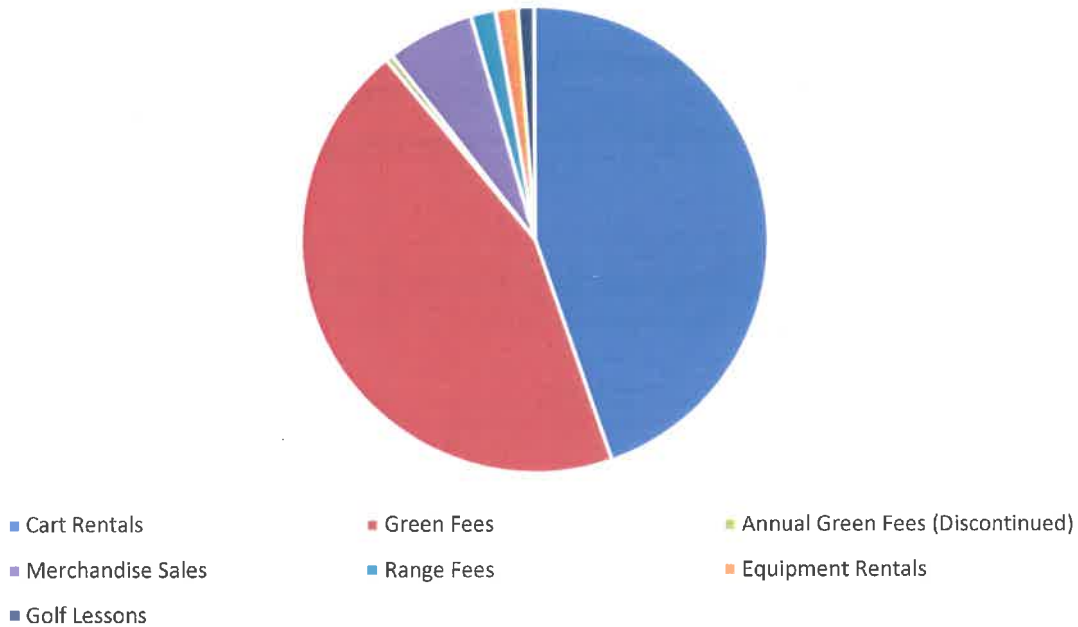
GOLF STARTS

5 Year Avg.	
2012-2016	101,930
10 Year Avg.	
2007-2016	114,783
22 Year Avg.	
1995-2016	130,076

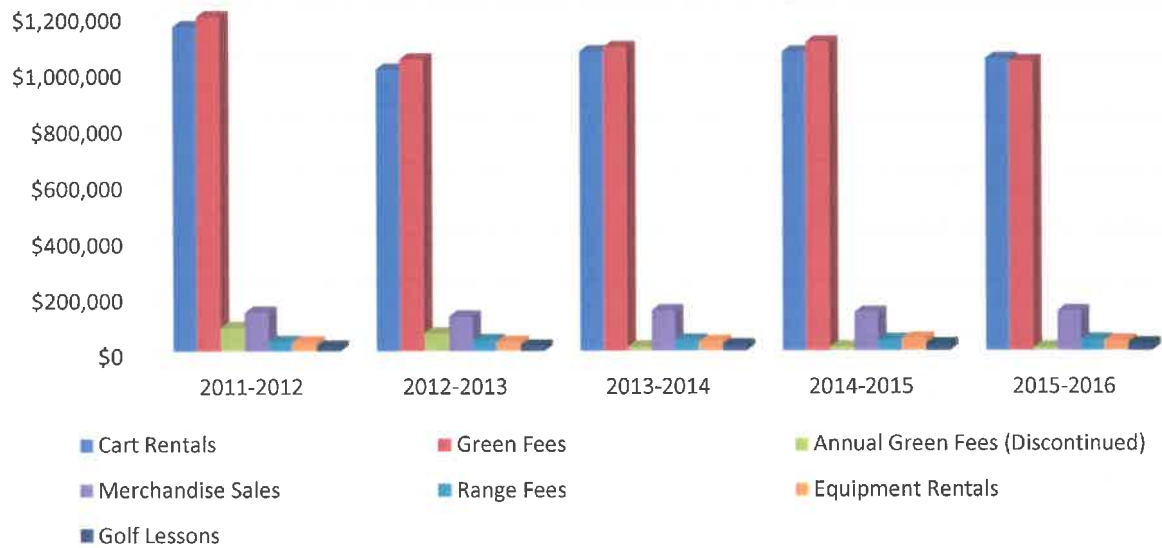
Course Revenue

FY 2016 Bobby Jones major revenue sources were generated by cart rentals (44%), greens fees (43%) and merchandise sales (6%). The relationship of these three revenue income items did not change appreciably in the past five years. The remaining 7% of revenues is composed of equipment rentals, golf lessons and tournament fees.

Bobby Jones Revenue Sources 2015-2016



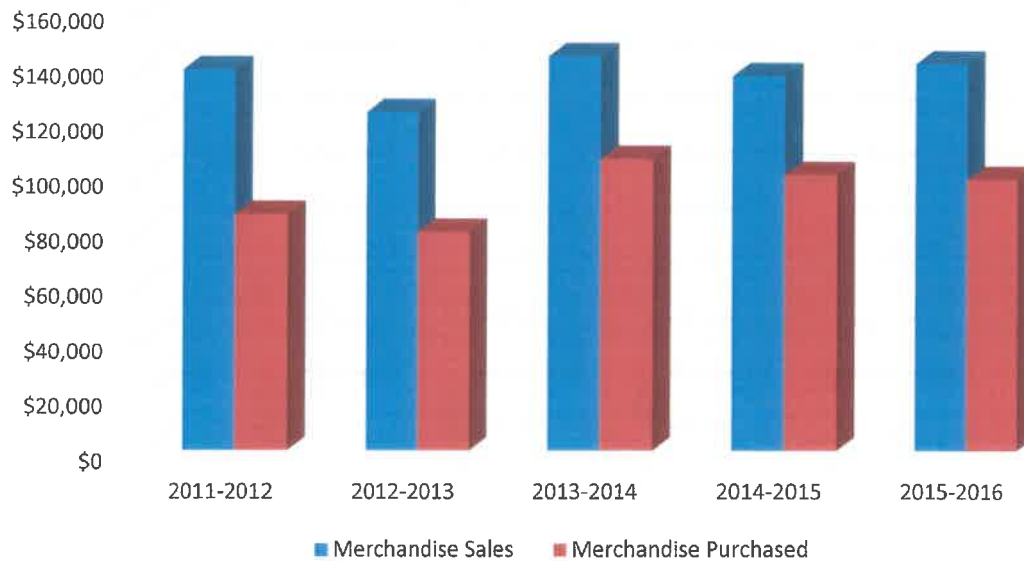
Bobby Jones Annual Revenue Sources



Merchandise Revenue and Cost

Merchandise sales during any fiscal year may include merchandise purchased in prior fiscal years. Auditor requested annual merchandise profit margin reports were not available. Merchandise sales rose to \$141,270 for FY 2016 from \$136,845 for FY 2015.

Bobby Jones Merchandise



Course Expenses

For FY 2016, Bobby Jones major expenses were from facility and course maintenance and upkeep (66%), and employee salaries (30%). The relationship of these two expenses has been consistent for the prior four years.

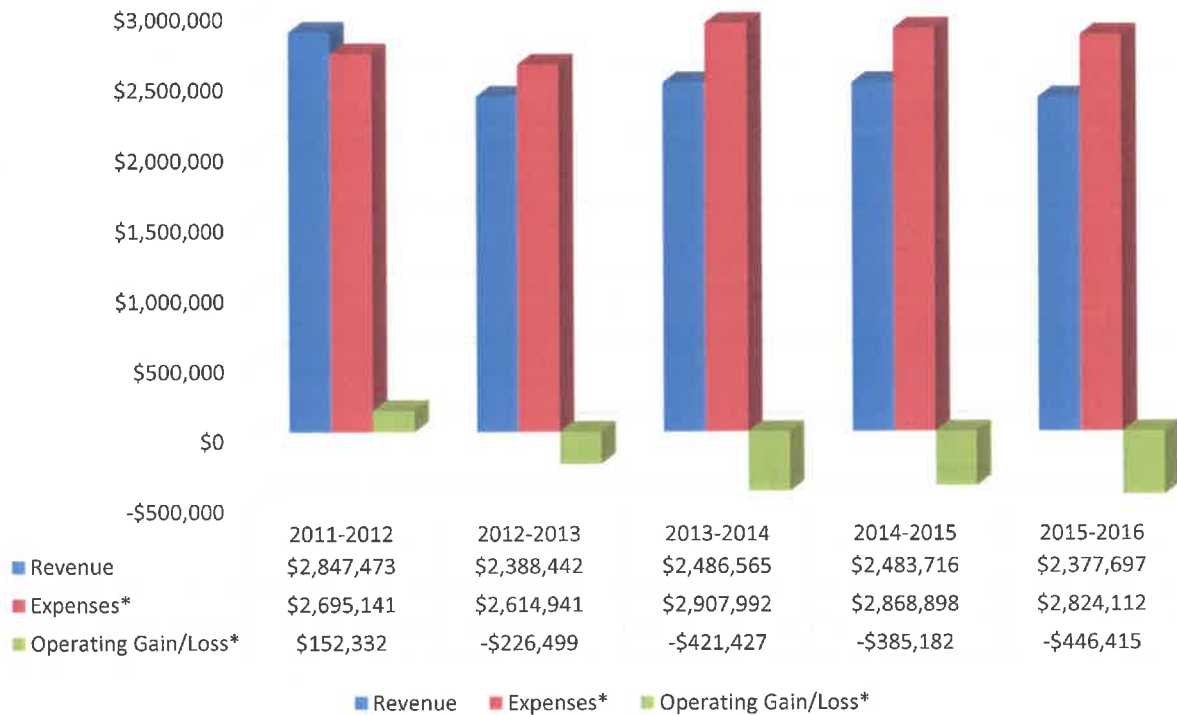
Bobby Jones Major Expenses



Operating Revenues and Expenses

Losses have increased annually over the past four years. FY 2012 was also the last year a transfer to the City's general fund of \$27,630 was made.

FY Revenue & Expenses



*Includes annual depreciation

Facility rates are included as [Exhibit B](#).

Audit Purpose

To provide reasonable assurance that Bobby Jones Golf Course facilities and resources are being utilized in the most efficient manner and in accordance with City policies and procedures. The completion of an independent internal audit of Bobby Jones operations was included in the 2016 City Risk Assessment.

Audit Scope

The scope of this audit is expected to include a review of Bobby Jones Golf Club activity, including cash receipts, inventory, facilities management, and physical and information system security of the club assets for the period October 1, 2015 through March 31, 2017.

Audit Objectives

The audit focused on the following objectives:

1. Determine if controls and procedures are in place and operating as intended for the proper management of the facility, staff, vendor contracts, grounds and equipment.

Our finding: internal controls were generally in place and functioning effectively to ensure compliance with City and facility policies and procedures; no significant inefficiencies, physical security or information security weaknesses were identified; specific exceptions are noted in the observations portion of this report.

2. Determine if controls and procedures are in place and operating as intended to properly manage cash and receipts.

Our finding: Internal controls were generally in place and functioning effectively to ensure compliance with City and facility policies and procedures.

3. Determine if controls and procedures are in place and operating as intended to properly manage purchasing.

Our finding: Internal controls were generally in place and functioning effectively to ensure compliance with City and facility policies and procedures.

Audit Standards

The auditors conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on the audit objectives.

Testing Methodology

To fulfill the audit objectives, Internal Audit:

- Performed site visits of Bobby Jones Golf Course and interviewed appropriate personnel;
- Surveyed other cities with similar facilities for industry standards and identification of best practices.
- Reviewed current Bobby Jones policies and procedures implementation;
- Reviewed a sample of sales transactions to verify appropriate fees were charged, collected, deposited and recorded in the City's general ledger system;
- Reviewed a sample of P-Card purchases and tested them against FMS accounting entries;
- Performed test counts of capital assets to ensure all items were on hand;
- Reviewed safety and inspection reports to confirm that inspections were being conducted.

Audit Criteria

Conditions observed during audit fieldwork were evaluated against the following sources:

- City of Sarasota Administrative Regulations and Municipal Codes
- Parks and Recreation Department Rules and Regulations
- Health and Safety Standards
- Federal Regulations
- Government Auditing Standards (GAO) “General Standards for Preparing Accounting Records and Financial Standards”



Putting Green, Clubhouse, Golf Cart Storage & Golfer Equipment Storage Buildings

Audit Observations and Recommendations

Observations and recommendations in this report are offered as independent guidance to management for their consideration in strengthening controls.

For information on priority levels assigned to audit recommendations, please see [Exhibit A](#).

Observations and Recommendations identified:

1. Golf Cart Cost Calculations
2. Customer Tracking
3. Course Mapping GIS/GPS
4. Lack of Starter House computer connection to Pro Shop
5. Merchandise Profit Calculations

Each observation is further addressed on pages 13-17.



Pro Shop

Observation #1 Bobby Jones Golf Course

Criteria	Condition	Priority	Cause	Effect
Golf cart costs should be identified and tracked on an annual basis for both City owned carts (123) and carts rented in high season (20). Cart costs include purchase price of electric carts, regular trade-ins, servicing, and rental of additional gas powered carts in high season.	Costs associated with using and maintaining the golf carts are not identified. Golf cart revenues are identified.	Medium	Staff has not implemented golf cart cost monitoring. Costs are not tied back to specific revenue sources.	Net earnings for golf cart rentals cannot be determined. Staff is unable to document the when buying carts versus renting is most cost effective.

—

Audit Recommendation	Concur	Management Response	Due Date
Facility management should implement golf cart cost tracking as soon as practicable.	Yes	This task will be assigned to the Golf Shop Manager. The position is currently vacant and is actively being advertised by Human Resources. Once a candidate is hired and oriented to Bobby Jones Golf Club, he/she will be responsible for monitoring golf cart costs vs revenue and produce quarterly reports. Past research indicated that renting golf carts was not cost effective. The Golf Shop Manager will conduct a cost analysis annually to assure purchasing versus renting remains fiscally advantageous.	June 1, 2018

Observation #2

Criteria	Condition	Priority	Cause	Effect
Customer tracking is used to identify both returning and new clientele to stimulate additional business.	BJGC point-of-sales system is not utilized to identify and categorize customers for additional sales promotions.	Medium	No customer data identification system (beyond emails from on-line golfing customers) has been established to promote additional business activity.	Additional business promotional opportunities among identified customers are not being utilized.

—

Audit Recommendation	Concur	Management Response	Due Date
Customer tracking should be implemented to promote additional customers sales.	Yes	This information is available through the Point of Sales but has not been utilized to its fullest potential due to lack of staff resources. Better use of the system will be a goal for the Golf Shop Manager, when hired, and considered in his/her annual review.	Oct. 1, 2019

Observation #3

Criteria	Condition	Priority	Cause	Effect
<p>Best practice would have the location of all essential systems throughout the course mapped with geographic information system (GIS) using global positioning system (GPS).</p> <p>Essential items include: buildings, electrical lines, water lines, irrigation systems, drainage systems and bridges (16).</p>	<p>No detailed mapping of the facility exists. Staff uses their historical knowledge to locate individual items.</p>	<p>Medium</p>	<p>Advanced GIS mapping is now available for use at golf courses to track facility assets.</p>	<p>The exact location of all essential systems can only be estimated.</p> <p>Repairs may be delayed if the exact location of a specific item cannot be identified.</p>

—

Audit Recommendation	Concur	Management Response	Due Date
<p>A detailed course mapping and equipment system listing should be developed.</p> <p>City staff includes a GIS specialist who should be available to assist with the development of a course mapping system similar to that instituted by the Utilities Department.</p>	<p>Yes</p>	<p>Staff will work with the City's GIS specialist to develop a course mapping system. However, should the golf course Master Plan project be implemented, GIS mapping will be postponed to be created during renovations.</p>	<p>May 1, 2018 (or during renovation)</p>

Observation #4

Criteria	Condition	Priority	Cause	Effect
Starter house staff should have up to date golfer tee time reservations on hand throughout the day.	Starter house uses printouts of scheduled golfers brought over from the pro shop during the day.	Medium	No computer connection is available to connect the pro shop sales with the starter house.	Starter house may not have all current golfing reservations noted. Customers may be delayed in beginning play while starter house staff confirms the customers' reservations.

—

Audit Recommendation	Concur	Management Response	Due Date
A wi-fi network should be established for staff use and also made available in the clubhouse as an amenity for golfers.	Yes	A Wi-Fi router was installed by City IT staff during the audit period. Wireless internet access is available throughout the clubhouse. If approved in the FY 2019 budget, computer tablets will be purchased for Starters to access real-time golfer check-in information.	FY 2019 budget. If approved, implement by Jan. 1, 2019.

Observation #5

Criteria	Condition	Priority	Cause	Effect
Pro shop resale merchandise should be a profit center for the facility.	Profit or loss should be regularly calculated to establish the rate of return for pro shop retail sales.	Medium	<p>Annual end-of-year sales margin reports were not prepared for pro shop resale merchandise.</p> <p>There is an initial standard markup applied to all merchandise that may later be reduced to clear slow-moving inventory.</p> <p>Retail sales <i>are</i> recorded daily and tracked monthly.</p>	Resale merchandise may be offered or later discounted at a price that does not generate sufficient rate of return.

—

Audit Recommendation	Concur	Management Response	Due Date
Pro shop retail sales margins should be determined, analyzed and updated to maximize profits to the facility.	Yes	<p>This task will be assigned to the Golf Shop Manager. The position is currently vacant and is actively being advertised by Human Resources. Once a candidate is hired and oriented to Bobby Jones Golf Club, he/she will be responsible to monitor all retail operations including profit/loss, rate of return, and pricing. A monthly analysis report will be produced.</p> <p>A set schedule for percentage mark downs on aging merchandise will be developed and implemented.</p> <p>Note: To date, no merchandise has been offered below cost.</p>	June 1, 2018

Exhibit A: Audit Priority Classification System

Internal Audit utilizes the following classification scheme applicable to internal audit recommendations and the appropriate corrective actions:

Priority Level ¹	Description	Implementation Action ³
High	Fraud or serious violations are being committed or have the potential to occur, security issues, significant financial or non-financial losses are occurring or have the potential to occur. ²	Immediate
Medium	A potential for incurring moderate financial or equivalent non-financial losses exists. ²	Within 60 days
Low	A low priority observation indicates that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control however operation or administrative process may be improved if certain additional changes are implemented.	60 days to 6 months

¹ The City Auditor and Clerk is responsible for assigning internal audit recommendation priority level categories. A recommendation that clearly fits the description for more than one priority level will be assigned the higher priority level.

² For an audit recommendation to be considered related to a significant financial loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved, or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-financial losses would include, but not be limited to, omission or commission of acts on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.

³ The implementation time frame indicated for each priority level is intended as a guideline for establishing target dates. Determining proposed action dates is the responsibility of the Charter Official(s) over the area(s) or function(s) audited.

NOTE: Please note that this exhibit is a standard form which appears in every audit and is meant to be utilized to aid management in understanding the seriousness or potential seriousness of an audit observation. A "High" or "Medium" priority rating assigned to an audit observation should not be construed to mean that fraud or wrongdoing is, in fact, occurring but rather fraud or wrongdoing has the potential to occur in the absence of adequate internal controls.

Exhibit B: Bobby Jones Greens Fee Schedule

Current Published Rates May 1 - November 30, 2017

18 Hole Rates: American & British Courses

Walking - \$14.00

Riding before 11:00 a.m. - \$34.00

Riding after 3:00 p.m. - \$24.00

NEW! With BJGC Loyalty Card (May - Oct) - \$20.00

With Big Summer Card (May - Oct) - \$26.00

"Some like it Hot Special" (June - Sept) - \$20.00* (includes Gillespie Course) 11am-Close, 18 holes riding,

No rain checks

Junior Walking - \$10.00

18 Hole Club Rental - \$25.00

18 Hole Pull Cart Rental - \$6.00

Junior Club Rental - \$10.00

9 Hole Rates: American & British Courses

Walking - \$11.00

Riding - \$22.00

Junior Walking - \$7.00

9 Hole Club Rental - \$18.00

9 Hole Pull Cart Rental - \$4.00

Gillespie Executive Course Rates:

Walking - 9 Holes - \$10.00 / 18 Holes - \$13.00

Riding - 9 Holes - \$21.00 / 18 Holes - \$33.00

"Some like it Hot Special" - \$20.00

Individual Lessons

½ Hour \$45.00 (fee includes up to 2 students)

\$15.00 each up to 2 additional students

1 Hour \$65.00 (fee includes up to 2 students)

\$25.00 each up to 2 additional students

Playing Lessons

9 Holes \$100.00

Plus applicable green fees paid to BJGC (1 student)

\$25.00/each

Up to 2 additional students + Green fees paid to BJGC

18 Holes \$150.00 plus applicable green fees paid to BJGC (1 student)

\$50.00 each up to 2 additional students plus green fees paid to BJGC