



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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## Internal Audit Department

### Audit Report

Parks and Natural Resources Department  
Pope Golf, LLC Franchise License Agreement Audit

As of March 31, 2015

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March 1, 2016

Audit No. 21510100

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

PARKS AND NATURAL RESOURCES DEPARTMENT  
POPE GOLF CONTRACT AUDIT

A U D I T R E P O R T

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POPE GOLF CONTRACT AUDIT

**A U D I T   R E P O R T**

The Internal Audit Department conducted an audit of the Franchise License Agreement between Manatee County and Pope Golf, LLC for the period April 1, 2014 through March 31, 2015. The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States, and the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

**BACKGROUND:**

In 2011, Manatee County elected to outsource operations of the County's two public golf courses. Through the competitive bid process, Pope Golf, LLC (hereafter referred to as Pope Golf) was awarded exclusive rights for the operation and maintenance of the Manatee County and Buffalo Creek Golf Courses, which were officially transferred on October 1, 2011. Compensation to Manatee County is based on a percentage of the revenues generated by Pope Golf's operations at both of the golf courses. Payments are received monthly, and it is Pope Golf's responsibility to maintain supporting documentation to ensure that all monies remitted to the County are in accordance with the terms of the Franchise License Agreement and its amendments. Contract oversight is provided by the Parks and Natural Resources Department.

**PURPOSE/OBJECTIVES:**

The audit objectives included the following:

- Determining whether Pope Golf was in compliance with selected terms of the Franchise License Agreement relating to compensation and reporting, including, but not limited to, Article 3: Compensation; Article 4: Payment; Article 6: Reports, Records, Audit; and Article 10: Capital Investment by Licensee; as well as the First, Second, and Third Amendments to the Franchise License Agreement.
- Verifying that proper documentation existed to support the contract payments received by Manatee County.
- Verifying that adequate controls were in place to ensure that all transactions were properly recorded.

**SCOPE:**

The scope of the audit included verifying compliance with the compensation and related reporting requirements included in the Franchise License Agreement with Pope Golf for operations of the Manatee County and Buffalo Creek Golf Courses for the period April 1, 2014 through March 31, 2015.

**METHODOLOGY:**

Internal control evaluations and tests of compliance were accomplished through discussions with Parks and Natural Resources and Pope Golf management and staff, as well as substantive testing of individual controls. Risk analysis was used to establish the priorities of the audit objectives.

**IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:**

No indications of irregularities, abuse, or illegal acts were discovered during the audit of the Pope Golf Franchise License Agreement for the period ending March 31, 2015.

**TEST OF COMPLIANCE:**

Internal Audit tested compliance with certain requirements of the Franchise License Agreement. Tests performed were limited to the specific areas included in the Purpose/Objectives section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. The results of these tests are included in this audit report.

**STATEMENT ON INTERNAL CONTROL STRUCTURE:**

In planning and performing the audit of the Pope Golf Franchise License Agreement for the period ending March 31, 2015, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we did not note any matters involving significant internal control weaknesses.

**MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:**

A Management Action Plan has been provided for each Area for Improvement identified. Management Action Plans are corrective actions with implementation dates developed in cooperation with the management team of the Parks and Natural Resources Department and the Internal Audit Department. The management team included Charlie Hunsicker, Director; Mike Whelan, Recreation Division Manager; and Jayne Roberts, Senior Fiscal Analyst.

**MANAGEMENT SUMMARY:**

Pope Golf manages all aspects of the Manatee County and Buffalo Creek golf courses, including marketing the courses, processing customer payments, and maintaining the facilities. The Parks and Natural Resources Department is responsible for monitoring Pope Golf's performance and compliance with the Franchise License Agreement executed on August 12, 2011. Overall, our audit found that proper documentation existed to support the contract payments received by Manatee County, and adequate controls were in place to ensure all transactions were properly recorded; however, we did identify the following areas where improvements could be made:

- Documentation was not available to support that the County had approved certain discounts, complimentary rounds, and products offered by Pope Golf. Additionally, Parks and Natural Resources had not been provided copies of relevant third-party agreements executed by Pope Golf. The Management Team through its Management Action Plan will document approval for authorized discounts, complimentary rounds, and products, and will obtain copies of relevant third-party agreements from Pope Golf.  
**(See Area for Improvement #1 on page 4.)**
- The Franchise License Agreement requires that Pope Golf maintain a minimum of \$125,000 in capital reserves for the life of the agreement; however, as of the end of the audit period (March 31, 2015) the capital reserve had a *negative* balance of -\$44,851. As of the *report date*, the capital reserve balance is no longer negative, but is still well below the required minimum. The Management Team through its Management Action Plan will monitor the capital reserve balance and may seek modifications to the capital reserve structure specified in the Franchise License Agreement.  
**(See Area for Improvement #2 on page 5.)**

Other minor audit findings, not included in this report, have been communicated to management or corrected during the audit. We would like to thank the Pope Golf and Parks and Natural Resources management and staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and seeking solutions to these matters.

**AUDIT REPORT AUTHORIZATION:**

This audit report has been reviewed and authorized by:



Lori Stephens, CPA, CFE  
Director of Internal Audit



Angelina "Angel" Coloneso  
Clerk of the Circuit Court & Comptroller

**AREA FOR IMPROVEMENT #1 .....Discounts and Agreements**

The second amendment to the Franchise License Agreement states, "Licensee shall not provide free or reduce charges for products or services in connection with the operation of the Facility, except in connection with promotional activities approved in advance by the County's contract administrator." We discussed the discounted or complimentary rounds being offered by Pope Golf with Parks and Natural Resources management. Many of these offerings appeared appropriate to management and some had been verbally approved; however, the approvals were not documented. In addition, Parks and Natural Resources did not have copies of the relevant third-party agreements. These discounts and agreements included the following:

- Golf Now, EZ-Links, and Paradise Golf trade rounds  
These companies provide marketing or other services to the Manatee County and Buffalo Creek courses. In exchange for these services, specific tee times are assigned to these companies each day to sell through their respective tee time reservation websites. Any revenue generated from the sale of these tee times is retained by those companies.
- Partner's Card  
Golfers can purchase a Partner's Card for a one-time fee and then play the Manatee County and Buffalo Creek courses for a discounted rate over the off-season summer months.
- Pope Golf Employees and Employee Guests  
Pope Golf employees can play the courses for no charge and guests of Pope Golf employees can play the courses for a \$10 cart fee.
- PGA Professionals  
PGA professionals can play the courses for no charge.

We analyzed a judgmental sample of 30 complimentary rounds offered during the audit period ending March 31, 2015 and found that 25 of the complimentary rounds were related to one of the discount categories listed above. However, 5 complimentary rounds provided did not have information documenting the reason the rounds were free.

Article 11 of the Franchise License Agreement specifies that Pope Golf shall "provide the County with a list of any changes in the products or service and the maximum price that will be charged for each product or service as Licensee's products and prices are from time to time amended." We noted two instances where the County was not notified of changes to the products/services offered, including the following:

- Pope Golf contracted with an outside golf professional to provide golf lessons at both the Manatee County and Buffalo Creek facilities for a fixed monthly fee paid to Pope Golf. The golf professional retained any revenue generated from his services. While the county was paid a percentage of the monthly fee revenue, approval of this arrangement was not documented and Parks and Natural Resources was not provided a copy of the contract.
- Pope Golf provided an annual corporate pass to a local business, which allowed several individuals with the company to play throughout the year at no charge. While Manatee County has allowed individuals to purchase annual passes, which enable golfers to play the Manatee County and Buffalo Creek courses for one year, corporate passes/memberships have not been offered. The County was compensated based on the cost of an individual annual pass; however, multiple individuals can utilize the pass.

Pope Golf pays Manatee County a percentage of revenue earned each month. Because discounts, complimentary rounds, and new products or services affect Pope Golf’s revenues, the compensation paid to Manatee County is also affected. Additionally, as contracts with third parties may affect Manatee County’s insurance liability, Parks and Natural Resources should be provided an opportunity to review these contracts before they are executed.

**Management Action Plan:** Management will document its authorization for approved discounts, complimentary rounds, and products currently being offered, and will continue to document approval for new items offered in the future. Additionally, management will request copies of relevant third-party agreements from Pope Golf, discuss unauthorized products and services with Pope Golf, and request that Pope Golf retain sufficient details to support discounts and complimentary rounds provided.

The estimated implementation date is September 30, 2016.

**AREA FOR IMPROVEMENT #2 .....Capital Fee Reserve Minimum**

Article 10 of the Franchise License Agreement requires Pope Golf to pay Manatee County a monthly capital reserve fee based on a percentage of revenue earned. These funds are held by Manatee County and are reimbursed to Pope Golf after necessary capital improvements have been made. Article 10 requires that a minimum of \$125,000 in capital reserves be maintained for the life of the Franchise License Agreement.

During the audit period, capital reserve funds were reimbursed to Pope Golf for scheduled improvements to the golf courses. Additionally, because Pope Golf was expending significant amounts to replace the greens at both courses, Pope Golf was not required to pay capital reserves for the period March 2013 through November 2014. Payments did not resume in November 2014 as scheduled.

Our review of the capital reserve funds found that Manatee County reimbursed Pope Golf for more than what Pope Golf had paid to the County in capital reserve fees, resulting in a *negative* capital reserve balance of -\$44,851 as of March 2015. Pope Golf resumed capital reserve fee payments to the County beginning with May 2015 revenues, and in August 2015, Pope Golf paid the amounts that were due for the six-month period November 2014 through April 2015, creating a *positive* capital reserve balance. As of the report date, the reserve balance has increased to \$53,792; however, it is still well below the required minimum of \$125,000.

Due to the method of recording capital reserve fees in Manatee County’s accounting system, a manual reconciliation must be performed to determine the outstanding reserve balance. This reconciliation was not performed by Parks and Natural Resources during the audit period.

**Management Action Plan:** Management has indicated their intent to pursue changes to the Franchise License Agreement, which may include modifying the capital reserve structure. Until these changes are made, Parks and Natural Resources will monitor the capital reserve balance to ensure the minimum of \$125,000 in reserves is accumulated in accordance with the Franchise License Agreement.

The estimated implementation date is September 30, 2016.