



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller- Treasurer - Tax Collector	(2) MEETING DATE 1/29/2019	(3) CONTACT/PHONE Mark Maier 805-781-4267		
(4) SUBJECT Submittal of a concessionaire contract compliance audit of Golden State Golf Company conducted on October 4, 2018 for FY 2017-18. All Districts.				
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Golden State Golf Company Concessionaire Contract Compliance Audit report for FY 2017-18.				
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes	
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)				
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A				
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>10/4/211</u>		
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>				
(18) SUPERVISOR DISTRICT(S) All Districts				



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor-Controller-Treasurer-Tax Collector

DATE: 1/29/2019

SUBJECT: Submittal of a concessionaire contract compliance audit of Golden State Golf Company conducted on October 4, 2018 for FY 2017-18. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Golden State Golf Company Concessionaire Contract Compliance Audit report for FY 2017-18.

DISCUSSION

Golden State Golf Company holds two concessionaire contracts managed by the Parks & Recreation Department. The contracts are for the operation of the Morro Bay Golf Course and Chalk Mountain Golf Course. Morro Bay Golf Course's most recent contract was approved for ten years and expires August 31, 2024. Chalk Mountain Golf Course's most recent contract was approved for twenty years and expires January 31, 2023. As the operator of the golf courses, Golden State Golf Company pays a percentage of gross revenue to the County. Revenues include greens fees, golf cart rentals, pro shop sales and rentals, driving range fees, and restaurant sales.

The objective of our audit was to verify Golden State Golf Company's compliance with fiscal provisions and certain operational provisions of the golf courses' contracts and to evaluate the adequacy of internal controls over the concessionaire's records from July 1, 2017 through June 30, 2018. We reviewed and tested revenue recording procedures and rent calculations, examined accounting records, and reviewed cash handling procedures to evaluate the adequacy of internal controls. In addition, we reviewed insurance coverage, pro-shop inventory and security, and community golf programs.

We determined the Golden State Golf Company accurately calculated and submitted monthly reports based on gross monthly receipts and complied with the terms of the contracts with one exception relating to reporting requirements. The exception was corrected during the audit and is detailed in the attached report.

OTHER AGENCY INVOLVEMENT/IMPACT

Parks & Recreation Department

FINANCIAL CONSIDERATIONS

For FY 2017-18 the Parks & Recreation Department received \$168,000 in concession revenues related to golf.

RESULTS

Periodic audits of concessionaire contracts improve compliance and support departmental monitoring consistent with the County's vision of a livable and well governed community.

ATTACHMENTS

- 1 Audit Report of Golden State Golf Company FY 17-18



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

San Luis Obispo County Parks & Recreation
Golden State Golf Company
Concessionaire Contract Compliance Audit

December 2018

JAMES W. HAMILTON, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

James W. Hamilton, CPA Auditor-Controller • Treasurer-Tax Collector

Lydia Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

TO: NICK FRANCO, DIRECTOR

FROM: JAMES HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

A handwritten signature in black ink, appearing to be "JH", located to the right of the "FROM:" line.

DATE: DECEMBER 27, 2018

SUBJECT: AUDIT OF THE GOLDEN STATE GOLF COMPANY'S COMPLIANCE WITH THE CONCESSIONAIRE CONTRACTS FOR MORRO BAY GOLF COURSE AND CHALK MOUNTAIN GOLF COURSE

Our office recently completed a contract compliance audit of the Golden State Golf Company for the fiscal year ended June 30, 2018. Our audit resulted in one finding. Parks and Recreation Department staff have already implemented our recommendation, so a response to our report is not required.

Purpose

The purpose of our audit was to verify Golden State Golf Company's compliance with fiscal provisions and certain operational provisions of the Morro Bay and Chalk Mountain Golf Courses' concessionaire contracts and to evaluate the adequacy of internal controls over the concessionaire's records.

Scope

The scope of our review included management, systems, and operations of the Morro Bay and Chalk Mountain Golf Courses for July 1, 2017 through June 30, 2018.

Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* require that the internal audit activity be independent and internal auditors be objective in performing their work. The *Standards* also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

We reviewed and tested revenue recording procedures and rent calculations by selecting three sample months for each golf course and reconciling the concessionaire's daily cash receipts to

revenue amounts reported to the County. We also examined accounting records and reviewed cash handling procedures to evaluate the adequacy of internal controls. In addition, we reviewed quality of service, insurance coverage, pro-shop inventory and security, and community golf programs.

Results

We determined Golden State Golf Company accurately calculated and submitted monthly reports based on gross monthly receipts and complied with the terms of the contracts with the exception noted below.

Finding with Recommendation Implemented

Annual Audited Financial Status Report Not Submitted to Department

The Parks and Recreation Department had not requested or received an annual financial status report from Golden State Golf Company, as required by the Morro Bay Golf Course contract. The contract requires that on or before January 15th of each year, Golden State Golf Company must prepare and submit to the County a statement showing the total gross receipts, operating costs, and net profit for the prior 12-month period and the rents paid for the same 12-month period. In addition, the statement must be audited by a third-party CPA prior to submission. Upon our inquiry, an "Accountant's Compilation Report" was given to the Parks and Recreation Department; however, the report does not meet the audit provision requirement and may not be sufficient for the Department to objectively assess the adequacy of the contractor's payments. We recommended the Department work with Golden State Golf Company to review and update the current contract's reporting requirements and to incorporate the updates in the next contract or contract amendment. Department staff agreed with our recommendation and have begun the conversation with the contractor.

We would like to thank Parks and Recreation Department management and staff as well as the owner and staff of the Golden State Golf Company for their courteous attitude and cooperation during our review.