

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

## **INTERNAL AUDIT REPORT**

**COURSECO, INC  
ANCIL HOFFMAN GOLF COURSE  
CONTRACTS  
AGREED UPON PROCEDURES**

**DEPARTMENT OF REGIONAL PARKS**



**Audit Committee Submittal Date: 04/20/2023**

## **SUMMARY**

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### **Background**

CourseCo, Inc. (CourseCo) manages the Ancil Hoffman Golf Course pro shop and restaurant on behalf of the County of Sacramento's Department of Regional Parks in accordance with *Professional Golf Services Management Agreement* and the *Agreement for the Concession for the Sale of Alcohol*.

### **Audit Objective**

Agreed upon procedures were performed to verify that revenues collected and expenses paid were accurate and supported by appropriated documentation and to confirm CourseCo met the compliance requirements of the Contracts for fiscal year January 1, 2021 through December 31, 2021.

### **Summary**

Except for non-compliance with tracking of County owned capital assets used by CourseCo, we did not note exceptions from the results of agreed upon procedures.



## County of Sacramento

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January 12, 2023

Ms. Liz Bellas, Director  
County of Sacramento  
Department of Regional Parks  
10361 Rockingham Drive, Suite 100  
Sacramento, California 95827

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Dear Ms. Bellas:

We have performed the procedures, enumerated below, which were requested and agreed to by Department of Regional Parks (Regional Parks) regarding Empire Golf, Inc.<sup>1</sup> (CourseCo)'s management of Ancil Hoffman Golf Course in accordance with the *Professional Golf Services Management Agreement* and the *Agreement for the Concession for the Sale of Alcohol* (Agreements) for the period January 1, 2021 to December 31, 2021.

This agreed-upon procedures engagement was conducted to assist Regional Parks assess CourseCo's financial condition and compliance with the above Agreements.

Regional Parks' management is responsible for monitoring CourseCo's compliance with the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of Regional Parks' management. Consequently, we make no representation regarding the sufficiency of the procedures described below and on pages 2 and 3 of this report either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the Agreements referred above and does not pertain to any other agreements of Regional Parks or CourseCo.

The procedures performed and our findings were as follows:

1. Internal Controls - We reviewed CourseCo's written internal control policies and procedures for collection and recording of: green fees, pro shop (merchandise), restaurant, and alcohol revenue.

Result: We noted CourseCo did not have procedures to monitor County's capital assets used by CourseCo. See ATT 4, *Current Finding and recommendation*.

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<sup>1</sup> In 2018, CourseCo, Inc. acquired Empire Golf, Inc. and manages the Ancil Hoffman Golf Course contracts.

2. We recalculated CourseCo's incentive and performance management fee calculation and payments.

Result: We did not note any exceptions as a result of this procedure. See ATT 1 - *Incentive Fee Calculation* and ATT 2 - *Annual Fixed Management Fee*.

3. We randomly selected nineteen (19) operational days and tested CourseCo's recording of golf course revenues.

Result: We did not note any exceptions as a result of this procedure.

4. We randomly selected three (3) expense reimbursement claims and tested expenditures for propriety.

Result: We did not note any exceptions as a result of this procedure.

5. We randomly selected November 2021 alcohol sales to test in accordance with the *Agreement for the Concession Operation for the Sale of Alcohol*. See ATT 3 - *Schedule of Concession Payments*.

Result: We did not note any exceptions as a result of this procedure.

6. We inspected CourseCo's compliance with the following operational requirements of the golf course agreements.

- a. CourseCo's general manager's Class "A" Professional Golfers' Association of America (PGA) certification.
- b. Insurance coverage in accordance with the operational agreement.
- c. Alcohol license to sell spirits on golf course premises.

Result: We did not note any exceptions as a result of this procedure.

7. We noted 36 of 39 capital asset items listed in Exhibit B of the County Contract that were assigned to Ancil Hoffman Golf Course are in the possession of the County, Three (3) items were maintained by CourseCo. We inspected the 3 items in the possession of CourseCo.

Result: We noted that CourseCo did not have any procedures to track the inventory of County owned equipment assigned to and maintained by CourseCo. See ATT 4, *Current Finding and Recommendation*.

Liz Bellas, Director  
January 12, 2023  
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8. We reviewed the status of the prior agreed-upon procedures findings and recommendations.

Result: Prior findings from the report dated May 30, 2014, were related to prior management by Empire Golf who no longer manage Ancil Hoffman Golf Course and are no longer applicable.

This agreed-upon procedures engagement was conducted in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on CourseCo's financial statements or schedules, internal controls, or compliance with the Contract. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the Agreements and does not extend to any other program administered by Sacramento County Department of Regional Parks.

Regional Parks' response to the finding identified during our engagement are described in ATT 4 - *Current Finding and Recommendation*. We did not perform procedures to validate Regional Parks' management response to the finding and, accordingly, we do not express opinion on the response to the finding.

This report is intended solely for the use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and Regional Parks' management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA  
Chief of Audits

Enclosures

ATT 1 - *Incentive Fee Calculation*  
ATT 2 - *Annual Fixed Management Fee*  
ATT 3 - *Schedule of Concession Payments*  
ATT 4 - *Current Finding and Recommendation*

**COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
ANCIL HOFFMAN GOLF COURSE  
COURSECO, INC.  
FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021**

**Incentive Fee Calculation**

<u>Revenue Category</u>	<u>Amount</u>
Green Fees	\$ 2,169,599
Cart Rentals	583,727
Driving Range	335,354
Lessons	286,310
Proshop Merchandise	498,564
Club Rentals	10,342
Other Revenue	3,518
Food and Beverage <sup>(1)</sup>	392,187
<b>Total Gross Revenue</b>	<b>4,279,601</b>
Less: Base Revenue	<u>(2,900,000)</u>
<b>Difference</b>	<b><u>\$ 1,379,601</u></b>
Total incentive due @10% of difference	137,960
50% of Annual Fixed Management Fee <sup>(2)</sup>	45,947
<b>Total Incentive Fee Paid for 2021<sup>(3)</sup></b>	<b><u>\$ 45,947</u></b>

<sup>(1)</sup> Non Alcoholic Beverages

<sup>(2)</sup> See ATT 2 - *Annual Fixed Management Fee*

<sup>(3)</sup> CourseCo receives an annual Incentive fee equal to 10% of the gross sales exceeding the based revenue of \$2,900,000. The fee can not exceed 50% of the Annual Fixed Management Fee.

**COUNTY OF SACRAMENTO**  
**DEPARTMENT OF REGIONAL PARKS**  
**ANCIL HOFFMAN GOLF COURSE**  
**COURSECO, INC.**  
**FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021**

**Annual Fixed Management Fee<sup>(1)</sup>**

Monthly Management Fee	Months	Annual Management Fee
\$ 7,658 <sup>(2)</sup>	12	\$ 91,894 <sup>(2)</sup>
50% of Annual Fixed Management Fee		\$ 45,947

<sup>(1)</sup> Management fee is calculated based on total \$81,600 (\$6,800 x 12) annual base management fee increased by 2% annually.

<sup>(2)</sup> Amounts have been rounded for presentation.

**COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
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COURSECO, INC.  
FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021**

**Schedule of Concession Payments for the Sale of Alcohol<sup>(1)</sup>**

<u>Month</u>	<u>Amount Paid</u>	<u>Amount Tested</u>
January 2021	\$ 10,126	
February 2021	12,839	
March 2021	15,779	
April 2021	19,492	
May 2021	19,512	
June 2021	18,948	
July 2021	20,124	
August 2021	19,064	
September 2021	19,076	
October 2021	18,066	
November 2021	15,824	15,824 <sup>(2)</sup>
December 2021	<u>12,015</u>	
<b>Total Payments</b>	<b><u><u>\$ 200,865</u></u></b>	<b><u><u>15,824</u></u></b>

(1) The County receives 50% of the gross revenues from the sale of alcohol beverages at Ancil Hoffman Golf Course.

(2) We selected and tested November 2021 monthly concession fee calculation and noted no exceptions.



County of Sacramento  
Department of Regional Parks  
CourseCo, Inc.  
Ancil Hoffman Golf Course  
January 1, 2021 through December 31, 2021

Current Finding and Recommendation

**Capital Assets**

Condition

Exhibit B of the Agreement lists thirty-nine (39) County owned capital assets assigned to Ancil Hoffman Golf Course. Thirty-six (36) of the assets were used, managed and in the possession of the Sacramento County, Department of Regional Parks (Regional Parks) and three were used by and kept within the premises of CourseCo, Inc. (CourseCo). According to the Agreement, CourseCo is required to maintain a list of County's capital assets used by it; however, during the period under review, CourseCo did not maintain a list of the County owned assets used by and kept within the premises of CourseCo. Therefore, CourseCo was not in compliance with the Agreement.

In addition, CourseCo did not have procedures for tracking, inventorying, and reporting on the County owned capital assets used by CourseCo at Ancil Hoffman Golf Course as required by the Agreements.

Furthermore, during this engagement period, the capital asset list by Regional Parks did not differentiate assets used by CourseCo versus assets used by Regional Parks; therefore, it did not provide a clear accountability.

Subsequent to completing our engagement procedures, Regional Parks informed us that CourseCo started to use and track all County owned capital assets assigned to Ancil Hoffman Golf Course beginning on July 2022.

Criteria

The Agreement, Section 2.01 – G states, in pertinent part, "*COUNTY shall permit MANAGER (CourseCo) to use whatever COUNTY-owned equipment it has in place, or may subsequently place, at such facility. Any such equipment used by MANAGER (CourseCo) shall be taken "as is", inventoried, repaired or renovated...."*

Effect

CourseCo was not in compliance with the Agreement as it did not maintain a list of County owned capital assets used by and kept within the premises of CourseCo. As a result, the County owned capital assets assigned to Ancil Hoffman Golf Course may have been at risk for loss, or not properly accounted for, or maintained.

County of Sacramento  
Department of Regional Parks  
CourseCo, Inc.  
Ancil Hoffman Golf Course  
January 1, 2021 through December 31, 2021

Current Finding and Recommendation

Recommendation

We recommend CourseCo properly maintain inventory records of the County owned capital assets at Ancil Hoffman Golf Course used by CourseCo and update the inventory records annually at a minimum or when any changes occur.

We recommend CourseCo establish procedures for tracking and reporting of the County owned capital assets used by CourseCo at Ancil Hoffman Golf Course.

Department of Regional Parks' Management Response

Department of Regional Parks (Regional Parks) respectfully disagrees with this finding. The three items referred to in the audit are listed and accounted for in the Regional Parks fixed asset inventory lists. This is the appropriate list for them to be listed. Ancil Hoffman Golf Course general manager and CourseCo executives have a copy of the fixed assets owned by the County but stored, maintained, and used at Ancil Hoffman Golf Course. With the resignation of Park's golf manager in July 2022, the accountability for our fixed assets has been a focus during the transition and appropriate documentation is in place for that accountability.