

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDITS REPORT**

**AGREED-UPON PROCEDURES  
CONCESSIONAIRE AGREEMENTS  
WITH COURSECO, INC.'S MANAGEMENT OF  
CHERRY ISLAND GOLF COURSE**

**JANUARY 1, 2019 TO DECEMBER 31, 2019**



**Audit Committee Submittal Date: 08/19/2021**

## **SUMMARY**

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### **Background**

The County of Sacramento, Department of Regional Parks (Parks) contracts with golf course management companies to manage its four (4) golf course properties. As part of its oversight of golf course operations, Parks periodically selects one (1) of its golf courses and associated golf course management companies for a concessionaire review per the *Professional Golf Services Management Agreement* and *Agreement for the Concession Operation for the Sale of Alcohol* (Agreements) approved by the County of Sacramento, Board of Supervisors. Cherry Island Golf Course and its management company, CourseCo, Inc. (CourseCo), was selected for a concessionaire review for the period January 1, 2019 through December 31, 2019. CourseCo provides golf course management services for three (3) of Parks' golf courses. Accordingly, Parks contracted with the Department of Finance to perform an agreed-upon procedures engagement of the CourseCo Agreements at Cherry Island Golf Course.

### **Audit Objective**

To review CourseCo's management of concessionaire operations at Cherry Island Golf Course for compliance with the terms of the approved Agreements for the period January 1, 2019 through December 31, 2019.

### **Summary**

We noted exceptions in regards to imprest cash, expenditures claim, and capital assets.



County of Sacramento

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*Inter-Office Memorandum*

July 20, 2021

To: Liz Bellas, Director  
Department of Regional Parks  
County of Sacramento

From: Ben Lamera  
Director of Finance

By: Hong Lun (Andy) Yu, CPA  
Audit Manager

A handwritten signature in blue ink, appearing to be "BL", is written over the "From:" field.

Subject: **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES – COUNTY OF SACRAMENTO, DEPARTMENT OF REGIONAL PARKS' (PARKS) CONCESSIONAIRE AGREEMENTS WITH COURSECO, INC. FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019**

We have performed the procedures enumerated on pages 2 and 3, which were agreed to by you, for the County of Sacramento, Department of Regional Parks (Parks). These agreed-upon procedures were performed solely for Parks to evaluate CourseCo, Inc.'s (CourseCo) management of Cherry Island Golf Course in accordance with the *Professional Golf Services Management Agreement* and the *Agreement for the Concession Operation for the Sale of Alcohol* for the period January 1, 2019 to December 31, 2019.

Parks' management is responsible for monitoring and maintaining sufficient internal controls related to golf course concessions at Cherry Island Golf Course. The sufficiency of the procedures is solely the responsibility of Parks. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 and 3 either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the procedures referred to below and is not intended to pertain to any of Parks' and CourseCo's other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

1. We inspected CourseCo's written internal control policy and procedures for collection and recording of green fee, pro shop (merchandise), restaurant, and alcohol revenue.

Finding: We did not note any exception regarding CourseCo's policy and procedures. However, we noted that CourseCo maintained \$10 more in imprest cash than what it is authorized to have on hand. See Attachment I, *Current Findings and Recommendations*.

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

Finding: We recalculated CourseCo's base management fees received from Parks and did not note any exception. CourseCo did not receive any other incentive and performance management fee from Parks.

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

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

4. We randomly selected three (3) expense reimbursement claims to test expenditures for propriety.

Finding: We noted exceptions as a result of this procedure. See Attachment I, *Current Findings and Recommendations*.

5. We randomly selected one (1) month of alcohol sales to test in accordance with the *Agreement For The Concession Operation For The Sale Of Alcohol*.

Finding: 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.

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

7. We randomly selected five (5) capital asset items and confirmed the selected items to Sacramento County's financial system (a.k.a. COMPASS).

Finding: We noted exceptions as a result of this procedure. See Attachment I, *Current Findings and Recommendations*.

8. We updated the status of the prior agreed-upon procedures findings and recommendations.

Finding: We updated the current status of prior agreed-upon procedures findings and recommendations at Attachment II, *Current Status of Prior Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion or conclusion, respectively, on CourseCo's fiscal processes, compliance, or results of our procedures referred above. 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.

CourseCo and Parks' management responses to the findings identified during our engagement are described in Attachment I, *Current Findings and Recommendations*. We did not perform procedures to validate CourseCo and Parks' management responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and Parks' management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachment I: *Current Findings and Recommendations*

Attachment II: *Current Status of Prior Findings and Recommendations*

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
CHERRY ISLAND GOLF COURSE  
COURSECO, INC.  
CURRENT FINDINGS AND RECOMMENDATIONS  
JANUARY 1, 2019 TO DECEMBER 31, 2019

**1. IMPREST CASH**

Comment

CourseCo is authorized to maintain \$2,270 imprest cash for cashiering operations at Cherry Island Golf Course in accordance with Sacramento County financial system (a.k.a. COMPASS). During our procedures, we noted that CourseCo maintained \$2,280 in imprest cash on hand. Therefore, CourseCo maintained \$10 more in imprest cash than what it is authorized to have on hand.

Recommendation

CourseCo should only maintain the authorized amount of \$2,270 for use at the golf course to support operations. Therefore, it should return and deposit the extra \$10 imprest cash fund to the County Treasurer. If additional imprest amounts are needed to support golf operations, a formal request to increase the imprest amounts should be made.

CourseCo's Management Response

We will deposit, into the County's account, any excess funds from the Imprest Account as soon as possible. This will reflect the correct balances on Cherry's books as well as the Counties COMPASS.

Parks' Management Response

Parks Staff performs an annual count of the cashier drawers at each property with the exception of this past year due to COVID.

**2. EXPENDITURE CLAIMS**

Comment

We selected and tested three (3) claims submitted to Parks by CourseCo for Cherry Island Golf Course expenditures. These three (3) claims are comprised of 130 Cherry Island Golf Course expenditures incurred by CourseCo. We noted two (2) exceptions as a result of our testing as listed below.

- A late charge of \$0.83 for wireless cellular services was included in a claim. The late charge was caused by CourseCo's untimely payment and is not essential for Cherry Island Golf Course operation. Therefore, the \$0.83 late charge should not be included in the claim submitted to Parks.
- An invoice of \$282.47 for purchase of water-based paint was included in a claim twice. Therefore, CourseCo has over claimed \$282.47.

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
CHERRY ISLAND GOLF COURSE  
COURSECO, INC.  
CURRENT FINDINGS AND RECOMMENDATIONS  
JANUARY 1, 2019 TO DECEMBER 31, 2019

Recommendation

CourseCo should contact Parks to resolve the expenditure claims issues. We recommend CourseCo makes timely payments to avoid late fee. If a late fee is incurred, CourseCo should not include the late fee in its claims to the County. In addition, CourseCo and Parks should thoroughly review submitted claims before they are reimbursed to ensure no duplicate payments exist.

CourseCo's Management Response

CourseCo will review more closely invoices for late fees and reimburse from CourseCo as necessary. Funds were submitted back to the County for the duplication on the expense reimbursement dated 12/07/2020.

Parks' Management Response

Parks Staff reviews the reimbursement requests and noted this duplicate charge at the time and CourseCo corrected the issue. Parks Staff also reminds CourseCo accounting staff to pay invoices on time to prevent any finance charges.

**3. CAPITAL ASSETS**

Comment

Based on our testing of five (5) capital assets maintained by CourseCo for Cherry Island Golf Course operation, we note three (3) capital assets have exceptions as list below.

- One (1) capital asset (Lawn Sweeper) appears obsolete and has not been in service for approximately six (6) years.
- One (1) capital asset (Other Cabinet) was not affixed with inventory tags until we requested to review the capital asset item.
- One (1) capital asset (Point of Sale System) was comprised of computer servers, components, and point of sales software for Cherry Island Golf Course and Ancil Hoffman Golf Course. Both golf courses have their own separate computer servers, components, and point of sales software. However, both golf courses' point of sales systems were recorded as a capital asset for Cherry Island Golf Course only. In addition, the point of sale system was not affixed with inventory tags until we requested to review the capital asset items.

Obsolete equipment overstates the County's acquisition amounts. Missing inventory tags and capital assets incorrectly recorded in COMPASS could lead to assets not being tracked or misappropriated without management's knowledge.

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
CHERRY ISLAND GOLF COURSE  
COURSECO, INC.  
CURRENT FINDINGS AND RECOMMENDATIONS  
JANUARY 1, 2019 TO DECEMBER 31, 2019

Recommendation

CourseCo and Parks should remove the obsolete capital assets from the capital asset listing so capital asset acquisition amounts are not overstated.

CourseCo and Parks should affix Cherry Island Golf Course capital assets with inventory tags identifying the capital asset to COMPASS for tracking and accountability purposes.

CourseCo and Parks should reclassify the point of sale system used by Ancil Hoffman Golf Course to Ancil Hoffman Golf Course in COMPASS.

CourseCo's Management Response

We will work with the County to make sure we are complying.

Parks' Management Response

We do hang onto equipment for a long time even if we haven't used it because it gets shared across three golf courses and a sweeper is sometimes needed elsewhere. And our funding has been so limited we keep equipment just in case another unit breaks down. As for the cabinets, they are the original wooden cabinets in the bar area from 1990 and the tagging does not clearly identify sections of cabinetry. The section identified as the potential missing tag was the only section that had been modified to accommodate a different feature of the bar area. The modification predates any current staff so it likely happened 15-20 years ago or more and it isn't clear why the tag was removed or lost. As for the shared POS, we will split the asset and assign a new number as we did with the prior findings of equipment sharing the same asset number.



COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
CHERRY ISLAND GOLF COURSE  
COURSECO, INC.  
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS  
JANUARY 1, 2019 TO DECEMBER 31, 2019

**PRIOR REPORT FOR THE PERIOD OF JANUARY 1, 2014 TO DECEMBER 31, 2014**

1. UNAPPROVED PURCHASES

Prior Recommendation

We recommended CourseCo (Formerly Empire Golf, Inc.) forward all expenses to Parks for review and approval before reimbursement occurs.

Current Status

It appears that the prior recommendation has been implemented. However, we noted issues regarding purchasing claims. See Attachment I, *Current Findings and Recommendations*.

2. INCORRECTLY CALCULATED EMPLOYEE TIME CARDS

Prior Recommendation

We recommended CourseCo implement internal controls to ensure time cards are accurately calculated and employees are correctly paid for time worked.

Current Status

We tested 2 payroll claims that included 45 employees and did not note any exceptions. It appears that the prior recommendation has been implemented.

3. EQUIPMENT FINDING

Prior Recommendation

There were two capital assets incorrectly recorded in COMPASS. Parks should contact the Department of Finance, Capital Assets Unit in order to correct the incorrectly recorded capital assets in COMPASS.

Current Status

Parks has contacted the Department of Finance to correct the capital assets recording issues identified in previous engagement. However, we noted other capital asset tracking issues. See Attachment I, *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
CHERRY ISLAND GOLF COURSE  
COURSECO, INC.  
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS  
JANUARY 1, 2019 TO DECEMBER 31, 2019

**PRIOR REPORT FOR THE PERIOD OF JANUARY 1, 2014 TO DECEMBER 31, 2014**

4. CHERRY ISLAND PRO SHOP AND RESTAURANT INVENTORIES

Prior Recommendation

Parks should seek the assistance that it needs in order to accurately record inventories located at Cherry Island Golf Course in COMPASS.

Current Status

It appears that the prior recommendation has been implemented.

We noted that Cherry Island Golf Course's pro shop and restaurant's inventories were recorded in COMPASS. CourseCo provides monthly inventory updates for Parks to update inventory balances in COMPASS.

5. REVENUE SHORTFALLS

Prior Recommendation

CourseCo should report cumulative revenue shortfalls occurring at Cherry Island Golf Course to Parks. Parks should record cumulative revenue shortfalls in COMPASS.

Current Status

It appears that the prior recommendation has been implemented.

We noted that CourseCo provided cumulative revenue shortfalls in its monthly financial report to Parks. Parks recorded the revenue shortfalls in COMPASS.