

TOWN OF WESTPORT
OFFICE OF THE INTERNAL AUDITOR



INTERNAL AUDIT REPORT

LONGSHORE GOLF COURSE – GREENS FEES

IA 11-01

DECEMBER 7, 2010

LETTER OF TRANSMITTAL

DECEMBER 7, 2010

CHAIRMAN GARTEN AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:

I respectfully submit the enclosed internal audit report of Longshore Golf Course – Greens Fees. This project took approximately two months to complete and I greatly appreciate the time, patience and cooperation of all parties involved in this audit.

Included in this report are a number of findings and recommendations that are intended to assist Town of Westport administrators in identifying opportunities for strengthened controls and efficiencies.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

Lynn Scully
Internal Auditor, Town of Westport

CC: GORDON JOSELOFF, FIRST SELECTMAN
JOHN KONDUB, DIRECTOR OF FINANCE
MICHAEL REA, CHAIRMAN, RTM FINANCE COMMITTEE

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A. INTRODUCTION

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES:

The objectives of this audit were to:

1. Obtain an understanding of and document the various revenue processes employed to account for greens fees on behalf of the Town of Westport.
2. Determine all key controls in these processes, developing and conducting analytical procedures to determine the adequacy of these controls (this will include interviews with key Golf and other Town of Westport personnel and elected/appointed officials).
3. Identify opportunities to improve efficiencies and controls in revenue processes.
4. Obtain an understanding of the existing contractual terms between the Town of Westport and John Cooper, Golf Professional, and John Cooper d/b/a Longshore Golf, Inc. for the purpose of determining compliance and identifying opportunities for improvements in future contracts.
5. Prepare a draft report of all findings and recommendations to review with the Director of Parks and Recreation, the Town's Golf Professional, appropriate Town administrators and the Board of Finance Audit Subcommittee.
6. Edit and finalize audit report for presentation to the Board of Finance.

SCOPE:

This audit was largely operational in scope, with particular emphasis upon understanding and documenting the greens fee revenue processing procedures at the Town of Westport's Longshore Golf Course, Parks and Recreation Office and Finance Department. An overview of this revenue process is presented in Section B. of this report.

METHODOLOGY:

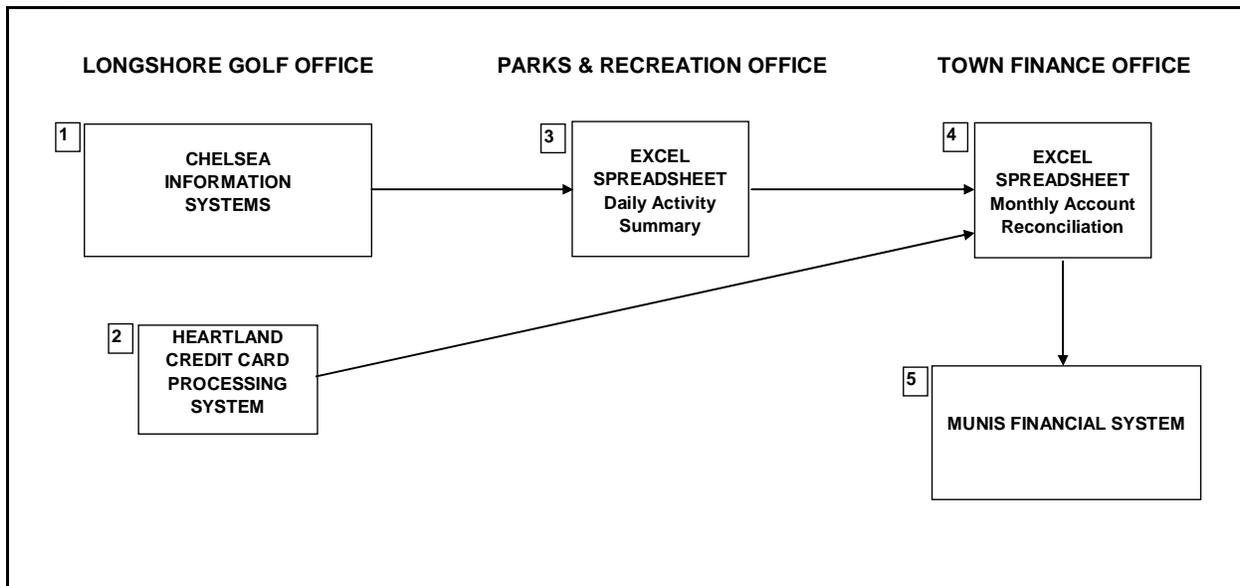
This audit began in late July, 2010 with a series of interviews involving the Town's Finance Department personnel, Parks & Recreation personnel and the Longshore Golf Professional and his staff. Key processes were documented and analytical procedures were conducted with respect to the processing of greens fees and compliance with contractual agreements.

B. OVERVIEW OF WESTPORT'S GREENS FEE PROCESSING

THE SYSTEMS ENVIRONMENT:

The following is a graphic representation of the current systems environment as it relates to the processing of greens fees. A description of each application follows.

Exhibit 1



The following briefly describes each software application presented in Exhibit 1.

APPLICATIONS	
1	Chelsea Information Systems – This is an industry-specific application used to reserve tee times and process cash and credit card payments.
2	Heartland Credit Card Processing System – Credit card payments are processed separately through this system (it runs parallel to Chelsea and is not integrated).
3	Microsoft Excel – Deposit activity is recorded in a daily activity spreadsheet created by the Parks and Recreation Department’s Administrative Manager. This form is transmitted to the Town’s Finance Department daily.
4	Microsoft Excel – Daily information contained within the Parks & Recreation summary is recorded for the purpose of reconciliation with monthly bank statements.
5	MUNIS Financial System – Daily deposit information is recorded into MUNIS by the Finance Department. Bank charges, credit card fees and other reconciling items are posted monthly.

LONGSHORE MUNICIPAL GOLF COURSE – GREENS FEES:

Longshore Club Park Golf Course is operated by the Town of Westport. Golfers can reserve a tee time by telephone or online. Residents of Westport may purchase a golf handpass annually through the Parks and Recreation Office. Residents with a current golf handpass pay lower greens fee rates and receive priority for tee time reservations.

REVENUE BUDGET

Westport receives approximately \$1 million annually from greens fees. The following analysis illustrates the Town’s budget to actual experience for the past 3 fiscal years.

Budget vs Actual Greens Fees Revenue 10147832 466305				
	2010-2011*	2009-2010	2008-2009	2007-2008
Actual	526,400	1,018,572	979,891	942,412
Budgeted	985,000	950,000	980,000	920,000
Difference	(458,601)	68,572	(109)	22,412
%	53%	107%	100%	102%

* Partial results

NOTE: Expenditures for the Golf course are budgeted at \$823K for the current fiscal year.

CONTRACTUAL ARRANGEMENTS

The Town of Westport currently has 2 contracts with John Cooper, Golf Professional:

Contract Parties	Dates	Type/Amt
Town of Westport and John Cooper, Golf Professional d/b/a Longshore Golf, Inc.	12/1/2005- 11/30/2010	Agreement for payments from golf professional to Town of Westport for the designation as the Town’s professional golfer and the exclusive right to operate the Golf Pro Shop at Longshore. \$75,000+/yr (calculation is based upon the number of rounds played)
Town of Westport and John Cooper	6/16/2005- 11/30/2010	Agreement for Cooper’s services as Golf Course Supervisor at Longshore. \$36,000/yr plus \$150 per Parks & Recreation Commission meeting (as required)

PERSONNEL

LONGSHORE GOLF, INC. (DESK RESPONSIBILITIES)

Mr. Cooper is considered an independent contractor. He employs a staff responsible for operation of the Town's tee time reservation system, attending the golfer check-in desk, collecting greens fees and other desk duties. Mr. Cooper is responsible for public relations activities related to Longshore Golf.

Mr. Cooper is solely responsible for all wage withholding, employee benefits, unemployment compensation insurance and workers' compensation insurance for these employees.

TOWN EMPLOYEES (COURSE RESPONSIBILITIES)

Mr. Cooper is responsible for hiring, scheduling and supervising course starters and rangers within the budget and staffing parameters of the Town.

The Town of Westport is responsible for all wage withholding, employee benefits, unemployment compensation insurance and workers' compensation insurance for these employees.

ROUNDS OF GOLF PLAYED

The number of rounds played is tracked through the Chelsea Tee Time System. This amount is communicated by the Golf Professional on a daily basis to Parks and Recreation, along with the greens fee deposit information. The Golf Professional also provides monthly reports from the Chelsea System to the Director of Parks and Recreation. The Director of Parks and Recreation monitors this information and routinely provides summary reports to the Parks and Recreation Commission.

C. FINDINGS AND RECOMMENDATIONS

It should be noted that no significant internal control issues were identified as a result of this review. The following findings and recommendations are operational in nature and are intended to assist Town administrators in identifying opportunities for strengthened controls and efficiencies.

1. Systems

a. **Finding re: Credit Card Processing:**

Currently, the Town of Westport has a merchant services agreement with Heartland Payment Systems through which VISA, MasterCard and Discover payments for greens fees are processed. There is no integration of the Heartland system with the Chelsea reservation system, which results in additional steps in processing credit card payments through the two systems. It also results in minor discrepancies between the information contained within the two systems.

Recommendation(s):

The Town of Westport should investigate opening a merchant services agreement with TransFirst, which has a proprietary online credit card processing relationship with Chelsea Tee Time Reservation Systems. This would potentially streamline the process of accepting credit card payments from golfers and greatly reduce the need for reconciliation between separate applications.

2. Contracts

a. **Finding re: Contracts:**

As mentioned on page 5 of this report, the Town of Westport currently has two contracts with the Golf Professional. One contract addresses the supervisory responsibilities of the Golf Professional and *involves payments from the Town of Westport*, and the second is more specific to the rights and responsibilities of the Golf Professional and *involves payments to the Town of Westport*.

Recommendation:

As these contracts expired on November 30, 2010, the Town of Westport should consider consolidating the two contracts.

b. **Finding re: Annual Income Statement:**

One of the contractual agreements requires that the Golf Professional is to provide an annual income statement which is to include gross revenue derived from the Pro Shop, golf cart rentals, driving range and bag storage. This is to be prepared by a Certified Public Accountant or Licensed Public Accountant. This provision of the agreement has not been complied with until

recently.

Recommendation:

As this financial information is relevant in determining the reasonableness of the profit-sharing arrangements between the Town of Westport and the Golf Professional going forward, it is recommended that this provision be complied with annually.

c. **Finding re: Option to Renew Clause:**

One of the contractual agreements requires the Town to enter into “good faith discussions” with the Golf Professional concerning a contract renewal, with a deadline of submitting an offer to the Golf Professional by July 1, 2010. As of the date of this report, no such offer has been extended.

Recommendation:

It is in the best interest of both parties that this provision of the agreement be complied with going forward.