CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

February 24, 2020

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Mayor

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Councilwoman, District 6

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Councilwoman, District 2

Shirley Gonzales
Councilwoman, District 5

Manny Peláez
Councilman, District 8

SUBJECT: Audit Report of Parks and Recreation Department Municipal Golf Association San Antonio

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Parks and Recreation Department Municipal Golf Association San Antonio. This audit began in October 2019 and concluded with an exit meeting with department management in January 2020. Management's acknowledgement is included in Appendix B of the report. The Parks and Recreation management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

Distribution:
Erik Walsh, City Manager
Colleen M. Bridger, Assistant City Manager
Ben Gorzell, Chief Financial Officer
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Priscilla Soto, Audit Committee Member
Judy Treviño, Audit Committee Member

CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Parks and Recreation Department

Municipal Golf Association San Antonio

Project No. AU20-024

February 24, 2020

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Parks and Recreation Department (Parks), specifically the contract agreement with Municipal Golf Association - San Antonio (MGA-SA). The audit objective and conclusions follow:

Determine if controls are in place to ensure compliance with terms of the City's contract with Municipal Golf Association – San Antonio for management of City golf facilities.

We determined that management controls are in place to ensure compliance with terms of the City's contract with MGA-SA. Parks developed a contract administration plan (CAP) that includes key contractual terms and deliverables that are used to monitor the contract with MGA-SA. In addition, Parks has procedures in place to verify MGA-SA insurance requirements are appropriate.

We also determined that MGA-SA operations were reasonable after performing a financial analysis that included comparing year over year percentage changes to revenue, expenditures, and profit.

The Parks and Finance Departments are represented on the MGA-SA Board of Directors that meets at least six times annually to discuss current and long-term operations of the golf courses. In addition, Finance has a member on MGA-SA's Finance Committee that meets monthly to discuss the financial position of MGA-SA. Finally, Parks monitors maintenance and capital projects at the various golf courses by performing on-site visits throughout the year.

No findings were identified while conducting this audit. We make no recommendations to the Parks and Recreation Department, thus no management responses are required.

Parks and Recreation Department management acknowledgement of these results is in Appendix B on page 5.

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Background

The Parks & Recreation Department's (Parks) mission is to provide exceptional parks, facilities, programs, and services to improve the quality of life for all. Parks offers a wide variety of facilities for citizens to reserve such as community centers, sports fields, gazebos, and pavilions. To help accomplish its mission, Parks outsourced its golf operations to the Municipal Golf Association - San Antonio (MGA-SA) beginning May 2007.

At that time, Parks officially transferred management of the City's golf courses to MGA-SA. City Council approved a management agreement with MGA-SA, a Texas non-profit corporation dedicated to operating and promoting the City of San Antonio's golf facilities. The agreement was for a 10-year term with a possible extension of two additional five-year terms. The agreement is currently in the first five-year extension and is valid through 2022.

MGA-SA's Board of Directors consists of fifteen members; seven selected by MGA-SA, two ex-officio member positions for City staff members appointed by the City Manager, and six appointed by the City Council.

The original management agreement specifies that excess revenue be split 50-50 between MGA-SA and the City. However, a subsequent amendment in June 2012 revised this agreement and stipulated MGA-SA would pay the City $150,000 for five years with no split in revenue.

MGA-SA is responsible for improving and maintaining the appearance of the seven existing 18-hole municipal golf courses and the San Antonio Driving Range/Par 3. The City has issued debt to MGA-SA to support capital improvements at these courses. MGA-SA repays this debt to the City based on agreed upon terms.

Audit Scope and Methodology

The audit scope was from October 2017 to September 2019. It included the contract agreement between the City and MGA-SA and respective contract deliverables.

We interviewed Parks and Finance Department staff and obtained an understanding of the controls in place to monitor the MGA-SA contract. In addition, we interviewed MGA-SA staff to obtain an understanding of golf operations, maintenance, and improvements.

Significant internal control components and principles include monitoring. Parks' ongoing monitoring of the MGA-SA contract is essential to verify MGA-SA is complying with performance goals and providing the required deliverables mandated by the contract. Parks management reviews the Contract Administration Plan (CAP) as a monitoring control and verifies contract deliverables are met as required.

We reviewed the controls mentioned above including Parks Department's monitoring of the contract between the City and MGA-SA. The review included confirming a Contract Administration Plan (CAP) was in place with the required contract deliverables identified. In addition, we reviewed the processes in place to verify that the City received stipulated deliverables.

We reviewed the MGA-SA FY18 and FY19 financial records and performed financial analysis that included the following:

- Compared year over year percentage changes to revenue, expenditures and profit
- Evaluated the debt ratio and net inventory turnover ratio
- Calculated the price per round of golf (golf revenue divided by number of rounds played) and determined reasonableness to actual price per round.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results

Parks had adequate controls in place to ensure compliance with terms of the City's contract with MGA-SA for management of City golf facilities. We verified Parks developed and maintained a contract administration plan that included key contractual terms and identified contract deliverables that are required of MGA-SA. Additionally, we determined Parks had controls in place to verify MGA-SA had adequate insurance coverage to meet contract requirements. Lastly, we determined that MGA-SA operations were reasonable after performing a financial analysis that included comparing year over year percentage changes to revenue, expenditures**,** and profit.

The Parks and Finance Departments are represented on the MGA-SA Board of Directors that meets at least six times annually to discuss current and long-term operations of the golf courses. In addition, Finance has a member on MGA-SA's Finance Committee that meets monthly to discuss the financial position of MGA-SA. Finally, Parks monitors maintenance and capital projects at the various golf courses by performing on-site visits throughout the year.

Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge

Appendix B – Management Acknowledgement

CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

February 5, 2020

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Audit of Parks and Recreation Department Municipal Golf Association San Antonio

Parks and Recreation Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Parks and Recreation Department:

☑ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

Homer Garcia III — 2-6-2020
Homer Garcia III
Interim Director
Parks and Recreation Department
Date

Colleen Bridger — 2-7-2020
Colleen M. Bridger, MPH, PhD
Assistant City Manager
City Manager's Office
Date