



CITY OF WILMINGTON

Rock Manor Golf Course Corporation

Internal Audit Review

City Auditor's Office

Terence J. Williams
City Auditor
(302) 576-2165

Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled audit of Rock Manor Golf Course Corporation (RMGCC). The audit was conducted in accordance with the FY22 Audit Plan.

Methodology

The objectives were achieved by reviewing prior's Agreed-upon Procedure (AUP) of RMGCC and accounting records that included reconciliations, bank statements, cash disbursements and other pertinent documents from 2019-2021.

Audit Review Committee:

Ronald Pinkett, Chair
Angelique Dennis
Chris Johnson
Mona A. Parikh
James Spadola
Tanya Washington

January 19, 2023

Internal Audit (IA) conducted a Performance Audit of the Rock Manor Golf Course Corporation (RMGCC). The audit objective was to determine whether RMGCC's accounting records are accurate and adequate controls exist to provide reasonable assurance that payments are accurate, timely, and reasonable. The scope included accounting records during the period of January 2019 – June 30, 2021.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These 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. IA believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

RMGCC has been a discrete component unit of the City of Wilmington since 2007. A component unit is a legally separate organization for which the City's Elected officials is financially accountable. The corporation was organized for the purpose of assisting the City in administering and enforcing the requirements of operation and maintenance of the RMGCC and the Ed Oliver Golf Course owned by the City. The Board of Directors of RMGCC shall consist of ten members, four members being appointed by the Mayor and three members being appointed by the President of City Council, and three members to serve by virtue of their offices with the city, as follows: the City Treasurer, the Director of the Department of Parks and Recreation, and the Commissioner of the Department of Public Works, all to serve at the pleasure of the appointing authority. One of the members appointed by the Mayor shall be designated by the Mayor to serve as the President of the Board, at the pleasure of the Mayor.

There were two License Agreement Contracts signed between RMGCC and Billy Casper Golf, LLC (a Virginia limited liability corporation); a 20 year term for the Rock Golf, LLC (Rock Manor Golf Course) which is for the property located at 1319 Carruthers Lane, Wilmington, Delaware, 19803 signed in 2007 and a 18 year and 6 month term for Porky Golf, LLC (Porky Oliver Golf Course) which is for the property located at 800 North DuPont Road, Wilmington, Delaware, 19804 signed in 2009. The appointed Contract Administrator ensures that the golf courses are operating in compliance with the terms and conditions of Licensing Agreements.

The License Agreements states that the tenant is to pay the corporation an Annual License Fee (Annual Payment), Annual Revenue Share Payment (Gross Revenue Payments), and Annual Capital Contribution for both Rock Manor and Porky Oliver golf courses.

License Agreement Terms for Payment Details

Rock Manor Golf Course

Annual Payment:

The Tenant is to pay a fixed annual payment to be paid in equal quarterly-annual payment the first day of May, July, September, and November of each year according to the table below.

TERM YEAR	YEAR	ANNUAL LICENSE FEE
1	2007	\$ 50,000
2	2008	\$ 50,000
3	2009	\$ 75,000
4	2010	\$ 75,000
5	2011	\$ 75,000
6	2012	\$ 100,000
7	2013	\$ 100,000
8	2014	\$ 100,000
9	2015	\$ 100,000
10	2016	\$ 100,000
11	2017	\$ 100,000
12	2018	\$ 100,000
13	2019	\$ 100,000
14	2020	\$ 100,000
15	2021	\$ 100,000
16	2022	\$ 100,000
17	2023	\$ 100,000
18	2024	\$ 100,000
19	2025	\$ 100,000
20	2026	\$ 100,000

Gross Revenue Payments

The Tenant is to pay the Corporation annually on or before February 15th of each year following year for Gross Revenue.

Annual Threshold Amounts

- 10% of all Annual Gross Revenues generated from golf shop retail sells, food, and beverage retail sales, and driving range sales are to be paid are to be paid between Annual Threshold amounts of \$250,000 and \$1,600,000. *(These amounts are adjusted by the Consumer Price Index each year)*
- 30% of all Annual Gross Revenues green fees and motorized cart fees excess of \$1,600,000.

Annual Capital Contributions

The Tenant is to pay the Corporation two percent (2%) of the Gross Revenues

Porky Oliver

Annual License Fee:

The Tenant is to pay a fixed annual payment to be paid in equal quarterly-annual payment the first day of May, July, September, and November of each year according to the table below.

TERM YEAR	YEAR	ANNUAL LICENSE FEE
1	2009	\$ -
2	2010	\$ 30,000
3	2011	\$ 20,000
4	2012	\$ 20,000
5	2013	\$ 25,000
6	2014	\$ 25,000
7	2015	\$ 25,000
8	2016	\$ 25,000
9	2017	\$ 25,000
10	2018	\$ 30,000
11	2019	\$ 30,000
12	2020	\$ 30,000
13	2021	\$ 30,000
14	2022	\$ 30,000
15	2023	\$ 30,000
16	2024	\$ 35,000
17	2025	\$ 35,000
18	2026	\$ 35,000
19	2027	\$ 35,000

Annual Revenue Share Payments

The Tenant is to pay the Corporation annually on or before March 5th of each year following year for “Gross Golf Revenues” and “Other Revenues”.

- Gross Golf Revenues: 30% of all Revenues generated from green fees, motorized cart fees, pull cart fees, annual pass fees and driving fees are to be paid between Annual Threshold amounts of \$800,000 and \$1,025,000; 40% of all Gross Golf Revenues in excess of Annual Thresholds amounts of \$1,025,000. *(These amounts are adjusted by the Consumer Price Index each year)*
- Other Revenues: 10% of all Revenues generated from golf shop retail sells, food and beverage retail sales, room rental fees and fees generated from activities are to be paid between Annual thresholds of \$750,000 and \$950,000; 15% of all Other Revenues in excess of Annual Threshold amounts of \$950,000. *(These amounts are adjusted by the Consumer Price Index each year)*

Annual Capital Contributions

The Tenant is to pay the Corporation three percent (3%) of the Gross Revenues. These contributions should be used to pay for the improvements, repairs, and replacements in its Annual Capital Improvement Plan.

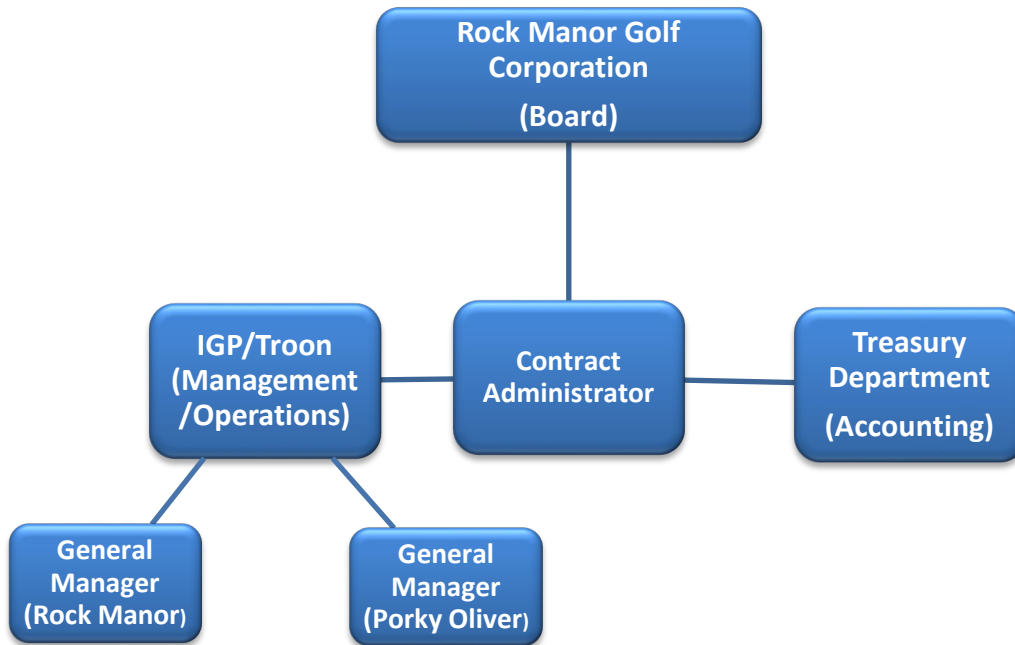
The COW Treasury Department is responsible for managing RMGCC three bank accounts: Operating Account, Capital Account and Loan Account. This includes but not limited to cash disbursements, recording transaction, depositing, and reconciling transactions. Although the Treasury Department manages these accounts all expenditures are to be presented to the Board for approval by the Contract Administrator who also assists with implementation of the annual Capital Improvement Plan.

Operating Account: Used for expenditures such as to pay vendors and maintenance etc.; Annual License fees (Rent) and Annual Revenue Share Payment deposits and to replenish the Loan Account.

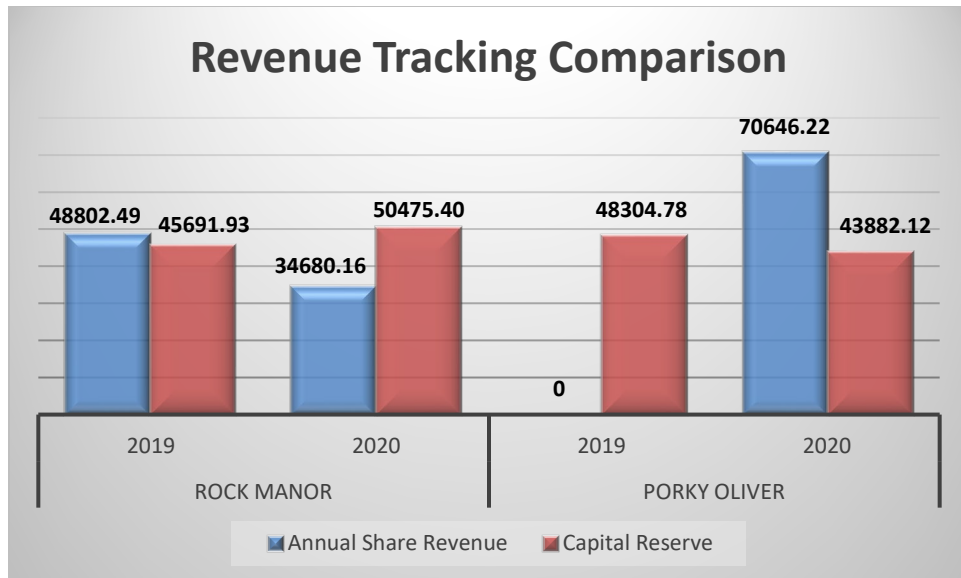
Capital Account: Used for capital investments projects outlined in the annual Capital Improvement Plan; Capital Reserve Payment deposits.

Loan Account: Used to make payments on a loan that was borrowed for a capital investment project and is replenished by the operating account.

Governance Structure



Key Statistics



These figures were abstracted from data submitted by Troon.

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Policies & Procedures	DaWayne Sims, City Treasurer				✓
Reconciliations	DaWayne Sims, City Treasurer				✓
Segregation of Duties	DaWayne Sims, City Treasurer				✓
Account Payable	DaWayne Sims, City Treasurer			✓	
Asset Management	DaWayne Sims, City Treasurer			✓	
Errors & Omissions	DaWayne Sims, City Treasurer			✓	
Record Retention	DaWayne Sims, City Treasurer			✓	

Policies & Procedures

1. There is no documented process for managing RMGCC accounting records.

Reconciliations

2. Control weaknesses exist, due to reconciliations not being performed on a regular basis by the Treasury Department.

Based on inquires with staff, it was stated that adjustments are completed upon review of the external auditor's annual audit.

A review of bank statements to register balances, it was noted that the year-end amounts did not reconcile on the three accounts of RMGCC.

Segregation of Duties

3. Weak controls exist surrounding handling assets, recording transaction, depositing, and reconciling transactions, due to one person being responsible for these activities.

Accounts Payable

4. Based on a review of documentation provided by the Treasury Department, vendor and contract check requests should be initiated by an invoice.

Fifteen out of 30 (50%) checks sampled had invoices and/or supporting documentation of services such as a letter from the vendor, contractor or an actual contract outlining payment details. Although some checks did have invoices, some information was insufficient such as invoice numbers and dates of service.

Asset Management

5. Controls need strengthening due to inconsistencies noted with regards to the handling of checks as it pertains to depositing them into the appropriate accounts, timeliness of deposits and the physical security of checks.

For instance, base rent and annual threshold payments should be deposited in the designated operating account and the capital reserve payment should be deposited into the designated capital account.

Errors & Omissions

6. Controls need strengthening surrounding the review and approval of entries, due to numerous errors being identified. For example, the following checks has a different date than what was recorded in the check register: check number 1085 and 1086 in the capital account.

Record Retention

7. Controls need strengthening with regards to the record retention process. For instance, there were delays in receiving requested financial documents such as bank statements, account registers, reconciliations and some requested documents were unavailable and/or not received.

Management Responses to Audit Recommendations

Recommendation #1:

The policies and procedures for each process should include all the tasks and steps needed to complete a process. Documenting each process provides transparency and consistency and allow for specific duties to be easily assigned to separate individuals. Detailed policies and procedures also facilitate the training of new or temporary employees. This should be developed in accordance with GAAP, GFOA and corporation policy.

Management response & action plan:

The RMGCC Board has been actively transitioning to a more structured governance model under my leadership as Treasurer of the Board. In addition to the measures already taken, which include the hiring of an external bookkeeper responsible for transaction reconciliation and financial reporting, I am working with the Board to enhance the recently created Committee Structure of Governance to add a dedicated Finance Committee charged with oversight of all financial matters of the Corporation, including the drafting of Policies and Procedures consistent with GAAP and GFOA standards.

In the interim, we can commit to drafting a Process Control Manual (PCM) to detail the step-by-step process of transaction processing performed in our Office.

Completion Date: TBD (In process)

Recommendation #2:

Management must ensure that all recorded balances of cash, financial investments, debt, and capital accounts are being reconciled as deemed necessary (e.g., Monthly or quarterly) to the supporting detail to verify whether all entries have been properly recorded. This should be performed aside from any external auditing.

Management response & action plan:

As Treasurer of the RMGCC Board, and with approval from Board leadership, in September 2021 I hired an external bookkeeper whose responsibilities include monthly transaction reconciliations, ad-hoc and Board financial reporting, coordinating external audit communications and other related activities.

Completion Date: Completed

Recommendation #3:

Governments should have robust segregation of duties and supervision policies incorporated into their receivables policies and procedures. These policies should try and avoid having a single individual be responsible for both the receiving and recording of revenues. If the government does not have the personnel available for this separation it should develop mitigating controls to prevent recording errors and/or fraud.

Management response & action plan:

As Treasurer of the RMGCC Board, and with approval from Board leadership, in September 2021 I hired an external bookkeeper whose responsibilities include monthly transaction reconciliations, ad-hoc and Board financial reporting, coordinating external audit communications and other related activities.

Additionally, Treasurer oversight, review and approvals have been implemented over the execution of all transactions, reconciliations, and reporting. I meet no less than monthly with the dedicated staff member responsible for processing all transactions. I also meet with the Corporation's Bookkeeper no less than quarterly, with regular email communications as needed in between, to review the Board's financial reconciliations and reporting.

Completion Date: Completed

Recommendation #4:

Management should reinforce the importance of employees adhering to the current documented process and ensure that information on the received invoice meets criteria of a standard invoice that includes the title "Invoice", vendors name, address, invoice date, payment due date, unique invoice number, description, and total amount due.

Management response & action plan:

Since becoming RMGCC Board Treasurer, all A/P activity must be presented with a detailed Vendor/Contractor Invoice. Additionally, I require the Board approval minutes that authorized the requested expenditure accompany all transactions.

As mentioned in finding #3, I have oversight, review and final approval authority over the execution of all transactions, reconciliations and reporting.

With the transition away from A/P and A/R checks, the Board will streamline the efficiency of our overall financial transaction processing and recordkeeping. We will also eliminate the risk(s) associated with the handling/storing of physical checks.

Completion Date: Completed

Recommendation #5:

Management should develop a policy outlining what accounts funds should be allocated to. It is also suggested that Management request separate checks for base rent, capital reserve and annual revenue share.

In addition, Management should ensure that checks are deposited within one business day that it is received and/or develop a policy that outlines threshold amounts and deposit timelines. It also suggested that the deposits are time stamped and deposit receipt are file with remittance slip or distribution list.

Deposits should also be stored in a secured area in a locked container where access is limited.

Management response & action plan:

I have already initiated actions, with both Board leadership and our golf course partner (Indigo Golf) to discontinue the issuance of check payments to the Corporation. Instead, we will move to a fully electronic A/P process with our course partner. Treasury is awaiting final confirmation of the process change request from our golf course partner's A/P department.

Additionally, I am exploring the opportunity to transition the Corporation's A/P process away from physical checks to fully electronic as well, ACH & Wire.

Completion Date: TBD (In process)

Recommendation #6:

Management should record all transactions immediately in the accounting system of use.

Management response & action plan:

This presents as additional context to Findings #2 and #3. Please see the Action Plan comments from Findings #2 and #3.

Completion Date: Completed

Recommendation #7:

Management should keep better records of all financial transactions and documentation to ensure accuracy and completeness of transactions exist.

Management response & action plan:

Actions taken as outlined in Finding #3 have addressed much of this Finding. An element of the monthly reconciliation(s) with our recordkeeper includes a review of all bank account statements (monthly statements), comparative to our transaction processing register, to capture any omissions, errors or variances. Additionally, all bank statements are readily available via the bank's online service portal.

Board leadership will continue to work with staff to ensure a timely remittance of the available documentation as it is requested.

Completion Date: Completed

Audit Team

Madonna Woodson
Tamara Thompson