



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2022-02

***FINAL REPORT – Review of the Administrative
Contract of the Cobblestone Golf Course***

February 3, 2022

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COBB COUNTY INTERNAL AUDIT

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Director

February 3, 2022

MEMORANDUM

TO: Dr. Jackie McMorris, County Manager

FROM: Latona Thomas, CPA, CIA, Director 

SUBJECT: **FINAL REPORT** – Review of the Administrative Contract of the Cobblestone Golf Course

Attached for your review and comments is the subject final audit report. The overall objective was to evaluate and ensure that the administrative contract between Cobb County and Affiniti Golf Partners, Inc. (AGP) for the Cobblestone Golf Course (Cobblestone) has adequate oversight and controls and are consistently monitored.

Impact on the Governance of Cobb County

The seven recommendations along with the corrective actions taken by Parks, Recreation, and Cultural Affairs (Parks) Department, when implemented, will strengthen the controls and monitoring over the contract agreement.

Executive Summary

During our preliminary survey, we determined that existing controls are in place, but improvements are needed for increased oversight and controls as well as consistency in monitoring the contract agreement. Existing controls include an onsite visit with AGP leadership, review and substantiation of various financial reimbursement requests, and compliance with the County's budget process. Currently, there is not a designated staff member to oversee the operational contract requirements, other than the Parks Director; and evidence of the monitoring activities was not consistently documented and maintained. In addition, a system to ensure critical tasks and responsibilities are transferred during staff turnover is not in place. Due to the lack of information being handed down, there were some requirements of the agreement that were not upheld and some inconsistency in the approval of documentation. Furthermore, a physical inventory of goods, materials, accountable equipment, and capital assets were not updated per the Cobb County Accountable Equipment policy.

Recommendations

We made seven (7) recommendations to strengthen the internal control environment and increase the effectiveness of monitoring controls over the contract agreement. The seven recommendations are documented in the 'Results of Review' section of the report, on Pages 3 - 9.

Responses

The Parks Director provided a response to our draft report and concurred with all seven recommendations, inclusive of one with an alternative solution. The complete responses to the draft report are included in Appendix VI. The Parks Department has initiated some of the referenced corrective actions, with an expected completion period of 60 days. We will perform a follow-up on corrective action in six-months from the date of this report. A copy of this report will be distributed to those affected by the report recommendations, as reflected by the distribution list in Appendix IV. Please contact me at (770) 528-2559 or Margarite Benevento at (770) 528-2557 if you have questions.

Background

On June 23, 2009, the Cobb County Board of Commissioners (BOC) approved a lease agreement with the United States Army Corps of Engineers for 910 acres of land and water areas for public park and recreational purposes. The lease agreement included a lease term of fifty (50) years, beginning May 1, 2009 and ending April 20, 2059. On January 1, 2010, the County entered into a management agreement with Affiniti Golf Partners (AGP) for the management and operation of the Cobblestone. Effective May 1, 2012, the terms and conditions of the management agreement were amended and contract extended until April 30, 2022.

The mission for Cobblestone Golf Course (Cobblestone) is to provide the best full-service executive and championship golf course services to the general public, especially the citizens of Cobb County (County), as a component of the Cobb County Parks System. Cobblestone opened in 1993 and underwent a full renovation in 2010. Cobblestone offers quality championship golf services while focusing on premier customer service and sound financial management. The Cobblestone Golf Course continues to offer optimal golfing experiences at very reasonable prices. The course was again listed on the "Top 100 Courses You Can Play" by Golf Magazine in 2013 and continues to strive for championship golf services for Cobb County. The Cobblestone Golf Course generates most of its total revenue from user fees. The fees include charges paid by patrons for green fees, golf cart rental, membership cards, driving range practice and concessions.¹

Roles/Responsibilities

Currently, the Parks Director oversees the operational aspect of the management agreement with AGP; the Parks Business Manager reviews and approves reimbursements of accounts payable, payroll, and sales tax reports periodically, and additional financial transactions; and the Chief Financial Officer facilitates the biennial budget and capital maintenance transactions.

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¹ Obtained from the County's FY2017-2018 Biennial Budget Book.

Revenue/Expenditure Analysis

We analyzed the revenues and expenditures for the five-year period FY2017-2021. See the results below:

Revenue/Expenditure Analysis FY2017 – FY2021

	FY2017	FY2018	FY2019	FY2020	FY2021	Average Dollar Amount for the 5-Year Period
Total Revenues	\$1,705,529.57	\$1,687,919.39	\$1,700,639.79	\$2,112,427.83	\$2,612,007.34	\$1,963,704.78
Total Expenditures	\$1,801,007.77	\$1,697,848.33	\$1,958,535.33	\$1,883,462.03	\$2,293,125.93	\$1,926,795.88
Profit/(Loss)	<u>\$(95,478.20)</u>	<u>\$(9,928.94)</u>	<u>\$(257,895.54)</u>	<u>\$228,965.80</u>	<u>\$318,881.41</u>	<u>\$36,908.91</u>

Table 1 – Source: Advantage Financial System.

Our review determined that highest revenue increases were from driving range fees (\$97,550.02), green fees (\$116,778.39), golf cart rental fees (\$161,357.09). During our review of financial transactions, we determined that Cobblestone actual revenue had exceeded the budgeted revenue. Due to the increased use of the golf course between FY2019 and FY2020, Cobblestone experienced an increase in green fees, as well as an approximate 50% increase in driving range and golf cart rental fees. In FY2020 - FY2021 expenditures, there were pay increases for staff, as well as multiple capital projects for the golf course.²

The scope of our review period covered the original contract effective January 1, 2010, and the amendment signed on May 9, 2012 through the end of the contract period April 30, 2022. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

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² Projects include purchase and installation of new irrigation pumps, and expansion of the Golf Course Clubhouse.

Results of Review

The overall objective of the review was to evaluate and ensure that the administrative contract between Cobb County (County) and Affiniti Golf Partners, Inc. (AGP) for the Cobblestone Golf Course has adequate oversight and controls and are consistently monitored. We performed our preliminary survey and fieldwork procedures which included, but was not limited to, conducting interviews with key personnel within the Parks Department to understand compliance with the operating responsibilities is monitored; interviews with key personnel involved with the contract agreement (Parks Business Manager; Cobb County Finance; Insurance Coordinator; Risk Manager); reviewed and analyzed the contract agreement and the amendment; obtained and reviewed disbursements and daily receipts; verified receipts and disbursements to the bank statement for August 2021; reviewed the FY2021-2022 Biennial Budget Book for financial information pertaining to Cobblestone Golf Course; analyzed the monthly Finance Reports and noted any concerns or placement of Cobblestone Golf Course on the watchlist; and performed other analyses.

There are existing controls in place, but improvements are needed for increased oversight and controls as well as consistency in monitoring the contract agreement. Existing controls include an onsite visit with AGP leadership, review and substantiation of various financial reimbursement requests, and compliance with the County's budget process. Currently, there is not a designated staff member to oversee the operational contract requirements, other than the Parks Director; and evidence of the monitoring activities was not consistently documented and maintained. In addition, a system to ensure critical tasks and responsibilities are transferred during staff turnover is not in place. Due to the lack of information being handed down, there were some requirements of the agreement that were not upheld and some inconsistency in the approval of documentation. Furthermore, a physical inventory of goods, materials, accountable equipment, and capital assets were not updated per the Cobb County Accountable Equipment policy. In the accompanying pages are recommendations to address the additional guidance and improvements needed.

Oversight and Control Activities for the Contract Agreement Needs to be Improved

During this review, we identified weaknesses in the control environment over the monitoring of the contract agreement and related amendments. Specific control activities needed include the designation of a staff level contract monitor; documenting and retention of monitoring activities; and the creation of formal business continuity procedures relative to contract management. These improvements will strengthen the internal control environment and minimize the risk of theft, misuse or fraud. These areas of necessary improvements are detailed below.

A designated staff level contract monitor is needed

There is not a designated staff member to monitor the operational contract terms and agreement for compliance on an ongoing basis. As stated in the background section on Page 1, the Parks Director is currently responsible for overseeing the operational components of the management agreement with AGP. The Parks Business Manager reviews and approves reimbursements of accounts payable, payroll, and sales tax reports periodically, and additional financial transactions. We also noted that the Chief Financial Officer had been the primary facilitator of Cobblestone's biennial budget and capital maintenance requests. Per the County's Policy on Procurement and Contract Management, Section 7.3, "Departments shall have designated staff responsible for overseeing contract compliance." Section 7.2 of the referenced policy states, "Departments shall be responsible for proper management of contracts executed for their operations, including but not limited to, monitoring the contractor's progress on projects and ensuring all requirements are met and all milestones are completed in accordance with contract terms." In addition, best practices indicate that good administrative oversight for contract management is needed to ensure that contractors comply with all terms of contracts.

Having a designated staff level to monitor the operational aspects of the agreement will ensure compliance with the County's Policy for Procurement and Contract Management, ensure that operational requirements are met, and serve as an added control during times of staff changes. Since the initiation and amendment of the contract, there has been significant turnover in the leadership and other staff positions that would have been integral in the oversight of this contract. Without proper knowledge of changes made to the agreement, monitoring the operations of the contract may be inaccurate and the most recent terms of the agreement may not be utilized impacting the county's potential revenue recognized, in addition to overall noncompliance with the contract terms.

Recommendation

The Parks Director or designee should:

Recommendation 1: The Parks Director should designate a staff member with the responsibilities to oversee the operational contract management information and clearly delineate the responsibilities regarding financial and capital components. The Parks Business Manager currently oversees financial reimbursements, and the Finance Department handles budgeting and capital assets requests; however, the Parks Director is primarily responsible for the operational oversight and should consider restructuring the Finance involvement to consultation, as needed.

Auditee Response: Concur

The PARKS Director has designated the Business Manager as the steward of the financial reimbursements, budgeting and capital requests. Cobb County Finance Department will assist as needed from a consultation point of view and be a sounding board should any issues arise from a financial aspect. The Operations Division Manager will monitor the aspects of the contract including USACE Lease requirements, capital equipment issues, maintenance requests and any other non-financial portion of the agreement. The PARKS Director will continue to have full operational oversight of the agreement. We will have this in place within 60 days of the new agreement being approved by the BOC.

Documenting and retention of monitoring activities is needed

Although existing control activities were noted, evidence of the monitoring activities were not documented and retained on a consistent basis. In addition, no written contract management procedures that provide designated contract administrators with the information to effectively manage the contracts for which they are responsible. Contract management guidelines, an attachment to the County's Policy for Procurement and Contract Management, indicates that 'All monitoring activities should be in writing, including changes to the scope of work, pricing, terms, etc.'" Specific instructions on how to monitor contract performance, the documentation needed to validate compliance with contract stipulations, and overall contract compliance is needed. The absence of such increases the risk of noncompliance and the untimely communication and notifications of contract related issues.

Recommendation

The Parks Director or designee should:

Recommendation 2: Develop written contract management procedures and ensure designated contract administrators follow best practices in contract administration to include:

- Understanding the mutual obligations of the contract.
- Ensuring the proper implementation of all contract specifications.
- Ensuring the timely and accurate payment of the vendor's invoice.
- Maintaining contract documentation including:
 - Copies of contracts;
 - Copies of all amendments;
 - Copies of correspondence (i.e. notes from meetings and phone conversations);
 - Copies of invoices; and
 - A log of problems, proposed solutions and results.

Auditee Response: Concur

The PARKS Director, Business Manager and Operations Division Manager will work to develop contract procedures that are consistent with best practices. The PARKS Director, Business Manager and Operations Division Manager will meet to discuss the establishment of these procedures and information for all Cobblestone-related items are submitted to a private folder on the PARKS common drive for use by the designees to have access and that all relevant issues are dealt with timely. The bi-annual meetings will also be a good time to discuss contract issues and ensure the vendor is compliant. We will have this once we have the new agreement in place, hopefully by late Spring/early Summer.

Business continuity procedures are needed

Critical information was not passed down during staff turnover transitions. Per the Policy on Procurement and Contract Management, Section 7, "Each department that originates a contract agreement valued at \$2,000 or greater with another entity that legally obligates Cobb County shall upload an electronic image of the original fully executed agreement to the electronic contract management repository with all supporting documentation including insurance information, all subsequent changes to the original agreement such as amendments or change orders, and any other relevant documentation."

Since the initiation and amendment of the contract, there has been significant turnover in the leadership and other staff positions that would have been integral in the oversight of this contract. There is a lack in the continuity of information and contract management requirements that were not properly transferred during turnover, and current personnel were performing monitoring activities with a clear understanding of whether their actions were effective, efficient, and/or minimizing the risk of noncompliance. Some activities were performed based on the approved budget, existing knowledge of County business practices, and/or professional competencies; however, these activities were not based on specific contract and amendment language. More specifically, key Parks staff was not familiar with the referenced contract or amendment, nor had copies of the contract been communicated, transferred, or made available during the onboarding process. Adhering to the policy requirement above would allow staff the availability of information pertaining to the contract terms. Without proper knowledge of changes made to the agreement, monitoring the operations of the contract may be inaccurate and the most recent terms of the agreement may not be utilized impacting the county's potential revenue recognized, in addition to overall noncompliance with the contract terms.

Recommendation

The Parks Director or designee should:

Recommendation 3: The Parks Director should establish a system to ensure critical tasks and responsibilities are transferred during staff turnover or organizational changes. Essential staff involved with the contract should be provided the original contract and any subsequent amendments. The established system should ensure that business continuity is practiced by properly communicating important information to staff.

Auditee Response: Concur

The PARKS Director will ensure that the agreement is available on the PARKS common drive and distributed to the Business Manager and Operations Division Manager, once approved. Any changes to the contract will be discussed among the critical staff, again once approval by the BOC. The Business Manager and Operations Division Manager will meet with the group managing Cobblestone Golf twice per year to discuss any issues with the contract/agreement. This will be complete within 30 days.

Specific Compliance Issues Need to be Resolved

During this review, we identified several instances of noncompliance and inconsistent contract stipulations. Specifically, we noted that physical inventories are not performed consistently or timely; the lack of validation that the best prices are obtained for purchases; inconsistent approval of reimbursement approvals; and bonuses paid to AGP staff as a nonallowable expense.

Periodic inventory of equipment is needed

A physical inventory of goods, merchandise, accountable equipment, or capital assets has not been performed by the Parks Business Manager for more than one year. There have been staff turnover, and it is not known when the last physical inventory of equipment items was performed by Parks. The Cobb County Accountable Equipment Policy states that per the County Manager's memo it is each department's responsibility to track all accountable equipment items in their possession.

Due to staff turnover, the inventory list had not been updated, however Parks was in the process of updating. A lack of maintaining an updated inventory list is considered noncompliant with Cobb County policies and the contract agreement.

Recommendation

The Parks Director or designee should:

Recommendation 4: A physical inventory of goods, materials, accountable equipment, and capital assets should be taken at least once a year per the Cobb County Accountable Equipment policy and update as needed. The results should be documented and maintained in accordance with the County's record retention guidelines.

Auditee Response: Concur

The Business Manager and Operations Division Manager will do an inventory of goods once per year during one of the two scheduled meetings with Cobblestone staff, preferably during the wintertime. These results will be documented and maintained on the PARKS common drive under the Business Management File and the Cobblestone Golf Folder. This will be complete within 60 days.

Validation procedures are needed to ensure best prices are obtained for purchases

There is no monitoring control in place to ensure that per AGP's purchasing policies the best prices for items are obtained. Per the amendment to the agreement, Article III, Section 3.01 states, "Such purchasing policies and procedures shall be established and implemented in such a manner as to obtain the best possible prices and costs utilizing economies of scale with similar purchases for other golf courses owned or operated by AGP, and to most efficiently expend the monies allocated for same in the budgets set forth in the approved Annual Plans for the Golf Course." Since the initiation and amendment of the contract there has been significant turnover in their leadership positions that would have been integral in the oversight of this contract.

Without proper knowledge of changes made to the agreement, monitoring the operations of the contract may be inaccurate and the most recent terms of the agreement may not be utilized impacting the county's potential revenue recognized, in addition to overall noncompliance with the contract terms.

Recommendation

The Parks Director or designee should:

Recommendation 5: As a best practice, and in compliance with the contract, a list of price comparisons for purchases should be submitted with the Annual Plan.

Auditee Response: Concur

The current contract has Bobby Jones Golf Links not following Cobb County purchasing guidelines. This was a discussion with county staff in the previous contract talks in 2010. Bobby Jones Golf Links stated that due to their multiple golf courses that they managed, purchasing power through economies of scale would save money and allow the biggest bang for the buck. While this may have true, Cobb County does not on a regular basis check this against price comparisons of other services/products.

With a new agreement and possible new vendor in 2022, this contract wording will be looked at to see if this is still applicable for the new contract agreement. If it is decided that this is the correct usage, Cobb County PARKS will ask for pricing comparisons on an as-needed basis to make sure that their purchasing is consistent with the intent of the procedure. As we are working toward the new agreement, I will work with Cobb County Legal, Purchasing and finance to make sure our agreement has the correct wording and once we have that this will be an on-going process for our Business Manager and Operations Division Manager.

Consistent approval of reimbursements needed

There is a lack in consistency of formally documented approvals. Evidence should be maintained to document independent approvals (e.g. reconciliations, funds transfer forms, etc.). Per the contract agreement, Article I, Definition of Compensation, the Parks Director was granted final approval authority on the content of all compensation for workers employed at the Golf Course. Best practices indicate good administrative oversight for contract management to ensure that contractors comply with all terms of contracts. Without appropriate control activities such as authorization and approval there is an increased risk for inappropriate transactions, and the potential of fraud and abuse.

Recommendation

The Parks Director or designee should:

Recommendation 6: Ensure that all transactions have the appropriate approvals. The BOC could consider allowing the Parks Business Manager certain authority over approving transactions in the future.

Auditee Response: Concur

The PARKS Director will speak with Cobb County Finance and the Cobb County Manager to determine appropriate approval levels. If the current approvals can be altered, we will ensure we are consistent in PARKS and across other departments as well. This will be complete within 60 days.

Bonus payments should be reimbursed

During our procedures, we noted a \$100 bonus paid to an AGP staff member that should not have been paid through the contract per the amendment. The amendment removed bonuses from the contract and therefore should not be paid with Cobb County funds. This further enforces the need for staff to be fully informed and provided with all documents pertinent to the contract agreement to prevent nonallowable expenses from being paid and to ensure compliance with contract terms. As such, this reimbursement along with any paid since the inception of the amendment, should be reimbursed to the County.

Recommendation

The Parks Director or designee should:

Recommendation 7: Ensure that bonuses are identified as a nonallowable expense and not approved for reimbursement. A review of payments since the approval of the amendment should also be performed to identify any other potential bonus payment. All amounts identified should be reimbursed to the County.

Auditee Response: Concur with alternate solution

Moving forward, Cobb County PARKS will ensure bonuses are nonallowable per the contract. I believe that asking for reimbursements that have been approved and paid in previous fiscal years will create a strained relationship with our current and possible future partners. Bobby Jones Golf Links has been notified that bonuses will no longer be paid per contract amendment. If they are selected for the future partnership, they will be allowed to bring this up as a negotiation tool, but as it stands the new agreement will not allow bonuses for staff of our vendor.

Additional Auditor's Note: The alternate solution is noted and should be documented and discussed as an instance of non-compliance with contract terms.

Detailed Objectives, Scope, and Methodology

We conducted this audit in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Our overall objective is to evaluate and ensure that the administrative contract between Cobb County and AGP for the Cobblestone Golf Course has adequate oversight and controls and are consistently monitored. Our scope period covered the original contract effective January 1, 2010, and the amendment signed on May 9, 2012 through the end of the contract period April 30, 2022.

To accomplish our objective, we performed the following steps:

- Interviewed Parks Director to understand compliance with the operating responsibilities is monitored.
- Interviewed key personnel involved with the contract agreement (Parks Business Manager; Cobb County Finance; Insurance Coordinator; Risk Manager).
- Reviewed and analyzed the contract agreement and the amendment.
- Obtained and reviewed disbursements and daily receipts.
- Verified receipts and disbursements to the bank statement for August 2021.
- Reviewed the FY2021-2022 Biennial Budget Book for financial information pertaining to Cobblestone Golf Course.
- Reviewed the monthly finance reports and noted any concerns or placement of Cobblestone Golf Course on the watchlist.

The above procedures were performed relative to the following sections of the contract agreement and amendment:

- Article III: Operating Responsibilities
- Article IV: Security Deposit; Management Fees; Fees; Rentals and Charges; Golf Shop Operations
- Article V: Accounts; Working Funds Records and Reports
- Article VI: Default, Termination and Expiration of Management Agreement
- Article VII: Assignment
- Article IX: Major Capital Improvements
- Article X: Insurance

Abbreviations

AGP	Affiniti Golf Partners, Inc.
BOC	Cobb County Board of Commissioners

Major Contributors to This Report

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Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Improved oversight and monitoring of controls for the contract – Actual; Recommendation, when implemented, will facilitate effective governance and compliance with contract requirements. (See Pages 3 - 6)
- Expense reduction – Potential; Recommendation, based on the evaluation of the current fees and best prices obtained for purchases. (See Pages 6 - 7).
- Business continuity – Actual; Recommendation, when implemented, will provide that all staff involved with the contract have received the signed contract and any amendments in order to clearly understand the expectations of the contract. An establish business continuity plan will help to mitigate risks associated with disruption of operations. (See Pages 5 - 6)
- Compliance with contract agreement – Actual; Recommendation, when implemented, will provide assurance that Parks is abiding by the terms and obligations set forth in the agreement. (See Pages 3 - 9).

Methodology Used to Measure the Reported Benefit:

During the audit period, October 1, 2017 – September 30, 2021, we reviewed all revenues and expenses. The average five-year revenue totaled \$1,943,704.78 and the average total expenses were \$1,926,795.88 for an overall average profit of \$36,908.91.

Auditee's Response

