



March 17, 1978

To: Mildred Schwab, Commissioner
Department of Public Affairs

Douglas Bridges, Superintendent
Bureau of Parks

From: Arthur Seto, Supervisor
Internal Audit Division

Subject: Interim Report
Audit of Progress Downs Lease
Agreement PAR-4, INC.

OFFICE OF
CITY AUDITOR

GEORGE YERKOVICH
CITY AUDITOR

INTERNAL AUDIT DIVISION
ARTHUR W. SETO, CPA
SUPERVISOR

1220 S.W. FIFTH AVE.
PORTLAND, OREGON 97204
248-4688

PAR-4, INC., is the concessionaire at Progress Downs Municipal Golf Course. Operations began September 29, 1972, under the terms of contract number 13306.

We have examined Par-4's internal controls over cash receipts - including playing fees, driving range fees, Pro Shop sales, etc. In our opinion Par-4's internal controls over cash receipts are satisfactory.

Section 16 of the contract provides that Par-4 shall pay the City \$8,100 annual ground rental and additional rent based on specified percentages of sales. Certain deductions, including amortization of the cost of the buildings, may be taken from the additional rent. After 15 years the realty improvements become City property upon termination of the lease. We have reviewed Par-4's records and have verified that Par-4 owes no additional rent, as provided in Section 16, to the City for the period September 29, 1972, through September 30, 1977.

Contract section 2(a), as amended, provides Par-4 shall receive rental credit for costs and allowances related to additions and improvements which were approved by the Park Bureau Superintendent and the Commissioner-in-charge. Included among the credits applied by Par-4 against its annual ground rent, as provided by this section, was a credit of \$27,384. The \$27,384 amount was for improvements to the parking lot, etc. To verify the cost of these improvements, we have requested, from Par-4, the accounting records to support these costs. When we have completed this verification we shall inform you of the results.

We also noted that the \$10,000 performance bond (required by Section 8(a)) and the evidence of fire and extended insurance coverage has not been filed by Par-4 with the City Auditor.

cc: George Yerkovich
Ron Lappi
Ron Maynard
Tim Berg