



CITY OF
PORTLAND, OREGON
OFFICE OF CITY AUDITOR

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TO: Commissioner Charles R. Jordan
Department of Public Affairs

FROM: Arthur W. Seto
Internal Audit Supervisor

SUBJECT: Audit Report - Progress Downs Golf Course Concession Lease

We have completed our review of the financial records of Par-4, Inc. (concessionaire), which operates the Progress Downs Golf Course under the terms of City Contract No. 13306 (lease agreement). This lease agreement is in effect from November 1, 1972 to October 31, 2022. Under this lease agreement, the concessionaire is to collect greens fees, operate a pro-shop, driving range, and a restaurant and bar.

The scope of our audit included:

- . determining that the contract terms have been complied with; and
- . examining the financial transactions for the fiscal year ended June 30, 1982.

Our examination included an evaluation of the concessionaire's internal controls over cash receipts derived from playing fees, driving range fees, pro-shop sales, etc. In our opinion, the concessionaire's internal controls over cash receipts is satisfactory, and that its procedures are generally in compliance with the contract. However we noted that:

- . the greens fees are not being remitted daily to the City; and,
- . the concessionaire has authorized free golf privileges without official approval.

Finding No. 1 - The Concessionaire Is Not Depositing The Greens Fee Collections Daily With The City.

Section 7(h) of the contract stipulates that the greens fees and supporting documentation are to be turned over daily to the City. However, our audit determined that the City received payment in four to seven business days after the collection date.

We recommend that the Park Bureau establish a procedure that requires the concessionaire to deposit these fees daily to the credit of a City bank account. Implementing this recommendation will also improve the cash management of City Funds.

Finding No. 2 - The Concessionaire Has Authorized Free Golf Privileges Without Official Approval.

Section 7(g) of the contract, as amended by Ordinance No. 144942, specifies that "no free golf privileges may be extended by Par-4, except as authorized in writing by the Commissioner in Charge". We noted that the concessionaire, in its June 16, 1982 memo, granted free golf privileges to the following:

- All Par-4 employees
- Full-time employees of the restaurant
- Spouses, dependents, or "friend" of Par-4's full time employees
- Other designated individuals and vendors

The concessionaire could not provide documentation to show that it had the Commissioner's authorization to permit these privileges.

Recommendation

We recommend that the concessionaire not extend any free golf privileges until it has received written authorization from the Commissioner in Charge.

Other Comments

Section 16 of the contract specifies that the concessionaire pay the City \$8,100 ground rental and other rents by October 31 of each year. Specified deductions may be deducted from the additional rent. As Exhibit I shows, the concessionaire does not owe additional rent for the period October 1, 1977 through September 30, 1981.

The concessionaire relies on its independent auditors to determine if additional rent is due each year. At the time of our audit, the independent auditors had not completed their audit for the period October 1, 1981 to September 30, 1982. Therefore, the concessionaire did not know if it owed additional rent for this period. We have requested a copy of their auditor's rent analysis for the period ended September 30, 1982, when the analysis is complete. After we have reviewed it, we will report upon the results.

We have discussed our findings with the concessionaire and the Director of Golf who concurs with our recommendations.

We appreciate the assistance and cooperation provided by the concessionaire, his employees, and the employees of the Park Bureau during our audit.

AWS:r

cc: Mark Gardiner
William V. Owens
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