



Kemper Sports Management, Inc. Audit A2019-11

Issued by the
Internal Audit Office
October 15, 2019

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the *Golf Course Management Agreement by and between the City of El Paso and Kemper Sports Management, Inc. effective September 1, 2017*. Based on the results of the audit, one finding has been identified. The finding is considered significant in nature due to noncompliance with the *Golf Course Management Agreement*.

Listed below is a summary of the finding identified in this report:

1. The Airport is not conducting monthly inspections of the Butterfield Trail Golf Course for the purpose of compliance with the Golf Course Operations and Maintenance Standards. For Fiscal Year 2018 – 2019, the Airport completed five (5) monthly Golf Course inspections (42%) of the required twelve (12) per the *Golf Course Management Agreement by and between the City of El Paso and Kemper Sports Management, Inc. effective September 1, 2017*.

For a detailed explanation of the finding, please refer to the body of this Audit Report.

BACKGROUND

Butterfield Trail Golf Club in El Paso, Texas is located off Global Reach Blvd near a planned 150-acre industrial park and adjacent to a planned hotel resort site. The golf course is owned by the El Paso International Airport and managed by Kemper Sports Management, Inc. For more than 40 years, Kemper Sports Management, Inc. has managed golf courses owned by municipalities and public agencies, including park districts and county governments. Kemper Sports Management, Inc. has managed Butterfield Trail Golf Club since its opening day in 2007.

Butterfield Trail Golf Club is a par-72, Tom Fazio designed, premium daily fee public golf course highlighted by natural sand dunes and native flora and fauna. Butterfield Trail Golf Club features more than 55 feet of elevation changes and avails itself to drama and relief with vertical transitions, making each and every hole a “signature hole.” Located just miles from the El Paso International Airport and several partner hotels, Butterfield Trail is an easy choice to take a golf getaway without having to venture too far off the beaten path.

While under Kemper Sports Management, Butterfield Trail Golf Club has received the following accolades:

- Golf Advisor’s Best of Texas in 2018 No. 3,
- Golfweek Magazine - Best Golf Courses You Can Play in Texas 2019, No. 4,
- GOLF Magazine – The Six Best U.S. Golf Courses within a Five-Iron of a Major Airport 2019,
- GOLF Magazine Most Beautiful Courses in Texas 2014.

AUDIT OBJECTIVES

The objective of this audit is to determine if the Airport and Kemper Sports Management, Inc. are adhering to the golf course management contract terms and conditions as agreed to in the *Golf Course Management Agreement by and between the City of El Paso and Kemper Sports Management, Inc.* dated September 1, 2017. Testing included the following:

- Operating the golf course per contractual terms.
- Maintaining the grounds and facilities adequately and in good form.
- Calculating gross revenues and expenses correctly.
- Reporting the monthly and year-end Profit and Loss Statements correctly.
- Providing the Annual Plan and Capital Improvement Plan when due.
- Maintaining records and books in accordance with Generally Accepted Accounting Principles.

AUDIT SCOPE

The audit period covered Fiscal Years 2018 – 2019 and included the following areas of the *Golf Course Management Agreement*:

- Annual Budget and Capital Improvement Plan
- Profit and Loss Statements and Reporting,
- Golf Course Operations and Inspections,
- Purchasing Discounts,
- Website Maintenance

AUDIT METHODOLOGY

In order to achieve the audit objectives, we:

- Conducted interviews with Airport and Kemper Sports management and staff,
- Obtained an understanding of the Golf Course Management Agreement,
- Performed a site inspection,
- Obtained an understanding of how the various revenue streams are classified and reported,
- Determined if documented cash handling Policies and Procedures are available onsite,
- Determined if the Budget, Annual Plan and Capital Improvement Plan for the period under review were submitted timely,
- Determined if Kemper Sports Management is adhering to contract terms regarding Capital purchases,
- Tested a sample of transactions for accuracy and completeness,
- Determined if Golf Course premises is adequately secured,
- Determined if the Airport Property Manager is inspecting the Golf Course and operations per the Management Agreement,
- Determined if Kemper Sports Management is negotiating contracts that are advantages to the City,
- Determined if Kemper Sports Management has video monitoring and recording capabilities in place,
- Determined if Kemper Sports Management has a process for the storage of transactional and financial data,
- Determined if Kemper Sports Management is maintaining an ongoing marketing plan for BTGC and website.
- Determined if Kemper Sports Management is reporting financial performance information as required by the Golf Course Management agreement.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

The definition of a "Significant Finding" is one that has a material effect on the City of El Paso's financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a "Regular Finding".

Finding 1

Operations and Maintenance Standards

City of El Paso Strategic Plan:

- Goal 1.2 – *Enhance visitor revenue opportunities.*
- Goal 5.3 - *Promote a well-balanced customer service philosophy throughout the organization.*
- Goal 6.13; *Maintain systems integrity, compliance, and business continuity.*

Golf Course Management Agreement By and Between the City of El Paso and Kemper Sports Management, Inc. effective date September 1, 2017.

Section 3.08 Operations and Maintenance

- A. City Inspection and Evaluation. *"At one or more times, and at any time and from time to time, but no less than monthly during the term of this Agreement, the Property Manager shall inspect some or all of the Golf Course for purposes of compliance with the Golf Course Operations and Maintenance Standards and this Section 3.08".*

The Airport is not conducting monthly inspections of the Butterfield Trail Golf Course for the purpose of compliance with Golf Course Management Agreement, Section 3.08 and Golf Course Operations and Maintenance Standards. For Fiscal Year 2018 – 2019, the Airport completed five (5) monthly Golf Course inspections (42%) of the required twelve (12) per the *Golf Course Management Agreement by and between the City of El Paso and Kemper Sports Management, Inc. effective September 1, 2017.*

Recommendation

The Airport should schedule the appropriate staff to complete monthly inspections of parts or all of the Golf Course for the purposes of compliance with the Golf Course Maintenance Agreement, Section 3.08 and Golf Course Operations and Maintenance Standards.

Management's Response

The Department of Aviation was made aware of the finding during the Audit Review and steps were immediately taken to address the issue.

The Airport developed a Contract Monitoring Plan. The purpose of the plan is to describe the methods used to monitor performance and to identify the required documentation and the resources employed to ensure inspections performed are in accordance with Section 3.08 Operations and Maintenance of the Golf Course Management Agreement. The following procedures have been implemented.

- Monthly inspections are performed of the Golf Course to ensure a comprehensive review the inspection is performed by sections and the entire facility will be inspected at a minimum annually.
- Monthly Inspections are performed by the Maintenance Superintendent
- Random Inspections are performed by the Airport Properties Manager
- The Golf Course Operations and Maintenance Evaluation Form (Exhibit B) is used to document the inspection findings. Photos are included to provide further explanation of deficiencies.
- The inspection findings are sent via email to Kemper Sports within five business days after inspection.
- A follow up inspection is performed to verify that all items have been satisfactorily corrected.
- Kemper Sports Management is required to submit the form Notice of Golf Course Deficiency (Exhibit C) to document the corrective action taken to the Airport Properties Manager.

The procedures and frequencies for inspections were discussed with airport personnel responsible for inspection and have been implement. The Monitoring Plan is attached for your information.

Responsible Party

Suzan Aguilar, Airport Properties Manager

Implementation Date

September 12, 2019

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit, which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Kemper Sports Management, Inc. Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with Generally Accepted Government Auditing Standards, we are required to conclude whether the Airport and Kemper Sports Management, Inc. met the objectives of this audit. Based on our audit work, we have determined that:

1. Kemper Sports Management, Inc. did meet the audit objectives in the following areas:
 - Maintaining the grounds and facilities adequately and in good form.
 - Calculating gross revenues and expenses correctly.
 - Reporting the monthly and year-end Profit and Loss Statements correctly.
 - Providing the Annual Plan and Capital Improvement Plan when due.
 - Maintaining records and books in accordance with Generally Accepted Accounting Principles.

2. The El Paso International Airport did not meet the audit objectives in the following areas:
 - The Airport is not conducting monthly inspections of the Butterfield Trail Golf Course for the purpose of compliance with the Golf Course Management Agreement, Section 3.08 and Golf Course Operations and Maintenance Standards.

We wish to thank Airport and Kemper Sports Management and staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File
Edmundo S. Calderon, CIA, CGAP, CRMA, MBA
Chief Internal Auditor

Signature on File
Daryl Olson, CIA, CGAP
Auditor III

Signature on File
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**City of El Paso
Internal Audit Office
Kemper Sports Management Audit A2019-11**

Distribution:

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Tim Krebs, General Manager of Butterfield Trail Golf Club

ATTACHMENT

CONTRACT MONITORING PLAN

Golf Course Management Agreement

By and Between

The City of El Paso

And

Kemper Sports Management, Inc.

Implementation Date:

September 12, 2019

CONTRACT MONITORING PLAN

INTRODUCTION

This monitoring plan is pursuant to the requirements listed in the golf course management contract terms and conditions. This plan sets forth the procedures and guidelines the Department of Aviation, Administration will use in ensuring the Golf Course is operated, maintained and managed in accordance with the Golf Course Operations and Maintenance Standards (Exhibit A).

PURPOSE

The purpose of the plan is to describe the methods used to monitor performance and to identify the required documentation and the resources employed.

METHODOLOGIES TO MONITOR PERFORMANCE

INSPECTION

In an effort to minimize the performance management burden, simplified surveillance methods will be used to evaluate Kemper Sports Managements performance. The primary method of surveillance is:

- Monthly inspections are required to be performed of the Golf Course. To ensure a comprehensive review the inspection will be performed by areas and the entire facility will be inspected at a minimum annually.
- Monthly Inspections will be performed by the Maintenance Superintendent
- Random Inspections will be performed by the Airport Properties Manager
- The Golf Course Operations and Maintenance Evaluation Form (Exhibit B) will be used to document the inspection findings. Photos are to be used to provide further explanation of deficiencies.
- The inspection findings will be sent via email to Kemper Sports within five business days after inspection.
- A follow up inspection will be performed to verify that all items have been satisfactorily corrected.
- Kemper Sports Management is required to submit the form Notice of Golf Course Deficiency (Exhibit C) to document the corrective action taken to the Airport Properties Manager.

Customer Feedback

The contractor is expected to establish and maintain customer satisfaction. Customer Satisfaction is measured from the results of at least 1,000 True Review Customer Surveys, tabulated by InMoment™. To be eligible for the incentive fee the contractor must score 90.0% satisfaction. Kemper Sports will submit the data annually per contract requirements.

Performance Review Meetings

Bi weekly Kemper Sports and The Airport meet to review the operations of the Golf Course. The agenda of the meeting may include:

- Monthly Financial Overview and recommendations for improved efficiency/or effectiveness of Golf Course Operations.
- Performance assessment data and trend analysis
- Issues and concerns of both parties
- Projected outlook for golf rounds for the upcoming months and progress against expected trends
- Sales and Marketing Plans