

Golf Operations Follow-Up Audit October 2013

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Golf Operations Follow-Up Audit



Office of the City Auditor

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Executive Summary

*13 prior audit
recommendations were
fully implemented*

*Six prior audit
recommendations were
partially implemented*

Fully Implemented

*Revised Standard
Operating Procedures*

*Increased monitoring of
Golf Division activities*

*Increased marketing
efforts*

*Tournament booking
services*

Partially Implemented

*Pro-Shop Keeper reports
dashboard*

*Pro-Shop Keeper
interface with the Lawson
accounting system*

Marketing Plan

Reorganization Plan

As part of the Fiscal Year 2012 Annual Audit Plan, the City Auditor's Office has completed a follow-up to the Golf Operations Audit released in August 2012. The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. 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. The audit objective was to determine the implementation status of prior audit recommendations.

The initial audit report included 19 audit recommendations. Management fully implemented 13 of the prior audit recommendations and partially implemented the remaining six.

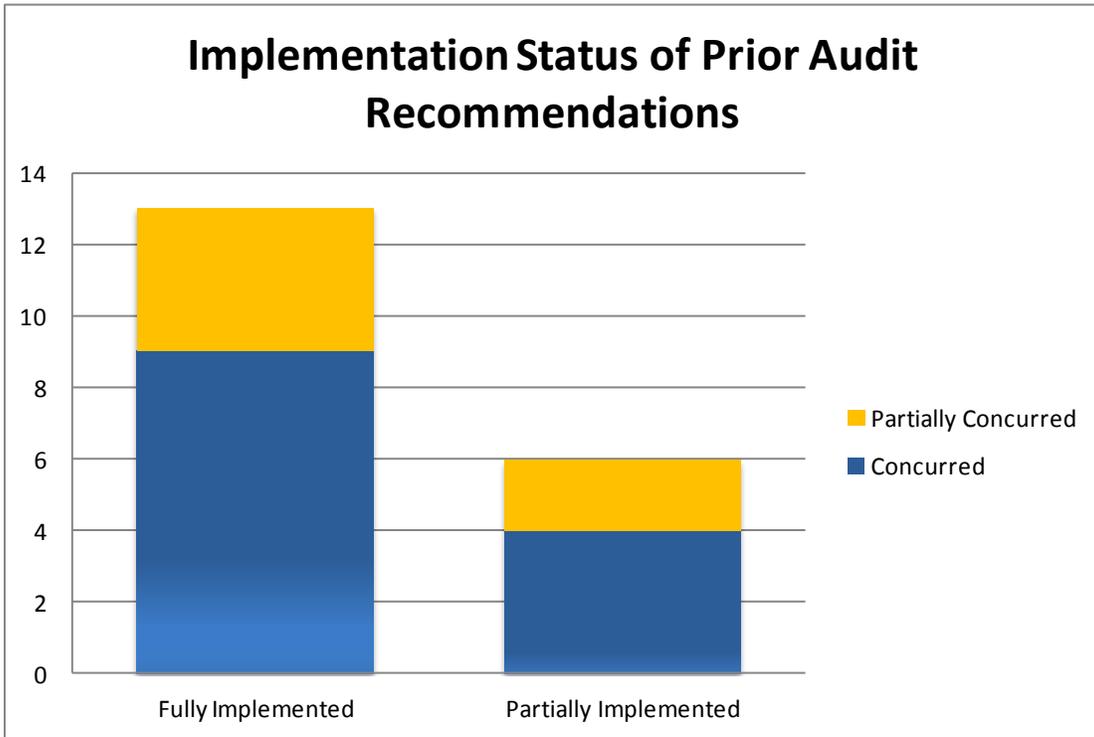
The recommendations that were fully implemented include:

- revised standard operating procedures concerning player incentives/discounts, revenue performance, annual pass accounts, lesson booking, and merchandise sales expectations;
- increased monitoring of Golf revenue/expenditures, incentives/discounts, annual pass use, clinic revenue/expenses, and merchandise profit margins;
- increased marketing efforts; and,
- a tournament booking services contract, analysis of the tournament booking process, and verification of vendor invoices.

Recommendations that were partially implemented include:

- Pro-Shop Keeper (PSK) reports dashboard, which is expected to be completed by the beginning of FY2014;
- PSK interface with the Lawson financial system;
- a comprehensive Marketing Plan and Strategy that is expected to be completed in late Fall 2013; and,
- a Reorganization Plan.

The chart below depicts the implementation status of prior audit recommendations shown in the Golf Operations Audit dated August 24, 2012.



Audit Scope and Methodology

The following methodology was used in completing the audit.

- Reviewed initial audit report and management's responses
- Reviewed revised Standard Operating Procedures
- Viewed new reports dashboard within the Pro-Shop Keeper (PSK) system
- Discussed Parks' development of a Marketing Plan and Strategy, as well as a Reorganization Plan
- Reviewed various processes for increased monitoring of Golf activities
- Reviewed changes in daily operating procedures

Status of Prior Audit Recommendations

Prior Audit Finding

The Golf Division does not utilize the current golf point of sale (POS) system for historical analysis and management of course utilization data by day of week and time of day.

Recommendation: The Parks and Recreation Director should ensure that specific guidelines are established regarding the use of incentives and discounted rates.

Management's Response: Concur. Although there is no formal written document outlining the specific use of discounts and incentives, the Golf Division does have informal guidelines that facility managers follow when offering discounts outside of the normal rates.

Staff will develop general (flexible) written guidelines outlining discounts and incentives and utilize new reporting data from PSK to monitor sales and discounts. Staff will also develop a tracking tool for discounts given that can be used by Golf Administration and Business Services for periodic auditing.

Due to the oversaturation of golf courses, as well as the national decline in avid golfers over the past five years, the golfing industry has evolved into a coupon or discounted driven business.

While audit recommendations have identified unusual daily rate fee charges, it is vital to remember that previous versions of the PSK software did not provide effective coupon features. Often, the discounted senior rate was the same fee as the advertised special, providing staff an easy function to designate the senior rate "button" as a regular discount category. In February, 2012, PSK released an updated software package which provides a specific coupon category. This new feature is being utilized to properly categorize regular specials and to allow staff to evaluate the effectiveness of specials offered through data reporting capabilities.

As demand for our courses change, due to tournaments, competitive specials, weather fluctuations, weddings, outings or a multitude of last minute factors, staff must be flexible and react quickly by making competitive price adjustments. Golf Administration also utilizes third party tee time booking services such as Golf Now and group discount sites such as iDeal Golfer and Golf Q to book unreserved tee times. When operating within the Performance Fund, it becomes the facility manager's number one objective to increase revenue generation, making last minute decision making a vital part of the manager's core duties.

Through operational improvements and the utilization of discounts and specials in FY 2011, it should be noted that Arlington golf experienced an increase of 19,968 (16.89%) rounds and \$628,923 (14.79%) in revenues over FY 2010. When comparing Arlington to surrounding cities, Dallas experienced growth of 13,373 (8.78%) rounds and \$179,660 (6.24%) in revenue, Grand Prairie experienced growth of 8,507 (12.38%) rounds and \$63,521 (2.35%) in revenue and Fort Worth experienced a loss of -9,167 (-6.01%) rounds and -\$176,944 (-4.07%) in revenue when compared to fiscal year 2010. In addition, for fiscal year 2012, through the end of July, the Golf

Prior Audit Finding (cont'd)**The Golf Division does not utilize the current golf point of sale (POS) system for historical analysis and management of course utilization data by day of week and time of day.**

Division has experienced an increase of 14,778 (13.17%) rounds and revenue growth of \$659,532.78 (16.54%) as compared to the same time period for FY 2011.

Target Date: December 2012

Responsibility: Greg Durante, Golf Services Manager

Implementation Status: Fully Implemented

The Golf Division has developed general (flexible) guidelines relating to golfing discounts and incentives. These guidelines give the Head Golf Professional at each course, as well as other Golf staff, the ability to offer discounts to golfers when they feel it is needed to increase revenue.

On a regular basis, Golf Administration selects a random sample of golfers to ensure that the correct fees are charged. When a discount is given or a coupon is used, the related discount/coupon is verified. Also, a daily coupon report within the Point of Sale (POS) system allows management to review activity for specific user coupon codes to ensure accuracy.

The City Auditor's Office reviewed a sample of tee sheets to ensure that golfers were charged the correct fee and that coupons were properly applied. No exceptions were noted.

Prior Audit Finding

The Golf Division does not utilize the current golf point of sale (POS) system for historical analysis and management of course utilization data by day of week and time of day.

Recommendation: The Parks and Recreation Director should ensure that periodic reviews are conducted to monitor revenue performance and identify trends that require further review and analysis.

Management's Response: Concur. The Golf Division does review revenue performance on weekly basis, however additional audits and comparisons could be utilized to monitor peak and off peak rates in an effort to increase overall performance. The golf policy manual currently outlines the routine protocol that should be used when auditing course performance. Considered a regular practice that should be completed by each manager, formal documents are required monthly to assure business audits are conducted. Golf Administration will provide all managers training to include expectations and how the audit checklists will be reviewed by senior golf management and Parks and Recreation Business Services. Additional reporting provided by PSK should also provide more tools for managers to monitor individual course performance.

In addition, facility managers are required to review internal surveillance camera data to identify and research discrepancies in revenue. This system employs a text overlay that allows managers to view the actual receipt transaction during the customer purchase and this process has been effective in identifying theft and irregular operational behaviors.

Target Date: January 2013

Responsibility: Greg Durante, Golf Services Manager

Implementation Status: Fully Implemented

Golf management has revised its policies and procedures relating to periodic reviews, which are intended to monitor revenue performance and identify trends. The procedures require periodic, random audits of golf shops and food/beverage sales, along with a review of surveillance video.

Management also reviews monthly reports for each golf course. The monthly reports include revenue and rounds information to help each Head Golf Professional monitor revenue projections. In addition, Golf management reviews monthly information (revenue and rounds) in relation to current year-to-date projections, and compares the current year to the previous year to identify significant fluctuations.

A sample of Golf management's random audits and monthly revenue report reviews were selected during this audit. Audit results indicated that the Parks Department was conducting the periodic reviews as stated within their departmental policies and procedures.

Prior Audit Finding**The Golf Division does not have a formal, directed marketing approach.**

Recommendation: The Parks and Recreation Director should ensure that staff analyzes the use of Pro-Shop Keeper to identify opportunities to gather and record more golfer demographic information to support future marketing efforts.

Management's Response: Partially Concur. Feedback from customers is that they want to check in as quickly as possible. Consequently, the use of PSK is not the best solution for capturing all of the desired information. True, zip code information can easily be gathered using PSK, but the Golf Division will have to use other points of contact to accomplish this need.

The Golf Division recognizes the need for additional customer information for moving advertising, sales and marketing initiatives forward. This would include increasing the size and effectiveness of the existing email database, capturing mobile phone numbers for text messaging, capturing additional potential tournament lead information and expanding the use of social media and commerce. Collected information will be stored in the arlingtongolf.com website as this will be the primary means of distribution.

These tasks can be completed through creative campaigns such as, but not limited to, arlingtongolf.com, social media, email blasts to current databases with links back to a registration form, hard copy registration forms that can be handed out during tournaments, birthday specials and "tell a friend" reward campaigns. All of these strategies will be implemented by the marketing staff, with the assistance of golf, to assure new marketing approaches are implemented in a satisfactory manner.

Target Date: September 2012

Responsibility: Greg Durante, Golf Services Manager
Ryan Hegreness, Marketing and Enterprise Development Manager

Implementation Status: Fully Implemented

A Marketing and Enterprise Development Coordinator was hired in November 2012. This individual uses social media (Facebook and Twitter) as the main connection to the golfing community. According to Golf management, the number of "friends" on Facebook has increased significantly (from 100 to 2,500) since overall marketing enhancements.

In addition, other means are used for collecting golfer information, such as:

- 1) Ideal Golfer program – participant e-mail address is required;
- 2) Mailers (coupons) – mass mailing to specific zip codes within the metroplex;
- 3) Frequent player programs – captures golfers' email addresses; and,
- 4) Hand-outs – gives golfers an opportunity to provide personal information.

Prior Audit Finding

The Golf Division issued payments for tournament booking services to a vendor not covered by a written contract.

Recommendation: The Parks and Recreation Director should require that Parks staff conduct an analysis to determine whether it is more cost effective to procure outside tournament booking services or utilize in-house personnel.

Management's Response: Concur. The Golf Division believes that it would be more effective to move contracted tournament services to an in-house staff member. Currently, external services are utilized for bringing potential tournaments to Arlington golf courses. While initially, a hybrid approach is necessary, the department is evaluating the feasibility of an in-house approach. A plan is being developed to outline the business case for the position. This process will be addressed through the budgetary process.

Target Date: Completed April 2012

Responsibility: Gary Packan, Assistant Director of Enterprise Programs
Greg Durante, Golf Services Manager

Implementation Status: Fully Implemented

The Parks and Recreation Department performed an analysis and determined that it would be more cost effective to utilize in-house tournament booking services. Prior to determining that in-house was more cost-effective, a contract had been executed with an outside vendor. The City's contract with the outside vendor has a February 2014 expiration date.

Prior Audit Finding

The Golf Division issued payments for tournament booking services to a vendor not covered by a written contract.

Recommendation: The Parks and Recreation Director should ensure that a formal contract is executed for tournament booking services, if utilizing an outside source to provide such services is considered to be in the best interest of the City of Arlington.

Management's Response: Concur. The Golf Division began working with the City Attorney's Office in 2011 to develop a formal contract for this service. The contract has been drafted and executed by all parties.

Target Date: Completed April 2012

Responsibility: Gary Packan, Assistant Director of Enterprise Programs
Greg Durante, Golf Services Manager

***Implementation Status:* Fully Implemented**

The City has entered into a contract with Corporate Swing, Inc. for tournament booking services. Corporate Swing's duty is to perform services necessary to seek out and recruit tournaments and outings to be held at all four golf courses. The contract, which is a renewal of a prior one-year contract, was dated February 10, 2013 for a one-year term. Upon expiration of the contract, the City will utilize in-house booking services.

The Parks and Recreation Department plans to fill the Tournament and Event Coordinator position in the Fall of 2013.

Prior Audit Finding

The Golf Division issued payments for tournament booking services to a vendor not covered by a written contract.

Recommendation: The Parks and Recreation Director should ensure that the Golf Division compares tournament revenue to contractor invoices prior to authorizing payment for tournament booking services, if an outside source is used to provide such services.

Management's Response: Concur. Comparison reports between the contract Tournament Coordinator invoices and PSK will be analyzed for accuracy by the Golf Operations Administrator prior to submitting for payment.

Target Date: Completed April 2012

Responsibility: Greg Durante, Golf Services Manager
Sandra Grimm, Golf Operations Administration

Implementation Status: Fully Implemented

Golf Administration now has a process in place whereby all tournament invoices are reviewed for accuracy prior to payment. The vendor's invoice is compared to the detail data sheet obtained from the POS system before payment is made.

Prior Audit Finding

The Golf Division issued payments for tournament booking services to a vendor not covered by a written contract.

Recommendation: The Parks and Recreation Director should ensure that complimentary services be approved, in writing, by the appropriate person.

Management's Response: Concur. The Golf Division will rewrite the contract when it expires adding in language that will provide detailed payment requirements regarding tournament services.

Target Date: May 2013

*Responsibility: Greg Durante, Golf Services Manager
Sandra Grimm, Golf Operations Administration*

Implementation Status: Fully Implemented

Approval of complimentary services is not necessary, as management revised the contract to specifically address complimentary services. When the contract for tournament recruiting services was renewed in February 2013, the contract was amended to include the following statement: "All consultant invoices must be received within 60 days of event, after that time, services will be deemed complimentary from consultant."

Prior Audit Finding

The Golf Division has not established adequate internal controls over the use of annual passes.

Recommendation: The Parks and Recreation Director should ensure that the Golf Division discusses, with the vendor, the feasibility of modifying the current POS system to require that annual pass rates be allowed only for active annual pass accounts. If a system modification is not feasible, management should periodically confirm through database analysis or other means that annual pass green fees are only provided to golfers with active annual pass accounts.

Management's Response: Partially Concur. To minimize potential abuse, staff will email the Golf Operations Administrator when a pass is utilized after expiration, or when newly purchased. The Golf Operations Administrator will be responsible for tracking and auditing usage. In addition, staff will put a mechanism in place for contacting pass holders, whose passes are about to expire. This proactive step will provide the pass holders advanced notice and encourage them to contact Golf Administration as soon as possible to renew the pass. This step may not eliminate play on expired passes, but should significantly reduce this from happening and will provide an audit trail to support any exceptions.

The point of sale system currently notifies the attendant of an expired annual pass and there are occasions where the attendant may allow a customer to play with an expired pass. This primarily results from the processing time for either a new pass or a pass renewal. The decision was made by the Golf Division to centralize pass card distribution and renewal years ago, in an effort to improve asset control. This meant that there is a delay (between three and 15 days) between the purchase and the time the pass is activated in the POS System. If this process is decentralized, it could allow pass expiration dates to be issued or changed without ringing the sale into the POS and risking a loss of between \$190 and \$2,500, depending on the pass purchased. In addition, granting additional access within PSK would allow rights to sensitive areas of the POS system that are considered off limits to front counter personnel.

A less than frequent occurrence, but another reason a customer would be allowed to play on an expired pass, has to do with customer service and retention. An example would be when a long time customer, who was not aware that their annual pass had expired, arrives without the ability to pay the renewal fee. With the amount of competition for play, it is important that the facility show empathy and make customers feel special by allowing them to play and renew during their next visit. All efforts are made to keep PSK updated as quickly and as accurately as possible. There are strategies outlined in the Golf Division SOP dealing with the auditing of annual pass play.

Prior Audit Finding (cont'd)**The Golf Division has not established adequate internal controls over the use of annual passes.**

Target Date: October 2012

Responsibility: Greg Durante, Golf Services Manager
Sandra Grimm, Golf Operations Administration

Implementation Status: Fully Implemented

The Golf Division has a process in place whereby the Point of Sale (POS) system notifies the golf attendant within 14 days of when a golfer's annual pass will expire. The list is then emailed to the Head Golf Pro at each course to allow staff attendants the opportunity to advise golfers of their annual pass status, provided the golfers golf within that 14-day timeframe. The system will also notify the attendant when the pass has expired. Once notified that the pass has expired, the staff attendant can advise the golfer of the expired pass. The golfer is allowed to play one round after his/her annual pass has expired. However, the golfer is required to pay regular fees if the annual pass is not renewed before the next round.

Golf management also performs monthly audits of the POS system, by selecting a random sample of golfers from the tee sheet. Any exceptions (e.g., golfer paid incorrect fee) would be identified during this process.

In instances where a golfer's annual pass had expired, the City Auditor's Office reviewed golf records one round after the pass expiration date, to ensure proper use/restriction of the annual pass. System notifications to Golf staff and management were also reviewed. No exceptions were noted.

Prior Audit Finding**The Golf Division does not track private lessons.**

Recommendation: The Parks and Recreation Director should either require that staff at each course adhere to established policy by using a master scheduling book to better track when lessons are held and with whom, or revise Golf's standard operating procedures.

Management's Response: Concur. The Golf Division will modify the SOP to remove the use of the master scheduling book. This book was used prior to the clubhouse attendants having access to Microsoft Outlook on the City network. The Golf Division does track private lessons as they are entered into the POS. Reports of lessons are reviewed by facility managers from the POS and turned in to the timekeeper as part of the payroll process. The lessons are given apart from the 40-hour work week and compensation from the lesson is greater than an overtime rate, where applicable. As the lessons are part of the employee's pay, the City retains 25% of the lesson income to cover the associated matching benefits. It is standard industry practice that Clubhouse Attendants (Assistant Golf Professionals, industry term for Clubhouse Attendant) and Head Professionals earn additional compensation above their hourly wage for teaching private lessons, as their hourly wage is low. The Golf Division earns very little net revenue from the actual lesson, but benefits long-term from customer retention and loyalty.

Target Date: Completed August 2012

Responsibility: Greg Durante, Golf Services Manager

Implementation Status: Fully Implemented

The Golf Division has revised their standard operating procedures and deleted the reference to the master scheduling book. Current policies and procedures require that private lessons be rung through the Point of Sale (POS) system.

Prior Audit Finding

Participant and payment information for Junior Summer Clinics are not accurately recorded in Pro-Shop Keeper.

Recommendation: The Parks and Recreation Director should require that participant and payment information be entered into the point of sale system at the time of registration.

Management's Response: Partially Concur. A regular audit will be developed to check the "gift cards" that are used to make sure that each card is closed at the end of the program. This audit will ensure that the accounting for each program is correct and allocated to the appropriate accounting unit.

The purpose of ringing sales for summer clinics into a "gift card account" is to allow for customers to pay in advance for the clinic as well as the ease of distributing funds (eliminating the need for journal vouchers to correct account line items) at the conclusion of the clinic. For summer camp clinics, all revenues are now entered under one "gift card" number. The clinic typically lasts for four days and is then processed into the POS after the conclusion of the fourth day. This step allows for assigning the correct amount to each line item category (SKU number) that corresponds to the goods and services used. The clinics will vary from week to week in number of students, number of instructors per day, supplies needed, snacks and beverage items, prizes awarded for contests and any price increases. With these numerous variables, it would be extremely difficult to accurately determine a price and create a SKU number prior to the registration. In addition, as this amount would not be exact, additional resources would be needed in creating journal vouchers to correct the line item differences.

Currently, the Golf Division requires all transactions to be entered into the POS at the conclusion of the clinic. The receipt with all the line items identified is then attached to the payroll clinic worksheet for verification. Participant information is collected in the form of name, address, age, parental name and address, skill level and email address (if they choose to provide). After all paperwork is submitted, the Golf Operations Administrator verifies that all funds have been utilized and dispersed properly. This process was implemented in 2010. Additionally, golf management will ensure that each clinic utilizes a separate "gift card account" to ensure accuracy during the payroll process.

Target Date: Completed August 2012

Responsibility: Greg Durante, Golf Services Manager
Sandra Grimm, Golf Operations Administration

Implementation Status: Fully Implemented

The Golf Division has a process in place whereby each golf clinic is issued a unique gift card number. All revenues and expenditures for the clinic are accounted for through that special gift card. Once the clinic is finished, the Golf Operations Administrator verifies the accuracy of clinic revenues and expenditures, and prepares a schedule that is sent to the Financial Services Department for processing of the instructor's payment. The Golf Operations Administrator also verifies that the gift card has been properly closed out.

Prior Audit Finding

Participant and payment information for Junior Summer Clinics are not accurately recorded in Pro-Shop Keeper.

Recommendation: The Parks and Recreation Director should require that a reconciliation is performed to ensure that revenue is properly recorded.

Management's Response: Concur. The Golf Division has in place a revenue worksheet for golf clinics that is utilized to calculate instructor pay and provide information that is used during the payroll process. This worksheet is completed by the Head Golf Professional at the location in which the clinic takes place and is then turned into Golf Administration. Although the process is sound and works well, the Golf Division did experience a situation where a new Head Golf Professional made an error when completing the sheet. When this error was discovered, additional training was provided to the employee. The Golf Division will continue to reconcile POS information with the worksheet to ensure accuracy.

Target Date: Completed April 2012

Responsibility: Greg Durante, Golf Services Manager

Implementation Status: Fully Implemented

The Golf Division has implemented steps to reconcile the revenues and expenditures relating to clinics.

Prior Audit Finding**Clear profit goals and sales expectations do not exist for merchandise purchased for resale.**

Recommendation: The Parks and Recreation Director should ensure that clear profit margin goals and sales expectations are established by product class to help ensure that cost recovery goals are met.

Management's Response: Partially Concur. The Golf Division will develop and add basic guidelines to the SOP; however, due to the nature of the golf resale industry, these guidelines will be very general.

PSK does provide reports that can be utilized by Head Golf Professionals and administration to review and analyze sale and discount trends. In addition, staff will be required to increase the frequency of viewing reports as part of the monthly audit process.

The goal of merchandise sales is to earn as much net revenue as possible. While this seems like a simple concept, it is quite involved. Net revenue objectives vary between product class (golf clubs, balls, gloves, shoes, etc.), and vary within each class by vendor. Further driving these margins are outside influences such as competition from discount stores, internet sales, advertising influence as well as customer demand. Some vendors have set suggested retail pricing to follow, however they are rarely followed by our competition. One of the largest factors is that the competition often has greater buying power and can obtain larger discounts on like product. For the Golf Division, it is then necessary to come as close as possible on pricing for some items (usually golf balls) as they are often sold for a lower margin and more as a lost leader. If the Golf Division's prices are substantially higher on these items, customers will assume that pricing is higher on all items, leading to lower overall sales. An industry standard for marking up clothing is to double the cost for the retail price. However there are alternative purchasing opportunities for off price or close out items that would not follow the same principal of markup.

An attempt was made to find comparative data from the PGA and the National Golf Foundation related to what the net revenue (profit margin) for municipal operations in the North Texas, Texas, or the US for merchandise sales. Unfortunately, no information is available to use as a benchmark as to how the Arlington Golf Division's 25.6% net revenue margin compares. The only information found was a national average of 30.7% for public facilities, which includes high-end resort courses that have greens fees up to \$200 where the customers have more discretionary income and higher margins are attainable. Lastly, and not discussed in the report, is the number of times the inventory is turned over during the year. This is important because a facility can have a lower profit margin and higher inventory turnover, and make more total net revenue than a facility with a higher profit margin and lower turnover.

As part of the retail industry, there are times where product must be sold below cost in order to clear old or seasonal inventory. When attempting to clear old or slow moving inventory, some products may need to be marked below cost to clear room for new stock. This follows standard

Prior Audit Finding (cont'd)**Clear profit goals and sales expectations do not exist for merchandise purchased for resale.**

retailing practices. The public, as well as staff, have the ability to purchase sale items at the lower price point. Staff analyzes the inventory to determine when product should be reduced in order to maximize the sales opportunity and maintain proper inventory levels. It is recognized that every item is not going to be sold at the initial retail offering and markdown strategies are considered when determining the initial retail offering. In addition, merchandising skills are required of the Head Golf Professional and identified during the hiring process.

The Golf Division does have budgetary goals to attain for annual merchandise sales. However, it is important to consider that the primary business for the Golf Division is greens and cart fees, and merchandise is an amenity to the golfer, supporting the entire golf experience. The Golf Division works to maximize net revenues necessary to reach 100% cost recovery while balancing customer loyalty and retention.

Target Date: December 2012

Responsibility: Greg Durante, Golf Services Manager

***Implementation Status:* Fully Implemented**

The Golf Division has revised their standard operating procedures to better describe the pricing of merchandise. Golf management indicated that due to the nature of golf sales, established procedures are very general.

Golf management has set monthly/annual goals for sales/rounds at each golf course. The ultimate goal is to generate net revenues that are consistent with or better than industry standards. The Golf Business Administrator is responsible for reviewing the Net Income Product Summary Report on a regular basis to monitor what is being sold and at what margin.

Tests performed during this audit included a review of desired net revenue for each golf course from April through August 2013. The tests showed monthly margins between 30% and 38%, with an accumulated margin of 33.2% - which is above the national average of 30.7%.

Prior Audit Finding**Information in Pro-Shop Keeper does not accurately reflect what is recorded in Lawson.**

Recommendation: The Parks and Recreation Director should ensure that items are properly entered into Pro-Shop Keeper upon receipt.

Management's Response: Concur. The Golf Division will increase verification steps, randomly checking to ensure that items are properly entered into Pro-Shop Keeper which may involve the assistance of the Business Services group within the Parks and Recreation Department. The Golf Division does have a process in place for properly entering products into the POS; however, one golf course did experience an issue where an employee did not follow the established SOP. The employee received additional training and was administered the proper discipline.

Target Date: Completed April 2012

Responsibility: Greg Durante, Golf Services Manager
Sandra Grimm, Golf Operations Administration
Business Services

***Implementation Status:* Fully Implemented**

The Golf Division has developed steps to ensure that merchandise invoices are properly entered into the Pro-Shop Keeper system. During this audit, a sample of invoices was reviewed. The City Auditor's Office noted that the merchandise SKU information was written on the back of the invoice and was entered into Pro-Shop Keeper.

Prior Audit Finding

The Golf Division does not utilize the current golf point of sale (POS) system for historical analysis and management of course utilization data by day of week and time of day.

Recommendation: The Parks and Recreation Director should ensure that staff seeks to increase the utilization of PSK data by working with the vendor to develop desired reporting capabilities, including the ability to summarize play by day of week/time of day, as feasible or consider partnering with the University of Texas at Arlington (UTA), the City's Information Technology Department or outside consultants to obtain information technology assistance in developing additional Pro-Shop Keeper reporting capabilities using external report writing software.

Management's Response: Partially Concur. The Golf Division utilizes PSK data to provide a foundation for projecting revenues. This information, along with other data, is averaged over a five year period to determine performance. Other variables are also taken into consideration, such as inclement weather, course conditions, competitions, watering restrictions, droughts and other unforeseen circumstances. These factors impact daily use and therefore must be taken into consideration when determining course specials and discounted rates. If discounts are predetermined without consideration of these variables, substantial loss can occur from providing lower green fees and other discounts during peak usage and tournaments.

Staff has been working with PSK for additional reports and features. Future software updates will provide greater report customization and provide a dashboard approach with emphasis on revenue generation at each facility. These customized reports are the result of a nation-wide effort, by the vendor, to solicit precise feedback from golf facility managers. In addition, the Golf Division is working with PSK and Information Technology to create an interface in Lawson for revenue uploads, which would reduce labor hours and data entry errors.

Target Date: Pending release of next version from PSK

Responsibility: Greg Durante, Golf Services Manager

Implementation Status: Partially Implemented

The Pro-Shop Keeper (PSK) software has been updated so that there is more information available through the software. PSK is in the process of implementing a reports dashboard module with various customized reports, including a report that shows revenue by day of week/time of day. Also, staff is in the process of being trained on the new system.

The interface between PSK and Lawson has not been completed.

Prior Audit Finding

The Golf Division does not utilize the current golf point of sale (POS) system for historical analysis and management of course utilization data by day of week and time of day.

Recommendation: The Parks and Recreation Director should ensure that specific revenue goals are established for the Golf Division based on day of week/time of day analysis.

Management's Response: Partially Concur. Within the marketing plan / golf strategy, staff will develop a general guideline that provides a month-to-month framework of potential scenarios and opportunities to improve operations by time of day, week and month. This guideline will provide staff direction with historical data and potential marketing opportunities to enhance rounds, merchandise sales, food and beverage and programs.

The Golf Division provides monthly revenue goals which are identified by location and line item. During budget development, a very extensive process utilizing weather and course usage history is used to forecast both revenues and expenditures. These monthly revenue goals are then reviewed by golf management weekly so that adjustments can be made during low use times to prevent unutilized tee times and unsold inventory.

Golf management produces and analyzes daily sales reports, logs and rounds information for each golf course. This information is then submitted to golf administration for review.

Since the Golf Division is directly impacted by weather, surrounding course competition, third party discounts, course conditions and tournament bookings, many of which can change on a day to day basis, relying heavily on a time of day and day of week report would make it very difficult to offer appropriate specials and course discounts. While historical data does serve as an informative tool for revenue projections, it should be utilized in conjunction with current data sources, weather forecasts and course tournament operations.

Golf Division managers utilize historical daily sales data when pricing potential tournaments and events to assure overall revenue will not be impacted by displacing regular play.

Target Date: September 2013

Responsibility: Greg Durante, Golf Services Manager

Implementation Status: Partially Implemented

The Parks and Recreation Department is in the process of developing a department-wide Marketing Plan. This plan will address golf rounds, tournaments, and retail and food/beverage sales, with the purpose of increasing revenue.

Management at each of the golf courses, as well as Golf Administration, monitors various reports on a monthly basis. The information reviewed included: 1) monthly revenue by category such as green fees, practice hole fees, merchandise, range fees, lessons, etc.; 2) current year budget-to-actual comparison of rounds and revenue; and 3) current to previous year comparison of rounds and revenue.

Prior Audit Finding**The Golf Division does not have a formal, directed marketing approach.**

Recommendation: The Parks and Recreation Director should ensure that a more comprehensive marketing plan is developed for the Golf Division. The plan should include, but not be limited to, periodic market research and identification; collecting, interpreting and presenting data to determine the effectiveness of marketing strategies; and creating post-campaign response-tracking reports and promotional analysis to help define future strategies.

Management's Response: Concur. It is the intent of the Golf Division to develop a more formal advertising and marketing plan as part of the restructuring of the Parks and Recreation Marketing and Enterprise Development business unit. A member of the marketing unit will be assigned to oversee the responsibilities of marketing the services provided by all four golf courses and the Ventana Grille. In addition, as a recommendation of this audit, the department will evaluate the feasibility of including a position within a business plan that will be presented to the City Manager's Office for consideration. If the position is approved, job responsibilities will include managing tournaments and sales on behalf of the Golf Division. Currently, this position is a contracted service and staff believes an internal dedicated individual for this effort will be more productive and lead to a more consistent service delivery. This position will also help in monitoring and evaluating market research to determine effectiveness of promotional campaigns.

The Golf Division does perform occasional post-campaign analyses to determine the effectiveness of specific promotions. Examples of this are: iDeal Golfer internet specials where redemption rates, new and returning customers and ancillary income were measured; billboards with calls to action; Fort Worth Weekly call to action; and the Avid Golfer Passbook coupon. Since additional research is needed, the Marketing and Enterprise Development Coordinator will be directed to provide supporting research to business units within the Parks and Recreation Department.

Target Date: September 2013

Responsibility: Gary Packan, Assistant Director of Enterprise Programs
Greg Durante, Golf Services Manager
Ryan Hegreiness, Marketing and Enterprise Development Manager

Implementation Status: Partially Implemented

The Parks and Recreation Marketing and Enterprise Development team is currently in the process of developing a comprehensive marketing plan for the entire department. The marketing plan includes items such as:

Prior Audit Finding (cont'd)**The Golf Division does not utilize the current golf point of sale (POS) system for historical analysis and management of course utilization data by day of week and time of day.**

- 1) Market Segments & Target markets (demographics, psychographics and survey data)
- 2) Competitors for each golf course (“true competitors and providers of similar products)
- 3) Marketing Plan strategies and objectives (one year and forward)
- 4) Increasing awareness of current facilities and programs

The Marketing Plan is expected to be completed in early Fall 2013.

Prior Audit Finding**The Golf Division does not have a formal, directed marketing approach.**

Recommendation: The Parks and Recreation Director should consider hiring additional personnel, outside consultants or interns from local universities to assist with marketing efforts, as can be justified by potential revenue enhancement.

Management's Response: Concur. The Parks and Recreation Department is implementing a reorganization within the Enterprise Programs Division to provide additional marketing resources to the department.

The department is also following up on the recommendation within this audit to evaluate contract services of tournament booking, and to determine if value would exist for this service to be conducted internally. This staff member could be utilized to coordinate the recruitment and implementation of tournaments and special events, as well as assisting in business to business development while promoting all four golf courses and restaurant.

Target Date: December 2012

Responsibility: Gary Packan, Assistant Director of Enterprise Programs
Greg Durante, Golf Services Manager

Implementation Status: Partially Implemented

The Parks and Recreation Department has developed a reorganization which will include a Tournament and Event Coordinator. The Tournament and Event Coordinator will provide additional marketing efforts, such as sales and services to tournaments, outings, and receptions at all four golf courses. The additional revenue produced from this position is estimated to cover the costs of the reorganization process. Since the Tournament and Event Coordinator position was not approved until the FY2014 Annual Budget, the Parks and Recreation Department has not yet filled the position.

In addition to the Tournament and Event Coordinator position, the Parks and Recreation Department has hired a Marketing and Enterprise Development Coordinator that will focus on golf marketing. Per Parks management, this position will specifically focus on increasing rounds, food and beverage sales and tournaments.

Prior Audit Finding**No Cost Recovery Policy exists for Golf Operations.**

Recommendation: The Parks and Recreation Director should ensure that work continues to develop and implement a Cost Recovery Policy for Golf Operations.

Management's Response: Concur. With the current operational philosophy of achieving 100% cost recovery, a policy would not be valuable at this time. What is needed is a golf strategy that outlines programs and services, as well as supporting expenses that are required to attain and maintain 100% cost recovery. This will be incorporated into a marketing plan for the department.

The entire Golf Division strives to operate at 100% cost recovery, including approximately \$525,000 in annual debt service necessary for the land acquisition and construction of the Tierra Verde Golf Club. It is to the advantage of the Golf Division to operate with this mindset as any additional net revenue is utilized to make facility and equipment improvements. The Golf Division operates in a continuous process improvement environment to streamline operations and cut expenses as business dictates. Examples of this are with the restructuring of Golf Administration and management oversight of Meadowbrook Park Golf Course to reduce salary expenditures, drilling of water wells, and the use of off-road diesel to reduce operating costs without impacting product and service delivery.

Target Date: September 2013

Responsibility: Gary Packan, Assistant Director of Enterprise Programs
Greg Durant, Golf Services Manager
Ryan Hegreness, Marketing and Enterprise Development Manager

Implementation Status: Partially Implemented

The philosophy of achieving 100% cost recovery is being provided through the Parks and Recreation comprehensive Marketing Plan and Strategy, and a reorganization of Parks' Enterprise Programs Division. Both are intended to help increase revenue and decrease expenditures, with the goal of reaching 100% cost recovery. The Marketing Plan and Strategy is in the development stage and has not yet been formally adopted.

Prior Audit Finding**Information in Pro-Shop Keeper does not accurately reflect what is recorded in Lawson.**

Recommendation: The Parks and Recreation Director should routinely reconcile costs recorded within Pro-Shop Keeper to those recorded within Lawson.

Management's Response: Concur. Due to the current difficulty in producing a monthly report to compare both systems (PSK and Lawson), a reconciliation is not considered feasible at this time. However, randomly selected invoices will be verified within PSK and Lawson on a routine basis.

In addition, the Parks and Recreation Department and Information Technology are in the process of setting up an interface between Pro-Shop Keeper and Lawson that will improve real time revenue entry and reduce potential record errors.

Target Date: October 2012

Responsibility: Greg Durante, Golf Services Manager
Mark Davies, Parks Fiscal Services Manager

Implementation Status: Partially Implemented

Golf Pro-Shop staff is required to enter merchandise into the Pro-Shop Keeper (PSK) system when received. Once the information is entered, the system provides a SKU number which is to be written on the back of the invoice. On a regular basis, the Golf Business Administrator selects a sample of merchandise invoices to ensure that the proper documentation is written on the back and that the invoice has been properly entered into the PSK and Lawson systems.

During this audit, a sample of invoices was reviewed. The City Auditor's Office noted that the merchandise SKU information was written on the back of the invoice and was entered into PSK. At the time of this audit, the interface between PSK and Lawson had not been completed.