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**CITY OF HOUSTON**

**Sylvia R. Garcia, City Controller**

**PARKS AND RECREATION DEPARTMENT  
HERMANN PARK GOLF COURSE**

**CONTRACT COMPLIANCE EXAMINATION**



**December 2002**

**Report 02-08**



**McCONNELL & JONES** LLP  
CERTIFIED PUBLIC ACCOUNTANTS



OFFICE OF THE CONTROLLER  
CITY OF HOUSTON  
TEXAS

SYLVIA R. GARCIA

December 27, 2002

The Honorable Lee P. Brown, Mayor  
City of Houston, Texas

SUBJECT: Parks and Recreation Department  
Contract Compliance Examination – Hermann Park Golf Course Concession Contract  
(Report No. 02-08)

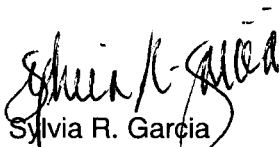
Dear Mayor Brown:

In accordance with the City's contract with McConnell Jones Lanier & Murphy LLP (MJLM), MJLM has completed a contract compliance examination of the Hermann Park Golf Course Concession Contract (No. 29115). The primary purpose of the engagement was to determine whether the concessionaire was complying with the terms, provisions, and requirements of the contract, as amended, between the City and BSL Golf Corporation for the operation of the Hermann Park Golf Course.

The report, attached for your review, includes an audited Statement of Revenues and Commissions for the Herman Park Golf Course for the period of August 1, 2000 through November 30, 2001. The auditors opined that this Statement presents, in all material respects, the revenues and commissions of the Hermann Park Golf Course during the period under review, based on the criteria defined in the contract. Also, the report concluded that the concessionaire and the Department complied, in all material respects, with the contract requirements.

We appreciate the cooperation extended to the MJLM's auditors by department and concessionaire personnel during the course of the examination.

Respectfully submitted,

  
Sylvia R. Garcia  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Stephen Tinnermon, Chief of Staff, Mayor's Office  
Roksan Okan-Vick, Director, Parks and Recreation Department  
Philip Scheps, Director, Finance and Administration Department

**CITY OF HOUSTON  
PARKS AND RECREATION DEPARTMENT  
HERMANN PARK GOLF COURSE**

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## INDEPENDENT ACCOUNTANTS' REPORT

To the Honorable Sylvia R. Garcia  
City of Houston Controller

We have examined the accompanying Statement of Revenues and Commissions of the Hermann Park Golf Course (Golf Course), Houston, Texas, for the period August 1, 2000 through November 30, 2001. This statement is the responsibility of the BSL Golf Corporation's (the 'Concessionaire') management. Our responsibility is to express an opinion on the Statement based on our examination.

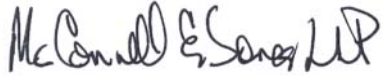
We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Statement of Revenues and Commissions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Statement of Revenues and Commissions was prepared for the purpose of complying with the provisions of Concession Contract No. C29115 described in the attached Notes to the Statement of Revenues and Commissions, and is not intended to be a complete presentation of the Golf Course's revenues or operations.

In our opinion, the statement referred to above presents, in all material respects, the revenues and commissions of the Hermann Park Golf Course during the period August 1, 2000 through November 30, 2001, based on the criteria defined in the Concession Contract C29115.

In accordance with our engagement objectives, we have also issued our reports dated May 10, 2002 on our tests of the Concessionaire's compliance with provisions of Concession Contract No. C29115 and internal controls. That report is an integral part of our examination performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and should be read in conjunction with this report in considering the results of our examination.

This report is intended solely for the information and use of the City of Houston, the City's Department of Parks and Recreation, the City Controller's Office and management of BSL Golf Corporation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "McConell E. Sanger, L.P." with a stylized flourish at the end.

Houston, Texas  
May 10, 2002

CITY OF HOUSTON									
PARKS AND RECREATION DEPARTMENT									
HERMANN PARK GOLF COURSE									
Statement of Revenues and Commissions									
For the period August 1, 2000 through November 30, 2001									
	Green Fees	Cart Rental	Driving Range	Pro Shop	Snack Bar	Lesson Fee	Other	Total Revenues	Commission Fees Paid
August 2000	\$ 80,723	\$ 39,706	\$ 18,606	\$ 9,065	\$ 16,383	\$ 5,047	\$ 263	\$ 169,793	\$ 8,257
September 2000	83,626	39,924	17,699	11,403	16,948	4,569	107	174,276	8,427
October 2000	79,753	40,490	17,993	9,865	26,306	5,592	(804)	179,195	8,438
November 2000	55,714	25,990	14,055	4,152	12,313	2,959	1,214	116,397	5,655
December 2000	55,033	23,066	11,725	4,818	15,745	2,654	4,525	117,566	5,405
January 2001	49,632	21,419	13,545	5,477	8,996	4,428	1,709	105,206	5,031
February 2001	65,082	33,254	18,354	6,366	15,629	4,018	846	143,549	6,939
March 2001	87,971	41,253	23,304	9,950	22,865	4,945	3,212	193,500	9,241
April 2001	109,555	55,060	28,518	12,554	39,464	4,709	(2,236)	247,624	11,760
May 2001	102,061	49,604	26,634	11,988	37,821	3,330	549	231,987	10,862
June 2001	87,372	42,693	21,967	10,669	29,434	8,245	4,191	204,571	9,325
July 2001	97,828	49,250	23,976	11,149	29,732	6,547	(2,538)	215,944	10,357
August 2001	82,157	42,485	22,029	9,534	31,389	5,006	(5,126)	187,474	8,986
September 2001	84,269	42,697	24,557	8,894	30,186	4,662	(13,408)	181,857	9,202
October 2001	81,539	44,952	23,032	14,639	30,151	4,465	(11,700)	187,078	9,209
November 2001	80,207	39,460	18,622	7,481	22,202	4,300	16,416	188,688	8,286
Total	\$ 1,282,522	\$ 631,303	\$ 324,616	\$ 148,004	\$ 385,564	\$ 75,476	\$ (2,780)	\$ 2,844,705	\$ 135,380

See accompanying notes and accountants' reports

**CITY OF HOUSTON**  
**PARKS AND RECREATION DEPARTMENT**  
**HERMANN PARK GOLF COURSE**

NOTES TO THE STATEMENT OF REVENUES AND COMMISSIONS

**1. ORGANIZATION AND BACKGROUND INFORMATION**

The Hermann Park Golf Course (the ‘Golf Course’) is an 18-hole golf course located at 6201 Golf Course Drive, Houston, Texas. It is one of the City of Houston’s (the ‘City’) seven municipal golf courses and is operated by BSL Golf Corporation (the ‘Concessionaire’) through an agreement between the City and the Concessionaire dated and executed on March 8, 1989. The initial term of the Agreement is eight years, with two options to extend for a two-year period. The Agreement has recently been extended through March 8, 2014. Under the terms and conditions specified in the Agreement, the Concessionaire is responsible for the costs of operating and maintaining the Golf Course.

Although the Golf Course is operated and maintained by the Concessionaire, the Houston Parks and Recreation Department (the ‘Department’) monitors the operations of the Golf Course. The Department is responsible for obtaining and reviewing the monthly revenue summaries and collecting the payments by the Concessionaire. The Department also monitors the operations of the Golf Course to ensure that the course is properly maintained.

**2. BASIS OF ACCOUNTING**

The Statement of Revenues and Commissions was prepared on the accrual basis of accounting; consequently, revenues are recognized when earned and Commission are recognized in correlation to revenues earned and paid to the City based on amounts accrued.

**3. REVENUES**

Revenues of the Golf Course are derived primarily from the following sources:

- Green fees – These are charges levied to play the course. The green fees are categorized based on the day and time of the week and age of the player. Thus, green fees are charged differently on weekdays, weekends and holidays, daytime or twilight, juniors and seniors.

- Golf cart rentals – These are charges for renting golf carts (powered buggies used to transport the golfers and their equipment on the golf course).
- Driving range fees – This is a charge for the use of the golf course’s practice area and a bucket of golf balls.
- Pro shop sales – These are proceeds from the sale of golfing equipment and accessories.
- Food and beverage sales – These are the proceeds from the Concessionaire’s snack bar sales.
- Lesson fees – These are proceeds from private lessons taught by the Golf Course professionals.

#### 4. COMMISSIONS

The Concessionaire is required to pay a percentage of revenues, exclusive of sales tax, to the City in accordance with a fee schedule established in Article IV of the Third Amendment of the Agreement. Payments of these commissions, along with a Revenue Summary, are submitted to the Department on the 15<sup>th</sup> of the following month. The amended fee schedule is as follows:

Revenue Category	Before 12/2/97	12/2/97 ~ 12/31/03	1/1/04 ~ 12/31/08	1/1/09 ~ 12/31/14	1/1/15 ~3/8/19
Greens Fees	18.50%	5.50%	6.25%	7.00%	7.75%
Lesson Fee	0.00%	2.00%	2.75%	3.50%	4.25%
Tournament Fee	5.00%	2.00%	2.75%	3.50%	4.25%
Golf Cart Rental	18.50%	5.50%	6.25%	7.00%	7.75%
Miscellaneous Pro Shop Sales	5.00%	2.00%	2.75%	3.50%	4.25%
Driving Range	18.50%	5.50%	6.25%	7.00%	7.75%
Food	5.00%	2.00%	2.75%	3.50%	4.25%
Beer & Wine	5.00%	2.00%	2.75%	3.50%	4.25%
Vending	0.00%	2.00%	2.00%	2.00%	2.00%
Liquor By the Drink	5.00%	2.00%	2.75%	3.50%	4.25%



## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Sylvia R. Garcia  
Controller, City of Houston

### Compliance

We have examined BSL Golf Corporation's (the 'Concessionaire') and the City of Houston's Parks and Recreation Department's (the 'Department') compliance with the concession contract for the operation of the Hermann Park Golf Course (Contract C29115) during the contract period ended November 30, 2001. Management of the Concessionaire and the Department are responsible for compliance with the requirements of the contract. Our responsibility is to express an opinion on the Concessionaire's and Department's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Concessionaire's and Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Concessionaire's and Department's compliance with the concession contract requirements.

In our opinion, BSL Golf Corporation and the Department complied, in all material respects, with the aforementioned requirements for the contract period ended November 30, 2001.

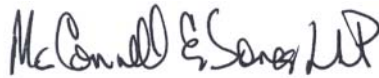
### Internal Control over Compliance

The management of the Concessionaire and the Department are responsible for establishing and maintaining effective internal control over compliance with the requirements of Concession Contract C29115. In planning and performing our compliance examination, we considered the Concessionaire's and the Department's internal control over compliance with requirements that could have a direct and material effect on the operations of the Hermann Park Golf Course in order to determine our procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the compliance requirements that would be material in relation to Concession Contract C29115 being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

In connection with our contract compliance examination, we have noted certain immaterial instances of noncompliance and other matters of internal controls in a separate letter dated May 10, 2002.

This report is intended solely for the information and use of the City of Houston, Parks and Recreation Department, the City Controller's Office and management of BSL Golf Corporation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "McDonald & Sons LLP". The signature is written in a cursive, somewhat stylized font.

Houston, Texas  
May 10, 2002