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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 15, 2004

Ms. Bernadette Castro
Commissioner
NYS Office of Parks, Recreation and Historic Preservation
Empire State Plaza, Agency Building 1
Albany, NY 12238

Re: Report 2004-F-8

Dear Ms. Castro:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Parks, Recreation and Historic Preservation to implement the recommendations contained in our audit report, *Global Golf, Inc. Contract X-000313* (Report 2001-R-3).

Background, Scope and Objectives

In 1998, the New York State (State) Office of Parks, Recreation and Historic Preservation (Parks) awarded a 20-year license agreement (Contract) to Global Golf Inc. (Global) to provide golf and tennis-related services at Bethpage State Park (Bethpage) in New York State Parks Long Island Region. Under the Contract, Global must pay Parks a monthly license fee (commission) based on a percentage of its gross receipts generated in each of the concession categories. The concessions include professional golf services, including the operation of a golf-pro shop and driving range, golf cart rentals, golf instruction, tennis courts, and the associated tennis pro shop.

The license fees are to be paid by the 15th day of the month following the month in which sales took place, and a penalty of 2 percent per month is to be charged for any part of the license fee not paid timely.

The Contract also requires Global to invest at least \$1,750,000 in capital improvements at the Bethpage facilities over the life of the contract, the majority of expenditures were to be made prior to the 2002 U.S. Open golf tournament. The specific improvement projects cited in the contract documents included renovation of the men's locker room and shower area, pro shop, State cashier's area, safe room, and Parks supervisor's office; as well as improvements to the golf driving range, construction of a tennis shack, and installation of new golf cart paths.

In addition, the Contract requires Global to set aside 3 percent of its monthly gross receipts each calendar year, and deposit them on the 15th day of the following month into an interest-bearing

checking account entitled the “Bethpage Golf Capital Refurbishment Account.” Failure to make timely deposits to this account, which is to be used for the replacement or refurbishment of equipment and for capital restoration, may subject the licensee to a penalty of 2 percent per month.

Our initial audit report, which was issued June 5, 2002, focused on contract operations for the period March 1, 1998 through August 31, 2001. We determined that the internal control structure Global had put in place over contract operations did not provide assurance that revenues were being recorded, deposited, and reported accurately. Thus, the State had no assurance that it was receiving its fair share of concession revenues. We also found that Global had not complied with significant requirements of the contract pertaining to capital improvements and refurbishment account activities. Accordingly, we questioned Parks’ oversight efforts to foster adherence to the contract. The objective of our follow-up, which was conducted in accordance with Generally Accepted Government Auditing Standards, was to assess the extent of implementation of the ten recommendations included in our initial report as of July 20, 2004.

Summary Conclusions and Status of Prior Audit Recommendations

We found that Parks’ officials have made significant progress in correcting some of the problems we previously identified. However, some additional improvements are still needed. Of our ten audit recommendations, seven recommendations have been implemented, one recommendation has been partially implemented and two recommendations have not been implemented.

Follow-up Observations

Recommendation 1

Require Global to implement the internal controls and accounting systems stipulated in the New York State Accounting Procedures Manual. Periodically verify that it is complying with said terms.

Status - Implemented

Agency Action - We verified that Global has developed and/or enhanced its controls and accounting systems over its various revenue collection points to comply with contract terms and the New York State Accounting Procedures Manual. In addition, Parks now performs periodic on-site audits to verify compliance, several of which were provided to us.

Recommendation 2

Monitor Global’s compliance with all contract terms and take corrective action, where necessary.

Status - Implemented

Agency Action - As part of our follow-up, we confirmed that since our prior audit, Parks has been meeting regularly with Global officials, performs inspections of capital projects, and audits revenue operations (cash counts) to help ensure compliance with contract terms.

Recommendation 3

Recover the \$12,370, which represents the State's share of Global's underreported revenue sales of \$123,699.

Status - Implemented

Agency Action - Our follow-up confirmed Global's remittance to Parks of the \$12,370 for the previously underreported sales revenue we identified in our initial audit.

Recommendation 4

Recover \$6,563 from Global, which represents the late payment penalty for untimely remittances.

Status - Not Implemented

Agency Action - Parks officials did not recover these monies from Global. Instead, they decided to waive the amount due based on their interpretation of the State Division of the Budget's Budget and Policy Manual which allows State agencies to waive late charges when collection would not be administratively practical and cost-effective. However, Parks could not support its position that recovery would not be administratively practical and cost-effective.

Recommendation 5

Recover previous Parks capital expenditures for projects required to be performed by Global from Global revenues. Work with Global to plan and implement the necessary remaining projects.

Status - Partially Implemented

Agency Action - Parks officials have not recovered the noted previous capital expenditures from Global. However, they have developed a plan for Global to finance other projects not identified in the original contract. The current plan provides for Global to meet its \$1.75 million obligation.

Recommendation 6

If Global is unable to meet its commitment as outlined in the contract, take whatever action is necessary to foster contractor compliance, or replace Global pursuant to the contract's terms and State regulations.

Status - Implemented

Agency Action - Since the issuance of our initial report, Parks has been working closely with Global to help ensure contract compliance in all relevant areas. Specifically, Parks has worked with Global to; enhance control systems over contract revenue; ensure required deposits are made to the refurbishment account; and develop the remaining needed capital improvements.

Recommendation 7

Require Global to deposit \$111,138 (\$157,131 - \$45,993) to bring Refurbishment Account deposits up to date.

Status - Implemented

Agency Action - Our follow-up found that Global has now been making the required deposits to the Refurbishment Account (including the \$111,138). As of May 2004, the balance due was \$2,424. Thus, the contractor is in material compliance with this recommendation.

Recommendation 8

Require Global to convert the Refurbishment Account to an interest-bearing account.

Status - Implemented

Agency Action - Our follow-up found that the Refurbishment Account is now an interest-bearing account.

Recommendation 9

Require Global to deliver the Refurbishment Account checkbook to Parks' Business Office, and to instruct the account's depository to forward its monthly account statements to Parks' Business Office.

Status - Implemented

Agency Action - We confirmed that the Refurbishment Account checkbook is now maintained in the Regional Office's business office safe, and that the associated monthly bank statements are mailed directly by the bank to the same location.

Recommendation 10

Require Global to submit a budget for refurbishment expenditures.

Status - Not Implemented

Agency Action - Parks officials have not required Global to submit a budget for refurbishment expenditures. We were informed that they do require a project-by-project budget, however, we were not shown any examples of such a budget.

Major contributors to this report were Frank Patone, Rick Sturm and Michael Filippone.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank Parks management and staff for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

William P. Challice
Audit Director

cc: Robert Barnes, Division of the Budget