



*The City of New York  
Office of the Comptroller  
Bureau of Financial Audit*

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**WILLIAM C. THOMPSON, JR.**  
*Comptroller*

**Audit Report on the Compliance of  
American Golf Corporation  
With its License Agreement for the  
Silver Lake Golf Course,  
January 1, 1997, to June 30, 2001**

**FR02-092A**

*June 24, 2002*

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**EXECUTIVE SUMMARY**

In 1987, the Department of Parks and Recreation (Parks) entered into a ten-year license agreement with the American Golf Corporation (American Golf) for the maintenance and operation of the Silver Lake Golf Course, in Staten Island. The license was renewed for two five-year periods; the first renewal expired on February 28, 2002, and the second renewal will expire on February 28, 2007.

The agreement requires that American Golf pay the City the greater of the minimum annual fee of \$125,000, or 15 percent of revenue from greens fees and cart rentals, ten percent of food and beverage sales, five percent of Pro Shop sales, and 15 percent of miscellaneous income, which includes revenue from tournaments and promotional events.

In addition, the agreement requires that American Golf: perform \$425,000 in specified capital improvements at the facility; remit a security deposit of \$31,250 to the City; maintain proper types and levels of insurance coverage that names the City as an additional insured; and pay for its utilities.

This audit covered the period, January 1, 1997, through June 30, 2001. The audit determined whether American Golf maintained adequate internal controls over the recording and the reporting of its gross revenues; properly calculated its total gross revenues and fees due to the City, and paid those fees on time; and complied with the other major requirements of its license agreement (e.g., paid its utility charges and maintained proper insurance coverage.)

American Golf maintained adequate controls over the recording and reporting of its gross revenues, properly calculated fees due, and paid those fees in a timely manner to the City. In addition, American Golf maintained the required insurance, remitted the required security deposit, and spent \$438,600 on capital improvements, in accordance with its agreement. Given these findings, this report makes no recommendations.

**Discussion of Audit Results**

The matters covered in this report were discussed with officials from American Golf and Parks

during and at the conclusion of this audit. A preliminary draft report was sent to American Golf and Parks officials on May 20, 2002. On May 29, 2002, American Golf decided that an exit conference would not be necessary. On May 30, 2002, we submitted a draft report to American Golf and Parks officials with a request for comments. We received a response from Parks officials on June 10, 2002, indicating that they were pleased with the results of the audit. We received a written response from an American Golf official on June 18, 2002, stating that given the report's findings there are no issues that require a response.

The full text of the Parks and American Golf's comments are included as addenda to this report.

## **INTRODUCTION**

### **Background**

In 1987, the Department of Parks and Recreation (Parks) entered into a ten-year license agreement with the American Golf Corporation (American Golf) for the maintenance and operation of the Silver Lake Golf Course, in Staten Island. The license was renewed for two five-year periods; the first renewal expired on February 28, 2002 and the second renewal will expire on February 28, 2007.

The agreement requires that American Golf pay the City the greater of the minimum annual fee of \$125,000, or 15 percent of revenue from greens fees and cart rentals, ten percent of food and beverage sales, five percent of Pro Shop sales, and 15 percent of miscellaneous income.<sup>1</sup> Gross Receipts are defined as all sums received by the licensee, without deductions of any kind, including the sale of food, wares, merchandise or services of any kind, resulting directly or indirectly from the operation of this license.

The agreement also requires that American Golf: pay the City the minimum annual fee in two equal installments on August 31 and December 31; submit statements of Gross Receipts at the end of each quarter of operation; and remit a check for any percentage fees due by January 31 of the following year.

In addition, the agreement requires that American Golf: perform \$425,000 in specified capital improvements at the facility; remit a security deposit of \$31,250 to the City; maintain proper types and levels of insurance coverage that names the City as an additional insured; and pay for its utilities.

For our audit period, January 1, 1997, through June 30, 2001, American Golf reported Gross Receipts of \$7,054,840 and paid license fees totaling \$918,265 to the City for the Silver Lake Golf Course.

### **Objectives**

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<sup>1</sup> Miscellaneous income includes revenue generated from tournaments and other promotional events.

Our audit objectives were to determine whether American Golf:

- Maintained adequate internal controls over the recording and the reporting of its gross receipts;
- Properly reported its total gross receipts, and correctly calculated and paid the license fees due to the City, and paid these fees on time; and
- Complied with certain non-revenue related requirements of its license agreement (i.e., made the required capital improvements, remitted the proper amount as security, maintained the proper insurance coverage, and paid its utility charges).

## **Scope and Methodology**

This audit covered the period from January 1, 1997, to June 30, 2001. To achieve our audit objectives, we reviewed the license agreement between Parks and American Golf and noted the requirements of the agreement. We reviewed correspondence, revenue reports, and other relevant documents maintained by Parks. We reviewed and analyzed Parks's Concessionaire Ledger for the amounts reported and paid to the City, and verified whether payments were made on time.

We evaluated American Golf's internal controls over revenue. To gain an understanding of the organization's daily operating procedures for recording and reporting revenue, we interviewed management personnel, conducted a walk-through of the operations, and familiarized ourselves with American Golf's accounting, fee collection practices, and record-keeping procedures. In addition, we conducted an unannounced observation of the facility on July 23, 2001.

To determine whether American Golf accurately reported its gross revenue to the City, we performed an analytical review of its Gross Receipts Statements and Annual Schedule of Monthly Gross Receipts for the audit period from January 1, 1997, to June 30, 2001. We traced revenue reported to Parks to the amounts recorded in American Golf's books and records, which included its General Ledger, Income Statement, Preliminary Daily Closing Statement, and Point-of-Sales System.

We conducted detailed testing of transactions for January and October 2000 to determine whether all transactions were processed through American Golf's Point-of-Sales System. We verified whether all revenue from greens fees was reported by tracing the daily register tapes to daily summary reports (generated from the Point of Sales System), which included the Preliminary Daily Closing Statements, Price Look-Up documents, and Flash Reports. We compared golf tournament receipts to the corresponding journal tapes and traced the invoices for food and beverages to Cost of Sales reports, General Ledger accounts, and to the Income Statement.

To determine whether Gross Receipts were correctly calculated, we reviewed American Golf's Preliminary Daily Closing Statements for January and October 2000 and determined whether all transactions were sequentially numbered on those reports.

To determine whether American Golf deposited all revenue in a timely manner, we traced the revenue amounts recorded on the Preliminary Daily Closing Statements to the deposits listed on the bank statements.

Finally, we determined whether American Golf complied with certain non-revenue-related terms and conditions of its agreement (i.e., completed its capital improvements, remitted the required security deposit, carried the proper amounts and types of insurance, and paid for its utilities).

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

## **Discussion of Audit Results**

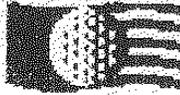
The matters covered in this report were discussed with officials from American Golf and Parks during and at the conclusion of this audit. A preliminary draft report was sent to American Golf and Parks officials on May 20, 2002. On May 29, 2002, American Golf decided that an exit conference would not be necessary. On May 30, 2002, we submitted a draft report to American Golf and Parks officials with a request for comments. We received a response from Parks officials on June 10, 2002, indicating that they were pleased with the results of the audit. We received a written response from an American Golf official on June 18, 2002, stating that given the report's findings there are no issues that require a response.

The full text of the Parks and American Golf's comments are included as addenda to this report.

## FINDINGS AND RECOMMENDATIONS

American Golf maintained adequate controls over the recording and reporting of its gross revenues, properly calculated fees due, and paid those fees in a timely manner to the City. By reviewing the original insurance certificates, we verified that American Golf had the required general liability, worker's compensation, property damage, and fire insurance policies that named the City as an additional insured party. In addition, we verified that American Golf made the required security deposit of \$31,250 and spent \$438,600 on capital improvements, in accordance with its agreement. Finally, we verified that American Golf paid the facility's utilities bills on time.

In view of these findings, we make no recommendations.



American Golf

2951 38<sup>th</sup> Street, Santa Monica CA 90405

June 18, 2002

Mr. William C. Thompson, Jr.  
Comptroller  
THE CITY OF NEW YORK  
Office of the Comptroller, Bureau of Financial Audit  
1 Center Street  
New York City, NY 10007

RE: FR02-092A, Silver Lake Golf Course

Dear Mr. Thompson:

This letter is in response to the draft Audit Report on the Compliance of American Golf Corporation with its License Agreement for the Silver Lake Golf Course, audit period January 1, 1997 through June 30, 2001, #FR02-092A.

Since there are no findings or recommendations from the audit, I feel there are no issues that require a response from American Golf.

Sincerely,

Barbara Twilla  
Accounting Manager

Fax CC: Angel Padine, Comptroller's Office, City of New York

E-mail CC: Paul Taggart, GM, Silver Lake Golf Course, AGC  
John Woodeszick, Regional Director, AGC  
Charissa Dijamco, Senior Accountant, AGC  
Craig Winter, Course Accountant, AGC



City of New York  
Parks & Recreation

**ADDENDUM II**

The Arsenal  
Central Park  
New York, New York 1002

Adrian Benepe  
Commissioner

Joanne G. Imohiosen  
Assistant Commissioner  
Revenue

(212) 360-3404  
joanne.imohiosen@parks.nyc.gov

June 10, 2002

**BY FAX AND MAIL**

Roger D. Liwer  
Assistant Comptroller for Audits  
The City of New York  
Office of The Comptroller  
1 Centre Street - Room 1100  
New York, NY 10007-2341

**Re: Comptroller's Draft Audit Report on American Golf Corporation - Silver Lake Golf Course, January 1, 1997 to June 30, 2001 FR02-092A, Dated May 30, 2002**

Dear Mr. Liwer:

This letter represents the Parks Department (DPR's), response to the findings in the subject audit of American Golf Corporation (AGC's) Silver Lake Golf Course.

The audit review determined that AGC has fully complied with the provisions of its License Agreement including maintaining adequate controls over the recording and reporting of its gross revenues, the proper calculation of fees due, and the timely payment of those fees to the City.

In view of the favorable findings there were no recommendations contained in the report. DPR is very pleased with the outcome of the examination and thanks the Comptroller's audit staff for their work and efforts in performing this review.

Sincerely,

Joanne Imohiosen

cc: Ron Lieberman  
David Stark  
Francisco Carlos  
Susan Kupferman, Mayor's Office of Operations