

**OFFICE OF INSPECTOR GENERAL
CITY OF ALBUQUERQUE**



**INVESTIGATION REPORT
CASE NO. 14-205**

**INVESTIGATION REPORT
GOLF CONCESSIONS
PARKS & RECREATION DEPARTMENT
CASE NO. 14-205**

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Parks and Recreation Department
Golf Concession
Case No. 14-205
Executive Summary

The Office of Inspector General (OIG) conducted an investigation concerning several issues involving the Concessionaires at the City of Albuquerque's four (4) golf courses. This investigation was predicated upon a complaint brought to our office by an individual seeking protection under the Whistleblower Ordinance.

The information received includes the following issues:

- Transactions not being entered into the Point of Sale (POS) System
- Inconsistent charges for banquet hall events, including no-charge events
- Individual golf course paper gift certificates, and gift certificate transactions not being entered into the POS system
- Play and greens fees not being tendered correctly

The OIG notified the Office of Internal Audit (OIA) to inform them that the Whistle Blower also came forward with many operational and compliance issues at the City's golf course facilities that caused concern.

At the request of City Administration, the OIA started a special administrative review that was completed in June, 2014.

METHODOLOGY

- Review of Concession Agreements from Ladera, Los Altos, Puerto del Sol and Arroyo del Oso Golf Courses
- Review of Liquor License Lease Agreements from Ladera, Los Altos, Puerto del Sol and Arroyo del Oso Golf Courses
- Review of banquet hall records
- Review of Westside Golf, Inc.'s agreement with Perico's on the Green, LLC.
- Review of New Mexico State Statutes and Administrative Codes
- Review of internal and external audits pertaining to golf operations
- Interviews of appropriate City personnel and Concessionaires

Our investigation was conducted in accordance with fraud investigation techniques, which include-but are not limited to examination of records, documents, interviews with appropriate personnel, and other evidence-gathering procedures as necessary under the circumstances.

OBJECTIVE

- *Is there evidence to support that transactions were not being entered into the POS System?*
- *Is there evidence to support inconsistent charges for banquet hall events, as well as banquet transactions not being entered into the POS system?*
- *Is there evidence to support that each individual golf course sells its own paper gift certificates? And is there evidence to support that these paper gift certificates are not being tendered through the City POS system?*
- *Is there evidence to support that the City did not follow the proper procedures in crediting Westside Golf debt?*
- *Are there areas in which the Parks and Recreation Department (PRD) and Golf Management Division (GMD) can reduce the risk of fraud, abuse and misuse?*

Based on the investigation conducted, the OIG concludes the following:

- 1. Not all transactions are being entered into the POS system by Concessionaires as required by their contracts.**
- 2. There are inconsistent charges for banquet hall events.**
- 3. Perico's on the Green, LLC. (Perico's) used the Ladera banquet facilities for their own personal benefit without charging the required fees.**
- 4. Each Concessionaire does sell its own paper gift certificate. Although the Concessionaire receives full payment for the paper gift certificate, the City does not receive its portion until the gift certificate is redeemed. There is an estimated \$50,000 in outstanding gift certificates that could pose a liability to the City.**
- 5. City Administration should not have reduced any Accounts Receivables associated with the Liquor License Lease Agreement with Westside Golf.**
- 6. Westside Golf violated its contract by subleasing the concessions and banquet hall to Perico's.**
- 7. Westside Golf and Perico's violated the State of New Mexico, Liquor Control Act.**
- 8. Unauthorized "Square Up" cards were used at the Ladera Golf Course.**

RECOMMENDATIONS

The OIG makes the following recommendations for consideration by the Parks and Recreation Department (PRD) and Golf Management Division (GMD):

- The OIG recommends that all events held at golf course banquet hall facilities have all documentation required. Under no circumstances should Concessionaires nor sublessee, Perico's, use the facilities for their own personal benefit without charging the required fees and remitting the City's portion to GMD.

Section 15.19 of Ladera's Concession Agreement states:

Except for de minimus gifts or compliments under \$50 at the Concessionaire's discretion to promote goodwill, the Concessionaire shall not give away food, beverage, merchandise, services or equipment usage or golf course usage without the Director's prior approval. No one person may consistently receive the de minimus gifts or complimentary items.

If there is interest in holding a discounted or "no charge" event, the Concessionaire must request permission and document the approval from the Director of PRD.

- The OIG recommends that the sublease with Perico's either be terminated or that there be a new Concessionaire agreement containing provisions for a sublease.

The current agreement states:

The Concessionaire shall not assign, delegate, sublease or assign this Agreement or any right, privilege or obligation arising under this Agreement, except as provided in herein. Any purported assignment or sublease in violation hereof shall be void.

- The OIG recommends that GMD continue its monthly practice of collecting the End of Month Checklist from each Concessionaire, to include all Rental Agreements for special events, receipts, and any other supporting documentation. This practice of keeping and turning in all documentation for special events should be strictly enforced for all Concessionaires.
- The OIG recommends that POS terminals be installed in banquet halls at all City golf course facilities. This would reduce the risk of fraud by having all sales entered into the POS system immediately instead of having a lump sum entered at a later date. This would also benefit the Concessionaire and GMD by knowing the exact number of alcoholic and non-alcoholic beverages sold.
- The OIG recommends that video surveillance cameras be placed above the bar areas at the Ladera, Los Altos and Arroyo del Oso Golf Course banquet halls to reduce the risk of fraud.

- The OIG recommends that Westside Golf and Perico's cease the sale of alcohol due to violation of the State of New Mexico, Liquor Control Act.

On August 1, 2014, the OIG sent a memo to the Chief Operations Officer, explaining that Westside Golf and Perico's are in violation of the State of New Mexico, Liquor Control Act. In this memo, the OIG recommended that Westside Golf and Perico's immediately cease the sale of alcohol, or be at risk for criminal charges, with the City also being subject to possible fines and penalties. A copy of this memo was also provided to GMD.

- The OIG recommends that only City approved methods for collection of monies be used.

The OIG received documentation showing that a Square Up card reader was used by Perico's to tender a credit card transaction at the Ladera Golf Course snack bar. Square up cards are not a City approved method for collection of payment.

- The OIG recommends that the Administration and City Council review § 5-5-20 (W) ROA 1994 which states "Agreement with a sports professional or team," which allows an exemption from competitive bidding for agreements with a sports professional. Awards of future Concessionaire contracts should go through a competitive process to ensure the City awards the contracts to the best Concessionaires based on merit.
- If the amount being held in abeyance for Westside Golf is deemed uncollectable, the City's Administration should work with City Council to remove the outstanding accounts receivable by resolution as required by State Statute Section 3-37-7 NMSA 1978.
- The Accounting Division work with Golf Management to ensure that all liquor receivable amounts credited from year 2012 to present for liquor be reinstated as receivables as per liquor license agreement.
- If Westside Golf does not comply with terms of the agreement, Westside Golf's contract should be terminated.

POTENTIAL FRAUD ISSUES

The OIG will continue to monitor these potential fraud issues:

- *The use of Square Up card readers to process credit card transactions.* It is required that all transactions be entered into the City POS System. Square Up card readers are not authorized by the City and do not work in conjunction with the City's POS System. Therefore, with any transaction rung up through a Square Up card reader, there is potential for that revenue to go directly to a separate business entity or individual.

- *Absence of a POS terminal in the Ladera banquet hall.* All transactions are to be recorded in the City's POS system and should be tendered at the time of service. With no POS terminal in the banquet hall, and special event alcohol sales not being entered until a day or two later, there is potential for fraud. The bartender/cashier may not keep track of all beverages sold, and the City in turn does not receive its full revenue.
- *Tax evasion issue.* Barter agreements and transactions need to be handled in the correct manner, and they need to be reported per IRS guidelines. When bartering for products or services, the fair market value of the products or services received must be reported on the vendor's tax return. The barter transaction is taxable in the year it is performed. Failure to report barter transactions can be considered tax evasion.

CONCLUSION

Golf management has begun to make changes to the way the golf facilities are run. A new Point of Sale system is being installed at all four golf courses that will be maintained by the City. All credit card transactions will run through the City. New contracts are in process for those Concessionaires who do not have a current contract.

The OIG will continue to monitor the golf course facilities to ensure that improvements are being made and recommendations are followed.



CITY OF ALBUQUERQUE
Office of Inspector General
P.O. BOX 1293, ALBUQUERQUE, NM 87103

December 18, 2014

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Investigation: Golf Concession
Parks and Recreation Department
14-205

INVESTIGATIVE REPORT

ALLEGATION

On February 19, 2014, the Office of Inspector General (OIG) met with an individual seeking protection under the Whistleblower Ordinance. The information brought to our attention involved several issues involving the City of Albuquerque's four (4) golf courses and their Concessionaires.

One of the biggest areas of concern was transactions not being entered into the City's Point of Sale (POS) system. As a result, there are the following issues: discounted greens fees or free play; gift certificates that are not tendered correctly; unreported banquet events and unauthorized use of the banquet facilities. After review of the allegations made, the OIG granted Whistle blower protection to the individual.

The OIG notified the Office of Internal Audit (OIA) because the Whistle Blower also came forward with many operational and compliance issues at the City's golf course facilities that caused concern.

At the request of City Administration, the OIA started a special administrative review that was completed in June, 2014.

BACKGROUND DETAILS

The City of Albuquerque owns four (4) golf courses: Ladera Golf Course; Los Altos Golf Course; Arroyo del Oso Golf Course; and Puerto del Sol Golf Course. There is a Concessionaire for each golf course. Each course is also managed by a Golf Professional. The Concessionaires are as follows:

- Ladera Golf Course – Westside Golf, Inc.
- Los Altos Golf Course – Los Altos Golf Course Concessions, Inc.
- Arroyo del Oso – New Mexico Golf, Ltd.
- Puerto del Sol – New Mexico Golf, Ltd.

Westside Golf, Inc. (Westside Golf) has been with Ladera Golf Course since approximately 1999. The family that makes up New Mexico Golf, Ltd. has been handling the Arroyo del Oso and Puerto del Sol Golf Courses since 1997. And the family that makes up Los Altos Golf Course Concessions, Inc. has been with the Los Altos Golf Course since its opening in 1960.

There is a Concession Agreement for each golf course, which is a contract between the City and the Concessionaire. As is outlined in the Concession Agreements, there are negotiated percentages of revenue that the Concessionaires are required to remit to the City. The City receives one hundred percent of Greens Fees revenues from all four courses. Additional revenue percentages are as follows:

- Carts – 16%
- Range Balls – 16%
- Merchandise – 5%
- Food and Beverage sales – 10%
- Liquor sales – 25%

Puerto del Sol is the exception. Aside from liquor sales, which remain at 25%, all other revenue percentages for Puerto del Sol are 6%.

The Concession Agreements also outline that the Concessionaires are to use the City's POS system to record all business transactions, which include but are not limited to: “Green Fees, pro-shop sales, other concession sales, banquets, alcohol sales, and any other business that is part of the Concessionaire operation.”

FRAUD ISSUES

Transactions Not Entered Into the POS System:

The Concession Agreements state that all transactions must be entered into the POS System. A concern that was brought to the attention of the OIG was that Perico’s on the Green, LLC. (Perico’s) was using a Square Up card reader to process credit card transactions for food and beverage purchases at Ladera Golf Course. The Whistle Blower informed us that on August 15, 2013 he purchased two alcoholic beverages at Perico’s. The cashier ran his credit card through a

Square Up card reader rather than through the City's POS system. A copy of the emailed receipt shows a purchase at Perico's in the amount of \$17.25, and a time stamp of 5:12 pm. However, when reviewing the POS query for this date, this transaction was not found.

The Square Up card readers are not tied in with the City's POS system and are not approved devices for transactions with the City. Our concern is that the City is not receiving its share of the revenue from transactions processed using this Square Up device.

Not only must all transactions be entered into the POS system, but it is important that transactions are recorded *as* they occur and *at* the time of service.

The banquet halls at the Ladera, Los Altos and Arroyo del Oso Golf Courses are rented out for special events. A bar is set up in the banquet halls, so alcohol and non-alcoholic beverages can be sold during special events. However, there are no POS terminals located at the banquet hall bar areas.

In speaking with the Concessionaire for the Ladera Golf Course, he explained that during special events held at Ladera, the bartender/cashier will keep a record of the beverage sales on a tape. The total amount of these transactions are then entered into the POS terminal located at the snack bar, either the next day or a couple of days later. The same process is also used at the other two banquet halls.

Video surveillance cameras were installed at each of the four golf courses around July 2013. The cameras were placed above or in view of the POS areas in the Pro Shops and snack bar areas. There are also cameras located in the banquet hall areas. However, we noticed that they are not in clear or direct view of the bar area. As a result, there is no clear view of the transactions taking place at the banquet hall bar during special events.

Barter Transactions:

GMD has entered into barter transactions for products and services. In 2008, GMD entered into an agreement with EZLinks for a POS system. Rather than purchasing the system outright, a "handshake deal" was made where GMD implemented this POS system at all of the City's golf courses and in exchange EZLinks received two daily tee times and four golf carts at each of the City's four golf courses. A person could purchase this deal online and book a tee time, which allowed a group of four to play a full round of golf. However, it was EZLinks that would receive the profit. The Special Administrative Review conducted by OIA, estimated the City had lost out on approximately \$1.5 million in tee time and golf cart revenue for a POS system that would have only cost approximately \$60,000 if purchased outright.

Another example brought to the attention of the OIG involved a vendor who was hired by GMD to re-stripe one of the golf course parking lots. The vendor was not paid in cash, but rather was given approximately \$600 in Greens fees gift cards. In addition, there was no IRS Form 1099 issued to the vendor indicating the value the City received.

In researching the City Purchasing Ordinance, nothing could be found that would prohibit barter transactions. However, barter agreements and transactions need to be handled in the correct

manner, and they need to be reported per IRS guidelines. When bartering for products or services, the fair market value of the products or services received must be reported on the vendor's tax return. The barter transaction is taxable in the year it is performed. Failure to report barter transactions can be considered tax evasion.

ABUSE

Subleasing and Allowing Other Businesses to Utilize City Facilities:

Ladera

One of the major issues brought to the attention of the OIG involves the Ladera Golf Course and the restaurant on site, Perico's. On June 1, 2012, Westside Golf entered into a sublease agreement with Perico's. As part of the agreement, Perico's became responsible for operating all food and alcohol concessions for Ladera, to include the scheduling of all banquet events. Perico's paid \$20,000 to the Concessionaire as a one-time buyout of the debt incurred by the previous concessions operator. Perico's also pays \$2,000 per month in "rent."

The City did not receive any portion of the \$20,000 buyout, nor has the City received any portion of the \$2,000 in monthly "rent." In addition, Ladera's Concession Agreement states: "The Concessionaire shall not assign, delegate, sublease or assign this Agreement or any right, privilege or obligation arising under this Agreement, except as provided in herein."

When the OIG spoke with the Concessionaire of Ladera, he stated that he did not have a sublease, and referred to Perico's as a "partner in business." He indicated that two of Perico's owners joined as officers in Westside Golf, so he is not really subleasing to them. He also believes Westside Golf is only contractually responsible for remitting food, beverage, alcohol and banquet revenue. He does not believe he needs to remit any portion of the rental income received from Perico's.

GMD's Assistant Superintendent indicated that Westside Golf has been informed that the \$2,000 needs to be claimed as revenue and put on the Monthly Revenue Report. However, Westside has always contested this and says *their* accountant claims it as "Rent" and does not consider it revenue.

Another matter of great concern involves Westside Golf's liquor license. GMD had informed the OIG that it is Perico's employees who tender the alcohol sales -- both for regular concessions and for special events. The OIG learned that Westside Golf and Perico's are in violation of the Liquor Control Act (NMAC 15.10.70.8). According to the Deputy Director for the New Mexico Alcohol and Gaming Division (AGD), Westside Golf is the ***only*** entity approved to operate the liquor license at Ladera Golf Course. This means only employees of Westside Golf may serve alcohol on the premises, and all monies received must be by Westside Golf. Perico's is not an approved entity and may not operate the liquor license or receive profits from the sale of alcohol.

The Deputy Director for AGD also pointed out that Westside Golf must have sole tenancy for the licensed premises in order to qualify for a liquor license lease. Just because Perico's owners "joined as officers" in the corporation and are non-contributing board members for Westside Golf, does not mean they can operate the liquor license. This is violation of state law and poses a liability to the City. The liquor license is owned by the City and leased to Westside Golf. The City could face sanctions for an illegal entity operating against the license, to include fines and penalties up to \$10,000 per violation, as well as suspension or revocation of the liquor license.

On August 1, 2014, the OIG sent a memo to the City's Chief Operations Officer, explaining that Westside Golf and Perico's are in violation of the State of New Mexico, Liquor Control Act. In this memo the OIG recommended that Westside Golf and Perico's immediately cease the sale of alcohol, or be at risk for criminal charges, with the City also being subject to possible fines and penalties. A copy of this memo was also provided to GMD.

ACCOUNTS RECEIVABLE

Westside Golf is invoiced monthly. The invoice is a combination of the previous month's percentage payment resulting from the Concession Agreement and the "Liquor Rent" resulting from the Liquor License Lease Agreement. Due to maintenance issues at Ladera, concession revenue was impacted. Westside Golf had not met the minimum annual guarantee (MAG) and had not made MAG payments to the City for 2012. In January 2013, the City Administration and Westside Golf agreed to an Addendum to the Concession Agreement, which lowered the minimum annual guarantee from \$80,000 to \$40,000 for 2012. As a result of the agreement, in April 2013 the City Administration credited Westside Golf's Accounts Receivable account \$29,454.97 for some of the 2012 outstanding invoices and \$4,148.73 for late payment fees.

Westside Golf did not make payments to the City for 2012 or 2013. In December 2013, the City Administration and Westside Golf approved an Amendment to the Addendum which reduced the minimum annual guarantee to \$40,000 for 2013, 2014, and 2015. The Amendment required a 50% payment of the minimum annual guarantee for 2013 by June 1, 2014. The City agreed to hold the \$40,000 owed for 2012, and the remaining \$20,000 for 2013, in abeyance "until the Ladera course is in quality playable condition in the spring/summer 2014."

As a result, of the Amendment, in December 2013, the City credited additional receivables by issuing additional credits netting \$40,058 to the Westside Golf Accounts Receivable account for previously issued 2012 invoices. This brought the Accounts Receivable balance for Westside Golf to zero for 2012, rather than the \$40,000 renegotiated minimum annual guarantee. The Amendment also reduced the percentage payment amounts to 25 percent of the monthly percentage payment specified in the Concession Agreement, with the remaining 75 percent held in abeyance.

In total, the City issued \$73,661.35 in credits to the Westside Golf Accounts Receivable account for 2012. The 2012 invoices included \$13,483.73 in Liquor Rent in addition to the payment

percentages related to the Concession Agreement. The Liquor License Lease Agreement is separate from the Concession Agreement and does not include an option to renegotiate the amount due to the City. The City Administration should not have reduced any Accounts Receivables associated with the Liquor License Lease Agreement.

According to the City’s Accounting Division management, the Accounts Receivable group was notified by Golf Management Division that the \$40,000 guarantee had been incorrectly credited for the year 2012 in December of 2013. In May 2014, realizing an error had been made, the City’s Accounting division reversed the prior credit, placing \$40,000 in abeyance for Westside Golf’s 2012 MAG as required by the amendment to the addendum. As shown in Table 1 below.

Table 1	
Westside Golf 2012 Accounts Receivable	
2012 Invoices for Concession	
Percentage Payments and Liquor Rent	
Concession Percentage Payments	\$ 56,029
Liquor Rents	13,484
	69,513
Interest Due on 2012 Outstanding Invoices	4,149
	73,662
Less: April 2013 Credits	(29,455)
April 2013 Credits	(4,149)
December 2013 Credits	(40,058)
	(73,662)
Accounts Receivable Balance January 2014	0
May 2014 Entry to Reinstate 2012 MAG	40,000
2012 Accounts Receivable Balance	\$ 40,000

According to Accounting Division management, as of June 30, 2014, Westside Golf has a balance due of \$115,711.61 that is being held in abeyance. As shown in Table 2 below. (Source: City of Albuquerque Accounting Division)

Table 2				
	Calendar Year			
	2012	2013	2014*	Total
A/R - Contracted Agreement	40,000.00	65,071.68 **	33,378.53	\$138,450.21
Amount to bill to meet Mimimum Annual Gruarantee of \$40,000	.		6,621.47	6,621.47
Less: Payments Received		(24,102.53)	(5,257.54)	(29,360.07)
Final Balance Due	40,000.00	40,969.15	34,742.46	\$ 115,711.61 ***

* Amounts are as of 6/30/2014, City of Albuquerque Fiscal Year End. Amounts are subject to change based on data through December 31, 2014

** Amount is assuming 100% of the contracted agreement. 75% of this amount was agreed to be held in abeyance.

*** Currently, the City has \$109,090.14 in outstanding AR on the GL. \$6,621.47 would be required to be booked as of 6/30/2014.

NOTE: The balance due of \$115,711.61 does not include the receivables associated with the Liquor License Lease Agreement.

NOTE: For 2013 the Final Balance Due exceeds the annual guarantee of \$40,000 by \$959.15 to total \$40,969.15. This is due to revenue exceeding the minimal annual guarantee.

The Accounting Division management stated they did not realize there was a Concession Agreement and a separate Liquor License Lease Agreement with Westside Golf. The Accounting Division management stated they will be go back and book the receivables for the liquor license agreement that should not have been credited.

According to the Accounting Division management, Westside Golf is now in compliance with the Amendment made to the contract.

Los Altos

The OIG also learned that sometime around 2011, Los Altos Golf Course Concessions, Inc. (Los Altos) was allowing a couple of catering companies to use the banquet hall kitchen to prepare food for catering events. One of the catering companies also offered cooking classes in addition to catering services, and their website listed Los Altos Golf Course as one of the locations where cooking classes were held.

The Assistant Superintendent stated GMD learned of these other businesses when fliers and business cards were found posted at the Pro Shop front desk. GMD informed Los Altos that other businesses could not operate out of the kitchen. The Concessionaire indicated he was collecting a monthly fee from the catering companies, which GMD required that Los Altos cite

on its Monthly Revenue Report. Reports for the months of July 2012 and November 2012 reflect an entry titled "Kitchen Lease." July 2012 reflects \$371 and November 2012 reflects \$250. Neither the "Kitchen Lease" entry, nor any other indication of fees collected from these catering companies could be found on any other Monthly Revenue Reports.

According to the Assistant Superintendent, GMD is unaware if a sublease ever existed for Los Altos, but considered the issue resolved when the Concessionaire no longer allowed the catering companies to utilize the Los Altos kitchen. The Los Altos Concession Agreement also contains a provision which prohibits subleasing, and states: "The Concessionaire shall not assign the Agreement or allow it to be assigned by operation of law or otherwise, nor sublease the Golf Course or any part thereof without the prior written consent of the City. Any purported assignment or sublease in violation hereof shall be void."

Banquet Revenue:

Banquet facilities are located at the Ladera, Los Altos and Arroyo del Oso golf courses. These banquet facilities are available to rent out and are used for events ranging from weddings to association meetings. Ladera has the largest banquet facility; and therefore can accommodate larger events. Arroyo del Oso has the smallest banquet facility and can accommodate up to about forty-five (45) people at the most. Los Altos falls in the middle and can accommodate around one hundred thirty (130) people. As for Arroyo del Oso, the Concessionaire stated that they do not book many events, and when they do, it is mostly events such as office parties and Bridge clubs.

The current Concession Agreements do not specifically address banquet facility rental and fees. However, it is specified that all transactions related to food and beverage -- to include banquet sales -- are to be entered into the POS System. In addition, it is required that each month the Concessionaire supplies GMD with a schedule of banquet facility events, as well as copies of the contracts for those scheduled events.

Ladera tends to book the most banquet hall events, with Perico's handling the scheduling and catering. The Banquet/Special Event Form, which includes a Banquet Fee Schedule, is broken down by: 1) Banquet Room Fee; 2) Food Fee; and 3) Alcohol Fee (Sales). In reviewing event forms, many are not filled out completely. In addition, on many of the event forms there appears to be no charge for the Banquet Room Fee. The OIG also has some concerns regarding the following events:

- August 9, 2013: "Family" graduation with an anticipated 60 guests. One of the owners of Perico's is the person "renting" the banquet facility. However, there is no charge listed for the Banquet Room Fee, nor is there a charge listed for the Food Fee.
- August 17, 2013: "Employee" wedding with an anticipated 200 guests. There is no charge listed for Food Fee.
- October 11, 2013: Personal use by a Perico's employee.

- November 3, 2013: Legacy Church SOS Fall Ball. One of the owners of Perico's is the person "renting" the banquet facility. The event form has a slash drawn through Banquet Fee Schedule and "no charge" is written on the side.
- January 4, 2014: Wedding for the son of one of Perico's owners. The event was listed on the calendar, but no Banquet/Special Event Form was found for this event. Footage of the event was captured on the camera located inside the Ladera banquet hall. Based on the video and other information received, there were approximately 300 guests in attendance. However, no transactions for this event were found in the POS System.

The owner of Perico's justification of these no-charge events is that Perico's pays rent. Furthermore, because these were family events, it is Perico's belief that the City was not owed anything. The OIG spoke with the Concessionaire for Ladera, who stated he was aware of two (2) "no-charge" events that were for the Perico's family. He did not seem to have an issue with these "no-charge" events.

Not only is this a violation of the State's Anti-Donation Clause, but this is a violation of the Concession Agreement as well, which states:

Except for de minimus gifts or compliments under \$50 at the Concessionaire's discretion to promote goodwill, the Concessionaire shall not give away food, beverage, merchandise, services or equipment usage or golf course usage without the Director's prior approval. No one person may consistently receive the de minimus gifts or complimentary items.

The OIG also looked at Los Altos Golf Course. Los Altos does not have a third party handling the banquet and catering side of operations; however, we found them to be inconsistent in their banquet pricing as well. The Concessionaire indicated he would determine room rental fees and pricing based on the event and/or the person's budget.

The OIG also had concerns about a wedding reception that was held at Los Altos Golf Course on December 15, 2012. We contacted the bride of this particular event, who estimated the cost of the event to be around \$5,500. She indicated there was no contract signed, and everything was more of a verbal agreement. Los Altos provided a copy of an invoice from this event, with an estimated cost of around \$4,100. Attached to the invoice were copies of two receipts reflecting payments that were made for this event. One receipt was in the amount of \$363 and the second receipt was in the amount of \$200. These transactions were found in the POS System. However, we could not find any entries for the remaining amount.

When we talked with the Concessionaire for the Los Altos Golf Course and inquired about this event and asked to review the banquet form, he indicated he did not hold on to documentation for events held in the Los Altos Golf Course banquet hall. He indicated that once an event has taken place, information and documents related to that event are usually shredded.

(** Effective July 2013, GMD requires that each Concessionaire submit on a monthly basis an End of Month Checklist, to include Banquet Room Rentals Sales Sheets and Rental Agreements for all special events. Concessionaires are also to provide initial deposit receipts and final payment receipts for all special events. (The Assistant Superintendent indicated; however, that the Concessionaires have not been consistent with providing this information.)

MISUSE

Gift Cards/Certificates:

GMD offers Greens Fees gift cards, which can be purchased and used at any of the four City golf courses. These are the traditional plastic gift cards, and revenue from the sale of these gift cards is remitted to the City.

The OIG learned that in addition to the Greens Fees gift cards, each golf course offers its own paper gift certificates. These paper certificates were created by the Concessionaires and can only be used at the course where they are purchased. They can be used for merchandise, lessons, carts and even food. The transactions for these paper certificates are not recorded in the POS System, but rather are tracked manually. For example, the Concessionaire for the Arroyo del Oso and Puerto del Sol courses has the purchase categories already printed on the back of the paper certificates. When a customer makes a purchase using the certificate, a notation will be made on the back indicating what the purchase was for, and the amount will be deducted from the certificate total.

The City does not receive its portion of the revenue until the gift certificate is redeemed. Concessionaires acknowledge that there are some gift certificates that may never be redeemed. Concessionaires also admitted it is possible that during times when the Pro Shop is very busy, the cashier may become distracted and fail to notate the purchase on the back of the gift certificate. If the transaction fails to be recorded, not only does the City not receive its portion of the revenue, but essentially, the customer is receiving free products and/or services.

In talking with the Concessionaires, there is an estimated \$50,000 in outstanding paper gift certificates. Should a Concessionaire's contract be terminated in any way, the outstanding certificates pose a liability to the City.

CONCESSIONAIRE CONTRACTS

Currently Concessionaires at the four City golf courses do not have to go through the competitive bidding process due to § 5-5-20 (W) ROA 1994 which provides an exemption from competitive procurement for, "Agreement with a sports professional or team."

Concessionaires that do not fall under § 5-5-20 must go through a competitive process according to the following:

§ 5-5-19 APPROVAL OF CONTRACTS.

(A) The following contracts must be approved by the City Council:

- (5) Concession contracts expected to generate revenues to the contractor in excess of \$75,000 over a 12-month period.

§ 5-5-28 COMPETITIVE SEALED BIDS.

(A) All purchases of goods, services, and construction in excess of \$25,000, and the establishment of concession contracts expected to exceed \$75,000 in revenues to the contractor shall be made by competitive sealed bid except as otherwise authorized by this article.

The Administration and City Council should consider eliminating the exemption in § 5-5-20 (W) ROA 1994 so that awards of future Concessionaire contracts go through a competitive process or request for proposal process to ensure the City awards the contracts to the best Concessionaires based on merit.

CONCLUSION

Golf management has begun to make changes to the way the golf facilities are run. A new Point of Sale system is being installed at all four golf courses that will be maintained by the City. All credit card transactions will run through the City. New contracts are in process for those Concessionaires who do not have a current contract.

The OIG will continue to monitor the golf course facilities to ensure that improvements are being made and recommendations are followed.

SUBSEQUENT EVENT

Subsequent to completion of the report and responses from the Parks and Recreation Department, the OIG determined that additional information was needed in regards to Concessionaires being Class “A” members of the Professional Golf Association (PGA) as required by their contracts. The OIG visited the PGA website and found the Concessionaires for the Los Altos Golf Course, Arroyo del Oso Golf Course and Puerto del Sol Golf course were all listed as PGA Professionals. The OIG could not find the Ladera Concessionaire or the PGA apprentice as stated on the City’s Ladera Golf Course website. Section 14.1 of Ladera’s contract states: Each Golf Professional and any proposed substitute shall submit a copy of his PGA class “A” certification or documentation of Apprentice Golf Professional status annually to the PRD, Golf Management Division Office. The OIG called the PGA and asked about the Concessionaire and the PGA Apprentice. The person for the PGA stated that the Concessionaire for Ladera was a Life Member, Retired and that he could not find the name of the PGA Apprentice.

The OIG contacted Golf Management Department (GMD) and asked if there was any verification on file on whether the Concessionaires have Class “A” designations as required. The GMD stated that they would look into this matter.

The GMD contacted the OIG with the following information they received from the PGA:

Course	# of PGA Class A Credential(s) required by contract	Name	PGA Class
Arroyo del Oso	1	Concessionaire	A-9
Ladera	1	Concessionaire PGA Apprentice	Lifetime Member* Not a member
Los Altos	2	Concessionaire PGA Professional	A-4 A-1
Puerto del Sol	1	PGA Professional	A-4
<p>*Notes: After calling the PGA national membership classification office at (561) 624-8400 and the local PGA Suncountry office (505) 897-0864, we obtained the following information regarding the Lifetime Member status.</p> <ul style="list-style-type: none"> • Once PGA members reach 20 years of service, by member action only, they can fill out the Lifetime Member form which means they are no longer eligibly employed and are moving into retired status. • If a Class A member chooses to continue to be eligibly employed, they must retain a Class A status. • Once a Lifetime member, membership dues are reduced from the Class “A” type dues. • Class A credentials do not carry over to Lifetime Membership status. • Neither office would share how many years the Ladera Concessionaire has been a Lifetime Member. • In the City’s agreement with Ladera Golf Course Concessionaire, Section 14 FULL-TIME GOLF PROFESSIONAL. The Concessionaire shall provide the services minimum of one (1) class “A” professional (the Golf Professional) who shall devote their respective full-time, skill, labor and attention to the operation of the Golf Course, including the Clubhouse and Concessions. 			

SUBSEQUENT EVENT

GMD stated that letters were sent out to each Concessionaire requesting current copies of the PGA Class “A” Credential. As of October 3, 2014, documentation was received from all golf courses, except for Ladera.

From the information received from the GMD and the PGA, the Concessionaire for Ladera Golf Course, West Side Golf, Inc., is in violation of Section 14 of the contract.

- The Ladera Concessionaire must obtain PGA Class “A” certification to be in compliance with the contract.
- PGA Apprentice status must also be obtained in order to substitute when the PGA Class “A” professional is not on duty to be in compliance with the contract.
- The OIG recommends that PRD annually obtain copies of the PGA Class “A” certifications for Golf Professionals and documentation of Apprentice Golf Professional status as required by the Concessionaire contracts.
- The OIG recommends that the Ladera Concessionaires not advertise themselves as PGA Professional or PGA Apprentice until that status is received by GMD.

DEPARTMENT'S RESPONSE TO OIG'S CONCLUSIONS

The Parks and Recreation Department is providing the following responses to the conclusions reached by the Office of Inspector General in the above captioned investigation:

1. Not all transactions are being entered into the POS system by Concessionaires as required by their contracts.

This conclusion is not entirely accurate. The Golf Management Division has been working since 2012 to address golf course point of sale systems. Golf Management requested an external audit in June 2012 in order to determine best business practices specifically relating to the Point of Sale (POS). Golf Management, working closely with the City of Albuquerque's IT Department, began the process of investigating and purchasing POS software in November 2012.

The purchase of Siriusware hardware and software was completed by March 1, 2014. Golf Management began implementing the new Point of Sale system, Siriusware, in April 2014 at the Puerto del Sol Golf Course. Siriusware installation was completed at all four municipal courses by July 21, 2014. The new POS system is currently functioning as expected and is capturing all Concessionaire transactions.

Training for all Concessionaires on the new POS system and new and more stringent policies were conducted in February 2014. The Golf Operations Manual was updated with the procedures put into place and provided to the Golf Advisory Board in July 2014.

In conjunction with the Siriusware installation, Golf Management included the purchase and installation of surveillance cameras at all POS locations. Installation of surveillance cameras at all golf course POS locations began in November 2013 and was completed by April 2014 – well in advance of the Siriusware POS installation. Video surveillance by these cameras now provides the necessary visual oversight to allow the Golf Management Division to require greater accountability by the Concessionaires.

2. There are inconsistent charges for banquet hall events.

The Parks and Recreation Department agrees with this conclusion, but stipulates that this practice was discovered through video surveillance of POS systems at Ladera Golf Course. The City has completed a supplemental agreement with Westside Golf, Inc. and Perico's to ensure that the City will receive the appropriate percentage of all past and future scheduled events. The Golf Operations Manual has been revised and updated to allow for non-profit and neighborhood groups to use the banquet rooms at no charge as follows: if the facilities are available, if the events do not displace a rent-paying customer, and if the function provides a benefit to community.

3. Perico's on the Green, LLC. (Perico's) used the Ladera banquet facilities for their own personal benefit without charging the required fees.

The Parks and Recreation Department agrees with this finding, but stipulates that Golf Management uncovered this practice through the review of video surveillance of POS systems. The City presented this evidence to the Concessionaire and received full cooperation in accounting for these events. Three outstanding banquet rentals were identified. After the City reviewed and approved the Concessionaire's accounting documentation for these events, the Concessionaire entered all three transactions into the POS system on July 1, 2014, resulting in \$8,257,000 paid to the City for its contracted share. Perico's has presented accounting for all outstanding events, which the City has accepted and approved for processing through the POS system. The City has completed a supplemental agreement with Westside Golf, Inc. and Perico's to ensure that the City will continue to receive the appropriate percentage of any scheduled events.

The Golf Operations Manual (2014) has been revised and updated to allow for non-profit and neighborhood groups to use the banquet rooms at no charge as follows: if the facilities are available, if the events do not displace a rent-paying customer, and if the function provides a benefit to community, namely Albuquerque citizens. Food, drink or event concessions provided at these events continues to require payment of applicable fees through the Siriusware POS. An updated waiver form (for waiver of banquet hall fees) has been developed by Golf Management. The fee waiver form was included in the 2014 operations manual. Golf Management will continue to assure Concessionaire compliance with this new procedure.

4. Each Concessionaire does sell its own paper gift certificate. Although the Concessionaire receives full payment for the paper gift certificate, the City does not receive its portion until the gift certificate is redeemed. There is an estimated \$50,000 in outstanding gift certificates that could pose a liability to the City.

The intent of the "gift certificate" program was to serve as a marketing tool and allow the Concessionaires to bring in new customers/golfers who will redeem the certificate and spend additional dollars on food, beverages, cart rental, etc. The intent is to find new customers through these gifts and retain them as returning customers. The Parks and Recreation Department agrees that this gift certificate program has had the unintended consequence of delayed payment to the city. As of June 24, 2014, sales of paper gift certificates were discontinued by all Concessionaires to support the transition to Siriusware POS. Golf Management directed the Concessionaires to provide an inventory of unredeemed gift certificates, as well as a monthly report of paper certificates redeemed. Siriusware supports gift card purchases through a standard media and numbering system. As of July 31, 2014, Concessionaires are responsible to provide both the media and the numbering system in order to issue new gift cards that are redeemable for golf and merchandise at their respective courses. The City will hold these funds in escrow until the gift card is redeemed by the customer. The City will pay the Concessionaire their part of the transaction and automatically withdraw the proper percentage owed to the City when the gift card is used.

5. City Administration should not have reduced any Accounts Receivables associated with the Liquor License Agreement with Westside Golf.

The Administration is currently in negotiations with Westside Golf to resolve the outstanding contract and accounts receivables held in abeyance issues. Accounts receivables associated with the Liquor License Lease Agreement will be incorporated into the negotiations. The Administration will take any proposed settlement agreement resulting from the negotiations to City Council for review and approval.

6. Westside Golf violated its contract by subleasing the concessions and banquet hall to Perico's.

The Parks and Recreation Department does not agree with this conclusion. Perico's does operate the restaurant and banquet facilities as contributing Board members of Westside Golf. Perico's on the Green is not operating as a sub lessee of Westside Golf, Inc. One Manager of Perico's serves as a Board Members of Westside Golf, Inc. The managers of Perico's have operated the food and beverage concessions and banquet facilities under Westside Golf's current contract with the City of Albuquerque with the approval and supervision of Westside Golf's Board of Directors, Shareholders and Managers. Any payments by Perico's on the Green to Westside Golf have not violated the current Concessions Agreement, provided that the City has been paid its share through the POS for all concessions provided to the public.

7. Westside Golf and Perico's violated the State of New Mexico, Liquor Control Act.

As of August 12, 2014, all employees selling alcohol are certified by the State of New Mexico and are directly under the employment of Westside Golf including the restaurant, banquet facility and beverage cart. The City Legal Department has received verification of this from the respective attorneys for Westside Golf, Inc. and Perico's On the Green, LLC.

8. Unauthorized "Square Up" cards were used at the Ladera Golf Course.

The Parks and Recreation Department agrees with this conclusion, but also notes that when the Golf Management Division discovered the use of the "Square Up", the Division sent a letter to both Perico's and Westside Golf instructing that this practice was a contract violation and that all transactions were required to be tendered through the City's POS.

Attached please find the City Parks and Recreation, Golf Management Division Action Plan which addresses the identified problems in the OIG INVESTIGATION REPORT NO. 14-205. The action plan addresses the following areas: business practices, point of sale, concessionaire contracts, communication and golf course maintenance.

9. If the amount being held in abeyance for Westside Golf is deemed uncollectable, the City's Administration should work with City Council to remove the outstanding accounts receivable by resolution as required by State Statute Section 3-37-7 NMSA 1978.

The Accounting Division work with Golf Management to ensure that all liquor receivable amounts credited from year 2012 to present for liquor be reinstated as receivables as per liquor license agreement.

If Westside Golf does not comply with terms of the agreement, Westside Golf's contract should be terminated.

The Administration is currently in negotiations with Westside Golf to resolve the outstanding contract and accounts receivable held in abeyance issues. Accounts receivables associated with the Liquor License Lease Agreement will be incorporated into the negotiations. The Administration will take any proposed settlement agreement resulting from the negotiations to City Council for review and approval.

Golf Management Action Plan July 16, 2014

I. Business Practices:

A. Operations Manual Update: An Operations Manual exists and has been updated to address audit findings. This process will continue and operations will continue to be improved for accountability, good communication and best business practices.

Action: Operations Manual has been updated and will be presented to the Municipal Golf Advisory Board in July 2014.

Time Frame: Completed (with the opportunity for amendments)

B. Conflict of Interest: The City respectfully disagrees that the Golf Concessionaires' participation on the interview panel was a conflict of interest. Although Concessionaires were participants in the interview process for the Golf Superintendent, their role in the hiring process was limited to questions and comments. They sat on the interview committee and provided feedback on the candidate's knowledge and abilities as they related to running a municipal golf course. All candidates were screened by Human Resources staff within the department as well as staff from the citywide Human Resources department. The final decision on who was hired was made by the City only and was at the discretion of the Parks and Recreation Director and was approved by the Chief Administrative Officer.

Action: The City will discontinue the concessionaire participation on interview panels regarding the hiring of Golf Management Division employees to avoid any perception of impropriety.

Time Frame: Completed

C. Barter Arrangements: No other barter arrangements will occur in the future without a clear analysis of the economic impact and accountability per the audit recommendations and the city procurement code. The barter transaction referenced with regard to services involving restriping the parking lot included payment in the form of vouchers for golf rounds and carts in the amount of approximately \$675.00. Since this amount is over \$600.00, an IRS 1099 Form was issued on July 15, 2014.

Action: No barter agreements will occur in the future.

Time Frame: Completed

D. Use of facilities by Not-for-Profits: The Golf Operations Manual allows for non-profit and neighborhood groups to use the banquet rooms if the facilities are available and the events do not displace a rent-paying customer because it is at no cost to the City and provides a benefit to community, namely Albuquerque citizens. Any food or drink or event concessions provided at these events continues to require payment of applicable fees.

Action: An updated waiver form has been developed by the Golf Division to assure that Concessionaires are now aware that appropriate paperwork needs to be completed in advance and authorized by the City Parks and Recreation Department Director for facility use by Non-profit organizations.

Time Frame: Completed

II. Point of Sale System:

A. EZ Links: The decision to enter into the barter agreement with EZLinks was made in 2008 and was in place prior to this current Golf Management Administration. At the time this decision was made, it was determined that this was the best practice for introducing a Point of Sale (POS) system with minimal cost to a municipality and was and continues to be used in all 50 states, including communities such as Phoenix and Tucson, Arizona, and in about 15 courses in New Mexico.

The barter agreement with EZLinks as described in this audit is not completely accurate from an accounting perspective. This cost accounting by Internal Audit is predicated on the assumption that every round was to be sold at full value. There is not a monetary loss of \$1.5 million in revenue. A true cost can only be attached to the players who actually played via the trade. Furthermore, no loss actually exists for those players, unless the EZLinks booked players in fact caused displacement of other players who intended to play golf and pay the Concessionaire for the same times. The City is not aware of players being turned away under such circumstances. In fact, the City does not have a cap on the number of players allowed in a single day.

The 8 rounds of golf and 4 carts per day (at each course) were provided to EZLinks in exchange for POS hardware, software and data base support. These rounds were allowed at the slowest time of the day/week after 11:00 am daily. This barter agreement was intended to stimulate golf rounds at the slowest times of day. While it may appear that revenue was lost, golfers did in fact play on City golf courses during off hours generating money for both Golf Management and Concessionaires through a variety of services, not just green fees.

Action: The City notified EZ links on January 28, 2014, that its contract was terminated, effective March 31, 2014. EZLinks is being replaced with a new POS called Siriusware, which has already been installed at the Puerto del Sol and Ladera Golf Courses. The new POS system will be fully operational at all four golf courses no later than August 2014.

Time Frame: August 2014

B. New Point of Sale System: Due to the department initiated external audit in June 2012 to determine best business practices specifically relating to the Point of Sale. Golf Management began the process of implementing a new Point of Sale system in April 2014 and has been installed at Puerto del Sol and Ladera Golf Courses. The process of

addressing issues identified in the 2012 REDW audit was initiated immediately upon completion of that audit.

Actions taken include:

- ITSD comparative analysis report on top POS systems including a cost analysis completed in November 2012.
- The purchase of Siriusware hardware and software (new POS) took place in July 2013.
- Installation of surveillance cameras at all POS locations was completed in July/August 2013.
- New policies were developed and provided to the Concessionaires in November 2013.

All credit card charges will go through the new Siriusware POS system and will be handled consistently at all four courses.

As a component of the new POS system, paper gift certificates are eliminated and new gift cards will be available (at each facility) through the new POS to better track gift cards and certificates. A new policy relating to the transition of paper gift cards to the new POS system has been added to the policies manual and will be distributed to all Concessionaires.

Action: New POS system Siriusware has been implemented already at two golf courses and shall be completed in the remaining two courses in August 2014.

Time Frame: August 2014

III. Concessionaire Contracts:

A. Existing contracts: All Concessionaires are operating on a current contract or on a month to month extension until a new contract is finalized, as provided by terms contained in all Concession Agreements.

Action: The City sent correspondence to NM Golf and Los Altos Concessions ratifying month to month extensions of the existing executed Concessions and Liquor License Agreements.

Time Frame: Los Altos Concessions contract was approved by City Council on April 1, 2013. Notice of extension of existing executed agreement was sent in January 2014 to New Mexico Golf, Ltd. (Arroyo del Oso and Puerto del Sol courses) and new Concessionaire agreements for both courses shall be introduced to City in August/September 2014.

B. New Contracts: New agreements with Concessionaires have been completed and signed by the Concessionaires. The Los Altos Golf Course Concessions and Liquor License Agreements were approved by Council April 1, 2013. The Arroyo del Oso and Puerto del Sol contracts with New Mexico Golf, LTD. re complete and will go before

City Council for approval in August/September 2014. Final signatory approval by the City is pending until the Concessionaires tender proof of insurance that meets all of the requirements contained in the Concessionaire and Liquor License Agreements. The City, GMD, the Concessionaires and the Concessionaire's insurance agents and underwriters have been working diligently to obtain insurance coverage that meets all of contractual requirements, which was confirmed and approved for New Golf, Ltd. on July 16, 2014.

The update of these contracts was lengthy due to the creation of new requirements by the City, enabling better controls and accountability. The City Legal Department, Golf Management, the Concessionaires and the Concessionaire's insurance agents and underwriters have been working diligently to obtain insurance coverage that meets all of contractual requirements.

Action: Los Altos contract Approved by Council on April 1, 2013. Puerto del Sol and Arroyo del Oso contract before City Council in August/September 2014. Ladera contract to expire and renegotiated January 2015.

Time Frame: Completed: Los Altos Agreements were approved by City Council on April 1, 2013, however, execution by City is pending a tender of proof of insurance that satisfies all contractual terms. Pending: The Puerto del Sol and Arroyo del Oso Agreements will be introduced to City Council in August/September 2014. Future: Ladera agreement expires December 31, 2015. The City will initiate negotiations January 2015.

C. Bid Process: The City's longstanding opinion is that the Golf Course Agreements are exempt from all competitive requirements of the Public Purchases Ordinance "Agreements for the services of a sports professional or team." This opinion is reflected in a legal memorandum dated January 24, 2005. The golf course agreements have been determined to be exempt as a result of this provision. Specifically, the Golf Concessions Agreements are exempt under Ordinance § 5-5-20 EXEMPTIONS, Subsection (W) "Agreements with a sports professional or team." GMD respectfully disagrees with the Audit's conclusion that Ordinance § 5-5-20 EXEMPTIONS, Subsection M) "Concession contracts, unless such contracts are expected to generate revenues to the contractor in excess of \$75,000 over a 12-month period" supersedes Subsection (W). All contracts are renegotiated and provided a public review through City Council approval.

Action: The Legal Department has consistently provided the opinion that the Golf Concessions Agreements are exempt from competitive procedures.

Time Frame: Completed January 2005

D. Subleases: The City recognizes the concerns about financial accountability and oversight. In May 2012, the City was informed of a change in Directors with Westside Golf, Inc. (Westside Golf) at the Ladera Course. Perico's on the Green, LLC (Perico's) is the provider of food and beverage for the Ladera clubhouse and café and was allowed to provide this service beginning in June 2012. A Manager of Perico's is a member of the Westside Golf Board of Directors, replacing a preceding Director who was

responsible for overseeing all food and beverage concessions and had suddenly departed Westside Golf in May 2012. The remaining Directors and Shareholders of Westside Golf did not have experience in providing food and beverage concessions and relied on the assistance of Perico's to provide these services to the public. The change in Board membership was documented in the Westside Golf Minutes of Special Meeting, dated May 24, 2012.

Based on the foregoing, the City has assumed that Perico's has conducted its operations in privity with the principals of Westside Golf. Perico's is the provider of food and beverage for the Ladera clubhouse and café and was allowed to provide this service beginning in June 2012 due to the sudden departure of the former food and beverage concessions provider, who a board member of Westside Golf. A manager of Perico's became member of the Westside Golf Board of Directors, replacing the board predecessor and food and beverage concessions provider.

Action: In order to address any potential for miscommunication or the perception of a sublease, the City is in the process of more clearly clarifying the role of the Perico's food and beverage service through a Supplemental Agreement to the existing Westside Golf Concessionaire contract.

Time Frame: August 2014

E. Banquet Facilities: The City is implementing a new POS system at all Golf Courses to assure accountability. The Westside Golf contract is in the process of being amended to assure that all partners in the corporation, including Perico's food and beverage and banquet rentals are clearly following the POS procedures and all city policies included in the Operations Manual and the Concessionaire agreement.

Due to the installation of cameras by Golf Management three outstanding banquet rentals have been identified and the City Legal Department is working with Westside Golf and Perico's to develop a supplemental agreement to ensure that the City will continue to receive the appropriate percentage of any scheduled events.

Action: A new POS system is being installed to track events. Settlement agreement is being developed for payment of outstanding banquet rentals. Perico's has presented accounting for all outstanding events, which the City has accepted and approved for processing through the POS system.

Time Line: July/August 2014

IV. Communication:

A. Frequency of Communications: All Concessionaires attend a monthly Golf Advisory Board Meeting where there is open communication regarding ideas, suggestions and policy changes. Additionally Quarterly meetings with the Chief Operations Officer, Director and Golf Superintendent will be held with each Concessionaire individually.

Action: Continued monthly meeting with the Golf Advisory Board. Quarterly meetings with the Concessionaires and City representatives.

Time Frame: Initiated July 7th and 9th 2014.

B. Contract Language: Contracts have been strengthened to be more specific regarding accounting procedures, new language in review.

Action: Contracts have been strengthened to be more specific regarding accounting procedures

Time Frame: August/September 2014

V. Golf Course Maintenance:

The Golf Management Division provides affordable, quality golf to the public. In the past four years, the City Administration has hired a new Golf Superintendent with 29 years of golf course maintenance experience and new Golf Assistant Superintendent with 8 years of retail revenue management experience and an MBA. Within the past 2 years, Golf Management has hired 2 Golf Course Supervisors who hold a two year college degree in agronomy and turf science. Due to recent budget constraints Golf Management has not been fully staffed, with only 3 of the 4 courses having a supervisor. This has required existing supervisors to assist at the unsupervised course. The 2015 budget was approved and the position is now able to be filled, allowing supervisors to focus on one course each.

The Golf Superintendent makes a rotational visit to each course at least twice a week. On-site instruction to Golf Course Supervisors is a routine function of these visits. Written instructions are also a mechanism by which the Golf Superintendent oversees the field crews. An example of this is the development of a policy instruction from the Superintendent to Course Supervisors with the goal of a 25% reduction in water use. This policy instruction included monthly tracking mechanisms to enable each course to monitor and adjust water use accordingly. This policy produced a savings of over 90 million gallons of water in calendar year 2013. This was a reduction of 15% in the overall water budget for Golf.

Action/Time Frame:

- Weekly visits by Golf Superintendent to each site. Ongoing.
- Status of each course reported to the Golf Advisory Board monthly. Ongoing.
- Quarterly reports provided to the Chief Administrative Officer and Chief Operations Officer at regular meetings with Concessionaires and Parks and Recreation administration. Initiated July 2014.
- Development of a 5 year capital improvement plan. Drafted and prepared in May 2013, with Final to be completed in January 2015.
- Annual Turf Management Training for maintenance staff. / Ongoing. Annual training in October/November with SW Turf Grass Association.



City of Albuquerque

Parks and Recreation Department

Richard J. Berry, Mayor

Interoffice Memorandum

October 24, 2012

To: Peter J. Pacheco, Acting Inspector General, Office of Inspector General

From: Barbara Baca, Director, Parks and Recreation Department

Subject: SUBSEQUENT EVENT RELATED TO INVESTIGATION REPORT NO. 14-205, GOLF CONCESSIONS, PARKS AND RECREATION DEPARTMENT

The Parks and Recreation Department is providing the following response to the conclusions reached by the Office of Inspector General in the above captioned subsequent event.

1. From the information received from the GMD and the PGA, the Concessionaire for Ladera Golf Course, West Side Golf, Inc., is in violation of Section 14 of the contract.

The Parks and Recreation Department and the Golf Management Division (GMD) agree with this finding. Mr. Sam Zimmerly is a lifetime member of the PGA, but is not a Class A, Golf Professional as required by the terms of the concessionaire contract. We also agree that no one else affiliated with Westside Golf has Class A or any other status associated with the PGA. The City has mailed a "Notice of Default" regarding PGA Golf Professional Requirements as set forth in the Golf Concessions Agreement effective this date. The City has requested proof of compliance within thirty (30) days. A copy of the "Notice of Default" letter is attached to this memorandum.

2. The OIG recommends that PRD annually obtain copies of the PGA Class "A" certifications for Golf Professionals and documentation of Apprentice Golf Professional status as required by the Concessionaire contracts.

The Golf Management Division will add this annual requirement to the Golf Operations Manual. The Superintendent of GMD will be responsible to verify proof of PGA Class "A" status by January 31 of the calendar year.

3. The OIG recommends that the Ladera Concessionaires not advertise themselves as PGA Professional or PGA Apprentice until that status is received by GMD.

GMD will ensure that any reference to PGA Professional or PGA Apprentice are removed from any advertising conducted for Ladera Golf Course, West Side Golf, Inc.

c: John Soladay, Chief Operations Officer
 Eric Locher, Assistant City Attorney, Legal Department
 Garry Wolfe, Assistant Director, Parks and Recreation Department
 David Salas, Superintendent, Golf Management Division, PRD
 File

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REVIEWED BY:

Acting IG

IG Investigator

APPROVED:

APPROVED FOR PUBLICATION:

Peter J. Pacheco, CFE, CIGI
Acting IG, Office of Inspector General

Chairperson, Accountability in Government
Government Oversight