



CITY AUDITOR

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Honorable Patty Lent, Mayor
Members of the City Council

The City Auditor has completed the attached review of the management contract between the City and Columbia Hospitality, Inc. for the management of the Gold Mountain Golf Complex. This project was scheduled on the 2014 work plan.

The purpose of this report was to review the provisions contained in the contract after the first year of operation. The observations and recommendations are presented for the Mayor and City Council to consider when renewing or revising the existing contract.

Please contact me if you have any questions or would like further assistance.

Sincerely,

Gary W. Nystul

cc: City Attorney
Director of Public Works & Utilities
Director of Financial Services
Director of Parks and Recreation

GOLD MOUNTAIN MANAGEMENT CONTRACT REVIEW

Purpose

The City Auditor routinely reviews various operations of the city including funds, departments, and contracts. This review of the management contract for the Gold Mountain Golf Complex was scheduled in the 2014 work plan.

Scope

This is a review of the golf course management agreement with Columbia Hospitality, Inc. which commenced January 1, 2013.

Statement of Auditing Standards

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except section 3.82 which requires an external peer review. Those standards require the auditor to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Objectives

- Review compliance with the terms of the agreement by the contractor and the city
- Report any sections of the contract that could be improved or provisions that were omitted

Summary of Results

- Some sections of the agreement require actions that are not practical or necessary
- Some contract requirements were not followed
- Some additional provisions should be added to the agreement for clarity and completeness

Background

The city owned Gold Mountain Golf complex consists of two 18 hole golf courses, club house, driving range, outbuildings, banquet facility and maintenance facility. The contractor, who had operated the complex for many years, retired at the end of 2012. In the fall of 2012 the city entered into a sole source contract with Columbia Hospitality, Inc. to manage the Gold Mountain Golf Complex starting January 1, 2013.

Observations and Recommendations

The following observations and recommendations are listed in the order that sections appear in the management contract. The term “manager” is used to refer to Columbia Hospitality, Inc. which is also how they are referenced to in the agreement. Items not included in the contract are listed at the end.

1. Recitals

Paragraph B of the recitals lists “locker rooms” and “cart storage and bag storage” as facilities that are part of the property managed. These facilities do not exist.

Recommendation: These references should be removed from paragraph B.

2. Definitions

Section 1.01 includes several definitions of terms. It states in part: “Confidential Information” means (a) the terms of this Agreement ...

Observation: Agreements entered into by the city are not confidential.

3. Lease Agreements

The last paragraph of Section 2.01 of the agreement states: “Notwithstanding the foregoing, unless otherwise part of the Annual Plan and Budget approved by Owner in accordance with Section 5.02, Manager shall not enter into any agreement in the name of Owner (i) that creates an obligation of Owner that is greater than twenty-five thousand dollars (\$25,000) or (ii) whose term exceeds one year and cannot be terminated without liability on sixty (60) day’s written notice without Owner’s prior written consent.”

Observation: The Manager has entered into a lease agreement for the rent of golf carts which exceed \$25,000 and there is no evidence of the city’s written consent.

4. Reference Error

In Section 5.06 is a one sentence paragraph addressing emergency expenditures. Near the end of the sentence is the abbreviation “THG”. It is unknown what this abbreviation means.

Recommendation: The parties should explain or correct the reference.

5. Capital Improvements

Section 6.01 states in part that the Manager will comply with RCW Chapters 39.04, 30.12 and 39.80. These sections of state law relate to public works projects, prevailing wages, and architects and engineers services.

Section 6.02(b) provides in part ...”Manager shall have no obligation to supervise any Capital Improvement and all Capital Improvements shall be performed exclusively by Owner and its representatives and agents and not by Manager.”

Observation: The Manager started to develop a capital project for a restroom but did not follow the above requirements. The project process has been corrected.

6. Irrigation Pump Maintenance

Section H of Exhibit B states: “Manager will maintain the irrigation system in accordance with Section 6.01. Owner will contract with and manage (in a manner consistent with Manager’s operation of the Club Facilities in accordance with the Agreement) an outside agent for preventive maintenance of the irrigation pump stations on both the Olympic course and the Cascade Course. Manager will work with Owner’s Water Resource Manager to coordinate water usage and water pressure concerns.”

In the last 15 years the city has not had a contract for the maintenance of the irrigation pumps. The grounds maintenance superintendent has always arranged for a qualified firm to service the irrigation pumps.

Recommendation: Language referencing the pump maintenance should agree with the actual practice. If the present practice is not acceptable, the city should follow the contract requirement.

7. Water Resources Requirements

Section I of Exhibit B addresses chemical use. It states in part “Manager will work closely with the Water Resource Division of the Owner in the use of chemicals and their application.”

There is a formal document entitled Interdepartmental Agreement For Gold Mountain Golf Complex Lease and Irrigation Water Supply. Exhibit B of this agreement is very specific regarding the use of pesticides, fertilizers, storage of fuel and chemicals and use of the city water wells. These provisions are intended to protect the wellhead areas of several city water wells on the golf complex.

Recommendation: The provisions of Attachment “B” of the Interdepartmental Agreement For Gold Mountain Golf Complex Lease and Irrigation Water Supply should be incorporated into the management agreement to ensure the manager is aware of the concerns the water utility has for the protection of their wells.

8. Fertilizer Budget

Section J of Exhibit B states “Manager will set up a fertilization program for the Club Facilities and work closely with the Director of Parks and Recreation to determine a yearly budget for fertilizer.” The Director of Parks and Recreation has not been involved in a “fertilizer budget” and has not been tasked with any management responsibilities of the contract.

Recommendation: Remove this section of the contract.

9. Insurance Coverage

Exhibit C of the agreement specifies what insurance coverage the manager is required to provide. In August 2013 the Risk Manager identified five provisions that were missing or were for an amount that was less than required. There has been no follow up by the city to contact the manager for corrections.

(Note: A corrected certificate of insurance was provided to the city on March 27, 2014 after the City Auditor contacted Columbia Hospitality, Inc.)

Recommendation: City management should establish a contract management structure so problems with insurance for this or any other contract will be addressed in a timely manner.

10. Named Responsible Party

The agreement does not specify which individual or department in the city is to be the liaison to the management company or be responsible for oversight of the agreement.

Recommendation: City management should designate in writing a person or department to be the liaison with the manager and who is to be responsible for oversight of the agreement. The contractor should also be informed.

11. Record Retention Requirements

State law requires cities to keep financial and other records for specific minimum periods of time. These retention periods are listed in the Record Retention Schedules distributed by the Secretary of State.

Recommendation: A requirement to follow the public records retention provisions should be added to the contract. The manager should be provided with assistance in determining the retention periods for the records they use.

12. Golf Cart Pad

Part of the complex parking lot has been leased for a golf cart rental business owned by the prior golf course manager. The city entered into an agreement leasing this space for the period ending December 31, 2013 for \$1 plus a reduction in the cost of golf carts rented by Columbia Hospitality. That lease is currently being negotiated for the current year. However, the management agreement provides for Columbia Hospitality, Inc. to manage all of the property which includes the parking lot/golf cart storage area. The lease rate for the golf cart pad can affect the rental rate paid for golf carts leased for Gold Mountain.

Recommendation: The city should make a determination about the future plans for the golf cart pad area and, if appropriate, adjust the golf complex lease language to exclude that part of the parking lot.

13. Asset Records

The city maintains records of capital assets costing \$10,000 or greater. The city does not have a policy or procedure for assets less than \$10,000. The Parks Department has retained lists of the assets purchased from the prior manager in 2012 and some city assets that were present at the time of start of the contract.

Recommendation: The mayor should ensure that the city is keeping a record of all of the small assets purchased or acquired. Procedures should be in place to ensure that additional accountable items purchased are added to this list.

14. Budget Document

Observation: As required, the Manager provides the city with an annual budget. The budget document provided for 2014 was about 60 pages. While this information may be useful to a few, a shorter version which includes a list of any capital projects would be sufficient.