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CITY OF HOUSTON

Sylvia R. Garcia, City Controller

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

CONTRACT COMPLIANCE AUDIT



**November 2001
Report 01-13**



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

11 Greenway Plaza, Suite 2902
Houston, Texas 77046



OFFICE OF THE CONTROLLER
CITY OF HOUSTON
TEXAS

SYLVIA R. GARCIA

May 31, 2002

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

SUBJECT: Parks and Recreation Department
Contract Compliance Audit - Glenbrook Park Golf Course Concession Contract
(Report No. 01-13)

Dear Mayor Brown:

In accordance with the City's contract with McConnell Jones Lanier & Murphy LLP (MJLM), MJLM has completed a contract compliance audit of the Glenbrook Park Golf Course Concession Contract (No. 31396). The primary purpose of the audit was to determine whether the concessionaire was complying with the terms, provisions, and requirements of the contract, as amended, between the City and Lopez Management Group, Inc. for the operation of the Glenbrook Park Golf Course.

The report, attached for your review, includes an audited Statement of Revenues Collected and Fees Paid for the Glenbrook Park Golf Course for the period of September 1, 1999 through February 28, 2001. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to action taken or being taken are appended to the report as Exhibit I.

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

Respectfully submitted,


Sylvia R. Garcia
City Controller

xc: City Council Members
Albert Haines, Chief Administrative Officer
Oliver Spellman, Jr., Chief of Staff, Mayor's Office
Roy E. Wilson, Acting Director, Parks and Recreation Department
Philip Scheps, Director, Finance and Administration Department



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 28, 2002

The Honorable Sylvia R. Garcia, City Controller
City of Houston
901 Bagby, 8th Floor
Houston, Texas 77002

Dear City Controller:

I am pleased to present McConnell and Jones LLP's final report of the compliance audit of Glenbrook Park Golf Course. This review was conducted in accordance with the Engagement Letter between the City and our firm dated March 5, 2001.

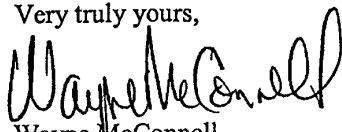
The purpose of the audit was to perform a contract compliance audit of the Concessionaire Agreement between the City of Houston and the Lopez Management Group (Concessionaire) for the operation of the Glenbrook Park Golf Course. We designed procedures, including:

- interviews, as appropriate, to obtain an in-depth understanding of the terms and requirements of the Agreement, internal controls of the operations, and reporting requirements of the Concessionaire
- review of the Parks and Recreation Department's policies and procedures for monitoring and compliance of the Agreement,
- tests of the Concessionaire's revenues to determine if they are accurate and complete for all collections and reported in accordance with the compliance requirements of the Agreement, test the calculation of the fees paid to the City based on revenues reported,
- tests of expenditures to ensure that services were provided and are valid and that the Concessionaire made the required capital improvements,
- determination whether the Concessionaire is complying with all operational requirements that may have a material effect on revenues and expenses.

Our report contains our opinion regarding fairness of presentation of the Statement of Revenues Collected and Fees Paid of the Glenbrook Park Golf Course and the results of our tests of the Concessionaire and Park and Recreation Department's compliance with the provisions of the Concessionaire Agreement and internal control.

We are grateful for the cooperation of the management team and staff personnel who assisted us during this review. We are especially grateful to the Parks and Recreation Department for their help in providing us with the necessary information in order for us to complete the review.

Very truly yours,


Wayne McConnell
Partner

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

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McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Sylvia R. Garcia
City of Houston Controller

We have audited the accompanying Statement of Revenues Collected and Fees Paid of the Glenbrook Park Golf Course (Golf Course), Houston, Texas, for the period September 1, 1999 through February 28, 2001. This Statement is the responsibility of the Lopez Management Group, Inc.'s (the 'Concessionaire') management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Revenues Collected and Fees Paid is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Revenues Collected and Fees Paid. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenues Collected and Fees Paid was prepared for the purpose of complying with the provisions of Concession Contract No. 31396 described in the attached Notes to the Statement of Revenues Collected and Fees Paid, and are not intended to be a complete presentation of the Golf Course's revenues or operations.

As described in Note 2, the financial statement referred to above was prepared on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues collected and the fees paid as described in the attached Notes to the Statement of Revenues Collected and Fees Paid of the Glenbrook Park Golf Course during the period September 1, 1999 through February 28, 2001, on the basis of accounting described in Note 2.

In accordance with our engagement objectives, we have also issued our reports dated November 26, 2001 on our tests of the Concessionaire's compliance with provisions of the Concession Contract No. 31396 and internal controls. That report is an integral part of our audit performed in accordance with auditing standards generally accepted in the United States of America and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "McDonald & Sons LLP". The signature is fluid and cursive, with the letters "M", "C", "S", and "L" being particularly prominent.

Houston, Texas
November 26, 2001

**CITY OF HOUSTON
PARKS AND RECREATION DEPARTMENT
GLENBROOK PARK GOLF COURSE
Statement of Revenues Collected and Fees Paid
For the period September 1, 1999 through February 28, 2001**

	<u>Green Fees</u>	<u>Cart Rental</u>	<u>Pro Shop</u>	<u>Snack Bar</u>	<u>Sales Tax</u>	<u>Others</u>	<u>Total Revenues</u>	<u>Commission Fees Paid</u>
September 1999	\$ 54,099	\$ 32,330	\$ 4,943	\$ 19,770	\$ 7,329	\$ 2,762	\$ 121,233	\$ 11,283
October 1999	65,287	31,723	5,607	20,340	7,636	4,445	135,038	12,576
November 1999	51,331	30,346	8,672	19,827	6,865	1,439	118,480	10,884
December 1999	42,863	27,807	4,457	17,242	6,090	1,698	100,157	9,252
January 2000	42,457	25,972	3,524	16,440	5,784	408	94,585	8,893
February 2000	50,051	27,072	5,145	19,110	6,305	1,954	109,637	10,137
March 2000	57,035	30,205	4,849	22,886	7,238	2,819	125,032	11,551
April 2000	66,576	32,985	9,616	24,068	8,311	4,921	146,477	13,338
May 2000	63,626	35,043	8,905	23,256	8,598	4,133	143,561	13,145
June 2000	58,569	34,731	5,219	23,274	8,300	3,343	133,436	12,308
July 2000	58,023	40,616	5,933	24,381	8,444	779	138,176	12,870
August 2000	56,973	35,571	5,529	21,903	8,585	2,778	131,339	12,381
September 2000	53,983	32,897	6,619	21,477	7,505	2,136	124,617	11,500
October 2000	48,839	24,116	4,854	16,458	6,598	3,857	104,722	9,780
November 2000	37,161	22,771	3,527	14,564	5,970	6,145	90,138	8,257
December 2000	41,304	22,171	4,295	14,502	5,181	2,348	89,801	8,310
January 2001	48,316	19,033	3,588	14,282	5,726	268	91,213	8,275
February 2001	48,663	21,196	4,532	14,420	6,086	453	95,350	9,145
Total	\$ 945,156	\$ 526,585	\$ 99,814	\$ 348,200	\$ 126,551	\$ 46,686	\$ 2,092,992	\$ 193,885

See accompanying notes and accountants' reports

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

NOTES TO THE STATEMENT OF REVENUES COLLECTED AND FEES PAID

1. ORGANIZATION AND BACKGROUND INFORMATION

The Glenbrook Park Golf Course (the ‘Golf Course’) is an 18-hole, Par (M/W) 71/70 golf course located at 8205 Bayou Drive, Houston, TX 77017. It is one of the City of Houston’s (the ‘City’) seven municipal golf courses and is operated by Lopez Management Group, Inc. (the ‘Concessionaire’). An agreement between the City and the Concessionaire dated April 24, 1991 was executed on May 8, 1991. The initial term of the Agreement is eight years, with two options to extend for a two-year period.

Under the terms and conditions specified in the Agreement, the Concessionaire is responsible for the costs of operating and maintaining the Golf Course. The Concessionaire took over the Golf Course’s operations on September 17, 1991. The Agreement has recently been renewed for the second and final 2-year term.

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

2. BASIS OF ACCOUNTING

The Statement of Revenues Collected and Fees Paid was prepared on the cash basis of accounting; consequently, revenues are recognized when collected and fees paid are recognized at the time of disbursement.

3. REVENUES

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

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

- Golf cart rentals – This is a charge for renting a golf cart (a powered buggy used to transport the golfers and their equipment on the golf course).
- Pro shop sales – These are the sales proceeds from the sale of golfing equipment and accessories.
- Food and beverage sales – These are the sales proceeds from the Concessionaire’s snack bar.

4. FEES PAID

The Concessionaire is required to pay a percentage of revenues, inclusive of sales tax, collected in accordance with a fee schedule established in Exhibit B of the Agreement. Payments of these commissions, along with a Revenue Summary, are submitted to the Department on the 15th of the month following collection. The fee schedule is as follows:

Green fee revenues	11%
Golf cart rentals	10%
Driving range revenues	8%
Pro shop, food and beverage	5%



McCONNELL & JONES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have examined Lopez Management Group, Inc.'s (the, 'Concessionaire') and the City of Houston's Parks and Recreation Department's (the 'Department') compliance with the concession contract for the operation of the Glenbrook Golf Course (contract no. C31396) during the period ended May 31, 2001. Management of the Concessionaire and the Department are responsible for compliance with the requirements of the contract. Our responsibility is to express an opinion on the Concessionaire's and Department's compliance based on our examination.

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

Our examination disclosed material instances of noncompliance with the requirements of the Concession Contract C31396 applicable to the Concessionaire during the contract period ending May 31, 2001. See Schedule of Material Noncompliance on page eight (8).

We were unable to obtain documented approvals for certain required capital improvements. The contract requires the Concessionaire to obtain approvals for all capital improvements from the City of Houston's Department of Parks and Recreation. In addition, we were not provided documentation to substantiate the type of capital improvements or evidence that the related expenditures had been made. Without these approvals and supporting documentation, we were not able to determine if certain capital improvements installed by the Concessionaire comply with the requirements of the contract.

In our opinion, except for the instances of material noncompliance described in the third paragraph, and the effect of matters we might have discovered had we been able to examine evidence of approvals and documentation of required capital improvements, Lopez Management Group, Inc. and the Department complied, in all material respects, with the aforementioned requirements for the contract period ended May 31, 2001.

Internal Control over Compliance

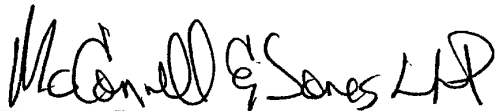
The management of the Concessionaire and the Department are responsible for establishing and maintaining effective internal control over compliance with the requirements of the Concession Contract C31396. In planning and performing our compliance examination, we considered the Concessionaire's and the Department's internal control over compliance with requirements that could have a direct and material effect on the operations of the Glenbrook Golf Course in order to determine our procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Concessionaire's and the Department's ability to operate and monitor the applicable requirements of the contract. Reportable conditions are described in the accompanying schedule of findings of internal control material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the Concession Contract that would be material in relation to the operations of the Glenbrook Golf Course being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions noted above are also material weaknesses.

In connection with our contract compliance examination, we have noted certain immaterial instances of noncompliance and other matters of internal controls in a separate letter dated November 26, 2001.

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



Houston, Texas
November 26, 2001

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

FINDINGS OF MATERIAL NONCOMPLIANCE

1. CONSTRUCTION OF A DRIVING RANGE

Exhibit H (3) of the Agreement requires the Concessionaire to “construct a driving range with necessary amenities at a location to be approved by the Director” at an estimated cost of \$60,000. Per our review of the Department’s correspondence, the Golf Course does not have adequate room to construct a full-size driving range. However, in October 1998, the Department recommended the Concessionaire construct an enclosed driving area “...that could be constructed for the \$60,000 allocated.” As of the date of this report, no driving range has been constructed.

Recommendation

We recommend the Department enforce the requirements of the Agreement and ensure that the Concessionaire construct a driving range in accordance with the Agreement.

2. EMPLOYMENT OF A CERTIFIED GOLF PROFESSIONAL

Glenbrook does not have a USGA certified golf professional. Exhibit C of the Agreement states, “Concessionaire shall provide an experienced and well-qualified on-site supervisor (USGA certified golf professional) to oversee the operation.” However, such “...USGA certified golf professional requirement may be waived by individual who is a graduate in an allied field with Golf Course experience, or an individual with extensive Golf Course operational experience.” We did not obtain any documentation that would support that a waiver of the golf pro requirement has been granted. According to the Director of Golf Operations, the USGA does not certify golf professionals. The PGA handles training and certification and the contract’s reference to the USGA is incorrect.

Recommendation

We recommend that the Department ensure the Concessionaire employs a PGA certified golf professional to supervise the Golf Course’s operations. Employing a PGA certified golf professional at the Golf Course would enhance revenues by attracting patrons for golf lessons and enhance the public’s overall perception of the Golf Course.

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

FINDINGS OF INTERNAL CONTROL MATERIAL WEAKNESSES

1. Required capital improvements are inadequately supported and not approved by the Department.

The Concessionaire did not provide documentation supporting the installation or addition of capital improvements required by the Agreement. Article 9(a) of the Agreement states, “Concessionaire shall, at its cost and expense, make all capital improvements as outlined in Exhibit ‘H’.”

Exhibit H states:

The following capital improvements are expected to be installed by Concessionaire during this contract term. Estimated costs of said capital improvements are provided. Concessionaire shall submit a construction schedule to the Director for his approval within forty-five (45) days of the counter-signature of this contract.

- a. Concessionaire shall undertake clubhouse remodeling including, but not limited to; expansion, upgrade, and relocation of the kitchen; expansion of the locker rooms; replacement of carpet; replacement of fixtures; and painting. Estimated Cost: \$90,000
- b. Concessionaire shall make necessary improvements in the maintenance and cart storage areas as approved by the Director. Estimated Cost: \$50,000
- c. Concessionaire shall install appropriate signage for the benefit of the course. Estimated Cost: \$12,000
- d. Concessionaire shall make other capital improvements as approved by the Director. Estimated Cost: \$90,000

Total estimated capital improvement cost: \$302,000.

(Note: This total above includes the requirement that Concessionaire construct a driving range with an estimated cost of \$60,000. This capital improvement requirement is addressed in our schedule of Findings of Material Noncompliance.)

The Concessionaire provided numerous listings of capital improvements. We combined these listings and grouped each capital improvement into the five categories of capital improvements as listed above. Total capital improvements per the Concessionaire’s listings by category were:

1. Clubhouse remodeling	\$160,761
2. Maintenance and cart storage area	87,471
3. Signage construction	9,761
4. Other capital improvements	<u>102,671</u>
Total capital improvements:	<u>\$360,664</u>

We selected all capital improvements expenditures above \$1,500 to vouch to supporting documentation. The total amount of capital improvements sampled was \$226,762. Of this sample, we were not provided adequate supporting documentation for \$189,406.

Totals capital improvements sampled and noted exceptions by category are as follows:

<u>Category</u>	<u>Sampled</u>	<u>Exceptions</u>	<u>Percentage</u>
1. Clubhouse remodeling	\$ 83,558	\$ 64,080	77%
2. Maintenance and cart storage area	83,390	78,512	94%
3. Signage construction	9,033	9,033	100%
4. Other capital improvements	<u>50,781</u>	<u>37,781</u>	<u>75%</u>
Totals	<u>\$226,762</u>	<u>\$189,406</u>	<u>84%</u>

Supporting documentation includes invoices, canceled checks and descriptions of the services and additions purchased. In certain instances, we examined canceled checks for capital improvements made by the Concessionaire but vendor invoices were not available for review to determine the nature of the improvement. In addition, we examined invoices for capital improvements that could not be supported by canceled checks. Some items sampled did not have either a canceled check or vendor invoice.

According to the Concessionaire’s listings, there were also several cash payments made for improvements where there was no supporting documentation to verify the type of improvement. Several cash payments were made to management of the Concessionaire for capital improvements they provided themselves. There were no supporting timesheets or documents describing the hours worked or rate of pay.

Furthermore, some items sampled included purchases of equipment to install certain improvements and other items sampled were considered normal maintenance and repairs. These items are included in our exceptions.

We performed physical observations at the Golf Course and observed that the Concessionaire made certain capital improvements such as the construction of a pavilion and clubhouse remodeling. However, we could not verify the cost of these capital improvements nor did we see written documentation that the Department's Director approved them.

A significant number of the capital improvement projects implemented by the Concessionaire were not submitted to the Director for prior approval. Article 9(c) of the Agreement states, "The Concessionaire shall not make or cause to be made any alterations, additions, or improvements in the Concession area without first obtaining the Director's written approval. The Concessionaire shall present to the Director plans and specifications for such work at the time approval is sought." Submissions of proposals are necessary for the protection of the Concessionaire against disputes arising with regard to alterations, additions or improvements made to the City's property.

Some capital improvement proposals were submitted prior to implementation, however, neither the Department nor the Concessionaire could provide us any written approvals from the Director. Without documentation of the Department's approval we could not determine if these improvements were made in accordance with the terms and provisions of the Agreement.

Recommendation

We recommend the Department require the Concessionaire to maintain supporting documentation for the capital improvements, or if these capital improvements were not provided, install the capital improvements as required by the Agreement. We also recommend that the Department review all existing capital improvements and determine if they had been made in accordance with the terms and provisions of the Agreement and document their approval. All capital improvement proposals should be submitted to the Director and written approvals should be obtained before making any alteration, addition or improvement to the Golf Course. This will ensure that any improvements made at the Golf Course are approved and completed in accordance with the specific requirements of the Department. Also, this will give the Concessionaire a basis for determining whether those capital improvements are still required.

2. Water and/or wastewater usage.

Article 18(a) of the Agreement states, "Concessionaire shall be solely responsible for and promptly pay all charges for water/wastewater, gas, electricity, or any other utility used or consumed by the Concession, whether billed directly or as a passthrough by the City. The assumption of payments for such utilities shall commence on the date of the beginning of the Concession Term." Per the Agreements first amendment article III, executed on January 21, 1994, "For the first year of the Concession Term, City will provide water for irrigation at no expense to Concessionaire. After the first year of the Concession Term, City reserves the right to pass the water expense (any parts or all) to Concessionaire."

Per our review of correspondence between the Department and the Concessionaire, dated October 4, 1999, the Department requested that the Concessionaire begin paying for the Golf Course's water usage immediately. The Department also notified the City Public Works and Engineering Department by inter office correspondence, dated October 4, 1999, that the Department was exercising its right to pass the cost of water and sewer to the Concessionaire and to begin billing for water and sewer services rendered beginning November 1, 1999.

Per our conversations with the City's Public Works Department, the Public Works Department operates under certain bond ordinances that restricts them from billing other city departments that operate under the general fund.

There were two legal opinions from the City's Legal Department that they view as support for their position. However, these legal opinions from the City's Legal Department do not state that the City cannot charge the Concessionaire. The opinions state that golf course, "...remains an institution operated by the City, and it is, therefore, legally permissible for the City to provide free water."

As of the date of this report, the Concessionaire has not received any water or wastewater bills from the Department nor has the Concessionaire paid for any water or wastewater usage of the Golf Course.

We obtained the meter readings from the Department for the period of November 1999 through May 2001. Total water usage was 53,734,000 gallons. The rate per 1,000 gallons as provided by the City Public Works and Engineering Department is \$2.22 per 1,000 gallons water usage and \$3.96 per 1,000 gallons sewer usage. Total cost for this water and wastewater usage would be approximately \$370,000.

Recommendation

We recommend the Department request from the City a legal determination on the water usage and charges as they pertain to this Agreement and current city ordinances. Once the opinions are provided to the Department, we recommend that the Department should consider developing a policy that will serve as the basis for charging concessionaires of all City owned golf courses for the use of water and wastewater.

EXHIBIT 1



CITY OF HOUSTON
Parks and Recreation
Department

Lee P. Brown

Mayor

Oliver B. Spellman Jr.
Director
Parks and Recreation
Department
2909 South Wayside Dr.,
Houston, Texas 77023

T. 713.845.1102
F. 713.845.1282
www.ci.houston.tx.us

January 30, 2002

Honorable Sylvia R. Garcia
City Controller
City of Houston
Houston, TX
Attn: Steve Schoonover

Dear Ms. Garcia:

The following information is provided to your firm in response to your final report draft of a contract compliance audit of Glenbrook Golf Course. Glenbrook Golf Course is a municipal course that is operated by the Lopez Management Group, Inc. McConnell & Jones identified two findings of "material noncompliance" with the contract and two findings of "material weaknesses." We address all four findings in the order in which they appear in the audit report.

Material Noncompliance

1. Construction of a driving range

The course range cannot be constructed as originally planned when the contract was signed because of space limitations. The Director of Golf Operations will work with Lopez Management to agree on an alternative capital improvement to be constructed by the contractor in lieu of a driving range. This may take the form of an enclosed driving (similar to that which exists at Sharpstown Golf Course) or another capital improvement.

2. Employment of a certified golf professional

The Director of Golf Operations will require the contractor to provide the department with evidence that the professional qualifications of the golf professional employed by the course meet the requirements of the contract.

Material Weaknesses

1. Required capital improvements are inadequately supported and not approved by the Department

The contractor stated to the Parks and Recreation Department and the McConnell Jones auditors during this audit, that evidence to support the monetary value of improvements Lopez Management Group, Inc. made at the course (i.e., receipts of work performed and paid for) are not available because paper copies were destroyed after they were scanned into the contractor's auditor's document retrieval system. These electronic data were later lost when the disk drive of the personal computer on which these data resided failed. Therefore, the department will not be able to use hard data to verify the monetary value of improvements that were made at the course. Alternatively, the Director of Golf Operations will inspect the course and advise the Director whether, in his professional judgment, the capital improvements (as detailed in the approved contract, excluding the driving range, which is addressed in the "Material Noncompliance Finding #1) have been "substantially completed."

Council Members: Bruce Tatro Carol M Galloway Mark Goldberg Ade Edwards Addie Weeman Mark A. Ellis Bert Keller Gabriel Vasquez Carol Alvarado
Annie D. Parker Gordon Quan Shelley Sekula-Rodriguez, M.D. Michael Barry Carol G. Robinson Controller: Sylvia R. Garcia

*Views of Responsible
Officials*

EXHIBIT 1

2. Water and/or wastewater usage

The department will continue to work with the COH Legal Department and Public Works and Engineering Department to define a policy for water usage at all of our municipal golf courses.

If you have any questions or comments, please contact my office at 713-845-1102.



Oliver B. Spellman, Jr., Director
Parks and Recreation Department
OBS:MM

Cy: Mayor Lee P. Brown
Al Haines, Chief Administrative Officer
Mr. Arthur Lopez, Lopez Management Group, Inc.
Mr. Robble Bates, CPA
Roy Wilson, Deputy Director
Maggie Mottesheard, Deputy Director
Fred Buehler, Director of Golf Operations
Ophelia Mosbey, Accountant Manager
Brian Hill, Division Manager

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*Views of Responsible
Officials*