



# **Kemper Sports Management, Inc. Audit Report**

Issued by the  
Internal Audit Office  
January 30, 2009

**City of El Paso  
Internal Audit Office  
Kemper Sports Management Inc. Audit**

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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded its audit of the *Golf Course Management Agreement* between the City of El Paso and Kemper Sports Management Inc. in effect as of August 24, 2005. Based on the results of the audit, two (2) findings were identified.

Listed below is a summary of the two (2) findings identified in this report:

1. The Airport Property Manager has not inspected the Butterfield Trail Golf Course premises on a monthly basis per contract terms.
2. The Butterfield Trail Golf Course incurred \$137.20 in questionable expenses in six of 30 invoices selected for testing.

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

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***BACKGROUND***

El Paso International Airport Management has instituted a process to review contract compliance of businesses operating as concessionaires or providing management services within Airport owned property. The Airport has facilitated the construction of the Butterfield Trail Golf Course which was designed by world-renowned architect Tom Fazio. The par 72, premium fee golf course was designed and laid out in such a way to highlight the natural sand dunes, views, fauna, and flora of the golf course's surrounding area.

The Airport entered into a two-phased contract with Kemper Sports Management Inc. During the initial phase, Kemper Sports Management Inc. provided consulting services during the construction of the golf course and facilities. Subsequently, the contract changed to a management contract phase when the golf course began operations and opened to the public. The golf course opened to the public on June 9, 2007.

The current management agreement between the City of El Paso and Kemper Sports Management Inc. has been in effect since August 24, 2005 which includes both the consulting and management phases and also includes a one three-year extension option. The contract called for a three year management phase period beginning on the date when the golf course begins operations. The three-year extension option has been exercised with City Council approving the extension option on July 8, 2008. The contract with Kemper Sports has been extended through July 11, 2011.

***AUDIT OBJECTIVES***

The objectives of this audit were to determine if Kemper Sports Management Inc. was adhering to the management agreement terms and conditions as agreed to on the *Golf Course Management Agreement* dated August 24, 2005.

***AUDIT SCOPE***

The scope of the audit was all transactions incurred since the effective date of the management agreement, August 24, 2005, through May 31, 2008.

***AUDIT METHODOLOGY***

To achieve our audit objectives we conducted interviews with El Paso International Airport (EPIA) administration; conducted interviews with Butterfield Trail Golf Course staff; conducted an analysis of the management agreement; obtained copies of annual budget plans; obtained copies of profit and loss statements; performed tests of selected transactions; reviewed expenditures; and performed an onsite inspection.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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***FINDINGS***

The findings, which follow, relate to compliance and adherence to the terms and conditions of the management agreement in effect as of August 24, 2005.

**Finding 1**

**Review of Premises**

The Airport Property Manager had not inspected the Butterfield Trail Golf Course premises on a monthly basis per contract terms during the first year of operation.

**Recommendation**

We recommend Airport Management implement a recurring structured inspection of the Butterfield Trail Golf Course premises per the management contract terms. Without a recurring inspection of the golf course premises, the buildings and the grounds may fall into a state of disrepair. Potentially the Airport may incur higher expenses to repair the deficiencies than it would have incurred if the issues were addressed in a timely manner.

**Management's Response**

The El Paso International Airport proactively implemented a recurring inspection of the golf course facilities before the completion of the audit. Inspections began in September 2008 and involves reviewing a section of the golf course each month and reporting the results to Airport Management.

**Responsible Party**

Monica Vera, Airport Program Manager

**Implementation Date**

September 23, 2008

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**Finding 2**

**Miscellaneous Invoice Issues**

The Butterfield Trail Golf Course incurred \$137.20 in questionable expenses in six of 30 invoices selected for testing. Please see below:

- 1 invoice where Kemper reimbursed an employee \$50.00 on estimated business use of a personal cell phone. The invoice provided did not have any calculations to arrive at the \$50.00 reimbursement.
- 1 transaction totaling \$30.89 was marked as a gift on the golf course general ledger and supporting documentation could not be provided.
- 1 invoice with \$25.47 in interest charges for late payment. It appears that several invoices from a parts supplier remained unpaid and accrued a late payment penalty.
- 1 invoice where Texas sales tax was paid in the amount of \$13.20. The Butterfield Trail Golf Course is city-owned property and therefore tax-exempt.
- 1 transaction totaling \$10.00 for a petty cash reimbursement where supporting documentation could not be provided.
- 1 invoice where Texas sales tax was paid in the amount of \$7.64. The Butterfield Trail Golf Course is city-owned property and therefore tax-exempt.

<b>Description</b>	<b>Amount</b>
Personal cell phone reimbursement.	\$50.00
Support documentation could not be provided.	30.89
Interest charges on past-due account.	25.47
Sales tax.	13.20
Support documentation could not be provided.	10.00
Sales tax.	7.64
<b>TOTAL</b>	<b>\$137.20</b>

**Recommendation**

Although the \$137.20 appears to be immaterial, we recommend Kemper Sports Management Inc. ensure that invoices are processed in a timely manner, sales tax is not paid on any qualifying tax-exempt purchases, and maintain proper support documentation. El Paso International Airport Management will determine if the collection of the \$137.20 is necessary.

**Management's Response**

The El Paso International Airport did not pursue collection of the \$137.20 from Kemper Sports Management Inc. The Airport notified Butterfield Trail Golf Course management to ensure that all transactions have supporting documentation, all invoices are to be paid in a timely manner, and invoices containing sales tax would not be reimbursed in the future.

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**Responsible Party**

Cecilia Bertolli, Administrative Services Manager

**Implementation Date**

March 12, 2009

***INHERENT LIMITATIONS***

Because of the inherent limitations of concessionaire/manager procedures and controls, subjective interpretation of the contract, errors or irregularities may occur and not be detected. Also, projections of compliance with terms and conditions to future periods are subject to the risk that manager procedures may become non-compliant due to changes in conditions or that the degree of compliance with the management agreement may deteriorate.

***CONCLUSION***

Based on the results of this audit, we can provide reasonable assurance that Kemper Sports Management Inc. is adequately adhering to the terms and conditions of the *Golf Course Management Agreement* between the City of El Paso and Kemper Sports Management Inc. in effect as of August 24, 2005.

We wish to thank the Butterfield Trail Golf Course management and staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File

Edmundo S. Calderón, CIA, CGAP  
Chief Internal Auditor

Signature on File

Miguel Montiel, CIA, CGAP  
Auditor

**Distribution:**

Legislative Review Committee for Fiscal Affairs, Management Support, and Internal Audit  
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