

# OFFICE OF THE SUFFOLK COUNTY COMPTROLLER



## **Suffolk County Department of Parks, Recreation and Conservation**

### **A Performance Audit of the Administration of License Agreements**

**Period Covered:  
January 1, 2015 through December 31, 2016**

**Report 2016-19A**

**Date Issued: August 31, 2020**

**John M. Kennedy, Jr.**

**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER**

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## LETTER OF TRANSMITTAL

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August 31, 2020

Mr. Jason Smagin, Commissioner  
Department of Parks, Recreation and Conservation  
P.O. Box 144  
West Sayville, New York 11796

Dear Commissioner Smagin:

In accordance with the authority vested in the County Comptroller by Article V of the Suffolk County Charter, a performance audit was conducted of the Department of Parks, Recreation and Conservation's (Department) Administration of License Agreements (Agreements) for the period January 1, 2015 through December 31, 2016. The Department is located at 200 Montauk Highway, West Sayville, New York.

The objectives of our audit were as follows:

- To determine whether the Department complied with certain requirements of the Agreements, laws, regulations and Standard Operating Procedures applicable to the revenue provisions and capital improvement spending obligations required by the Agreements.
- To obtain an understanding of the Department's internal controls and procedures relative to the administration of the Agreements, and test whether these controls and procedures were effective in monitoring compliance with the Agreement.
- To obtain an understanding of the Department's internal controls and procedures relating to the licensees' contractually required annual flat license fees and percentage of annual gross receipts fees, and determine whether the Department accurately calculated the percentage of gross receipts fees, any late fee penalties and if the fees/revenues were collected in a timely manner by the Department.
- To obtain an understanding of the Department's internal controls and procedures relating to the licensees' contractually required capital improvement projects, and determine whether the Department ensured that all required capital improvements were properly documented and completed to the licensed premises according to the Agreements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

Office of the County Comptroller  
Division of Auditing Services

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## EXECUTIVE SUMMARY

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### **Introduction:**

The Suffolk County Comptroller's Office reviewed the internal controls and procedures of the Suffolk County Department of Parks, Recreation and Conservation (Department) associated with the awarding and oversight of the license agreements (Agreements) for Third Rock Management Corp. at Indian Island, A.C. Golf Inc. at Timber Point, and Kaelin's Camp Store at Cedar Point Park for the period January 1, 2015 through December 31, 2016.

### **Purpose:**

The purpose of our audit of the Department's internal controls and procedures was to determine if the Department complied with applicable laws, guidelines, regulations and Standard Operating Procedures (SOPs); and to review the Department's system of internal controls to determine if the Department had adequate procedures in place to properly monitor licensees to ensure their compliance with the Agreements.

### **Summary of Findings:**

Our review of the Department's internal controls and procedures relative to the audit subject disclosed instances of inadequate internal controls which failed to detect the licensees' failure to comply with contractual provisions. Moreover, we determined that the Department failed to ensure that \$193,791 (61%) of required capital improvements were performed during the audit period.

- The Department did not enforce compliance with the Agreements to ensure the completion of \$193,719 (61%) of required capital improvements totaling \$319,450 for the three licensed premises. (p.7)
- The Department did not have adequate internal controls in place to ensure adherence to procedures. (p.7)
- The Department has a history of extending agreements to licensees who do not comply with their contractual requirements. (p.7)

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## BACKGROUND

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The Suffolk County Department of Parks, Recreation and Conservation, located on Montauk Highway, West Sayville, New York, 11796-0144, was created by Local Law No. 1 of 1966 and Article XXVIII of the Suffolk County Charter. The Department's primary purpose is to preserve, maintain and enhance the County's parklands and recreational facilities.

The Department manages a Private/Public Concessionaire Management Program designed to increase leisure services, provide capital improvements to the park system and generate additional revenue for the County. During the audit period, the Department had 19 license agreements for the operation of four golf course concessions, five restaurant concessions, three beach concessions, two horseback riding concessions, one trap and skeet concession, two canoe concessions and two camp store concessions. The Private/Public Concessionaire Management Program is the subject of this audit.

Pursuant to an RFP process, the Department granted three separate license agreements as follows:

- **Third Rock Management Corp. at Indian Island County Park, Riverhead** - Term of Agreement was March 1, 2011 through December 31, 2020.
- **A.C. Golf, Inc. at Timber Point Country Club, Great River** - Term of Agreement was January 1, 2004 through December 31, 2012 extended by one amendment through December 31, 2017.
- **Kaelin's Camp Store at Cedar Point Park, East Hampton** - Term of Agreement was January 1, 2012 through December 31, 2021.

This is the second report pertaining to the audit performed by the Comptroller's Office regarding the Department's administration of license agreements. Our previous audit report, number 2016-19, issued on July 27, 2018, included reportable conditions pertaining to the Department's oversight and monitoring of the three Beach Hut concessions, such as inadequate internal controls and failure to comply with contractual provisions.

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## SCOPE AND METHODOLOGY

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The scope of this audit report is limited to contractual provisions specific to the annual flat license fees, percentage of gross receipts fees and capital improvement spending obligations required by the Agreements of the following concessions: Third Rock Management Corp. at Indian Island County Park, A.C. Golf, Inc. at Timber Point Country Club, and Kaelin's Camp Store at Cedar Point Park.

Our testing of compliance with contractual provisions for the three license agreements that are the subject of this report disclosed a number of reportable conditions of non-compliance that were addressed in the previous audit report. Although these deficiencies delayed the realization of revenue to the County and resulted in the loss of an indeterminable amount of late penalties, the conditions of non-compliance, if repetitious, will not be duplicated in this report. Instead, our focus will be on instances of monetary loss to the County.

To accomplish the objectives as stated in the Letter of Transmittal (p.1), we performed the following procedures:

- Reviewed and analyzed three Agreements and related amendments for Third Rock Management Corp., A.C. Golf, Inc., and Kaelin's Camp Store.
- Reviewed relevant state and local laws, resolutions, SOPs, and Suffolk County Comptroller's Regulations for Reporting, Accounting and Control Procedures for Concession Contracts.
- Interviewed departmental personnel to gain an understanding of the Department's process for the authorization of licensees' capital improvement projects.
- Interviewed departmental personnel responsible for recording and reconciling revenue from license agreements to gain an understanding of the systems and procedures used in establishing, monitoring and reporting financial accounts.
- Performed testing of the Department's oversight of the licensees' compliance pertaining to annual flat license fees, percentage of gross receipts fees and capital improvement spending obligations utilizing relevant provisions of the state and local laws, resolutions, SOPs, Suffolk County Comptroller's Regulations for Reporting, Accounting and Control Procedures for Concession Contracts, license agreements and departmental policies.
- Obtained the licensees' Monthly Revenue Reports and New York State Quarterly Sales Tax Returns for each of the three concessions. Performed a comparison of the two reports to determine whether any discrepancies exist between the reported sales to the County and reported sales to the State.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

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## AUDIT FINDINGS and RECOMMENDATIONS

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This report outlines Department deficiencies and recommendations designed to provide guidance relative to the Department's administration of license agreements.

The weaknesses we found regarding departmental oversight are as follows:

***The Department did not enforce compliance with the Agreements to ensure the completion of \$193,719 (61%) of required capital improvements totaling \$319,450 for the three licensed premises.*** Audit testing revealed that the Department granted credit to licensees in the amount of \$137,696 for the completion of capital projects. However, we found evidence that five Third Rock Management Corp. projects totaling \$11,965 were rejected by the Deputy Commissioner of Parks, Contracts Unit Supervisor and Contracts Unit Auditor. We also found evidence that departmental staff disregarded this determination and improperly granted Third Rock Management Corp. a credit towards their capital improvement spending obligation for the five rejected projects. Consequently, this credit of \$11,965 is considered invalid and the total capital improvement credit should be reduced to \$125,731. As a result of the Department's failure to enforce the capital improvement requirements, the licensed premises were left with an extensive backlog of improvements which will require an even greater future capital outlay and ultimately left County assets devalued by \$193,719.

***The Department did not have adequate internal controls in place to ensure adherence to procedures.*** We found instances where the Department failed to comply with established policies and procedures which resulted in deficiencies in their oversight of licensees. For instance, as a result of poor recordkeeping, departmental staff did not properly reconcile paid invoices with cancelled checks submitted by Third Rock Management Corp. resulting in an overstated credit towards their capital improvement spending obligation by \$500. Additionally, the Department was inconsistent in their practice of granting credit to licensees toward their capital improvement spending obligations net of sales tax, and granted credit for a number of capital improvement spending obligations inclusive of sales tax.

***The Department has a history of extending agreements to licensees who do not comply with their contractual requirements.*** The initial Agreement required A.C. Golf, Inc. to complete \$150,000 of capital improvements. Although the Department's current schedules show that a credit totaling \$56,969 was given to A.C. Golf, Inc. during the ten year Agreement period, the Department did not always provide sufficient documentation to support the validity of their determination. Additionally, capital improvements totaling \$93,031 (62%) were not performed under the initial Agreement. Nevertheless, the Department opted to extend this Agreement for another five year period, executing a First Amendment to the Agreement effective from 2013 through 2017, the terms of which required A.C. Golf, Inc. to complete another \$60,000 of capital improvements by the spring of 2014 with no mention of the previous capital requirements that were not performed. Still, the Department did not enforce the terms of the First Amendment and the additional capital requirements were not performed.

### **Recommendation**

The Department should strengthen internal controls over their monitoring of capital improvements required by the license agreements. The Department should maintain a record of contractually required capital improvements to track progress from inception to completion of the project. Site inspections should be conducted periodically and inspection reports prepared that provide sufficient information about the status of the capital improvement. These reports should be accompanied by photos, serial numbers, name of manufacturer and other relevant information. Department staff should review invoices, cancelled checks and other related documentation submitted by licensees evidencing the completion of the capital improvement. All supporting documentation should be maintained in a project file for each licensee. Additionally, if licensees do not complete their capital improvements within the contractual timeframe, the Department should issue a Notice-to-Cure to the licensee, requesting corrective action. If corrective action is not taken, the Department should consider terminating the license agreement. It is further recommended that future Agreements be modified to contain language requiring licensees to remit to the County, as additional license fees, any amount not expended of their capital improvement obligation within a specified timeframe.

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*The Department did not properly calculate the 2016 Percentage of Gross Receipts Fees for A.C. Golf, Inc.; resulting in an underpayment to the County.* Our audit revealed that the Department erroneously omitted two months of gross sales in their computation of the licensee's 2016 Percentage of Gross Receipts Fees, yielding a \$249 underpayment to the County.

### **Recommendation**

Department staff should ensure all pertinent information has been obtained from the licensee, and has been properly recorded by the Department, to accurately compute the Gross Receipts Fees due by the licensee.

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*The Department does not have an internal control procedure in place to verify that licensees' Revenue Reports agree to their New York State Quarterly Sales Tax Returns.* The Department did not require A.C. Golf, Inc. to submit a daily log of business activities or cash register tapes with their monthly sales reports. Daily sales reports and cash register tapes, which were not provided, would have provided the relevant data to perform a complete and accurate comparative analysis of the licensee's taxable sales, non-taxable sales, and taxable clothing sales revenue: If performed, the comparative analysis would have confirmed whether or not the licensee is properly reporting revenue.

### **Recommendation**

The Department should adopt policies and procedures to ensure that licensees submit all documentation pertaining to the cash receipts which includes the daily cash register tapes with transaction details and totals, the daily sales reports and the monthly sales reports to support the calculation of revenue due to the County. We also recommend that the Department perform a quarterly comparative analysis of licensees' Sales Reports to the New York State Quarterly Sales

Tax Returns. If these reports do not agree, the Department should refer the matter to the Audit Division for review.

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**Additional Finding and Recommendation**

*The Department allowed Kaelin's Camp Store to terminate the Agreement without obtaining written notice of termination.* Although the Licensee terminated their Agreement with the County due to extenuating circumstances, the Department failed to ensure compliance with the Agreement by obtaining written notification of such termination.

**Recommendation**

The Department should comply with the provisions of the Agreement regarding terminations that are initiated by the licensee by obtaining written notice of termination. The written notice of termination should be maintained in the licensee's file as evidence that the contractual requirement is satisfied.

APPENDICES

## APPENDIX A

Suffolk County Department of Parks, Recreation and Conservation  
Contracts Unit  
Response to Unofficial Draft Report Number 2016-19A

### A Performance Audit of the Administration of the License Agreements

1. **The Department did not enforce compliance with the Agreements to ensure the completion of \$193,719 (61%) of required capital improvements totaling \$319,450 for the three licensed premises.** Audit testing revealed that the Department granted credit to licensees in the amount of \$137,696 for the completion of capital projects. However, we found evidence that five Third Rock Management Corp. projects totaling \$11,965 were rejected by the Deputy Commissioner of Parks, Contracts Unit Supervisor and Contracts Unit Auditor. We also found evidence that departmental staff disregarded this determination and improperly granted Third Rock Management Corp. a credit towards their capital improvement spending obligation for the five rejected projects. Consequently, this credit of \$11,965 is considered invalid and the total capital improvement credit should be reduced to \$125,731. As a result of the Department's failure to enforce the capital improvement requirements, the licensed premises were left with an extensive backlog of improvements which will require an even greater future capital outlay and ultimately left County assets devalued by \$193,719.

**Response:**

**Third Rock Management Corp. at Indian Island** - Without knowledge of the specific five related projects referenced, the Department is unable to provide a response. Department shows Licensee has met Capital obligation of \$99,011 of the \$100,000 requirement.

**A.C. Golf Inc. at Timber Point** - Department records show a minimum of \$146,871 in Capital improvements were performed by AC Golf, Inc. and approved by the Department between 2004 through 2012. Subsequently two extensive projects totaling an estimated \$120,000 have been approved by the Department and are in progress at this time.

**Kaelin's Camp Store at Cedar Point Park** – Upon execution of his 10 year agreement for operation of the camp store on April 20, 2012, Mr. Kaelin completed two projects totaling \$9,450 of the required \$25,000 before his passing on October 23, 2013.

2. **The Department did not have adequate internal controls in place to ensure adherence to procedures.** We found instances where the Department failed to comply with established policies and procedures which resulted in deficiencies in their oversight of licensees. For instance, as a result of poor recordkeeping, departmental staff did not properly reconcile paid invoices with cancelled checks submitted by Third Rock Management Corp. resulting in an overstated credit towards their capital improvement spending obligation by \$500. Additionally, the Department was inconsistent in their practice of granting credit to licensees toward their

capital improvement spending obligations net of sales tax, and granted credit for a number of capital improvement spending obligations inclusive of sales tax.

**Response:** *Without having the specific examples being sited, the Department is unable to provide a proper response. The Department has implemented new protocols regarding how Capital Improvement projects are handled and approved. These protocols have addressed the findings stated above including the reconciliation of paid invoices with cancelled checks as well as the exclusion of sales tax.*

3. **The Department has a history of extending agreements to licensees who do not comply with their contractual requirements.** The initial Agreement required AC Golf, Inc. to complete \$150,000 of capital improvements. Although the Department's current schedules show that a credit totaling \$56,969 was given to AC Golf, Inc. during the ten year Agreement period, the Department did not always provide sufficient documentation to support the validity of their determination. Additionally, capital improvements totaling \$93,031 (62%) were not performed under the initial Agreement. Nevertheless, the Department opted to extend this Agreement for another five year period, executing a First Amendment to the Agreement effective from 2013 through 2017, the terms of which required AC Golf, Inc. to complete another \$60,000 of capital improvements by the spring of 2014 with no mention of the previous capital requirements that were not performed. Still the Department did not enforce the terms of the First Amendment and the additional capital requirements were not performed.

**Response:** *The Department disagrees with this finding. Department records show a minimum of \$146,871 of Capital improvements that were performed by AC Golf, Inc. and approved by the Department between 2004 through 2012. The Department further directed the Licensee to use the \$60,000 of Capital obligation for the First Amendment toward a cart barn renovation project which was dependent on the coordination of funds and architectural plans from the Catering Licensee on site as well as the approval by the County of the design and building permits. This project, due to no fault of AC Golf, Inc. was delayed and decisions were made to move in a different direction. The \$60,000 Capital improvements not completed during the first amendment have been carried over to the second amendment and project approvals are underway.*

### **Recommendation**

The Department should strengthen internal controls over their monitoring of capital improvements required by the license agreements. The Department should maintain a record of contractually required capital improvements to track progress from inception to completion of the project. Site inspections should be conducted periodically and inspection reports prepared that provide sufficient information about the status of the Capital Improvement. These reports should be accompanied by photos, serial numbers, name of manufacturer and other relevant information. Department staff should review invoices, cancelled checks and other related documentation submitted by licensees evidencing the completion of the capital improvement. All supporting documentation should be maintained in a

project file for each licensee. Additionally, if licensees do not complete their capital improvements within the contractual timeframe, the Department should issue a Notice-to-Cure to the licensee, requesting corrective action. If corrective action is not taken, the Department should consider terminating the license agreement. It is further recommended that future Agreements be modified to contain language requiring licensees to remit to the County, as additional license fees, any amount not expended of their capital improvement obligation within a specified timeframe.

**Response:** *The Department has implemented new procedures for the administration of capital improvement projects. This process involves review and concept approval by the Department before the project begins, as well as various approvals throughout the process when necessary including historic and environmental approvals. Site visits and inspections of capital improvements projects have also been incorporated in this process and invoices and cancelled checks must be provided before capital credit is provided.*

- 4. The Department did not properly calculate the 2016 Percentage of Gross Receipts Fees for A.C. Golf, Inc.: resulting in an underpayment to the County.** Our audit revealed that the Department erroneously omitted two months of gross sales in their computation of the licensee's 2016 Percentage of Gross Receipts Fees, yielding a \$249 underpayment to the County.

#### **Recommendation**

Department staff should ensure all pertinent information has been obtained from the licensee, and has been properly recorded by the Department, to accurately compute the Gross Receipts Fees due by the licensee.

**Response:** *The Department concurs with this finding and measures have been put in place to ensure the timely receipt of sales reports and data for the calculation of these fees. Percentage of gross fees are now being collected on a monthly basis once the designated threshold is met.*

- 5. The Department does not have an internal control procedure in place to verify that licensees' Revenue Reports agree to their New York State Quarterly Sales Tax Returns.** The Department did not require A.C. Golf, Inc. to submit a daily log of business activities or cash register tapes with their monthly sales reports. Daily sales reports and cash register tapes, which were not provided, would have provided the relevant data to perform a complete and accurate comparative analysis of the licensee's taxable sales, non-taxable sales, and taxable clothing sales revenue: If performed, the comparative analysis would have confirmed whether or not the licensee is properly reporting revenue.

**Recommendation**

The Department should adopt policies and procedures to ensure that licensees submit all documentation pertaining to the cash receipts which includes the daily cash register tapes with transaction details and totals, the daily sales reports and the monthly sales reports to support the calculation of revenue due to the County. We also recommend that the Department perform a quarterly comparative analysis of licensees' Sales Reports to the New York State Quarterly Sales Tax Returns. If these reports do not agree, the Department should refer the matter to the Audit Division for review.

**Response:** *The Department has adopted policies to collect reports with transaction details and totals as well as policies for the quarterly review of Sales Tax Returns.*

6. **The Department allowed Kaelin's Camp Store to terminate the Agreement without obtaining written notice of termination.** Although the Licensee terminated their Agreement with the County due to extenuating circumstances, the Department failed to ensure compliance with the Agreement by obtaining written notification of such termination.

**Recommendation:**

The Department should comply with the provisions of the Agreement regarding terminations that are initiated by the licensee by obtaining written notice of termination. The written notice of termination should be maintained in the licensee's file as evidence that the contractual requirement is satisfied.

**Response:** *The Department was unable to obtain such written notification of termination as the Licensee passed away unexpectedly. Notation of said incident and reason for termination of the license agreement will be noted in the file.*

**APPENDIX B**

**Comptroller Office’s Comments on the Department’s Response**

**Auditee: Suffolk County Department of Parks, Recreation and Conservation**

The unofficial draft audit report for the audit period January 1, 2015 through December 31, 2016 was transmitted to the Department on October 2, 2019. Although an exit conference was not held for this audit, an exit conference was held on a related audit, Report No. 2016-19 which had many similar findings relating to capital improvements. Although the Department requested copies of work papers to support our findings for Report 2016-19 they never requested copies of work papers for this audit even though they were offered on numerous occasions and was advised to contact our office with any questions related to the draft report. The Department’s representatives submitted a formal written response to the unofficial draft audit report on October 31, 2019 (Appendix A, p. 11). The Department did not submit additional documents in support of their response. The Department had ample time to respond to our inquiries and findings. Our assessment of the Department’s response is as follows:

**Response to #1:**

While we acknowledge the Department’s response, the Department did not provide documents to support their response. During our audit, the documents provided by the Department supported the credit for capital improvements as follows:

<b>Capital Improvements</b>	<b>Third Rock Mgmt. Corp.</b>	<b>A.C. Golf, Inc.</b>	<b>Kaelin's Camp Store *</b>	<b>Total</b>
Required Capital Improvement Spending Obligation	\$100,000	\$210,000	\$9,450	\$319,450
Less : Amount Credited by Department	(\$59,312)	(\$56,969)	(\$9,450)	(\$125,731)
Spending Obligation Not Satisfied:	\$40,688	\$153,031	\$0	\$193,719

\* Due to the termination of Kaelin's Agreement, the Licensee was not required to complete all contractual capital improvements prior to termination date.

We found the Department’s oversight of capital improvements to be inadequate. Although the Capital Investment Log maintained by the Contracts Unit identified projects as “credited”, capital improvement authorization forms for projects were often incomplete or missing. In addition the Department lacked documents to support the existence of the cost associated with projects, proof of payment and proof of completion which hindered our ability to determine that capital improvements were completed.

In response to the Department’s uncertainty of the improper credit provided to Third Rock Management Corp., we found correspondences from the Department’s Contracts Auditor, and the Deputy Commissioner, as evidence that the Licensee was advised by the Contracts Auditor that six authorization projects totaling \$14,627 would not be credited towards capital spending. However, we found five of those projects totaling \$11,965 identified as “credited” in the Capital Investment Log maintained by the Contracts Unit. We have attached copies of such correspondences as Exhibit A (pages 18 - 20).

**No modification of the audit report for this finding is warranted.**

**Response to #2:**

While the Department asserts they are unable to provide a response; they were afforded ample time to request copies of work papers that support our findings. The Department was provided 30 days to formulate their response to the draft audit report and was advised to contact the Audit Division with any questions relating to the report. However, the Department chose not to contact us.

**No modification of the audit report for this finding is warranted.**

**Response to #3:**

While the Department disagrees with this finding, the Department did not provide documents to support their response. During our audit, documents provided by the Department supported approval and credit for \$50,573 of \$150,000 in capital improvements that were required by the initial License Agreement with A.C. Golf, Inc. Although the Department asserts that the \$60,000 Capital obligation with a completion date of "Spring 2014" was delayed; it cannot be refuted that the Department allowed A.C. Golf, Inc. to be non-compliant with the First Amendment over a five year period. The Department then "carried over" that same \$60,000 Capital obligation for another five year term without requiring any further improvements for the term of the Second Amendment. In their response, the Department asserts that the project approvals are under way. Until the project approval occurs and commencement of the project ensues, it is reasonable to conclude that these capital improvements remain incomplete.

In response to our recommendation for the Department to strengthen internal controls over their monitoring of capital improvements required by the license agreements the Department has affirmed the implementation of new procedures for the administration of capital improvement projects. Although these procedures are intended to strengthen the Department's ability to monitor completion of capital improvements, no agreement should have its term extended without the Department first performing a compliance determination of the licensees' capital project commitment.

**No modification of the audit report for this finding is warranted.**

**Response to #4:**

The Department concurs with our assessment and has affirmed a change in collection procedures.

**No modification of the audit report for this finding is warranted.**

**Response to #5:**

**Audit Response:** The Department has affirmed the adoption of policies to collect reports with transaction details and totals, and for the quarterly review of Sales Tax Returns.

**No modification of the audit report for this finding is warranted.**

**Response to #6:**

While the Department maintains that they were unable to obtain written notification of termination because the Licensee passed away unexpectedly; his wife, and business partner, continued to operate the concession for two seasons subsequent to her husband's death (October 23, 2013). Based on correspondence with the Department, the last day of operation was in October 2015.

**No modification of the audit report for this finding is warranted.**

Exhibit A

COUNTY OF SUFFOLK



STEVE LEVY  
SUFFOLK COUNTY EXECUTIVE

DEPARTMENT OF  
PARKS, RECREATION AND CONSERVATION

Joseph J. Montuori  
COMMISSIONER

TRACEY BELLONE  
DEPUTY COMMISSIONER

September 28, 2011

Mr. Bruce Elias  
Third Rock Management  
661 Riverside Drive  
Riverhead, NY 11901

RE: Capital Authorization requests

Dear Mr. Elias,

I am writing to inform you of the status of the Capital Authorization requests submitted by Outerbanks restaurant.

As per instructions given all concessionaires, all capital authorization requests must be filed and approved with the Parks Department before any work is to be performed. The Department was well aware of the unfortunate delays in the opening of the restaurant and agreed to work with you to streamline and accelerate the approval process. However, at no time was any consent given to have work done prior to the Department reviewing and approving the project.

A total of 17 authorization requests were submitted totaling \$90,949.

The following 7 authorization requests totaling \$37,311 have been approved and will be applied towards Outer Banks restaurant's contractual capital obligation:

Tile flooring in bar and bathroom	\$ 5,593
Refurbish restrooms	3,922
Labor for the tile installation	10,450
4 burner stove and Broiler	4,345
10 burner stove	3,041
Bain Marie & Deep fryer	3,313
Hardwood flooring	6,647

The following 6 authorization projects totaling \$14,627 were completed and given to Parks after the work was already completed without prior Department approval and will not be credited towards the capital spending obligation in the contract:

Used POS system	\$2,080
Installation of new restroom partitions	3,367
Installation of new draft beer system	4,009
Purchase of new phone system	1,976
Etching on glass door	395
Installation of new chemical fire system	2,800



**Exhibit A (cont'd)**

The following 4 authorization requests totaling are still pending and either requires further Department review or is waiting for additional documentation to be submitted:

Refurbish bar area	\$22,500
Granite countertops	4,000
McIntosh plumbing	10,033 (Only \$6,050 may be applied to the capital obligation)
Media wall in bar area	<u>1,500</u>

The request for the Custom Cool refrigerator for \$987, included in the request for the 10 burner stove was rejected as the refrigerator is in located in the Golf Pro shop.

If you have any questions regarding this letter please contact me at 631-854-4981.

Scott Stocker  
Contracts Auditor

cc: Joseph J. Montuori, Commissioner  
Tracey Bellone, Deputy Commissioner  
Jim Barr, County Parks Superintendent  
Tony Trotta, County Parks Superintendent  
Tom Johannemann MM IV  
Cindy Heuer, Contracts Examiner  
Michael Giglio

Exhibit A (cont'd)

COUNTY OF SUFFOLK



STEVE LEVY  
SUFFOLK COUNTY EXECUTIVE

DEPARTMENT OF  
PARKS, RECREATION AND CONSERVATION

JOSEPH J. MONTUORI  
COMMISSIONER

TRACEY BELLONE  
DEPUTY COMMISSIONER

MEMORANDUM

DATE: September 13, 2011  
TO: Scott Stocker, Auditor, Contracts Unit  
FROM: Tracey Bellone, Deputy Commissioner   
RE: Indian Island Restaurant

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I am in receipt of your memo regarding capital expenditure forms for the Indian Island Golf Course Restaurant. On April 13, 2011, Superintendent Jim Barr, Contracts Examiner Cindy Heuer and I met with Bruce Elias to go over renovations for the restaurant. At that time, I agreed that we would review his capital submissions with the utmost urgency and return them to him as quickly as possible. He was never given permission to submit the forms after the work had been done.

In fact after the meeting, several forms were submitted for various work which were quickly reviewed and approved or denied by the maintenance division.

As with all concessionaires, those that received the proper approval should be given the full credit and those that were not should be rejected. Mr. Elias can appeal that decision but he needs to follow proper procedure in accordance with his agreement.

Cc: Jim Barr, Superintendent of Parks  
Cindy, Heuer, Contracts Examiner