

KSU GOLF COURSE

MANAGEMENT AND RESEARCH
FOUNDATION

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KSUGCMRF Audit Analysis

Findings & Recommendations

Reid -
THE FOLLOWING DOCUMENT
CONTAINS OUR "RESPONSES"
TO THE AUDIT FINDINGS
AND RECOMMENDATIONS. IT
WAS APPROVED AT OUR
LAST BOARD MEETING AND
ONLY DISTRIBUTED INTERNALLY
UNLESS SOMEONE INQUIRES
BERNIE

1. With regard to cash disbursements, formal payment request forms detailing the business purpose of the request for payment should be completed. In addition, cash disbursements should not be made without necessary approvals.

Response: The KSUGCMRF will develop a permanent check request form and use for all expense payments. The form will have a line item to detail the business purpose and the document will be used for all three KSUGCMRF accounts (checking, clubhouse, and payroll) and noted which account will be used for payment. All check request forms will be completed by the KSUGCMRF Executive Director.

Currently, the KSUGCMRF only has one cash disbursement request per year for the annual Colbert Hills Founders trip to Bighorn Golf Club in Palm Desert, CA. The cash is used for trip and gratuity expenses. The KSUGCMRF Executive Director writes a memorandum for a \$500 cash advance and the check is authorized by a senior staff representative at Kansas State Bank. Furthermore, the check is dual signed by the KSUGCMRF Executive Director and Treasurer of the KSUGCMRF Board of Directors. Then the KSUGCMRF Executive Director will write a follow-up memorandum to itemize the list of cash expenses and include any receipts. The same process above will continue for future cash disbursements.

2. The Foundation, as the parent of KSUGCMRF, should consider the manner in which the Bridge Loan and its related guarantees are being reported by KSUGCMRF and paid to and receipted by KSUGCMRF for debt no longer in the entity's name and determine if the situation warrants further review. KSUGCMRF's financial statements are currently inaccurate as they list as a liability a debt not legally owed by KSUGCMRF. The appearance of a conflict of interest or preferential treatment for the guarantors should be factored into the Foundation's decision.

Response: The KSUGCMRF always used advice and suggestions from outside experts regarding the decision to give a tax deductible contribution to the six guarantors and keep the debt on our KSUGCMRF balance sheet entitled "Non Recourse Line of Credit."

3. The relationship between KSUGCMRF, the Golf Course and the Athletics Department should be reviewed and appropriately formalized and documented. Currently, the \$20,000 annual payments by the Athletics Department for the golf teams' use of the locker area and indoor practice facilities do not appear to be required by the Operating Lease with Golf Generations (which post-dates the 2005 letter from former Athletics Director Tim Weiser). The Operating Lease specifically speaks to the free use of the Golf Course, the driving range and the practice facilities at the Golf Course. All transactions between KSUGCMRF, the Golf Course and the Athletics Department should be appropriately formalized and documented.

Response: The KSUGCMRF would like to clarify a couple of items regarding this Finding and Recommendation by Grant Thornton LLP. There is no direct relationship or agreement with the Athletics Department and Golf Generations. The two separate relationships that must be considered are the KSUGCMRF and Athletics Department and the other being the KSUGCMRF and Golf Generations. The KSUGCMRF sends an annual letter and invoice to the Athletics Department in the fall semester stating how we enjoy having the K-State Golf Teams at Colbert Hills and the \$20,000 user fee payable to the KSUGCMRF is for use of the Championship Course, Executive Par 3 Course, Practice Facilities and Locker Rooms. Therefore, since the partnership agreement is between the KSUGCMRF and Athletics Department, the KSUGCMRF included a stipulation in the Operating Lease agreement with Golf Generations that the K-State Golf Teams will have free use of the Golf Course so Golf Generations may not charge any additional fees related to the items above. The KSUGCMRF does feel the current transaction is appropriately formalized and documented, however, we plan to amend the Operating Lease Agreement in 2010 to state this more clearly in section 12.

Board of Directors Approved:

Signature: _____

Print Name: HOWARD SHERWOOD

Title: _____

Date: _____

Pres.

8-11-09