

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



TOURNAMENT PLAYERS CLUB AT FAIRFIELD, L.L.C.

AGREED-UPON PROCEDURES REPORT

Date Released:

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State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE INSPECTOR GENERAL
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COMMISSIONER OF ADMINISTRATION

August 24, 2007

Ms. Jean S. Vandal, Deputy Commissioner
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We have performed the procedures listed below, which were agreed to by the Division of Administration (Division), solely to assist the Division in examining the statements furnished by the Tournament Players Club at Fairfield, L.L.C, (TPC). We examined TPC's cash flows and the total number of paid golf rounds played at the TPC facility booked through participating hotels/motels within certain parishes, various Destination Management Companies (DMC's), Harrah's Casino New Orleans, and the Audubon Golf Trail during the period July 15, 2006 through April 30, 2007. The unaudited operating statement provided by TPC is included with this report as Attachment A.

While performing the agreed-upon procedures, TPC management advised us that they included tourist golf rounds in its count toward the state guaranteed golf rounds. They felt the intention of Article II, Section C of the Ground Lease agreement between the State of Louisiana and TPC was for tourist rounds to be included in the count. Tourist rounds are rounds that are booked directly by individuals staying in local area hotels/motels. Reservations for tourist rounds are not booked through participating hotels/motels. Therefore, the calculation of tourist rounds were made part of our procedures and included in this report.

TPC management is responsible for its statements regarding its cash flows and the total number of paid golf rounds. We conducted this agreed-upon engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Division. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For the period examined, our procedures and findings are as follows:

1. We compared the total number of paid golf rounds booked through participating hotels/motels, various DMC's, Harrah's Casino New Orleans, and the Audubon Golf Trail reported in TPC' operating statement to the total paid golf rounds booked through hotels/motels, various DMC's, Harrah's Casino New Orleans, and the Audubon Golf Trail recorded during that period in TPC's *Fore! Reservations Technology* system. In addition, we included tourist rounds in our comparisons.

The results of our procedures show that the Division should reduce TPC's requested payment by \$70,150 from \$1,252,989 to \$1,182,839. This reduction is necessary for the two reasons outlined below:

- a. Twenty-one (21) additional rounds should have been counted in the number of paid golf rounds, thus further reducing the number of guaranteed rounds. We noted the following differences between the paid golf rounds reported in TPC's operating statement submitted to the Division and the paid recorded golf rounds in TPC's *Fore! Reservations Technology* system:

Table 1			
Months	Reported Golf Rounds, including Tourist Rounds	Recorded Golf Rounds, including Tourist Rounds	Differences Over and (Under)
July 2006	6	6	0
August 2006	45	45	0
September 2006	72	69	3
October 2006	281	281	0
November 2006	125	132	(7)
December 2006	37	40	(3)
January 2007	169	178	(9)
February 2007	257	257	0
March 2007	399	404	(5)
April 2007	155	155	0
Total	1,546	1,567	(21)

During our review, we also noted that TPC had incorrectly recorded hotel rounds and tourist rounds as "twilight" rounds. Twilight rounds are golf rounds played in the afternoon hours and charged at a reduced rate. According to TPC management, these rounds should be charged at the reduced rate. However, the rounds should still be recorded as hotel and/or tourist rounds and reported toward the state guaranteed rounds. Specifically, we noted three golf rounds from a reservation booked through Omni Royal Orleans Hotel, and two tourist

rounds that were incorrectly recorded as twilight rounds. These five rounds are included in the recorded golf rounds noted in Table 1 above.

- b. TPC allocated 1,104 state guaranteed rounds on its operating statement submitted to the Division for the entire month of July 2006. However, following Hurricane Katrina, TPC did not reopen until July 15, 2006. Therefore, the state guaranteed rounds should have been allocated for only 17 days in July 2006, or 605 rounds of golf. The agreement requires that the number of guaranteed rounds during any annual period and the maximum obligation of the State for that period be proportionately reduced for each day on which the facility is closed to play for either repair or renovation. As a result, TPC allocated 499 more state guaranteed rounds than required by the agreement.

Table 2 below compares the allocation of state guaranteed rounds reduced by the paid golf rounds reported on TPC's operating statement to the proper allocation of state guaranteed golf rounds reduced by the recorded paid golf rounds.

Table 2			
	<i>Tournament Players Club Operating Statement</i>	<i>Correct Paid Golf Rounds and Proper Allocation</i>	<i>Differences</i>
Pro Rata of Guaranteed Rounds (rounded)	10,827	10,329	(499)
Number of Paid Golf Rounds Counted Toward Guarantee	-1,546	-1,567	(21)
Total Short Fall State Guaranteed Rounds	9,281	8,761	(520)
Rate Per Round	\$135	\$135	\$135
Total State Obligation	\$1,252,989	\$1,182,839	(\$70,150)

2. We attempted to compare the total paid golf rounds booked through Harrah's Casino New Orleans recorded in TPC's *Fore! Reservations Technology* system to the golf round bookings maintained by Harrah's Casino New Orleans.

We were advised by Harrah's Casino New Orleans that records associated with the total rounds booked through the casino were not maintained. Therefore, we could not perform this procedure.

3. We compared the total paid golf rounds booked through the Omni Royal Orleans Hotel (Omni Royal) recorded in *TPC's Fore! Reservations Technology* system to available records of golf round bookings from Omni Royal.

Omni Royal only provided records for two bookings consisting of five golf rounds for the period. TPC incorrectly recorded three of the rounds as "twilight" rounds in its *Fore! Reservations Technology* system. Therefore, TPC did not count the rounds toward the state guaranteed golf rounds in its operating statement. We adjusted the recorded rounds shown on page 2 to include these three rounds. Players for the remaining two rounds did not show up for play, and therefore should not be counted toward the state guaranteed rounds.

4. We compared TPC's operating revenues and direct and overhead expenses for the period reported by TPC to the operating revenues and direct and overhead expenses recorded in the TPC general ledger for the period.

We found no material differences.

We were not engaged to, and did not conduct an audit, the objective of which would be to express an opinion, on the records and books of TPC. Accordingly, we do not express such an opinion. Furthermore, we did not evaluate the effectiveness of TPC's controls over financial reporting or any part thereof, including TPC's internal controls over recording the number of paid golf rounds booked through hotels/motels, various DMC's, Harrah's Casino New Orleans, and the Audubon Golf Trail, as well as internal controls over paid tourist golf rounds. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely for the information and use of management of the Division and is not for use and by anyone other than that specified party.

Sincerely,



Sharon B. Robinson, CPA, CIG, MBA
State Inspector General

Attachment A

TPC Louisiana
Monthly Operating Statements

	Actual Jul-06	Actual Aug-06	Actual Sep-06	Actual Oct-06	Actual Nov-06	Actual Dec-06	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	TOTAL
Total Operating Revenue	\$ 444,552	\$ 306,050	\$ 293,054	\$ 242,852	\$ 249,690	\$ 201,306	\$ 168,896	\$ 230,201	\$ 341,315	\$ 690,510	\$ 3,168,226
Total Direct Expenses	401,572	307,950	309,230	281,888	346,483	439,541	254,106	273,763	263,867	622,108	3,500,508
Income from Operations before Overhead	42,980	(1,900)	(16,176)	(39,236)	(96,793)	(238,235)	(85,210)	(43,562)	77,448	68,402	(332,282)
Overhead Expenses	179,601	208,961	205,192	189,299	200,916	240,477	190,360	173,469	202,925	228,985	2,020,185
Net Income before Taxes and Depreciation	(136,621)	(210,861)	(221,368)	(228,535)	(297,709)	(478,712)	(275,570)	(217,031)	(125,477)	(160,583)	(2,352,467)
Depreciation	68,305	68,304	68,305	68,304	67,649	67,658	68,210	68,534	68,535	68,534	682,338
Net Income before Taxes	\$ (204,926)	\$ (279,165)	\$ (289,673)	\$ (296,839)	\$ (365,358)	\$ (546,370)	\$ (343,780)	\$ (285,565)	\$ (194,012)	\$ (229,117)	\$ (3,034,805)

Cash Flow:

Net Income before Taxes	(204,926)	(279,165)	(289,673)	(296,839)	(365,358)	(546,370)	(343,780)	(285,565)	(194,012)	(229,117)	(3,034,805)
Add Back Depreciation, Interest & Reserves	159,107	165,478	166,982	163,615	165,770	176,879	163,620	150,507	176,264	179,668	1,667,890
Less: Debt, Capital Expenditures & Reserves	90,802	97,174	98,677	95,311	98,121	109,221	95,410	81,973	107,729	111,134	985,552
Total Cash Flow	(136,621)	(210,861)	(221,368)	(228,535)	(297,709)	(478,712)	(275,570)	(217,031)	(125,477)	(160,583)	(2,352,467)

Number of Hotel Rounds	6	45	72	281	125	37	169	257	399	155	1,546
Pro Rata monthly rounds per agreement	1,104	1,104	1,068	1,104	1,068	1,104	1,104	997	1,104	1,088	10,827
Total short fall in rounds	1,098	1,059	996	823	943	1,067	935	740	705	913	9,281
Rate per round	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00
Total State of Louisiana Obligation	\$ 148,245	\$ 142,980	\$ 134,527	\$ 111,120	\$ 127,372	\$ 144,060	\$ 126,240	\$ 99,935	\$ 95,190	\$ 123,322	\$ 1,252,989

Rounds of Golf - Played	1,368	2,298	2,926	2,458	2,270	1,790	1,412	2,311	2,570	2,222	21,625
Rounds of Golf - Paid	856	1,564	1,972	1,561	1,403	1,087	767	1,232	1,409	1,436	13,287
Hotel Rounds as a % of Paid Rounds	0.7%	2.9%	3.7%	18.0%	8.9%	3.4%	22.0%	20.9%	28.3%	10.8%	11.6%

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A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at www.doa.louisiana.gov/oig/inspector.htm. Reference should be made to Case No. 3-08-0001. If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director at (225) 342-4262.

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