



City of Flagler Beach  
105 South Second Street  
Flagler Beach, Florida 32136  
Phone: 386.517.2000  
Fax: 386.517.2008

Date: March 4, 2022  
To: William Whitson, City Manager,  
CC: Chris Novak, Finance Assistant/Project Coordinator, Rhonda Allen,  
Assistant to the Finance Director  
From: Kathleen Doyle, Finance Director  
Subject: Review of Financial Documents from Flagler Golf Management

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The Finance Department has reviewed the financial documents we received from Ms. McManus on March 1, 2022. In regards to this matter, we have created the attached analysis documenting our review and observations.

Our assessment indicates Flagler Golf Management is not in compliance with the reporting requirements set forth in the lease agreement.

#### **ARTICLE 4. REPORTING REQUIREMENTS**

**4.1 RECORDS.** Lessee shall keep true and accurate accounts, records, financial statements, books and data (hereinafter "Records") in a form consistent with good accounting practices. Such accounts, records, books and data shall, among other things contain a breakdown of gross receipts and sales from the various activities taking place on the Premises. Lessee shall require that any consignees, sub lessees, subtenants, or others ("Others") conducting any revenue producing activity on the Premises keep accurate and complete records and accounts in accordance with this Article 4.

**4.2 RETENTION OF RECORDS.** Lessee shall retain all its Records for not less than seven (7) calendar years following the last day of the Expiration Date for the Initial Term or, if applicable, expansion term.

4.3 RIGHT TO INSPECT AND AUDIT BY LESSOR. Lessee hereby agrees that Lessor, its employees, agents and representatives, at all reasonable times, shall have the right to inspect and examine all such records which will enable Lessor to ascertain the amount of Lessee's gross receipts and revenue generated at the Premises. Lessee shall, upon request and at no cost to Lessor, make all or any part of its records available to the Lessor during normal business hours throughout the term of this Agreement for the purposes of inspection or audit. The cost of any audit performed by Lessor shall be at Lessor's expense.

4.4 PROFIT AND LOSS STATEMENT. On quarterly basis throughout the Term hereof, Lessee shall provide to the Lessor, without request or demand, Lessee's quarterly profit and loss statement for the operation of all activities conducted on the Premises during each previous quarter.

Please let me know if you have any questions or concerns.

KD

## Finance Department Review

On 3/1/2022 @ 12:00 P.M. the following was received financial documents were received from Belle McManus via email address to William Whitson, Kathleen Doyle and Attorney Drew Smith.

### Financial Documents Provided

- |                             |                                      |
|-----------------------------|--------------------------------------|
| 1. QuickBooks Excel Import: | October 2019 – March 31, 2021        |
| 2. SunTrust Bank Statement: | October 01, 2019 – February 28, 2021 |
| 3. Sales / Use DR15 Report: | October 01, 2019 – March 31, 2021    |
| 4. Chase Bank Statement :   | January 08, 2021 – March 31, 2021    |
| 5. Profit & Loss Statement: | October 2019 – September 2020        |
| 6. Profit & Loss Statement: | January 2020 – June 2020             |
| 7. Profit & Loss Statement: | July 2020 – September 2020           |
| 8. Profit & Loss Statement: | October 2020 – December 2020         |
| 9. Profit & Loss Statement: | January 2021 – March 2021            |

This following are notes and comments of the above documents in item order based on the financial documents provided to the City in order:

### City of Flagler Beach Finance Department Audit conducted March 3, 2022

- |                             |                               |
|-----------------------------|-------------------------------|
| 1. QuickBooks Excel Import: | October 2019 – March 31, 2021 |
|-----------------------------|-------------------------------|

The review of the export that was provided appears to reveal unreconciled accounting records based on the data in the accounting software. The data shows that the credit and debits are not posted properly along with duplicate entries. Thus we are not able to tell if the funds have been used properly. Some of the transactions shown on the QuickBooks Excel Import took place in West Palm Beach, Delray Beach, Boynton Beach Florida not to mention other locations out of state. For Example: (35) Transactions during this period occurred at Home Depots located in Palm Beach totaling \$8,617. Of that amount \$7,244 was spent in July 2020. The records provided do not show enough information to verify purchases that are related to the golf course.

2. SunTrust Bank Statement: October 01, 2019 – February 28, 2021

- Inconsistent and unverifiable Payroll records, the data does not show any Payroll withholdings etc.
- Questionable Purchases – Check register was not provided, no way to confirm.
- The data show an SBA loan, PPP and EIDL Grant = \$49,554.05 in total, which may or not be forgiven and may need to be repaid. Based on our preliminary review this is especially concerning without proper documentation to support the payroll records. This could potentially be a miss appropriation of federal funds. The City needs further information on this matter now that we are aware.
- January of 2021 the Bank Statement show ADP is now processing payroll. Totals still do not match the Profit and Loss statement provided.

3. Sales / Use DR15 Report: October 01, 2019 – October 31, 2019

The review of the Sales Use Dr-15 Returns that were audited against the bank statements reported the following data:

- Deposits going into the accounts = \$401,065.56
- Sales & Use returns reported = \$255,259.27
- Where is the balance of the funds? – No explanation provided.

4. Chase Bank Statement : January 08, 2021 – March 31, 2021

- January 2021 shows a closure of SunTrust Bank and new Banking with Chase.
- Questionable Purchases – Check register was not provided, no way to confirm.

5. Profit & Loss Statement: October 2019 – September 2020

6. Profit & Loss Statement: October 2019 – September 2020

7. Profit & Loss Statement: January 2020 – June 2020

8. Profit & Loss Statement: July 2020 – September 2020

9. Profit & Loss Statement: October 2020 – December 2020

10. Profit & Loss Statement: January 2021 – March 2021

- Unable to verify any of the Profit & Loss data due to incomplete records, uncategorized
- Expenses and / or expenses categorized the do not match the bank statements.

## ACCORDING TO THE FLAGLER LIVE INTERVIEW

In the article on Flagler Live, Ms. McManus stated that “My volunteers were very upset,” she said. “They are retired, they want to do something... this is where they’d love to come hang out, meet new neighbors meet up with old neighbors.” She has half a dozen of them putting part-time hours, including one who drops by only every few months. In exchange, they get to play golf.”

### *According to the Fair Labor Standards Act*

“Under the FLSA, employees may not volunteer services to for-profit private sector employers. On the other hand, in the vast majority of circumstances, individuals and volunteer services to Public Sector Employers.”

Secondly, without proper financial reports it is not known if the revenue for the bartered golf games were recognized as revenue. To be in compliance with Generally Accepted Accounting Practices, this revenue should be recognized.

Third, we were not provided information regarding compliance with IRS rules and regulations. Have payroll taxes been reported and if so where is the reporting documentation?

Fourth, the City would like to review your Workman’s Compensation Policy verifying coverage. Are you in compliance with the law? No Insurance payments were provided and we are unable to verify from the bank statements. (No check register provided)

REVIEW OF CITY RECORDS RELATED TO THE GOLF COURSE LEASE

Revenues Received from Flagler Golf Management

CUSTOMER #: 0126 - FLAGLER GOLF MANAGEMENT			AMOUNT	AMOUNT
INVOICE #	INVOICE DATE		BILLED	PAID
0000000953	12/31/2015	RENT	2,568.00	2,568.00
0000001103	12/24/2016	RENT	2,645.04	2,645.04
0000001259	11/01/2017	RENT	2,724.39	2,724.39
0000001395	11/01/2018	RENT	2,800.90	2,800.90
0000001534	11/14/2019	RENT	2,882.20	2,882.20
0000001540	11/19/2019	3% ADDITIONAL ON GROSS SALES	2,930.46	2,930.46
0000001658	11/18/2020	RENT	2,963.14	2,963.14
0000001672	01/27/2021	1% ADDITIONAL ON GROSS SALES	357.47	357.47
0000001696	05/11/2021	1% ADDITIONAL ON GROSS SALES	525.10	525.10
0000001697	05/11/2021	1% ADDITIONAL ON GROSS SALES	654.29	654.29
0000001749	11/10/2021	RENT	3,052.03	1,248.22
TOTAL CUSTOMER 0126 - FLAGLER GOLF MANAGEMENT			24,103.02	22,299.21
			BALANCE	
			DUE	1,803.81

*NOTE: UNABLE TO BILL FOR ANY ADDITIONAL REVENUE ON GROSS FINANCIAL REPORTS THAT WERE NOT RECEIVED*

Expenses Paid Directly to Flagler Golf Management from City of Flagler Beach

REMOVAL OF BRAZILIAN PEPPERS	14,700.00
IRRIGATION REPAIRS	3,029.02
COMPENSATION FOR CONSTRUCTION ON GOLF COURSE	5,496.00
COMPENSATION FOR CONSTRUCTION ON GOLF COURSE	5,000.00
COMPENSATION FOR CONSTRUCTION ON GOLF COURSE	1,494.00
WATER BILL DEDUCTED FROM GOLF COURSE	1,500.00
COMPENSATION FOR CONSTRUCTION ON GOLF COURSE	7,053.10
<b>Paid Directly to Flagler Beach Management by City of Flagler Beach</b>	<b>38,272.12</b>

## Expenses Paid Related to the Golf Course

ROOF REPAIRS/GOLF SHOP/HURRICANE MATTHEW	2,513.60
GOLF COURSE PUMP HOUSE IRRIGATION EMERGENCY REPAIR H. IRMA	16,750.00
ELECTRICAL PANEL FOR GOLF COURSE PUMP HOUSE	2,210.00
REPAIR GOLF COURSE (CART BLDG) ROOF - IRMA	2,800.00
STORAGE SHED FOR PUMP AT GOLF COURSE, ITEM NO. 551125	761.00
OCEAN PALM GOLF COURSE IRRIGATION SYSTEM REPAIR	20,745.00
LUMBER FOR GOLFCOURSE PUMP HOUSE	1,317.10
PUMP HOUSE @ GOLFCOURSE	500.00
REPAIR NAIL GUNS & SUPPLIES @ GOLFCOURSE	251.32
OCEAN PALM GOLF COURSE IRRIGATION REPAIR	18,500.00
GOLF COURSE PUMP HOUSE ELECTRICAL CONNECTIONS POST H. IRMA	2,395.00
RE-ROOF GOLF COURSE/MASTER CARD	1,107.81
FINAL INVOICE FOR REPAIR OF GOLF COURSE IRRIGATION SYSTEM	15,000.00
GOLF COURSE CONDITIONING LETTER/OCEAN PALMS	150.00
GOLF COURSE CONDITIONING LETTER/OCEAN PALMS	1,305.00
PUMP REPAIRS AT OCEAN PALM GOLF COURSE	3,750.00
MECHANICAL SEAL/GOLF COURSE PUMP	40.88
MECHANICAL SEAL/GOLF COURSE PUMP	299.90
TERMITE TREATMENT - GOLF CART BARN	3,400.00
RE-ROOF/SHINGLE CART GARAGE AT GOLF COURSE	18,566.00
START UP LAKE 3--GOLF COURSE	145.00
REPLACE METER BOX @ GOLF COURSE	541.00
GOLF CART BARN - TERMITE CONTROL ANNUAL MAINTENANCE AGREEMENT	340.00
GOLF CART BARN - TERMITE CONTROL ANNUAL MAINTENANCE AGREEMENT	340.00
CHARGE FOR GOLF COURSE AUDIT	400.00
ADDITION OF GOLF COURSE BUILDINGS	1,106.00
ADDITION OF GOLF COURSE BUILDINGS (estimated 5% Increase)	1,161.30
ADDITION OF GOLF COURSE BUILDINGS (estimated 5% Increase)	1,219.37
ADDITION OF GOLF COURSE BUILDINGS (estimated 5% Increase)	1,280.33
ADDITION OF GOLF COURSE BUILDINGS (estimated 5% Increase)	1,344.35
ADDITION OF GOLF COURSE BUILDINGS (estimated 5% Increase)	1,411.57
ADDITION OF GOLF COURSE BUILDINGS (estimated 5% Increase)	1,482.15

**Paid by City of Flagler Beach** **123,133.67**

*NOTE: NOT INCLUDED IN THE EXPENDITURES ARE THE NUMEROUS YARD WASTE PICKUPS MADE BY OUR SANITATION DEPARTMENT*

**TOTAL REVENUE RECEIVED FROM FLAGLER GOLF MANAGEMENT** **22,299.21**  
**TOTAL EXPENSES PAID BY CITY OF FLAGLER BEACH** **161,405.79**