

KCTA

Performance Audit



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Clay County, Missouri Auditor

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I. Introduction and Scope

This office was contacted by the State Auditor's office in March of this year concerning the Kansas City Trapshooters Association (KCTA). As part of the citizen-petitioned comprehensive performance State audit of the County, we were asked if we had ever received documentation from the vendor to justify their contract compliance. We responded that we had never received such supporting documentation up to that time. We do see their deposits paid to the Parks Department and receipted by the County Treasurer. We monitor and confirm that those deposits are at a minimum receipted into the correct budgeted revenue account lines.

Consequently, we turned around and immediately asked KCTA directly for such proof behind their lease payments to the County. We received confirmation that the regular monthly payment was coming, but initially no reports. We advised the State Auditor's office of that failed attempt and status. Later in October of 2020, an anonymous whistleblower informed us about possible suspicious practices at the KCTA. Upon investigation, we determined that our scope is limited to contract compliance with the County—given that KCTA is a separately governed entity.

So we again asked for the backup reports outlining how specifically the County fee per targets sold over one million was calculated. Once more we never got a response. Since the KCTA works directly with the County Parks Department, we further inquired of Parks staff to see if they had any reports on file. Nothing was provided despite asking three separate individuals. As a result, on 10/26/2020 we decided to initiate our own standalone audit of the KCTA in order to obtain the answers we sought out. We sent a formal audit inception letter, attached, on that date to the KCTA's office and emailed a scanned copy to the entire Board.

Soon after, the President of the Board responded to our office surprised at our above discussed attempts at ascertaining reports with no success. It appears there had been significant miscommunication as Parks apparently received the State Auditor's request after being directed there by our office back in March. KCTA provided Parks the necessary reports and those were sent on to the State Auditor's office, at least as far as we can tell. Owing to how the target report is an annual payment under the contract's terms, it is at present only produced at year end to determine the right amount. That was the reason cited as to why we did not receive any reports when we at first requested them.

After more of our own review of those prior year (2017-2019) reports, however, additional issues came up prompting extra scrutiny and interest. Hence, we felt that proceeding with the audit still made sense. Due to a responsive and cooperative auditee, a performance form of audit was selected. With this type of audit, per Generally Accepted Government Auditing Standards (GAGAS), the auditor issues findings with adequate and sufficient evidence of the criteria, condition, cause, and effect behind each one. The relevant management then has the opportunity to respond and those responses are printed verbatim.

The underlying context with County government is pertinent to discuss at this juncture. As previously mentioned, the County is under a citizen-petitioned comprehensive performance audit conducted by the State Auditor's office. While KCTA is a subject in their audit fieldwork, that audit is not complete at the moment so this will not conflict with it. It is held up in court battles and appeals over the State Auditor's authority to pursue any type of audit other than a financial audit—so not performance audits. The beginning circuit level ruled in favor of the State Auditor. A separate subpoena for other administrative information is under way as well. Plus, outside financial statement audits for 2018 and 2019 continue.

II. Background and Audit Plan

By way of more in depth background regarding the largely positive relationship between KCTA and Clay County government, we will briefly explore some of the long history together. Per KCTA's website (<https://www.kctraps.com/history-of-the-kcta>) the organization traces its roots all the way back to 1887. As far as with Clay County and the Parks Department, though, KCTA started its location at Smithville Lake in August of 1986. The County, it should be noted, leases such property from the U.S. Army Corps of Engineers to the tune of \$313,378.95 a year until 2031—under contract DACW41-1-84-354 that also began in 1986.

Then, in 2005, the County decided to rebid out the “trapshooting concessionaire services” on Park property at the Lake. KCTA was the only respondent to RFP #11-04 and won, with Resolution 2005-55, a twenty five year lease terminating on December 31, 2029 (Article III, Section 3.01). The terms of the agreement stipulated an annual \$15,750 base rent, paid quarterly at \$3,937.50 (Article IV, Section 4.02). That rent increases 5% every five years at the option of the County, which has been exercised at every interval so far. Moreover, there is a \$0.015 fee per target once the threshold of over one million targets is sold. That second lease component is to be remitted by January 31st each year for the prior year and likewise jumps 5% every five years at the County's discretion.

The last item to highlight from 2005-55 is how, pursuant to Section 13.07—Records, the County Auditor has access to all KCTA files involving its financial transactions. Importantly, too, Revised Statute of Missouri (RSMo) 55.161.1 permits the County Auditor to examine any source of County revenues—the KCTA being one. Section 4.20 within Lessor's Rights & Duties describes how the County similarly has the right to audit and inspect KCTA's books. In 4.07.3, part of the corresponding subtitle of Tenant's Rentals, Rights and Duties, there is more verbiage covering KCTA's responsibility to cooperate with County audits.

Apart from the main lease agreement between KCTA and the County, other pertinent regulations include the fact that all prices charged there are supposed to be approved by the Commission. This is nevertheless in the 2005-55 contract, Sections 4.19 and 4.07.2a. The related part of Clay County Ordinances is in Appendix A where a Fee Schedule is listed. The most recent update seems to be from 2020-Ordinance-42. Other than that, a search of County Commission meeting agendas, dating back 2008 to at earliest, reveals only two instances of different KCTA consideration. With Resolution 2017-018, the Commission approved a fireworks display for KCTA's annual banquet. Next, by Resolution 2019-198, the Commission signed off on a Memorandum of Understanding (MOU) with KCTA for them to install—at their own costs—an Olympic Bunker Range.

Moving thus to the Audit Plan, we aim to first and foremost analyze the earlier referenced reports for total targets sold per year. We will accordingly calculate to see if the target lease aspect is being done correctly. Included in that topic will be the question of timely payments. What's more, second, we intend to verify if the base quarterly rent for the land is mathematically accurate. On top of those two core areas, this audit involves the details of the prices charged by KCTA—based on their website and when confirmed on site during fieldwork. Finally, fourth, the MOU for that Olympic Bunker Ranger deserves attention in light of recent expenditures done by the 2018 Certificates of Participation (COPS); those passed in a 2-1 vote of the Commission and no direct approval from voters. Unfortunately the Accounts Payable process for those COPS has little oversight as the requisitions avoid the usual County protocols—circumventing the Auditor, Clerk, and Treasurer.

III. Audit

- **Targets Sold Lease**

To reiterate, the existing lease originally called for a \$0.01500 fee on targets sold over one million per year. That fee would increase 5% every five years at the direction of the County. It has been exercised every time so far. Simple math computes to what should be a current fee of \$0.01654 per target over one million sold. Based on the reports from 2017-2019, however, it appears from algebra that Parks is instead charging at a rate of \$0.01640. Even if calculated by only adding 5% off the starting point of \$0.01500, so a consistent \$0.0075 every five years, we still wouldn't arrive at \$0.01640—rather \$0.01650.

Second, our analysis of the sampled 2017-2019 receipts show payments on 2/28/2018 for 2017 targets, 2/11/2019 for 2018 targets, and 1/15/2020 for 2019 targets. Two of those three selections (2017 and 2018 paid in 2018 and 2019, respectively), were late per the contract as they were received after January 31st. With the latest being on time, though, this matter looks to be resolved.

Targets	5%
2005	0.01500
2010	0.01575
2015	0.01654
2020	0.01736

Analysis	Targets	Lease
2017	63,975	\$ 1,057.99
2018	44,575	\$ 737.16
2019	39,945	\$ 660.59

Year	Actual	Underpay	Rate
2017	\$ 1,049.19	\$ (8.80)	0.01640
2018	\$ 731.03	\$ (6.13)	0.01640
2019	\$ 655.09	\$ (5.50)	0.01640

Recommendation for Parks: KCTA was undercharged, from what can be determined, at least \$20.43 for the target lease fee from 2017-2019. If increased for next year, the rate should be \$0.01736 per targets sold over one million. If kept at the rate changed in 2016 (\$0.01640), that needs to be updated to \$0.01654.

Response from Parks Management (sent 12/7, due 12/21): None.

- **Land Lease**

Akin to the target lease figures, there are some dilemmas with the land lease part of the overall payment contract. The base 2005 rent was a quarterly rate of \$3,937.50. Straightforward increases at 5% every five years come to \$4,341.09—not what is being charged of \$4,350.55. Once again, even if adding the same 5% change off the 2005 amount, so a consistent \$196.88, the arithmetic results in \$4,331.25 and still not \$4,350.55.

Lease	Annual	Monthly	Quarterly
2005	15,750.00	1,312.50	3,937.50
2010	16,537.50	1,378.13	4,134.38
2015	17,364.38	1,447.03	4,341.09
2020	18,232.59	1,519.38	4,558.15

Corrected	17,364.38
Actual	17,402.20
Overpay	37.82

With respect to timeliness of payments for the land lease, there is some gray area. Resolution 2005-55 indicates that “KCTA shall remit the lease payments to the County on a quarterly basis (last day of March, June, September and December), of each calendar year of the Lease.” That language doesn’t precisely indicate payment by the end of the quarter, but to simply do so quarterly. When the County opted to increase the rent another 5% in 2015 and effective in 2016, however, the letter instructed KCTA that quarterly rent is due on the last day of March, June, September, and December. If that is truly the case, then technically KCTA is a quarter behind their payment schedule—per when the Treasurer deposits their payments. Nevertheless, KCTA is paying their land lease and actually overpaying.

Payments	1Q	2Q	3Q	4Q
2016	5/13/2016	8/24/2016	11/9/2016	2/16/2017
2017	8/11/2017	8/11/2017	9/22/2017	1/5/2018
2018	4/23/2018	7/11/2018	9/28/2018	1/8/2019
2019	5/23/2019	7/5/2019	10/4/2019	1/21/2020

Recommendation for Parks: KCTA was overcharged \$189.10 ($\$37.82 \times 5 = \189.10) from 2016-2020 for its land lease with the County. If increased for next year, the rate should be \$4,558.15. If kept at the rate effective in 2016 (\$4,350.55), that must be updated to \$4,341.09.

Response from Parks Management (sent 12/7, due 12/21): None.

- **Prices Charged**

A cursory inspection of the KCTA’s website (<https://www.kctraps.com/hours-pricing>) and the listing of prices do not match the County-approved fees, as the contract requires. On the version of the website last viewed on 12/22/2020, the prices listed are:

- \$100 Membership—includes discounted \$7.00 per round, bring up to 5 guests 2x/year who also get the \$7/round rate, two Shooter Appreciation Days with 200 free targets/day, buy and prepay 10 rounds get one round free, right to vote for Board of Directors
- \$50 Youth/Student Program—includes discounted \$7.00 per round, two Shooter Appreciation days with 100 free targets/day, buy and prepay 10 rounds get one round free
- \$9.50 for non-member Trap round of 25 targets, \$7 for member
- \$9.50 for non-member Skeet round of 25 targets, \$7 for member
- \$9.50 for non-member Five-Stand Sporting Clays round of 25 targets, \$7 for member
- \$18 for a League of 50 targets per week, Sponsor Fee of \$75/team
- \$37 for Registered Shooting of a 100-target event

None of these are found in Appendix A of the County Ordinances or 2020-Ordinance-42. Indeed, one round of 25 targets is supposed to be \$8 and not \$7 or \$9.50. Those Commission-approved prices are as follows:

Appendix A

	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
KANSAS CITY TRAP SHOOTERS ASSOCIATION (KCTA)						
25 Practice Targets (1 round)	8.00	8.00	8.00	9.00	9.00	9.00
20 Round Practice Card	150.00	150.00	150.00	160.00	160.00	160.00
Box of 25 Promotional Shells	\$10.00-\$11.00	\$10.00-\$11.00	\$10.00-\$11.00	\$11.00-\$12.00	\$11.00-\$12.00	\$11.00-\$12.00
Box of 25 Premium Shells	\$14.00-\$15.00	\$14.00-\$15.00	\$14.00-\$15.00	\$16.00-\$17.00	\$16.00-\$17.00	\$16.00-\$17.00
Reloading Component Merchandise Markup	4%—25%	4%—25%	4%—25%	4%—25%	4%—25%	4%—25%
Shooting Accessory Merchandise Markup	10%—50%	10%—50%	10%—50%	10%—50%	10%—50%	10%—50%
Lessons	50.00	50.00	50.00	55.00	55.00	55.00
Retail Items	10%—50%	10%—50%	10%—50%	10%—50%	10%—50%	10%—50%

2020-Ordinance-42

Kansas City Trap Shooters Association (KCTA)

25 Practice Targets (1 round)
 20 Round Practice Card
 Box of 25 Promotional Shells
 Box of 25 Premium Shells
 Reloading Component Merchandise Markup
 Shooting Accessory Merchandise Markup
 Lessons
 Retail Items

Current	Proposed	Proposed	Proposed	Proposed	Proposed
<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 8.00	\$ 8.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
\$ 150.00	\$ 150.00	\$ 160.00	\$ 160.00	\$ 160.00	\$ 160.00
\$10.00 - \$11.00	\$10.00 - \$11.00	\$11.00 - \$12.00	\$11.00 - \$12.01	\$11.00 - \$12.01	\$11.00 - \$12.01
\$14.00 - \$15.00	\$14.00 - \$15.00	\$16.00 - \$17.00	\$16.00 - \$17.01	\$16.00 - \$17.01	\$16.00 - \$17.01
4% - 25%	4% - 25%	4% - 25%	4% - 25%	4% - 25%	4% - 25%
10% - 50%	10% - 50%	10% - 50%	10% - 50%	10% - 50%	10% - 50%
\$ 50.00	\$ 50.00	\$ 55.00	\$ 56.00	\$ 56.00	\$ 56.00
10% - 50%	10% - 50%	10% - 50%	10% - 50%	10% - 50%	10% - 50%

While in fieldwork at the actual KCTA site, we verified these online prices to the listings there at the store counter menu. Other prices itemized within a brochure or there include an \$8 high school rate for a round of trap, a \$216 league punch card, and a \$500 lifetime membership.

Recommendation for Parks: Update the fee schedule to include all current KCTA prices being charged. Have the updated schedule presented to the Commission for approval or disapproval.

Response from Parks Management (sent 12/7, due 12/21): None.

- **Olympic Bunker MOU**

To wrap up the audit, this office discovered on 10/30/2020 an \$11,850.00 payment made by the County to Burns & McDonnell through a COPS requisition entitled “Bunker Trap set up for KCTA”. It is requisition number 265, dated 10/13/20, and project 8-5T, making it part of the taxable 2018B COPS series. Such a project is not part of the list distributed by the Commission on October 15th, 2018, when the COPS were passed. Nor is it remotely within the realm of project categories listed in the overarching lease and indenture documents executed when the COPS were sold on the market. Subsequently on 12/4/20, we found out about the second payment for project 8-5T worth \$3,950.00. It is requisition #288, dated 11/23/20, and brings the total for project 8-5T to \$15,800.

On its face, too, this appears to be in violation of Resolution 2019-198, wherein it states “KCTA will install an Olympic Bunker Range at its costs...No costs will be incurred by either Clay County or the Corps”—with “Corps” meaning the Army Corps of Engineers who ultimately owns Smithville Lake. To be fair, there is handwriting on the requisition form for #265 indicating that work was “engineering to remove clay birds”—albeit this language is not on #288.

The vendor’s description of the labor and services reads “Professional Engineering Services for Kansas City Trapshooters Association Site Cleanup Planning at Smithville Lake”. It is unclear if removal of the clay birds and associated cleanup therefore qualifies as part of the installation process. We also learned during fieldwork that the bunker project is at a standstill after donated funds fell through. Such a development leaves the bond payment all the more in question.

Recommendation for Parks: Ensure that Resolution 2019-198 is fully followed and cease all future COPS work for KCTA’s Olympic Bunker in any form or fashion.

Response from Parks Management (sent 12/7, due 12/21): None.

IV. Overall Rating for this Audit



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Clay County, Missouri Auditor

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October 22nd, 2020

President Crawford and the KCTA Board,

It has come to my attention that there are concerns with the operations of the KCTA. I have been aware, since March of this year, that the State Auditor's Office has many questions regarding payments from the KCTA to Clay County. I have accordingly sent two emails requesting documentation, one in March and recently again in October, but received no response. It is my duty and responsibility to test the KCTA's functions for compliance with Resolution 2005-55 and RFP #11-04—the KCTA's lease with Clay County.

Under said lease, specifically Section 13.07, the County Auditor has authority to access and examine all KCTA records pertaining to its transactions. Further, Revised Statute of Missouri (RSMo) 55.161(1) allows the County Auditor to examine all sources of County revenues—the KCTA being one within Smithville Lake's entire Parks Department apparatus. In light of the delayed State Audit results, timeliness of County oversight is of the utmost importance. To my knowledge, there has never been an official standalone audit of the KCTA performed by the County.

My first step would be to meet with the Board to discuss the scope of such an audit and the corresponding Audit Plan. Please understand my intent is not hostile or to unnecessarily criticize the KCTA. Rather, as the County's internal auditor, this office's goal is always to improve the efficiency and effectiveness of Clay County government and its interaction with constituent partners. We aim to resolve internal problems before they become external ones. In short, we serve to protect the County taxpayers.

With that in mind, please respond with a couple of desirable meeting dates. We would like to work out the scheduling timeline for the audit inception or kickoff, any necessary fieldwork windows, and when to expect a draft report. Upon the draft report's delivery to the Board, time would be allotted for the Board's responses to any findings and recommendations. After that, releasing a final report would be the last step. This first meeting would additionally allow us to coordinate whom to work with in order to get various questions answered. Obviously, the more cooperation there is from the KCTA, the better the quality of overall audit.

Sincerely,

A handwritten signature in black ink, appearing to read "V. Hurlbert".

Victor S. Hurlbert, CGAP
Clay County Auditor