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**Facility Rentals Audit  
(Public Events)**

May 22, 2020



**City of Fort Worth  
Department of Internal Audit**

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**The Facility Rentals (Public Events) Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2019 Annual Audit Plan.**

### **Audit Objectives**

The objectives of this audit were to:

- determine whether existing policies and procedures provided necessary guidance for the rental of City facilities; and,
- evaluate internal controls over the assessment, collection and returning of Public Events' facility rental fees (e.g., deposits).

### **Audit Scope**

Our scope included events that were conducted or cancelled from October 1, 2016 through September 30, 2018. Testing prior to and beyond the audit period was performed as deemed necessary.

### **Opportunity for Improvement**

Policies/procedures that address discounts

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## **Executive Summary**

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As part of the FY2019 Annual Audit Plan, the Department of Internal Audit conducted an audit of facility rentals provided by the Public Events Department.

The Public Events Department manages the Will Rogers Memorial Center (WRMC) and the Fort Worth Convention Center (FWCC). These facilities are premiere locations for conventions and equestrian/livestock shows. Events at these facilities benefit the City of Fort Worth by generating tax revenue and advancing the City's tourism industry.

The Department of Internal Audit concluded that internal controls over the assessment, collection and returning of Public Events' facility rental fees (e.g., deposits) were adequate. However, discounts were not always documented within the event business management software that is used for processing event booking and payment information, and price lists were not always uploaded into the software in a timely manner. This finding is discussed in further detail within the [Detailed Audit Finding](#) section of this report.

In addition, we identified what we considered to be isolated instances that did not warrant an audit finding. These instances are discussed in the [Audit Results](#) section of this report.

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## Background

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The Public Events Department oversees two major facilities, the Will Rogers Memorial Center (WRMC) and the Fort Worth Convention Center (FWCC). The WRMC and the FWCC host local and international conventions, trade shows, and community events that benefit the City of Fort Worth by increasing tourism and generating revenue.

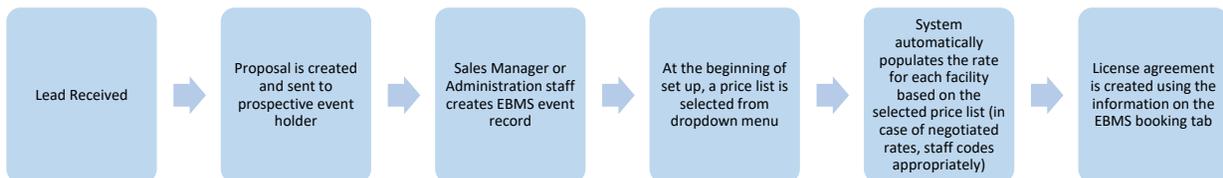
The WRMC and the FWCC are managed separately, and serve different markets. The WRMC hosts large equestrian and livestock events such as the annual Fort Worth Stock Show and Rodeo, as well as smaller events such as canine agility trials and dance competitions. The FWCC hosts conventions, conferences, trade shows and other events.



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|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Equestrian</li><li>• Livestock</li><li>• Rodeo</li><li>• Small Events</li></ul> | <ul style="list-style-type: none"><li>• Conventions</li><li>• Conferences</li><li>• Trade Shows</li><li>• Other Events</li></ul> |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|

The Public Events Department utilizes Ungerboeck Event Business Management Software (EBMS) for processing event booking and payment information. This software allows staff to book rental space, initiate license agreements, generate billings, prepare reports, record payments and communicate with event holders.

### Convention Center Process





## Will Rogers Memorial Center Process



License agreements (executed between the event holder and the City) specify event terms, and contain clauses pertaining to facility rental fees, payment schedules, insurance requirements and other specifications. License agreements also include cancellation clauses. Addendums to the agreements may be generated to reflect necessary changes.

Event charges are based on specified facility room and ancillary service rates that are approved by the Mayor and City Council. However, rate negotiation is permitted. Price lists are assigned to the WRMC events when license agreements are executed. The FWCC assigns price lists that are in effect when proposals are issued.

At the WRMC, discounts primarily relate to horse shows, and are typically based on a minimum number of horse stall rentals. Other than for large, multi-year contracts (where discounts are approved by the Public Events Director), the Assistant Director of Public Events approves discounts. The FWCC utilizes an Excel spreadsheet to calculate facility rental discounts.



## Objectives

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The objectives of this audit were to:

- determine whether existing policies and procedures provided necessary guidance for the rental of City facilities; and,
- evaluate internal controls over the assessment, collection and returning of Public Events' facility rental fees (e.g., deposits).

## Scope

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Our scope included events that were conducted or cancelled from October 1, 2016 through September 30, 2018. Testing prior to and beyond the audit period was performed as deemed necessary.

This audit did not include a review of ancillary fees such as audiovisual equipment, furnishings and parking.

## Methodology

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To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed WRMC and FWCC staff;
- reviewed facility rental agreements, invoices, post-event reports and other supplemental documentation retained within EBMS;
- reviewed operational reports to ensure data accuracy;
- traced rental fee payments, recorded within EBMS, to the City's general ledger;
- reviewed spreadsheets used by FWCC staff to calculate discounts; and,
- evaluated internal controls over facility rentals.

We conducted this 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.



## Audit Results

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The Public Events Department has successfully promoted the WRMC and the FWCC, in an effort to bring events to Fort Worth. Additionally, post-event surveys for both venues demonstrated that event holders rated Public Events employees as friendly and knowledgeable.

Based on our audit testing, internal controls over the assessment, collection and returning of Public Events' facility rental fees (e.g., deposits) appeared adequate. However, policies and procedures were not considered adequate to provide necessary guidance related to discounts or late payments.

We also identified isolated instances that did not warrant an audit finding. However, these instances were deemed necessary to communicate to management. Public Events staff sent collection letters to one event holder (who owed a balance of \$16,200.00) after the event holder canceled the event. Collection letters were sent in November and December 2018 and in January 2019 (every 30 days after non-payment). The last two letters were returned to sender (e.g., City of Fort Worth). Although collection letters were sent and two were returned to sender, the delinquent account was not escalated to the Department Director (for write-off), to the City Attorney or to a collection agency as of October 2019. Departmental policy requires that after an account is six months delinquent and is less than \$50,000.00, the Public Events' accounting supervisor should recommend (in writing, to the Department Director) that the account be written off within EBMS or forwarded to the collection agency for assistance. Additionally, one event holder was inadvertently billed incorrectly, resulting in a \$450.00 under-billing.

We observed facility rental license agreements where contract execution dates were changed; however, the changes were not initialed. There was one instance where a WRMC license agreement appeared to have been signed only by the event holder. There were two instances where FWCC license agreements were executed by an employee not designated as an authorized signor. It should be noted that the employee, who signed the license agreement, replaced the former employee who was listed as an authorized signor.



## Overall Risk Evaluation

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High	Medium	Low
	<a href="#">Inadequate policies and procedures</a>	



## Detailed Audit Finding

### **Written policies and procedures did not provide necessary guidance related to the accounting for facility rentals.**

Facility rental rates are approved by the Mayor and City Council. However, the Public Events Director (or the Director's designee) has the authority to negotiate rates, which is a common practice within the public events industry. Based on our audit results, discounts were not always documented within EBMS, and price lists were not always uploaded into the system timely.

- During our audit, we identified 12 of 74 (16%) sampled WRMC events with charges totaling \$31,950.00 less than published rates. Although the lower rates were not noted as discounts within EBMS, WRMC staff stated that the rate differences were due to negotiated rates/discounts. Internal Audit found no documentation to adequately support the \$31,950.00 difference.
  - WRMC staff utilized a Departmental Booking Guidelines and Fee Policy, which provided guidance regarding event booking. The Policy also authorized the department director (or their designee) to negotiate rates. However, it did not specify documentation that was required to support discounts given.
- We identified five of 60 (8%) sampled FWCC events with charges totaling \$9,375.00 less than published rates.
  - Event proposals were created in January 2015 for two (2) events. However, the event holders were charged rates lower than what was indicated in the FWCC 2015 Price List. FWCC staff informed Internal Audit that the price lists were based on fiscal year. However, the 2015 Price List was not uploaded into EBMS until April 2015. Another (1) event proposal, created in May 2015, was also charged a lower rate. Since FWCC facility rental charges were based on rates uploaded into EBMS, the rate differences totaled \$4,875.00.

Although FWCC Facility Guidelines and Requirements were provided to event holders, documented policies and procedures did not exist for Public Events staff. Internal Audit, therefore, could not conclude as to the effective date of the price list (i.e., whether the effective date was when the price list was uploaded to EBMS, or when the price list was authorized).
  - Two (2) facility rentals were under-billed a total of \$4,500.00 because FWCC staff inadvertently selected the wrong pricelist from EBMS. The executed contract was, therefore, based on incorrect pricing.
- Sales personnel use a Microsoft Excel spreadsheet to calculate discounts. Based on our audit results, this spreadsheet (which is populated based on the number of hotel rooms, facility rental days, catering orders, etc.) was not consistently used and/or documented within EBMS. Additionally, there was no written policy requiring the use of the Excel spreadsheet.
- During our audit, we identified instances where event holders were late submitting installment payments to the City of Fort Worth. Public Events staff indicated that there was an unwritten policy to submit payment reminders to event holders. However, based on our test results, Public Events staff did not consistently record when past due payment reminders were sent. It should be noted that full payment is required prior to the move-in date.



The Government Finance Officers Association (GFOA) best practices recommend that every government should document its accounting policies and procedures. Additionally, the GFOA recommends to adopt formal policies regarding charges and fees. During our audit, staff indicated that facility rental business practices are communicated verbally and through job shadowing.

Undocumented departmental policies may result in inconsistencies and/or lost revenue.

**Recommendation:** *The Public Events Director should ensure that policies and procedures are updated to adequately address specific tasks within the facility rental process, including the effective date for FWCC price lists and the appropriate application and approval of discounts.*

**Auditee's Response:** Concur. Both facilities have documented the discount procedures that are established. The price lists are currently uploaded into EBMS and will be updated October 1 annually. The Accounts Receivables Collections has been updated and will be adhered to.

**Target Implementation Date:** October 1, 2020

**Responsibility:** Andrea Wright, Assistant Director – Finance and Administration

**Applicable Department Head:** Michael Crum, Public Facilities/Events Director

**Responsible Deputy City Manager:** Jay Chapa



## Acknowledgements

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The Department of Internal Audit would like to thank Public Events Department staff for their cooperation and assistance during this audit.