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**Ft. Worth Park and Recreation
Sports Advisory Council, Inc. (SAC)**

January 10, 2020



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

200 Texas Street
Fort Worth, Texas 76102

Audit Staff

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Background

According to the Texas Secretary of State, the Ft. Worth Park and Recreation Sports Advisory Council, Inc. (SAC) is a nonprofit corporation established in April 1987. The SAC's constitution/bylaws state that the SAC's mission includes promoting state and national competition, the development of physical education and standardization of rules for amateur athletics.

The City and the SAC have been parties to concession/support agency agreements for more than fifteen years, with the most recent agreement having been executed on August 20, 2015. City Secretary Contract 46940 ("Contract") obligated the SAC to deposit all net revenues and any money received from marketing and promotional efforts in a special account for the benefit of the City's Park and Recreation Department athletic programs. The SAC was to pay the City an annual fee, in arrears, in an amount equal to the greater of \$2,000.00 or 20% of net revenue during the preceding year. The fee was due and payable within 30 calendar days following the SAC's submission of their annual statement, which was to detail any and all net annual revenue derived from the SAC under the referenced Contract, and any money received from the SAC's efforts to market and promote the City's sports complexes for sports programming. City records indicate that the SAC paid the City \$2,000.00 in FY2016, FY2017, FY2018 and FY2019.

The Contract stated that following contract expiration or termination, the SAC was to promptly remove all of its personal property from City vending locations, sports complexes and any other City facility, as well as to repair damages to vending locations and City facilities caused by the SAC. Like prior contracts between the City and the SAC, the Contract further stated that in the event of contract termination by either party, it was specifically understood and agreed that all amounts contained in the special fund (created pursuant to the Contract) would become the property of the City and should be immediately paid by the SAC to the City. The funds were to be paid to the City because the funds were to be dedicated for use for the City's sports and athletic facilities. The constitution/bylaws of the SAC state that the SAC agrees to deposit annual revenue derived from programs sponsored by the SAC into a special account to be used solely in support of the City of Fort Worth's Athletic Section facilities and programs.

The City of Fort Worth received a letter, dated July 18, 2019, from the SAC's President, informing the City of the SAC's intent to terminate the existing agreement effective August 28, 2019. On July 26, 2019, the City acknowledged receipt of the SAC's notice of termination.

In accordance with Section 7.01 of the Contract, the Park and Recreation Department requested that the Department of Internal Audit perform specific agreed-upon procedures related to the SAC's books, documents, papers and records involving transactions related to the terminated contract.

The SAC received revenue from vending machines at City park/community center facilities, a concession stand at Gateway Park, tournament fees, payments from the City (to offset forgone product rights revenue) and other sources.

Objective

The objective of this project was to determine how much money the Ft. Worth Park and Recreation Sports Advisory Council, Inc. owed the City of Fort Worth.

Scope

The scope of this project included a review of the SAC's special fund balance and financial activity as of September 30, 2019, for transactions and balances related to the contract.

Since the SAC had not paid the City amounts contained in the special fund as of the end of our audit fieldwork, transactions subsequent to September 30, 2019 were reviewed and taken into consideration as being payable to the City of Fort Worth to the extent that they related to the contract period.

Methodology

The Department of Internal Audit:

- verified that the SAC paid the City the greater of \$2,000.00 or 20% of net revenue required by the Contract for the last four fiscal years;
- determined whether funds had been remitted to the City as specified by Section 3.05 of the Contract between the City of Fort Worth and the SAC;
- reviewed the SAC's most recent financial reports;
- obtained and reviewed pertinent documents and records, including the SAC's bank statements;
- verified that the SAC's cash account balance reconciled to the bank statement;
- reviewed SAC bank accounts to verify that funds required to be deposited in the special account were deposited; and,
- conducted a walkthrough of Gateway concessions to physically observe equipment and inventory.

We were not engaged to validate transactions reported by the SAC or assess the effectiveness of internal controls. We, therefore, do not express an opinion or a conclusion, and had we performed additional procedures, other matters may have come to our attention that would have been reported. The sufficiency of the agreed-upon procedures is solely the responsibility of management. We, therefore, disclaim responsibility for the sufficiency of those procedures.

Results

Section 4.02 of the Contract indicates that the SAC agrees to deposit the remaining net annual revenue (under this Contract) plus any money received from its effort to market and promote the City's sport complexes for sports programming into a special account to be maintained and controlled by the SAC. However, funds in the special account were to be used solely for, or in support of, any improvements, operations and maintenance of the City's athletic facilities and programs.

Section 3.05 of the Contract states that, in the event the Contract is terminated by either party, with or without cause, it is specifically understood and agreed that all amounts contained in the special fund (created pursuant to Section 4.02 of the agreement) would become the property of the City and would be immediately paid by the SAC to the City, as such funds were to be dedicated for use for the City's sports and athletic facilities and programs.

Based on our review of the SAC's compiled financial statements and information obtained from the SAC's accountant, we concluded that the SAC owes the City of Fort Worth \$114,308.99. The \$114,308.99 represents funds in the SAC's possession that were intended for City sports and athletic facilities and programs.

- *Outstanding Items as of September 30, 2019:* The SAC's September 2019 financial statements included checking and savings account balances of \$64,396.57 and \$51,851.01, respectively, for a total of \$116,247.58. However, outstanding checks and deposits on the SAC's September 2019 bank reconciliation totaled \$1,378.50 and \$50.78, respectively, resulting in an adjusted cash balance of \$114,919.86.
- *Inventory and Fixed Assets:* The SAC's financial statements include inventory and fixed assets that were in the City's possession, as well as other items. While inventory and fixed assets had no impact on the amount due to the City of Fort Worth, Internal Audit performed a limited observation of concessions equipment at Gateway Park. While equipment was observed, the value of the equipment was not verified.
- *The SAC Liabilities:* The SAC's balance sheet, at September 30, 2019, listed an "Accounts payable – soccer" liability of \$1,849.81. The "Accounts payable – soccer" liability is reportedly used for improvements. However, the SAC financial reports indicated that the account was used to purchase food in prior years. Internal Audit, therefore, did not consider the \$1,849.81 liability balance when calculating total funds due to the City.

The SAC's balance sheet also listed an "Accounts payable – trade" liability of \$895.00. Because this liability represented an amount owed for professional services incurred that related to contract period activities, this \$895.00 was deducted when calculating total funds due to the City.

- *Applicable Transactions Subsequent to September 30, 2019:* In addition to the aforementioned outstanding items as of September 30, 2019, there were transactions subsequent to September 30 that impacted the amount due to the City of Fort Worth. For example, SAC records supported October 2019 checks totaling \$1,107.50 and a \$496.63 deposit. Since the checks and deposit related to activities prior to contract termination, we concluded that these amounts should be included in our calculation.

No payment for the Contract closeout had been received by the City of Fort Worth as of the date of this report.

Calculation of Available Balance Due

(Based on financial information provided by the SAC)

	<u>Available Balance per Internal Audit</u>
CURRENT ASSETS	
Checking Account - as of 09/30/2019	\$64,396.57
Savings Account - as of 09/30/2019	51,851.01
Total Cash - 9/30/2019	<u>\$116,247.58</u>
RECONCILING ITEMS	
Outstanding checks (dated by the 8/28/2019 contract termination date)	(\$483.50)
Outstanding check (dated in 9/2019, but for 8/2019 accounting services)	(895.00)
Deposit in transit (from April 2019)	50.78
Adjusted Cash - 9/30/2019	<u>\$114,919.86</u>
CURRENT ASSETS, including inventory	N/A ⁽¹⁾
FIXED ASSETS (net of accumulated depreciation)	<u>N/A</u> ⁽¹⁾
TOTAL ASSETS	<u><u>N/A</u></u>
LIABILITIES	
Accounts payable - soccer	\$0.00 ⁽²⁾
Accounts payable - trade	\$0.00 ⁽³⁾
TOTAL LIABILITIES	<u>\$0.00</u>
EQUITY	N/A
TOTAL LIABILITIES & EQUITY	<u><u>\$0.00</u></u>
OUTSTANDING TRANSACTIONS (subsequent to 9/30/2019, but applicable to contract)	
Deductions: October 2019 check (related to concessions)	(\$212.50)
Deductions: October 2019 check (for September 2019 accounting services)	(895.00)
Additions: October 2019 deposit	496.63
Total subsequent transactions/net deductions applicable to contract	<u>(610.87)</u>
ADJUSTED TOTAL	<u><u>\$114,308.99</u></u>

(1) Financial statement balances that do not represent available funds.

(2) Soccer liabilities were reportedly for soccer-related improvements. However, the SAC's financial records indicated that monies were used for food, office equipment, and at convenience stores and entertainment venues – with the latest transaction dated January 9, 2015. The \$1,849.81 was, therefore, not included in Internal Audit's Adjusted Total.

(3) Each month, the SAC paid \$895.00 for accounting services. Payments of \$895.00 were made in September 2019 (for August 2019 accounting services) and in October 2019 (for September 2019 accounting services). Since the \$895.00 payment is included as a September reconciling item, and the October payment is included in the outstanding October transactions, this \$895.00 was not included as a liability.

Acknowledgements

The Department of Internal Audit would like to thank the Ft. Worth Sports Advisory Council, Inc., Steven Newcom, CPA, and the Park and Recreation Department for their cooperation and assistance.