Convention Center Follow-Up Audit
November 2013

Craig Terrell, Interim City Auditor
Lee Hagelstein, Internal Auditor

Convention Center Follow-Up Audit
Table of Contents

Executive Summary

Seven of eight prior audit recommendations were fully implemented

Fully Implemented

Experience Arlington (EA) performance criteria

Recording estimated room nights and attendance

Reconcile EA performance reports

Document review of food vendor income statements

Comply with PCI standards

Increase controls over parking revenue

Contract compliance with audio/video contractor

Partially Implemented

Adoption of consistent terminology

As part of the Fiscal Year 2013 Annual Audit Plan, the City Auditor's Office has completed a follow-up audit of the Convention Center Audit released in March 2013. The audit was conducted 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. The audit objective was to determine the implementation status of prior audit recommendations.

Management concurred with seven recommendations in the initial audit report and partially concurred with the remaining recommendation. Audit follow-up indicates that the Arlington Convention Center (ACC) fully implemented seven recommendations and partially implemented one.

The Convention Center has fully implemented the following:
- Established performance criteria for EA related to booking capacity and/or revenue generation
- Recording estimated room nights and attendance within the event management software (Delphi)
- EA performance reports are being reconciled to the ACC detailed booking records
- The ACC is documenting the monthly review of the income statements received from the food and beverage vendors
- The ACC is using a stamp to black-out credit card numbers on service order forms.
- Increased controls over parking revenue
- Ensured timely payment of commissions by audio/visual contractor

Management has partially implemented the recommendation to adopt common terminology with the ACVB. Discussions are continuing between EA and ACC management regarding the consistency of status codes used for booking events.

Implementation Status Chart

Finding	Recommendation	Status	Page
Contractual performance measures do not result in an effective evaluation of the Experience Arlington's ability to meet City expectations regarding Convention Center bookings.	Establish EA performance criteria related to booking capacity and revenue generation	✔	4
	Record estimated room nights, attendance and revenue in event management software	✔	4
Experience Arlington and ACC reporting methods and terminology are not consistent with standard industry guidance.	Adopt DMAI terminology to record events in the events management software	✔	5
	Reconcile EA performance reports to the ACC records within the event management software	✔	5
The ACC does not routinely perform formal analysis of income reports received from the food and beverage services vendor.	Document the periodic analysis of income statements received from food and beverage services vendors	✔	6
The ACC retains payment records that contain credit card information.	Consider discontinuing the practice of retaining credit card information	✔	7
Control weaknesses were identified over special event parking revenue, including an incomplete ticket log and lack of verification of recorded sales.	The ACC should strengthen internal controls over parking revenue	✔	7
The ACC does not receive audio/visual commission payments in a timely manner.	Ensure audio/visual contractor complies with the contract and pays commissions by the 20th of each month	✔	8

Implementation Status

✔: **Fully Implemented**
✔: **Partially Implemented**
X: Not Implemented

Audit Scope and Methodology

The following methodology was used in completing the audit.

- Review the Third Amendment to the Arlington Convention and Visitor's Bureau d/b/a Experience Arlington, Professional Services Contract
- Reviewed information within the ACC event management software (Delphi)
- Verified the reconciliation of the EA performance reports to ACC documentation
- Reviewed the monthly reconciliation of food and beverage vendor's income statements
- Reviewed compliance efforts with Payment Card Industry (PCI) standards
- Reviewed internal controls over parking revenue
- Reviewed monthly commission payments by audio/visual contractor

Status of Prior Audit Recommendations

Prior Audit Finding 1
Contractual performance measures do not result in an effective evaluation of the Experience Arlington's ability to meet City expectations regarding Convention Center bookings.

Recommendation: The Convention Center Director should consider establishing Experience Arlington performance criteria related to booking capacity and/or revenue generation potential in future agreements with Experience Arlington.

Management's Response: Concur. ACC and Experience Arlington have discussed performance measures based on revenue and facility utilization added to the contract in the past. The ACC Director will recommend adding these performance measures with the new Experience Arlington CEO when hired. CVB Board approval of performance measure changes will be required.

> *Target Date: October 2013*
>
> *Responsibility: Mark Wisness, Convention Center Director*

Implementation Status: Fully Implemented

The City Auditor's Office reviewed the Third Amendment to the Arlington Convention and Visitor's Bureau d/b/a Experience Arlington, Professional Services Contract. This contract is for FY2014 which includes additional performance measures relating to booking capacity and revenue generation of events attributed to Experience Arlington.

Recommendation: The Convention Center Director should consider using the event management software to record estimated room nights, attendance and revenue for future events.

Management's Response: Concur Partially.   Estimated room nights and attendance are now being entered into the event booking software from Experience Arlington lead sheets. Revenue to the facility, including exhibitor and attendee spending, is not available as it is typically not shared by clients or other facilities.

> *Target Date: February 2013*
>
> *Responsibility: Carla Henson, Booking Coordinator*

Implementation Status: Fully Implemented

Convention Center staff is now recording estimated room nights and attendance from Experience Arlington lead sheets into the ACC event management software (Delphi). For a sample of future

events, the above mentioned information was traced from Experience Arlington lead sheets to the Delphi system, with no exceptions being noted.

Prior Audit Finding 2
Experience Arlington and ACC reporting methods and terminology are not consistent with standard industry guidance.

Recommendation: The Convention Center Director should consider adopting the terminology defined by the DMAI to record events in the City's event management software.

Management's Response: Concur. While ACC uses terms that have a slightly different meaning from Experience Arlington's, both organizations understand what each other means when events are discussed. Currently Experience Arlington has two designations for the status of an event, tentative and definite, while ACC has three, prospective, tentative, and definite. Both parties are in agreement that we do not want to go to the five designations that DMAI uses. Five designations are not feasible in the booking software we both use. We are aligning our terminology and have reflected the terminology agreed upon in the booking system.

> *Target Date: July 2013*
>
> *Responsibility: Mike Hunter, Convention Center Assistant Director*

Implementation Status: Partially Implemented

According to ACC management, the ACC is currently having conversations with EA management in order to adopt terminology that will be used consistently with regard to event management. In addition, the ACC is in the process of upgrading their event management system (Delphi) which will be an upgrade of approximately 50% of the software. Also, the ACC is changing their reporting system from Crystal Reports to SQL Server Reporting Services (SSRS). Therefore, adoption of defined terminology will be developed as these changes are implemented.

Recommendation: The ACC Director should reconcile Experience Arlington performance reports regarding events booked at the ACC to detail booking records recorded in the City's event management software. Material discrepancies should be resolved with Experience Arlington before performance reports are published.

Management's Response: Concur. Since September 2012, events held at ACC that are the result of CVB bookings are included in the event performance section of the CVB Board Report. Prior to transmittal to Experience Arlington, the data is reviewed by the ACC event supervisor for accuracy and any differences are resolved prior to distribution.

> *Target Date:*   *September 2012*
>
> *Responsibility:*   *Beverly Gooch, Business Manager*

Implementation Status: Fully Implemented

On a monthly basis, the ACC Business Manager prepares a master list of events that were held at the Convention Center. The list is then sent to the Events Supervisor for proofing. Once the list is approved, it is sent to the Executive Assistant at Experience Arlington. She compares the list with her documentation to ensure accuracy. If there are discrepancies, she contacts the ACC to discuss the differences. Once discrepancies are resolved, a report is prepared and reviewed during the monthly board meeting. The City Auditor's Office reviewed reports for the months of August and September 2013 and noted that the reconciliations are being performed.

<div align="right">Return to Summary</div>

Prior Audit Finding 3
The ACC does not routinely perform formal analysis of income reports received from the food and beverage services vendor.

Recommendation: The Convention Center Director should ensure that staff documents its periodic analysis of income statements received from the food and beverage services vendor as a means of verifying net income and identifying potential operational concerns.

Management's Response: *Concur. ACC has reviewed every monthly statement from Culinaire during the length of the contract. We agree that these reviews should be documented and more comprehensive. Monthly meetings with the food and beverage general manager are now conducted to verify net income and analyze expenses on a broader level. Additional records are now being provided to ACC to ensure a more thorough analysis.*

> *Target Date:*   *February 2013*
>
> *Responsibility:*   *Beverly Gooch, Business Manager*

Implementation Status: Fully Implemented

On a monthly basis, the ACC Business Analyst meets with staff from the food and beverage services vendor to reconcile the vendor's income statement. ACC staff prepares a report from the event management software. The vendor also prepares a report from their system which includes detailed backup information for each event. Income for each event is traced to the backup information and any necessary corrections are made at that time. Once a final, accurate statement is prepared, representatives from both agencies sign the report.

The City Auditor's Office reviewed the month of August 2013 to determine the accuracy of the final statement. In addition, each monthly income statement for FY2013 was reviewed to ensure that this process was being adequately documented. No exceptions were noted.

<div align="right">Return to Summary</div>

> **Prior Audit Finding 4**
> **The ACC retains payment records that contain credit card information.**

Recommendation: The Convention Center Director should consider discontinuing the practice of retaining credit card information associated with payments for event services and consider obtaining credit card information from customers over the telephone and process the payment as it is obtained.

Management's Response: Concur. ACC completed the PCI Self Assessment and drafted a credit card policy that ensures credit card information obtained by ACC complies with PCI standards. Faxed order forms can now only be retrieved by a limited number of staff who process and redact the numbers on hard copy reports. When possible, the client will be asked to give their number over the phone for real time processing, with no record of the number being retained. ACC is working on contracting with a third party that processes electronic transactions according to PCI standards. E-mail will no longer be used for receiving account information.

> *Target Date:*   October 2013
>
> *Responsibility:*   Beverly Gooch, Business Manager

Implementation Status: Fully Implemented

The City Auditor's Office noted the following:
- The ACC has completed the PCI Self Assessment
- As a result of the PCI Self Assessment, the ACC developed a credit card policy
- Forms containing sensitive credit card information are properly secured and access to the information is limited.

Return to Summary

> **Prior Audit Finding 5**
> **Control weaknesses were identified over special event parking revenue, including an incomplete ticket log and lack of verification of recorded sales.**

Recommendation: The Convention Center Director should strengthen internal controls over parking revenue by:
- Requiring the ticket log to be updated regularly
- Requiring that the Building Operations Superintendent or Event Coordinator sign the "Seller's Record of Ticket Sales" form, verifying recorded ticket sales
- Arranging for more frequent armored car pickups

Management's Response: Concur. The ticket log is now updated whenever a parking deposit is made. The Seller's Record is being signed by an event coordinator or the business analyst,

depending on whether there is an event concurrent with special event parking. The scheduled day for armored car pick up has been changed to minimize the time cash is held on site.

> *Target Date: February 2013*
>
> *Responsibility: Lee Howell, Business Analyst*

Implementation Status: Fully Implemented

The City Auditor's Office review of the parking revenue process identified the following:
- The parking ticket log is being updated on a regular basis. A review of the ticket log indicated that each time a deposit is made the ticket log is updated and verified.
- A review of all deposit records for the month of September 2013 showed that the "Sellers Record of Ticket Sales" is being properly reviewed and verified. For each deposit, the form was signed by the seller; the parking supervisor verified the ticket numbers and cash amount and initialed the form; and the Business Analyst, prior to making the deposit, verified the ticket numbers and cash and signed the form.
- Armored car pickups are still being done only once per week. However, according to management, the day of the week was changed which minimizes the amount of time that cash is held on-site.

<div align="right">

Return to Summary

</div>

> ***Prior Audit Finding 6***
> **The ACC does not receive audio/visual commission payments in a timely manner.**

Recommendation: The Convention Center Director should ensure that the audio/visual contractor complies with the contract by submitting required commission payments by the 20th of each month.

Management's Response: *Concur. ACC was aware of the problem when it occurred and has put steps in place to ensure contractor payments are received in a timely manner.*

> *Target Date: October 2012*
>
> *Responsibility: Lee Howell, Business Analyst*

Implementation Status: Fully Implemented

A review of audio/visual contractor commission payments for April through September 2013 indicated that the payments are being received in a timely manner.

<div align="right">

Return to Summary

</div>