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City Internal Auditor

**REPORT TO THE CITY
COUNCIL
BY THE CITY INTERNAL
AUDITOR**

**AUDIT OF THE CITY OF SHREVEPORT
SPAR CONCESSION CONTRACT**

**INTERNAL AUDIT REPORT
(IAR) 240014-01**

August 1, 2014

Report Highlights

Page(s)

There were three findings:

- Contract stipulation regarding wearing uniforms was not followed. 4
- No formal contract was in place between January 2011 to April 2012. 5
- No current health permit and the unit cost was not correct. 5



The Council
City of Shreveport

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August 1, 2014

Councilman Joe Shyne
Chairman, Shreveport City Council

Dear Councilman Joe Shyne:

Subject: IAR 240014-01- Audit of SPAR Concession Contract

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward, CPA, CIA
City Internal Auditor

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**EXECUTIVE SUMMARY
AUDIT OF THE
CITY OF SHREVEPORT
SPAR CONCESSION CONTRACT
INTERNAL AUDIT REPORT (IAR) 240014-01**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

The City of Shreveport's Department of Public Assembly and Recreation (SPAR) contracts for concessionaire services at the Independence Stadium. The approximately 53,000 seating capacity Independence Stadium hosts numerous college and high school football games including the Advocare Bowl, the Shreveport Classic, and the Battle on the Border (high school) Football Classic.

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented. This report contains three findings and four recommendations.

Risk Levels	Recommendations
<p style="text-align: center;">High Risk</p> <p>Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.</p>	None
<p style="text-align: center;">Medium Risk</p> <p>Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.</p>	None
<p style="text-align: center;">Low Risk</p> <p>Possibility of continuing operating inefficiencies and some low-level non-compliance issues.</p>	<ul style="list-style-type: none"> • Implement the contract stipulation regarding concessionaire uniforms.(Finding 1, page 4) • Ensure that a formal contract is in place with the concessionaire. (Finding 2, page 5) • Acquire a health permit and ensure unit cost used to calculate the payment to the City is increased annually.(Finding 3, page 5)

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<u>Findings</u>	<u>Risk Factor</u>	<u>Page Number</u>
1. Contract Stipulations	Low	4
2. Formal Contract	Low	5
3. Health Permit and Unit Cost	Low	5

**AUDIT OF THE
CITY OF SHREVEPORT
SPAR CONCESSION CONTRACT
INTERNAL AUDIT REPORT (IAR) 240014-01**

OBJECTIVE

We have completed an audit of the concession contract between the contractor and the City of Shreveport's Department of Public Assembly and Recreation (SPAR). The objective of this audit was to ascertain contract compliance and effectiveness with which SPAR manages its contract with the concessionaire contractor.

SCOPE AND METHODOLOGY

The scope of the study of internal control was limited to the general controls surrounding our objectives for the five year period ending December 31, 2013. Audit procedures applied included the following: reviewing applicable records and documents, interviewing operating personnel and management, testing compliance with stated policies, practices and procedures as well as applicable ordinances, laws and regulations; and site visits to selected project sites.

We conducted this audit in accordance with generally accepted government auditing standards, except that a peer review has not been performed, and included such test of procedures and controls as considered appropriate. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.

BACKGROUND

Shreveport Public Assembly and Recreation (SPAR) currently contracts with State Fair of Louisiana/Ed Campbell Concessions for concessionaire services at the Independence Stadium. The approximately 53,000 seating capacity Independence Stadium hosts numerous college and high school football games including the Advocare Bowl, the Shreveport Classic, and the Battle on the Border (high school) Football Classic. Each year over 300,000 citizens and tourists visit the Independence Stadium.

Additionally, various local nonprofit agencies, churches, and civic groups earn money by volunteering to man the concession booths at several sporting events at Independence Stadium during the year.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office expresses appreciation to the management and personnel of Shreveport Public Assembly and Recreation for their cooperation and assistance provided during our audit. Based on our review, we believe management could enhance the efficiency and control environment by addressing the following concerns:

- Implementing the concessionaire uniform stipulation.
- Ensuring that a formal contract with the concessionaire is in place.
- Ensuring a health permit is acquired and the unit cost used to calculate the payment to the City is increased annually.



1. Contract Stipulations

Criteria: The current contract states “employees that come into direct contact with the public shall wear a uniform, identifying them as employees of concessionaire.” A uniform means a set of standard clothing worn by members of an organization while participating in that organization’s activity. Uniforms can be easily recognizable and also distinguish the wearer from others.

Condition: We attended three sporting events at the Independence Stadium:

- Battle On The Border – a two day football event for high schools from Texas, Louisiana, and Mississippi on September 13 and 14, 2013.
- Shreveport Classic - a one day football event between two college teams, Prairie View and Jackson State on October 26, 2013.
- Advocare Bowl – a one day event between two college teams, Arizona University and Boston College on December 31, 2013.

During our observations, we noted that the concessionaire employees at the front end of the concession stations were not in any type of uniforms to identify themselves as employees of the concession vendor. Some employees, but not all, were wearing group t-shirts and lanyards.

<Auditor’s Note> We purchased two items from a concession stand. A receipt for the purchases was not provided. The cashier stated that a receipt was not available.

Effect: Concession employees did not wear uniforms to identify that they were employees.

Cause: Possible management oversight.

Recommendation: We recommend that management work with the contractor to furnish employees with uniforms to identify themselves as employees of the contractor.

Additionally, although it is not stipulated in the contract, the contractor should provide a receipt when requested for items purchased at the concession stations.

Management Plan of Action:

SPAR will remind the concessionaire of the uniform policy and will monitor their compliance.

Concession services at events such as football games, concerts, and other similar events are about prompt service and receipts are not standard practice. The contract does not stipulate that the concessionaire must provide receipts; however, we will request that each concession stand have the ability to provide a receipt upon request.



2. Formal Contract

Criteria: A formal contract between the City and the concessionaire contractor should be in place to ensure that all requirements and stipulations are agreed to.

Condition: Although the City had a formal contract for its concession business with Tri Star Entertainment Services from October 2000 to December 2010, there was no formal signed contract between January 2011 to April 2012. A formal contract was signed in May of 2012 with State Fair of Louisiana/Ed Campbell Concessions.

Effect: The lack of a formal contract exposes the City to the risk that requirements and stipulations are not identified and understood.

Cause: An informal verbal agreement was used when the previous contract expired.

Recommendation: We recommend that SPAR management ensure that formal signed contracts are in place.

Management Plan of Action:

A contract was signed and effective with State Fair of Louisiana/Ed Campbell Concessions on May 17, 2012 following a request for proposals (RFP). On the date of this Audit we did have a contract in place with our current concessionaire State Fair of Louisiana/Ed Campbell Concessions. In 2011, we did request that Tri-Star continue operating under the terms and conditions of its contract until the formal RFP process could take place. We do not understand this finding since we had a current concessionaire contract in place at the time of the Audit.

The current contract expires on December 31, 2016. Current procedure calls for a RFP to be issued in January 2016 and a new contract to be in place on January 1, 2017.

3. Health Permit and Unit Cost

Criteria: A health permit is required for any food establishment in the State of Louisiana. The Louisiana Administrative Code Title 51 Public Health-Sanitary Code, Part XXIII, Chapter 5. Permits, §501. A. General, states:

§501 A. No person shall operate a food establishment or retail food store/market of any type without first having received a valid permit to operate from the state health officer. Permits are not transferable. A valid permit shall be posted in a location of the establishment conspicuous to the public.

Additionally, Section VI.A) (ii) (Other Independence Stadium Activities and Events) of the concessionaire contract states that "Beginning January 1, 2012, Concessionaire's payment obligation to the City shall increase by two and one-half (\$.025) cents on January 1 of each year for the remaining term of this contract."



Condition:

- The concession vendor does have other permits and insurance but it does not have the health permit as required by the State of Louisiana Department of Health and Hospitals.
- Additionally, the unit cost used to calculate the payment to the City (Other Independence Stadium Activities and Events) was not correct. The unit cost should have increased by \$.025 at the beginning of each year to \$0.750 in 2013.

Effect:

- No health permit from the Louisiana State Department of Health and Hospitals.
- Payment to the City was \$409.37 less than it should be in 2013.

Cause: Management oversight.

Recommendation: We recommend that SPAR management ensure the following:

- The concession vendor acquires a health permit from the Louisiana State Department of Health and Hospitals.
- The unit cost used to calculate the payment to the City is increased annually per the contract.

Management Plan of Action:

Concessionaire is working with the Department of Health and Hospitals through the Caddo Parish Health Department to schedule inspections and issuance of permits. The timeline for inspections and permit issuance is controlled by CPHU and there is no specific date indicated from them as to when this will take place. Neither Shreveport Public Assembly and Recreation nor the concession vendor has control over the CPHU inspection schedule so there is no guarantee when this will occur.

Instead of relying on an arbitrary annual unit cost increase of \$0.025 as indicated in the contract SPAR will implement a specific list of the amount to be charged per ticket. This list will be distributed to all SPAR personnel who are involved in the invoice process. This includes the staff member who generates the request for invoice; the staff member who actually generates and sends the invoice and to the staff member who receives payment. This will alleviate any confusion as to the correct amount to charge. The list is as follows:

Independence Bowl:	Other Events:
2011 \$1.60 per ticket	\$0.70 per ticket
2012 \$1.65 per ticket	\$0.725 per ticket
2013 \$1.70 per ticket	\$0.75 per ticket
2014 \$1.75 per ticket	\$0.775 per ticket
2015 \$1.80 per ticket	\$0.80 per ticket
2016 \$1.85 per ticket	\$0.825 per ticket



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June 20, 2014

Monthly payment of \$1,050.00 per month for Cargill Athletic Facility will continue for the duration of the agreement.

In addition corrections were made to the erroneous invoices and the concessions contractor was invoiced for the difference.

Prepared by:

A handwritten signature in blue ink that reads "Brian Nguyen". The signature is written in a cursive style and is underlined with a single blue line.

Brian Nguyen
Staff Auditor I

Approved by:

A handwritten signature in blue ink that reads "Leanis L. Steward". The signature is written in a cursive style.

Leanis L. Steward, CPA, CIA
City Internal Auditor

bn:nd

- c: Mayor
- CAO
- City Council
- Clerk of Council
- City Attorney
- External Auditor
- SPAR Department