CITY OF SAN ANTONIO

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November 22, 2024

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Councilman, District 10

SUBJECT: Audit Report of Convention & Sports Facilities Alamodome Concessions Contract

Mayor and Council Members:

We are pleased to send you the final report of the Convention & Sports Facilities Alamodome Concessions Contract. This audit began in March 2024 and concluded with an exit meeting with department management in October 2024. Management's verbatim response is included in Appendix B of the report. The Convention & Sports Facilities management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

For:

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR

CONVENTION AND SPORTS FACILITIES
AUDIT OF ALAMODOME CONCESSIONS CONTRACT
PROJECT NO. AU24-006
NOVEMBER 22, 2024

KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR

Table of Contents

Executive Summary 2

Background 3

Audit Scope and Methodology 4

Audit Results and Recommendation 5

A. Contract Monitoring 5

Appendix A – Staff Acknowledgement 7

Appendix B – Management Response 8

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Convention and Sports Facilities, specifically the Alamodome Concessions Contract. The audit objectives, conclusions, and recommendations follow:

Determine if the Alamodome concessions and catering process is effective, and the contract is adequately monitored and in compliance with key terms.

The Alamodome concessions and catering process is effective, and the contract is adequately monitored and in compliance with key terms. The Convention and Sports Facilities (CSF) staff maintain a Contract Administrative Plan to monitor key contractual terms of the contract. In addition, CSF staff monitor SAVOR's staff for adherence to the contractual background check requirements as well as the required staff food handling certifications. CSF also have effective procedures to review events revenue and confirms accuracy of commission payments received. Additionally, CSF works with SAVOR to adequately track and dispose of inventory. Finally, CSF has sufficient physical access measures to ensure SAVOR staff have appropriate access to the Alamodome.

However, the audit team identified an area of opportunity to improve contract monitoring. Currently, CSF staff is not executing established monitoring procedures to ensure adequate insurance coverage as required by the contract.

We provided a recommendation to management to strengthen controls and resolve the identified issue. CSF Management agreed with the audit finding and has developed a positive action plan to address the issue. Management's verbatim response is in Appendix B on page 8.

Background

The Convention and Sports Facilities department oversees the operations and maintenance of City-owned convention, sports, and entertainment facilities including the Alamodome.

The Alamodome is the preferred venue for many different events such as trade shows, conventions, and concerts. The City, through CSF, entered into an agreement with SAVOR Black Tie Joint Venture (SAVOR) by and through its majority partner SMG Food and Beverage LLC, to perform catering and concessions services for a variety of events, including sporting events, concerts and family shows at the Alamodome. The contract terms run from March through February of the following year.

As part of the contract agreement, SAVOR agrees to pay a commission to the City on sales based on percentages and the type of sale outlined in the contract. Sale types include concessions, bar, catering, suite, major events, subcontractor, and merchandise. The CSF Contract Coordinator monitors key contract requirements using a Contract Administration Plan (CAP) for SAVOR. The CAP includes monitoring of certificates, background checks, and insurance, among other required items. Additionally, CSF receives commission reports and payments for sales every month. CSF reviews them by the 15th of the following month so the sales revenue is recorded the month after the event. CSF conducts a reconciliation of all catering and concessions to verify proper payment is received from the contractor, SAVOR.

The contract with SAVOR began in 2016. In March 2018, a fourth amendment was added that states when the City has reached a threshold of $9.7 million gross receipts in the contract year, it will allow for an increased commission rates that is applied retroactively to all contract year events. This threshold is increased by $100,000 every year. The threshold for the current contract year is $10.3 million. The City received nearly $6.3 million in concessions and catering commissions revenue in fiscal year 2023. As of July, the City has received $3.5 million for fiscal year 2024.

Audit Scope and Methodology

The audit scope included the accounting and monitoring of the concessions and catering contractor for the Alamodome from October 2022 through August 2024.

We interviewed CSF department staff and conducted walkthroughs over the contract monitoring, revenue payments from the contractor, and the reconciliation process. Our primary criteria for this audit included the SAVOR contract ordinance and the subsequent amendments.

We assessed the internal controls relevant to the audit objective. This included a review of the SAVOR contract's key elements. As part of our testing, we reviewed contractor background checks were completed as required by the contract. In addition, we reviewed key contractual terms such as insurance and bond coverage to determine compliance. We tested SAVOR staff for appropriate training requirements. We also tested concessions and catering payments for accuracy and timeliness. We verified inventories were completed as required. Finally, we verified physical access by SAVOR to the Alamodome was appropriate.

We relied on computer-processed data in SAP to verify and confirm monthly commission payments. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance 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 and Recommendation

CSF has effective controls to monitor the Alamodome concessions contract agreement with SAVOR. We obtained the Contract Administrative Plan (CAP) and confirmed the key elements of the contract with SAVOR are adequately and timely reviewed. The background checks for SAVOR were completed. We selected a sample of 25 SAVOR staff employees and confirmed that the background check documentation was complete and that they were also completed timely. CSF also ensured the SAVOR employees obtained proper training and received certificates for Texas Alcoholic Beverage Commission and food handling. We sampled 25 SAVOR employees and confirmed all received proper training. We also reviewed and confirmed the same sampled employees obtained the required certificates.

Concessions and catering revenue payments were accurate and timely. We selected a sample of seven months, each with multiple events, for a total of approximately $12 million in gross receipts, and over $3 million in commission revenue received. We determined proper documentation was provided and the revenue payment received from the contractor was in accordance with the contract terms.

CSF staff are also completing inventory reviews as required by the contract. CSF is required to complete an inventory review at least every two years and document the state of the inventory. We verified CSF completed an inventory disposal in May 2023 and a full inventory review in November 2023.

Additionally, CSF had sufficient measures to ensure appropriate physical access by SAVOR staff to the Alamodome. We reviewed six events and verified that the scheduled employees for these events, both from SAVOR and temporary staff, were currently active and had appropriate badge access to the Alamodome.

However, the audit team identified an area in which controls could be improved as noted below.

A. Contract Monitoring

Contractor insurance coverages did not meet the contractual requirements. We reviewed all certificates of insurance (COI), one from the contractor SAVOR and ten subcontractors, for a total of eleven. We found SAVOR and two subcontractors, three out of eleven COIs, did not have sufficient insurance coverage and one did not have the required insurance type. Although the two subcontractors ultimately provided required insurance support, the audit team could not confirm they had previously been obtained or reviewed for adequacy.

Per the SAVOR contract, the contractor and its subcontractors should maintain required coverage. CSF staff did not execute existing monitoring procedures to ensure insurance coverage is in accordance with the contract.

Without adequate insurance coverage, the City is exposed to increased liability and financial responsibility.

Recommendations

The CSF Director ensures existing monitoring procedures are executed as intended to ensure insurance coverage is in accordance with the contract.

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Yadira Valenzuela, CFE, Auditor in Charge
Megan Dodd, Auditor
Kaycie Requejo, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

November 13, 2024

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Alamodome Concessions Contract

The Convention and Sports Facilities department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	**Description**	**Audit Report Page**	**Accept, Decline**	**Responsible Person's Name/Title**	**Completion Date**
A	**CONTRACT MONITORING** The CSF Director ensures existing monitoring procedures are executed as intended to ensure insurance coverage is in accordance with the contract.	**5**	Accept	Sonny Muniz, Contract Coordinator	October 2024
	Action plan: Convention & Sports Facilities (CSF) staff requested a revision of the existing Certificate of Insurance to include the subcategory of "Contractual Liability" insurance as requested by Office of Risk Management (ORM). When Savor provided the revised Certificate of Insurance, the "Umbrella" coverage limit was reduced from $10M to $8M. CSF assisted the vendor by reaching out to ORM and requesting approval to lower the umbrella limit. To stay in compliance, CSF staff obtained an approved waiver from ORM. Moving forward, Convention & Sports Facilities will coordinate with the Office of Risk Management on all Certificate of Insurance renewals to ensure insurance coverage is adequate and in compliance with any new insurance requirements.				

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,

Patricia Muzquiz Cantor
Director
Conventions & Sports Facilities

11/13/2024
Date

Alex Lopez
Assistant City Manager
City Manager's Office

11/19/2024
Date

2