



To Honorable County Council Members
Honorable Steve Ehlmann, County Executive

April 8, 2019

The Family Arena – Financial Operations examination opened July 18, 2018 has been completed, and the final report is being issued today. The scope of the review covered January 1, 2015 – June 30, 2018. Fieldwork for the review was completed on October 17, 2018, and our report reflects the results of work performed through that date. Responses were requested for by December 1st and received on April 8, 2019.

The objectives of the review were to determine whether internal controls were adequate and effective, operations and records were in compliance with established standards, regulations, policies and procedures, and resources were being used efficiently.

The examination covered cover events, box office operations, financial operations, and marketing/sales. We reviewed the internal control environment surrounding those activities, as well as performed an evaluation of the effectiveness and efficiency with which department objectives are being achieved. In addition, reviews for compliance with the County Charter and Ordinances, Missouri Statutes, and internal policies and procedures were performed.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and consisted of examining, on a test basis, sufficient evidence to afford a reasonable basis, for our opinion.

In our opinion, except for the opportunities included in this report, internal controls were adequate and effective, and operations and records were in compliance with established standards.

Brent Statler

Brent R. Statler, CPA, CGAP
County Auditor

Attachment

Copy to Joann Leykam, Director of Administration
Bob Schnur, Director of Finance
Sandy Femmer, Family Arena General Manager



**Family Arena – Financial Operations
Examination Report
Opened July 18, 2018**

Scope: January 1, 2015 – June 30, 2018

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BACKGROUND AND INTRODUCTION

Authority and Activity:

The Family Arena is a County-owned 10,000 seat multi-purpose venue and arena that offers luxury suites, party suites, and accessible seating in all price ranges. The facility also has a 3,500-space on-site parking lot. The facility hosts sporting events, concerts, ice shows, rodeos, circuses, trade shows, graduations and conventions. The Family Arena offers concessions during the event as well as a full-service bar/club and a catering service.

The Family Arena – Financial Operations’ program mission as stated in the 2018 budget is as follows:

Act as an economic stimulant and provide quality, affordable entertainment that appeals to a wide variety of people. 2018 budget, pg. 447.

Funding:

The primary funding for the Family Arena – Financial Operations is provided by the Family Arena Fund which is an Enterprise Fund. The historical funding for the Family Arena – Financial Operations is presented below.

Family Arena – Financial Operations Family Arena Fund – Expenditures Fiscal Years 2013-2018									
Fiscal Year	Salaries & Benefits	% Change	Operating Expenditures	% Change	Capital Expenditures [^]	% Change	Total Expenditures	% Change	Ending Fund Balance
2013	\$1,801,735	N/A	\$3,631,625	N/A	\$4,792,211	N/A	\$10,225,571	N/A	\$(4,323,121)
2014	\$1,821,067	1.1%	\$4,045,614	11.4%	\$3,767,047	-21.4%	\$9,633,728	-5.8%	\$(4,563,147)
2015	\$1,768,942	-2.9%	\$4,031,546	-0.3%	\$3,002,639	-20.3%	\$8,803,127	-8.6%	\$(4,968,299)
2016	\$1,763,845	-0.3%	\$5,531,703	37.2%	\$2,916,308	-2.9%	\$10,211,856	16.0%	\$(4,946,934)
2017	\$1,744,545	-1.1%	\$5,543,216	0.2%	\$2,831,531	-2.9%	\$10,119,292	-0.9%	\$(4,969,587)
2018*	\$1,908,532	9.4%	\$4,984,250	-10.1%	\$2,956,820	4.4%	\$9,849,602	-2.7%	\$(4,557,351)

[^] These includes Capital Project Funds (Purchases & Bond Payments)

Revenues generated by the Family Arena – Financial Operations are deposited in the Family Arena fund. The historical funding is presented below:

Family Arena – Financial Operations Family Arena Fund – Revenues Fiscal Years 2013-2018					
Fiscal Year	St. Charles City Contribution	Operations	Interfund Transfers	Total Revenue	Fees Collected by the Arena as a Percentage of Expenditures
2013	\$240,982	\$4,467,886	\$1,603,459	\$6,312,327	61.7%
2014	\$240,000	\$5,025,030	\$1,257,084	\$6,522,114	67.7%
2015	\$240,000	\$4,734,848	\$506,050	\$5,480,898	62.3%
2016	\$240,000	\$6,936,848	\$405,701	\$7,582,549	74.3%
2017	\$240,000	\$6,715,855	\$406,143	\$7,361,998	72.8%
2018	\$240,000	\$6,472,000	\$406,314	\$7,338,314	75.0%

* These are the estimated 2018 amounts from the 2019 approved budget.

Staffing:

The number of full-time equivalent authorized positions for the Family Arena – Financial Operations decreased (18.8%) from 16 full-time positions in 2013 to a total of 13 full-time budgeted employees in 2018.

II. STATUS BOARD

The status board provides a summary of the Family Arena – Financial Operations’ functions and processes. Each cell located under a function represents an activity that is to be completed to ensure that the process is performed in an effective and efficient manner. The color of the cells represents the assessment regarding completion of the activity. The legend below gives a description of the definition of each color.

- Red indicates management's immediate attention is required.
- Yellow indicates an opportunity for improvement exists.
- Green indicates there is no action necessary at this time.
- Blue indicates a process that was not included in the scope of the review.
- Grey indicates a County issue that should be addressed by management but is not necessarily a direct responsibility of the audited department/office.

Event Scheduling	Event Settlement	Ticket Sales	Advertising Sales	Merchandise Sales	Administrative Functions
The Arena contacts promoters about holding events at the Arena, which is a member of a Promoting Co-op.	The Arena’s Finance Manager reviews the event contract for cost information.	Tickets are sold through the box office and MetroTix website.	Area companies are contacted about advertising at the Arena.	Events may have merchandise sales during and after the event.	Payroll (B4)
Promoters may also contact the Arena about scheduling events.	Labor, set-up, and other costs are received from department managers.	MetroTix provides computers, printers, ticket stock, network and internet services.	Interested responses are sent an ad packet detailing the ad types, costs, and Arena patron demographics.	Merchandise inventory is provided by the promoter and/or artist.	Purchasing
The Booking Manager may attend annual conventions to establish/maintain promoter contacts.	For ticketed events, a sales report is printed from the box office.	Box Office Manager enters approved ticket prices and seating for events into Metro Tix system.	Use of a suite, tickets, and ad trades can also be incorporated into the advertising sales.	The event rider determines who is responsible for selling the items.	Petty Cash (B2)
An online calendar is used to track proposed event dates as hold, second hold, and confirmed.	All information is input into a spreadsheet to determine the amount owed to/from the promoter, if applicable.	The ticket office receives a daily report for online sales.	A standard contract form is used for all advertising sales.	Arena employees count or observe a count of the beginning inventory and the amount is recorded on an inventory count sheet.	Budgeting (B3)
The calendar is accessible by all Arena department managers.	The spreadsheet is reviewed by the General Manager and then presented to the promoter.	For ticket sales at the box office windows, clerks process ticket requests through the ticketing system.	The Food & Beverage Manager tracks all advertising sales.	Another count of merchandise is done after the event and recorded on the sheet.	Public Relations

Event Scheduling	Event Settlement	Ticket Sales	Advertising Sales	Merchandise Sales	Administrative Functions
The Arena creates revenue and expense estimates based on info submitted by promoters and feedback from dept. managers.	The promoter reviews the amounts and any issues are resolved with the Finance Manager.	If seats are available, tickets are printed, and the customer pays for them.	Ads are to be displayed for the length of the advertising agreement.	Sales are calculated and reconciled to the inventory counts.	
The proposed estimates are reviewed by both sides and, after any necessary negotiation, a contract is written.	The final amount due is paid to the promoter by check, ACH, or cash (if requested in the contract).	Each day a batch ticket sales report is created and reconciled to the box office clerk's check out sheet.	Before the contract expires, companies are contacted about renewing the agreement.	Proceeds are split based on the terms of the contract.	
The contract is signed by both parties and the promoter provides any required deposit.	If the Arena is owed money, a check is collected, or the account is added to A/R.	Complimentary tickets are documented on a form which is reviewed and approved by the GM.	Payment is collected at time of signing contract or placed on A/R if approved.	The promoter may also buy out the Arena's portion of the merchandise sales.	
A copy of the signed contract (and rider, if applicable) is sent to the County Registrar (A1/B1).	Settlement information is used to create an event profit/loss statement.	Group, handicapped and discounted tickets can be ordered through the Arena, MetroTix and/or discount provider (i.e. Groupon).			

Accounting and Reporting	Accounts Receivable	Accounts Payable	Cash Room	Marketing Operations	Hiring Practices
Revenues and expenses are tracked separately for each event.	The Arena Finance Manager tracks A/R on a spreadsheet.	Department managers complete and submit purchase requests.	Cash for events is kept in the cash room safe.	Radio, print, internet, and TV ads are commonly used for advertising.	The Arena posts all positions through County HR Department.
Cash collections are deposited twice a week. Credit Card receipts deposited directly into County bank account (B5).	An invoice is created for each sale on account with the Arena.	After all reviews and approvals, the PO# is generated and the item(s) is ordered.	Parking, concession stand, and portable workers pick up change banks prior to the event.	The Arena will also advertise events on highway billboards throughout the County.	Applicants submit a job application through the County Website.
Expenses are processed through MUNIS with the County Finance Dept.	New invoices are mailed weekly with copies on file at the Arena.	Payments are processed as invoices are received.	Workers count the money and sign for the amount received.	Mailings, posters, flyers, etc. may also be used based on the event type.	Applications are given to the appropriate dept. managers to schedule interviews.
Journal entries are prepared and entered by the Arena Finance Manager.	Follow-up procedures are performed monthly for outstanding amounts.	The Arena follows the County purchasing policy for items requiring bids.	During and after an event, cash room workers prepare banks for future events.	Advertisements are chosen to reach the event's target market based on customer demographics.	Applications for positions with no openings are kept on file for 90 days.

Accounting and Reporting	Accounts Receivable	Accounts Payable	Cash Room	Marketing Operations	Hiring Practices
Journal entries are reviewed and posted by the County Finance Dept.	Payments are receipted in MUNIS as received and the spreadsheet is updated.	For events, the Arena may owe a promoter money based on revenue generated.	After an event, workers return cash, register reports, and reconciliation sheets.	Events are promoted on the Arena website, Twitter and Facebook accounts, and through mass emails and press releases.	A personnel folder, I-9 folder and other documents are created for each new employee.
Arena Financials (Excel) are reconciled to MUNIS line items monthly.	The Director of Finance must approve any write-offs	A manual check is written for the amount owed and the Finance Dept. receives a copy.	Cash room staff counts the money in front of the workers to verify the amount reported.	Tickets and suites may be used as trade for ads placed with media outlets.	The Office Manager completes a checklist to ensure that new hires have completed all paperwork.
An overall profit/loss statement is also prepared on a monthly basis. Monthly financial reports are sent to the Dir. of Finance.	Finance Manager reconciles A/R to MUNIS.		A vault count sheet is completed to document the amount of money in the cash room. Arena ATMs are replenished through the cash room, tracked by the Finance Manager (B2). Cash transactions are summarized and recorded in MUNIS. Cash Vault is reconciled to the vault log and MUNIS Balance Sheet Account monthly.		Full-time employees are hired by the GM and the County Executive and HR Departments. County HR creates and processes employee files and paperwork for all full-time employees. After hiring, employees are given necessary keys, door codes, and safe combinations.

III. EXECUTIVE SUMMARY

Following is a summary of opportunities for improvement which were noted during our review of the Family Arena – Financial Operations:

A. Compliance Opportunities

1. Contracts: During a review of contract agreements, eleven (78.6%) out of fourteen contracts reviewed were not on file with the Registrar.

B. Control Opportunities

1. Contracts: One (10.0%) out of ten event contracts reviewed was not signed by all parties
2. Cash Balances: The Family Arena does not maintain the ATM and Petty Cash balances on an imprest basis.
3. Performance Measures: Documentation was not available to support the Actual 2016 performance measures included in the 2018 budget.
4. Payroll Documentation: Employees do not sign leave slips for PTO charged when they have worked less than 40 hours in a week and have insufficient compensatory time balances to cover the difference
5. Credit Card Sales: There several instances where the bank deposit was less than the reconciled event summary report.

Compliance - Contracts

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Family Arena enters into agreements with third parties to provide advertising signage, access to suites, etc. These agreements may also include trade or arrangements for the Family Arena to purchase a certain amount of goods/services from the vendor. The Food and Beverage Manager tracks signage agreements by signage location on a spreadsheet.</p> <p>Signed contracts are to be forwarded to the County Registrar per County Code Section 112.020 and 112.040. These sections establish the County Registrar as the custodian of the archive records of the County.</p>	<p>During a review of contract agreements, eleven (78.6%) out of fourteen contracts reviewed were not on file with the Registrar.</p> <p><u>Note:</u> The contracts were held by various Family Arena employees.</p>	<p>Compliance with the County Record Retention Policy.</p>	<p>The Family Arena should evaluate the County's record retention policy and determine which agreements should be retained with the County Registrar or with the Arena.</p>	<p>In discussion with the Registrar, she believes the only documents that should be retained by her office are those which require County Council action. That said, the Family Arena General Manager and Director of Finance will formalize the Custodian of Records function for documents executed by the Family Arena management staff.</p>

Control - Contracts

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>Events booked at the Family Arena are documented in a contract that describes the terms of the agreement for the event or facility rental. Signed copies of the contracts are to be forwarded to the County Registrar per County Code Section 112.020 and 112.040.</p>	<p>One (10.0%) out of ten event contracts reviewed was not signed by all parties.</p>	<p>Opportunity for improved documentation. Potential for disagreements regarding contract terms due to absence of signatures of both parties.</p>	<p>The Family Arena should ensure that contracts for all events booked at the facility are signed by both parties prior to acceptance/execution of agreement.</p>	<p>The procedure for booking an event typically requires signatures by the Arena and a representative of the event. The instance cited is a rare exception to the 100+ agreements signed each year. In addition to the contract, an event settlement is usually prepared to reconcile amounts due to and from the parties. These settlements require the signatures of representatives of the Arena and contracting party before funds are exchanged.</p>

Control – Cash Balance

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Family Arenas maintains four separate cash balances on hand during the normal operations. All activity for the different funds is recorded on separate logs that the Finance Manager reconciles to the MUNIS Balance Sheet accounts on a monthly basis.</p>	<p>The Family Arena does not maintain the ATM and Petty Cash balances on an imprest basis.</p>	<p>Improved reconciliation of cash on hand.</p>	<p>The Family Arena should maintain the ATM balance and Petty Cash fund on an imprest basis, setting an established amount to reconcile to on a monthly basis.</p>	<p>ATM cash is now reconciled on an imprest basis and Petty Cash is maintained on an imprest basis with a \$300 balance.</p>

Control – Performance Measures

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>All County Departments and Offices report performance measures and goals in the annual County budget. Performance Measures allow the public and/or County Council to measure the departments/offices' workload or effectiveness.</p>	<p>Documentation was not available to support the Actual 2016 performance measures included in the 2018 budget.</p> <p><u>Note:</u> It appears that the performance measures were not updated, and prior estimates were reported as actual results.</p>	<p>Opportunity for improved documentation and more accurate public reporting.</p>	<p>The Family Arena should ensure that information provided to the public is accurate, consistent, reliable and documented.</p>	<p>Beginning with the 2019 Budget, the performance measures cited have been removed and replaced by Total Attendance and Number of Events Held.</p>

Control – Payroll Documentation

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Family Arena uses an electronic time-clock system for all full and part-time employees. The system tracks hours worked, including compensatory time for full-time employees. When an employee works less than a full forty (40) hours during the work week, the Arena's policy is to use compensatory time to bring the employee's total weekly hours up to forty. If an employee has insufficient compensatory time to bring hours worked up to forty for the week, then their employee's Paid Time Off (PTO) balance in MUNIS will be charged the difference.</p>	<p>Employees do not sign leave slips for PTO charged when they have worked less than 40 hours in a week and have insufficient compensatory time balances to cover the difference.</p>	<p>Improved documentation of leave time taken and compliance with FLSA regulations.</p>	<p>The Arena should ensure that leave sheets for all PTO charged to an employee are completed and signed by the employee.</p>	<p>The General Manager will draft a new timekeeping policy that formalizes the practice of using PTO when an employee's compensatory time balance is insufficient to cover time taken off during the pay period. Employees will be required to sign the new policy document.</p>

Control – Credit Card Sales

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>After each event at the Family Arena, all concession stands, portable stands, and the club/suites reconcile their recorded transactions to cash on hand and credit card receipts and then turn in the collections and receipts to the Cash Room. The Cash Room reconciles the event summary report to the cash collections and MICROS system summary report (by composition). Based upon the type (stand, portable, etc.), the third-party credit card processor processes the credit card transactions either the same night or the next day (approximately 4:00 AM). The Finance Manager reconciles the vendor’s transfer report (credit card transactions) to the bank statement.</p>	<p>There several instances where the bank deposit was less than the reconciled event summary report.</p> <p><u>Note 1:</u> During months of January, March, and May 2018, the Arena received \$362 less than reconciled event summary report (processed at point of sale).</p> <p><u>Note 2:</u> The differences occurred between the event night summary report reconciliation and the processing of credit cards by the contracted vendor.</p>	<p>The Arena may not be receiving all funds from credit card transactions. Opportunity for improved concession sales reconciliation.</p>	<p>The Family Arena should reconcile actual credit card deposits to event night reports. Also, the Arena should work with the contracted vendor to ensure that all credit card transactions are deposited or ability to determine the reason it was not.</p>	<p>Total discrepancies of \$613.36 have been identified for the period of January through October 2018. After review of the reports involved the cause of the discrepancies is still unknown. Going forward, monthly reports will be reviewed to help assure the proper amount of funds is being received.</p>