



City of Greensboro

Date: January 9, 2003
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: War Memorial Coliseum Revenues Controls

The Internal Audit Division audited Controls over Admissions & Charges/Box Office, Catering, Concessions, Group Sales, and Novelty Sales Revenues at the War Memorial Coliseum Complex for the period ending January 2, 2003. Total receipts from these revenue sources for the prior fiscal year were \$5,775,111 of the \$10,980,756 in total revenues or approximately 53% of those revenues. The War Memorial Coliseum Complex excess of expenses over revenues was \$1,734,603 in the fiscal year ended June 30, 2002.

The purpose of the audit was to:

- Determine whether the War Memorial Coliseum Complex maintained sufficient controls over the various categories of revenue.

The scope of the audit included:

- Determining whether the system(s) in place had sufficient controls over funds received, tickets, inventory, and employees' actions to put these controls into use.
- We determined the sufficiency of controls by interviewing various staff members, reviewing recent transactions with staff, and determining the adequacy of equipment and policies the employees have to work with. We included a review of facilities, policies and controls for mail-in and call-in ticket requests, novelty and concessions sales by outside vendors and groups, and controls over Alcoholic Beverage revenues.

Overall the War Memorial Coliseum has policies, controls, and facilities to provide adequate control over Group Sales, and Novelty Sales Revenues.

Catering Revenue Is Not Being Accurately Determined.

- Catering revenue is not accurately determined because they do not inventory cost items. Without inventory the catering revenue is merely period cost matched against period revenue.

- Actual costs of events are not known because events are priced at a cost per plate, or expected attendance/usage based on prices of standard menu items. The catering chef who also purchases these items determines standard menu prices, but the latest standard menu was prepared October 2001, some fourteen months prior to our review, and cost of standard menu items may have changed over time.
- Catering may not know the final count of event participants at the time the purchase order for an event is sent to a vendor. Catering chefs purchase food and expendable cost items for an event approximately one week prior to the event, based on a preliminary report input by the Catering Coordinator when she determines the need for catering. The final number of participants may not be known, so chefs often must purchase more to provide some food in case of change, and purchase in quantities specified by the vendor in order to effect cost efficiencies.
- Additionally, since adjustments to inventory are not made, there is the possibility that some items may be prepared in excess of event needs. The current policy of allowing preparation and wait staff to eat any uneaten food prepared for an event may encourage preparation of "extra" food.

Recommendation

We recommend the Catering area be required to inventory food items and other expendable items as well. Inventory adjustments need to be made as purchases come in and as events use the items purchased. Spoilage needs to be identified, and a physical inventory comparison of the perpetual inventory needs to be made on a monthly basis. Food prepared but unused should be offered first to the event customer, and if not accepted, should be discarded to discourage preparation of "extra" food.

The concessions area has no written policy for employee shortages.

We determined that one of the concession stands at an event we reviewed in conjunction with our review of the concessions area suffered a significant loss as they turned in less funds than the stand inventory determination of sales indicated should be turned in. The War Memorial Coliseum staff decided to censure the three employees involved and warn them of the consequences of a repeat of such a significant shortage. There is, however, no written policy for this area concerning such losses. Each of the other areas, novelties, box office, etc. has a written policy and each differs slightly from the other.

Recommendation

We recommend that an overall policy covering all employees handling cash, or having control of items for resale be developed, and communicated to employees. Where individual responsibility can be determined the policy should be first applied to the

individual, but where group responsibility only is possible, the policy should cover the group.

Admissions and Charges Revenues/Box Office Funds Are Not Sufficiently Controlled.

The Admissions and Charges Revenues generally have sufficient controls over their reporting and safekeeping of incomes and issuance of tickets. They do not, however, currently list all funds received and determine whether funds listed as received are accounted for by issuance of tickets or not. The War Memorial Coliseum does not have a central area to open all incoming mail, and the mail is routed to the various departments unopened for opening in that area. Because the mail is opened in various areas, funds for the Box Office/Admissions and Charges area may be directed and opened in areas not secure and may not be directed to the attention of this area in a timely manner.

Recommendation

We recommend the War Memorial Coliseum strongly consider setting up a secure area where all mail can be opened under supervision. All revenues cash, check, and/or credit card could be listed and totaled separately. Deposits and reports to the box office or group sales, and etc. could be prepared in this area. All check and cash funds could be deposited daily from this area. The daily listings would be reconciled to ticket sales, and the various areas the funds are remitted for on a daily basis. Instead of cash going to the box office, to group sales, or to other areas, certified reports to the various areas now receiving funds could be used to issue tickets, set up usage of the facilities, and the many other uses of these funds. This would have the effect of concentrating responsibility for receipt, deposit and listing of cash, checks, and credit card funds received by mail in fewer hands, and reduce the possibility of misdirecting or misuse of funds.

We would like to thank the coliseum administrative office staff for their courtesy and cooperation shown us during the audit. We are requesting a response to this audit from the Greensboro Coliseum Complex Managing Director by February 10, 2003. If there are any questions or comments concerning the details of this audit, please contact me at 373-2230.

Fred Newnam

Fred Newnam
Internal Auditor

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