



City of Greensboro

Date: December 2, 2002
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: War Memorial Coliseum Event Settlements

The Internal Audit Division has audited event settlements at the War Memorial Coliseum Complex for the period July 1, 2001 to June 30, 2002. Total event settlements reported during the period were 804, with a total reported attendance of 1,098,092. The City transferred \$2,001,000 in general funds to the Coliseum Complex in order to meet its financial needs in the fiscal year ended June 30, 2002. We reviewed sixteen event settlements having a total attendance of 117,791, approximately 10.7% of the reported attendance and 2% of the events. The event settlements reviewed included four events at the Carlyle Club Room, four events at the Special Events Center, five events at the Coliseum Arena, and three events at the War Memorial Coliseum Auditorium.

The purpose of the audit was to:

- Determine if event settlement sheets reflect terms of the contract.
- Determine if the contracted rate was in agreement with published rental rates at May 1, 2002. We, also, determined the difference between published and contract terms and define it as lost potential.
- Determine if event settlements had documentation for charges on settlement sheets or miscellaneous billings.

During our audit we noted the following findings and offer our recommendations:

The Contract Terms versus Event Settlement Sheets/ Miscellaneous Billings and Settlement Documentation

One of the sixteen event settlements reviewed, the Kenny Chesney Concert, had no signed contract with the performer. Since the event was a self-promotion, no event contract was provided either. Additionally, we paid \$5,000 to Elbert West, the Chesney Concert opening act, though we had no contract with this entertainer.

The Jimmy Buffet Concert contract was with a promoter named Cellar Door Productions of the Carolinas. The contract provisions of this contract were at odds with the settlement provided as the event settlement sheet. It was only after we were informed and determined

that this is part of a master contract with SFX that we determined that the settlement terms met the contract term requirements.

Recommendations:

- Require that all events have signed contracts, and that payments be supported contractually.
- Establish a post-settlement review of settlements by management and require management to ratify settlements in accordance with contract terms, or institute efforts to recover funds. This review should take place within 10 working days following the event settlement.
- Require that event contracts that are to fall under a master contract be identified in the contract with the promoter, or at the time of post-settlement review, in order to facilitate monitoring efforts.

The Contract Terms and Published Terms

1. The four Carlyle Club Room event settlements reviewed took place in August 2001. None of the lessees were charged the published rate of \$1,000 per day. The Piedmont Triad Sports Club was charged only \$100 and this included a fee for a Tenant Use Liability Insurance Policy (TULIP). TULIP has been required since 1999 according to information provided by Coliseum staff. The Greensboro Sports Council was not charged for the room, but did pay \$100 for TULIP. The Guilford County Hotel/Motel Association, also, got the rent waived, and did not pay for TULIP. The Piedmont Triad Council of Government was charged \$300 for the room, but was not required to pay for TULIP. We calculated lost potential including \$100 for TULIP for each event on these four as being \$3,900.
2. The four Special Events Center event settlements reviewed all had rentals below the published rate. The Rockhurst University Continuing Education seminars, a two-day event, were discounted from published rates by \$775. The Kidsfest, another two-day event, was charged rentals discounted by \$1,650 including no charge for two meeting rooms. The Craftsmen Christmas Classic, a three-day event, had rents discounted by \$5,250. The Carolina Woodworking Show, a weeklong event, received discounts in rents totaling \$9,350 for the period. We calculated lost potential for these four as being \$17,025.
3. Three of the five event settlements reviewed for the Coliseum Arena were below the published rate. The coliseum's standard rate is the greatest of \$5,000 per performance or 12% of gross admission receipts after taxes, plus all facility and staffing expenses. One event the, Jimmy Buffet Concert, was below the rate because as a co-promotion and under a contract with SFX, we had to give the promoter half our net parking, concessions, and merchandising, as well as in-house service fees and Tickets.COM rebates. The two event settlements with two sports

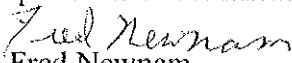
teams the Greensboro Generals and the Greensboro Prowlers, also, contractually require that we give them a percentage of our concessions, as well as Suite and Club Seat revenues. The two teams both have event rates that are protected by inflation clauses. Even with the inflation clauses, the Generals event and the Prowlers event lost potential rents. Two other Arena events the Wrench Head.COM Monster Jam and the Kenny Chesney Concert had settlement and contract rates above the published potential. Lost potential for the five arena events were \$69,661.

4. Two of the three Coliseum Auditorium event settlements reviewed had rentals below the published rate potential. The War Memorial Auditorium has a published rate of the greatest of \$1,700 minimum rental fee vs. 12% of gross admission receipts after taxes, computed per performance, plus all facility operating and staffing expenses. The Greensboro Ballet's Nutcracker and the Beauty and the Beast event settlements and contracts had rentals below the published rate, the latter due to its being a co-promotion which required us to share net merchandise, ticket master rebates, net parking and net concession revenues. The Winans Family Tour event was at the rate published. Lost potential for the three auditorium events were calculated as being \$79,296.
5. Total lost potential for the sixteen event settlements reviewed was calculated as being \$169,882.
6. Coliseum staff provided a policy for waiving rental fees for coliseum rental agreements dated May 9, 2000. Among the reasons for waiver are, catering volume discount, total package relationship, city wide or economic benefit to City. We note, however, that no such reasons are documented in the files at present.

Recommendations:

We recommend that the Coliseum management document the reason(s) for waiving or lowering rentals at the time of the post-settlement review and ratification.

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 January 2, 2003. If there are any questions or comments concerning the details of this audit, please contact me at 373-2230.


Fred Newnam
Internal Auditor

Cc: Mitchell Johnson, Assistant City Manager
Matt Brown, Managing Director, Greensboro Coliseum Complex
Laura Smith, Business Manager, Greensboro Coliseum Complex

SUMMARY OF SETTLEMENT FILE REVIEWS
GREENSBORO COLISEUM COMPLEX

| NAME OF LESSEE | PIEDMONT TRIAD SPORTS CLUB | ROCKHURST UNIVERSITY CONTINUING ED. | GREENSBORO SPORTS COUNCIL | GUILFORD COUNTY HOTEL/MOTEL ASSOC. | PIEDMONT TRIAD COUNCIL OF GOVERNMENT | OUTBACK CONCERTS | GREENSBORO PROFESSIONAL SPORTS LLC | GILMORE ENTERPRISES, INC. | GREENSBORO BALLET | SFX MOTOR SPORTS GROUP | TRADE SHOWS INC. | Entercom Radio | SFX-PACE THEATRICAL GROUP INC | Cellar Door Productions of the Carolinas, Inc/SFX | Greensboro Professional All LLC (GP2) | Obersina Entertainment |
|----------------------|--|---|--|--|--|--|---|--|---|--------------------------------------|---|--|--------------------------------------|---|---------------------------------------|----------------------------------|
| NAME OF EVENT | LUNCHEON | ACADEMIC ENDEAVOR | LUNCHEON | LUNCHEON | LUNCHEON | KENNY CHESNEY | GENERALS GAME #3 | CRAFTSMEN CHRISTMAS CLASSIC | THE NUT CRACKER | WRENCHHEAD, COM MONSTER JAM | CAROLINA WOOD WORKING SHOW | Kidsfest | BEAUTY AND THE BEAST | Jimmy Buffet In Concert | Prowlers Game #3 | The Winans Family Tour |
| AGREEMENT NUMBER | 0108060 | 0108045 | 0108022 | 0108068 | 0108027 | N/A | 9910072 | 0111003 | 0112002 | 0201007 | 0202001 | 0203058 | 203014 | 02040701 | 004030 | 0206045 |
| DATES OF OCCUPANCY | 8/2/2001 | 8/1 & 2/01 | 8/14/2001 | 8/17/2001 | 8/15/2001 | 9/14/2001 | 11/10/2001 | 11/22-25/01 | 12/3/01 TO 12/9/01 | 1/24/02 TO 1/27/02 | 2/1/02 TO 2/18/02 | 3/22 & 23/02 | 3/25/02 TO 3/31/02 | 4/20/2002 | 4/27/2002 | 6/26/2002 |
| SIGNED CONTRACT | YES | YES | YES | YES | YES | NO | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| EXPECTED ATTENDANCE | 150 | 125 | 60 | 60 | 50 | 5,000 | 5,000 | 25,000 | 8,000 | 24,000 | 7,000 | 4,000 | 19,200 | 22,000 | 10,000 | 2,400 |
| ACTUAL ATTENDANCE | NIF | 220 | NIF | 65 | 75 | 4,297 | 3,252 | 23,906 | 4,700 | 26,830 | 5,100 | 11,608 | 13,988 | 21,080 | 1,351 | 1,358 |
| FACILITY LEASED | CARLYLE CLUB ROOM | SPECIAL EVENTS CENTER, MR2, AA, 4B, MRS ONE DAY ONLY ROOM | CARLYLE CLUB ROOM | CARLYLE CLUB ROOM | CARLYLE CLUB ROOM | CARLYLE CLUB ROOM | COLISEUM ARENA SELF PROMOTION | COLISEUM ARENA | SEC EAST WING, WEST WING A & B AUDITORIUM | WAR MEMORIAL AUDITORIUM | COLISEUM ARENA | SEC-EW, WW A & B, MR. 1-B, BRIDGE PLAZA FOR LUNCH ON EVENT DAYS | SEC EW-EAST WING MEETING ROOMS 7 & 8 | WAR MEMORIAL AUDITORIUM CO PROMOTION | COLISEUM ARENA CO PROMOTION | War Memorial Coliseum Auditorium |
| PUBLISHED POTENTIAL | \$2,719.15 | \$2,450.00 | \$1,640.60 | \$2,047.17 | \$2,064.32 | \$13,399.69 | \$6,715.03 | \$28,000.00 | \$15,670.95 | \$34,202.63 | \$54,000.00 | \$7,050.00 | \$53,253.24 | \$300,794.93 | \$5,000.00 | \$2,243.90 |
| CONTRACT TERMS | \$1,719.15 | \$1,675.00 | \$640.60 | \$947.17 | \$1,264.32 | \$104,359.00 | \$5,130.00 | \$22,750.00 | \$8,350.00 | \$58,603.77 | \$44,650.00 | \$5,400.00 | \$9,278.19 | \$122,329.44 | \$27.67 | \$2,243.90 |
| LOST POTENTIAL | \$1,000.00 | \$775.00 | \$1,000.00 | \$1,100.00 | \$800.00 | -\$90,960.31 | \$1,585.03 | \$5,250.00 | \$5,320.95 | -\$24,401.14 | \$9,350.00 | \$1,650.00 | \$73,975.05 | \$178,465.49 | \$4,972.33 | \$0.00 |
| PERCENT OF POTENTIAL | 35.78% | 31.63% | 60.95% | 53.73% | 38.75% | -678.87% | 23.60% | 18.75% | 38.92% | -71.34% | 17.31% | 23.40% | 88.86% | 59.33% | 99.45% | 0.00% |
| PROBLEMS NOTED | NORMAL PUBLISHED RATE \$1,000/DAY CONTRACT RENTAL \$100 INCLUDED TULIP CHARGE \$100 DEEP DISCOUNT ON CARLYLE CLUB ROOM | PUBLISHED RATES MR 2-3350/DAY, MR4-3375/DAY, MR6-3300/DAY, ONE DAY ONLY. DISCOUNTED DEEPLY. | RENT WAIVED ONLY REQUIRED TULIP CHARGE | TULIP= TENANT USE LIABILITY INS. POLICY. NO TULIP REQUIRED, NO CHARGE ON ROOM. SINCE 1999 WE HAVE REQUIRED TULIP. AND TULIP ROOM RATE SPECIFIED ONLY \$300 | TULIP NOT REQUIRED, ROOM CHARGE ONLY \$300 | SELF PROMOTION NO EVENT CONTRACT. PAID ELBERT WEST \$5,000 AS OPENING ACT. HAD NO CONTRACT WITH CHESNEY'S UNSIGNED CONTRACT SPECIFIED WEST | REQUIRES WE GIVE CONCESSIONS % SUITE REVENUE AND 1/2 OF JUMBOTRON EXPENSE | NEED DOCUMENTATION FOR ROOM CLEAN UP, DOCK PARKING, ALSO DEEP DISCOUNT FOR WAR MEMORIAL AUDITORIUM | PIT PARTY WAS NOT INCLUDED IN 20% COMPUTATION FOR SATURDAY RENT. WE HAD TO GIVE UP STAFFING, TICKET PRINTING AND SALES NOT USUALLY GIVEN. NO CHARGE FOR MOVE IN OR MOVE OUT DAYS. | DEEP DISCOUNT TO MEETING ROOMS 7 & 8 | CO-PROMOTION AGREEMENT REQUIRES THEM MERCHANDISE INCOME LESS EXPENSE. TICKET MASTER REBATES. OTHER REV. SHARE FROM ABOVE ACTUAL COST SUCH AS CONCESSIONS AND PARKING. | SOME ITEMS OF EXPENSE APPEAR TO BE MISCALCULATED. DEAL REQUIRES WE GIVE CONCESSIONS % AND SUITE AND CLUB SEATS REVENUES TO TEAM. 55,500 EVENT RATE PROTECTED BY LPI. | No problems noted with this deal | | | |

REVIEW OF SETTLEMENTS
SUMMARY BY FACILITY

| | TOTAL ALL | TOTAL CARLYLE CLUB | TOTAL SEC | TOTAL ARENA | TOTAL AUDITORIUM |
|---------------------|--------------|--------------------|-------------|--------------|------------------|
| PUBLISHED POTENTIAL | \$559,250.61 | \$8,471.24 | \$91,500.00 | \$360,111.28 | \$99,169.09 |
| CONTRACT TERMS | \$388,368.21 | \$4,571.24 | \$74,475.00 | \$290,449.88 | \$19,872.09 |
| LOST POTENTIAL | \$169,882.40 | \$3,900.00 | \$17,025.00 | \$69,661.40 | \$79,296.00 |
| EXPECTED ATTENDANCE | 132,045 | 320 | 36,125 | 66,000 | 29,600 |
| ACTUAL ATTENDANCE | 117,791 | 140 | 40,832 | 56,810 | 20,009 |
| NUMBER OF EVENTS | 16 | 4 | 4 | 5 | 3 |