



# CITY OF SAN ANTONIO

P.O. Box 839966  
SAN ANTONIO TEXAS 78283-3966

November 16, 2022

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Councilman, District 8

**SUBJECT: Audit of Convention & Sports Facilities Department Service Provider Revenue Contracts**

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Convention & Sports Facilities Department Service Provider Revenue Contracts. This audit began in April 2022 and concluded with an exit meeting with department management in September 2022. Management's verbatim response is included in Appendix B of the report. The Convention & Sports Facilities Department 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,

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

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Judy Treviño, Audit Committee Member

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**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**



Audit of Convention & Sports Facilities Department

Service Provider Revenue Contracts

Project No. AU22-007

November 16, 2022

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Convention & Sports Facilities Department, specifically Service Provider Revenue Contracts for exhibition-related electrical and plumbing services. The audit objectives, conclusions, and recommendations follow:

### **Determine if Facility Service Provider Contracts for Convention and Sports Facilities are adequately managed.**

Overall, facility service provider contracts for convention and sports facilities are adequately managed. The Convention & Sports Facilities (CSF) Department maintains Contract Administration Plans (CAP) for Edlen Electrical Exhibition Services and Freeman Expositions Company LLC in accordance with City requirements, which also include the City's Small Business Economic Development Advocacy (SBEDA) program. CSF has established controls that ensure employees' information systems access is appropriate.

However, we observed opportunities for improvement which include the accuracy of commission payments, performing electrical inspections, and contract monitoring controls.

The Convention & Sports Facilities Department Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 7.

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## Background

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The Convention & Sports Facilities Department (CSF) oversees the operation and management of the Henry B. Gonzalez Convention Center and the Alamodome.

CSF has two revenue contracts to provide exhibition-related electrical and plumbing services with Edlen Electrical Exhibition Services and Freeman Expositions Company LLC. Edlen and Freeman primarily support events or activities at the Convention Center, with occasional events or activities at the Alamodome. Edlen and Freeman provide services such as installing electrical outlets, lighting, water outlets or drains, water heaters or coolers, compressed air, and all related labor. Additionally, they are responsible for equipment operation during an event and equipment removal after an event.

COVID-19 had a direct impact on the CSF Department. The pandemic significantly reduced the number of scheduled events for fiscal years 2020 and 2021. In the fiscal year (FY) 2019, Edlen and Freeman performed services for approximately 120 events. However, events reduced to 70 in FY 2020 and 35 in FY 2021. During this time, CSF reduced its staffing to accommodate the low number of events. In FY 2022, event bookings started returning to pre-COVID levels, with over 80 events held in the first nine months. In response to the increase in events, the department has hired staff and is returning to previous operations and monitoring activities.

The Event Services Manager, Contract Manager, Contract Officer, Contract Coordinator, and Department Fiscal Administrator perform various contract management and monitoring tasks. The Event Services Manager and Event Coordinator are responsible for the initial booking and provide contact information for Edlen and Freeman to the client. The Contract Manager oversees all contracts for the Convention & Sports Facilities Department. The Contract Officer, Contract Coordinator, and Accountant review and reconcile monthly reports and revenue payments from Edlen and Freeman to ensure they align with contract requirements. They also confirm and record revenue payments in SAP.

## Audit Scope and Methodology

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The audit scope was Service Provider Revenue Contracts, specifically Edlen Electrical Exhibition Services and Freeman Electrical Services Inc., from October 2019 to June 2022.

To establish criteria for testing, we interviewed CSF Department management and staff members to identify processes and controls relevant to Service Provider Revenue Contracts.

Our testing procedures included a review of revenue contracts, contract administration, insurance monitoring, contractor licensing, permit requests, and inspection approvals.

We assessed internal controls relevant to the audit objective. We conducted reviews of contracts, evaluated internal policies and procedures, and reviewed commission calculations and payments. Testing criteria included contracts, City Administrative Directives, Local Government Code, and commission reports.

Furthermore, we reviewed contract terms and compared them to Contract Administration Plans to determine if they align. We evaluated the accuracy of revenue reporting and monitoring of commissions received. We also assessed the application of late fees according to the contracts and internal processes. Lastly, we reviewed system access for conflicts based on the user's authority or responsibility.

We relied on computer-processed data in SAP and Event Business Management Software (EBMS). Our direct testing included using SAP to obtain financial information and EBMS to validate events booked and attended. 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 influenced 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 Recommendations

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The Convention & Sports Facilities (CSF) Department maintains Contract Administration Plans (CAP) for Edlen and Freeman. The CAPs include the required elements per the City's AD 8.14 and key high-risk areas such as SBEDA program requirements.

In addition, CSF performs periodic reviews that ensure appropriate user access to the two systems used for fiscal and event tracking. Specifically, controls are in place that ensure only current active employees have access and appropriate segregation of duties.

### A. Commission Calculation and Payment

CSF received inaccurate commission payments from Freeman due to discrepancies in invoice pricing compared to the contract. For a sample of 20 commission payments for Edlen and Freeman from March and April 2022 totaling approximately \$291,700, we observed 9 exceptions related to 7 commission payments.

The exceptions included inaccurate commission payments, lack of document support, and using outdated rate sheets. We determined that Freeman overpaid commissions on three events totaling approximately \$625. Additionally, Freeman applied a discount to an event participant's invoice without prior written approval from the City. Lastly, six events included rates or materials that were not included on or did not match the standard rate sheets. While the amounts are immaterial, it is important that calculations are accurate and support documents are maintained.

The CSF department did not obtain monthly client invoices, and Freeman's rate sheets were not current. Therefore, CSF could not accurately validate event details and commissions paid.

Lack of invoice reviews increases the risk of the contractors submitting inaccurate commission payments resulting in inaccurate City revenue.

### Recommendations

The CSF Director confirms the execution of existing controls and implements periodic reviews of the controls, such as confirming receipt of monthly client invoices from contractors and ensuring rate sheets are current.



## **B. Permits and Inspections**

Electrical code compliance inspections are not consistently performed prior to events. Furthermore, CSF does not have a process to determine whether electrical code compliance inspections were performed.

We determined that one code inspection was not performed, and inspections are performed by Development Services Inspectors before event setup is complete.

The contracts require contractors to obtain permits and inspections for the services they perform. Contractors should maintain copies and provide them to the City upon request.

When CSF does not determine if electrical inspections were performed, hazards may go unnoticed, risking injury to event attendees.

### **Recommendation**

The CSF Director develops a documented process to determine whether code compliance inspections are performed prior to event opening.

## **C. Contract Monitoring**

CSF does not have sufficient monitoring for administrative processes and controls regarding contract terms, specifically, documenting onsite staffing requirements, completion of background checks, and employee training for contractors. We reviewed the contractual staffing and training requirements and compared the requirements to the most recent site visit compliance reports, background checks, and employee training records maintained by CSF.

We determined that CSF did not document a Licensed Master Electrician present as an onsite supervisor during a site inspection with Edlen. In addition, one Freeman employee's background check was not current. Finally, Edlen could not provide employee training documents for 3 of 4 employees.

Per the contract, a licensed master electrician must be present as the onsite supervisor. In addition, background checks are required prior to employment and periodically during employment, and adequate ongoing training is performed and documented.

Insufficient contract monitoring by CSF may lead to the contractor not adhering to the terms and conditions of the contract.

### **Recommendation**

The CSF Director establishes periodic monitoring of contractors for administrative processes such as ensuring contracted staff is onsite, maintaining background checks, and employee training programs.

## **Appendix A – Staff Acknowledgement**

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Buddy Vargas, CPA, CIA, CFE, Audit Manager  
Ken Lyssy, CFE, Auditor in Charge  
Sabrina Salinas, Auditor  
Yadira Valenzuela, Auditor

## Appendix B – Management Response



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

October 25, 2022

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

RE: Management’s Corrective Action Plan for Audit of Convention & Sports Facilities Service Provider Revenue Contracts

The Convention & 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	<p><b>Commission Calculation and Payment</b></p> <p>The CSF Director confirms the execution of existing controls and implements periodic reviews of the controls, such as confirming receipt of monthly client invoices from contractors and ensuring rate sheets are current.</p>	3	Accept	Rita Hernandez, Contract Officer	November 30, 2022
<p><b>Action plan:</b> Invoice audits will be reviewed on a quarterly basis. This was implemented during the exit phase of the audit. Staff reviewed client invoices for quarters 1-3 of FY2022. The next quarterly invoice audit is due on November 30, 2022.</p>					
B	<p><b>Permits and Inspections</b></p> <p>The CSF Director develops a documented process to determine whether code compliance inspections are performed prior to event opening.</p>	4	Accept	Bernard Brown, Facilities Manager	December 2022

Audit of Convention & Sports Facilities Department  
Service Provider Revenue Contracts

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><u>Action plan:</u> CSF Facilities Manager will develop a process to request Development Services review multi-day events with attendance in excess 3,000 and above, or when determined by the facility. A sign in sheet will be required for Development Services to inspect the event.</p>				
C	<p><b>Contract Monitoring</b> The CSF Director establishes periodic monitoring of contractors for administrative processes such as ensuring contracted staff is onsite, maintaining background checks, and employee training programs.</p>	4	Accept	Rita Hernandez, Contract Officer	September 28, 2022
	<p><u>Action plan:</u> A site visit was performed for Freeman on September 28, 2022 and September 21, 2022 for Edlen with the master electrician and general manager both present. Training records were requested and documented. Site visits will be conducted on a bi-annual basis, or as needed. The next site visit will be performed in March 2023. Background checked will be reviewed annually prior to 9/30/2023.</p>				

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

Sincerely,



Patricia Muzquiz Cantor  
Director  
Convention & Sports Facilities

10/25/2022

Date



Alex Lopez  
Assistant City Manager  
City Manager's Office

Digitally signed by Alejandra Lopez  
Date: 2022.10.25 14:20:59 -05'00'

Date