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

**CONVENTIONS AND SPORTS FACILITIES
AUDIT OF RIGGING AND A/V CONTRACTS
PROJECT NO. AU23-006
March 21, 2024**

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CITY AUDITOR**



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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Convention and Sports Facility Department, specifically rigging and audio/visual contracts. The audit objectives, conclusions, and recommendations follow:

Determine if Conventions and Sports Facilities contracts with audio/visual services and rigging services are properly monitored.

The Convention and Sports Facilities Department (CSF) have appropriate monitoring controls to ensure that contractors are in compliance with key contract terms such as insurance, bonds and SBEDA requirements. In addition, CSF have appropriate controls to ensure expenditures were accurate and properly supported. Finally, user access for SAP and SAePS were appropriate.

However, the audit team identified areas in which controls could be improved. Commission revenue due to the City could not be determined due to lack of accurate invoice document support and insufficient monitoring procedures. In addition, staff are not performing service inspections for rigging set-up prior to events. Additionally, physical access is not controlled as intended. Finally, the Encore Global contract does not provide sufficient detail for the background check requirements.

We provided recommendations to management to strengthen controls and resolve identified issues. Convention and Sports Facilities 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 9.

Background

The Convention and Sports Facilities Department (CSF) oversees the operation and management of five different venues, two of those being the Henry B. Gonzalez Convention Center and Alamodome.

CSF has entered into two contracts to provide audio/visual (A/V) and rigging services to both the Convention Center and Alamodome. A/V services help support events or activities in the Convention Center include installing broadcast and concert-quality services, installing concert type systems and paging systems, and providing technicians, programmers, and operators in all service areas. Rigging services help support events or activities in both the Convention Center and Alamodome including installations and attachments to structural steel such as lifting frames, lighting, audio, video, and video systems with the proper rigging license.

The following services stated above are provided under these contracts:

- Encore is the provider for both A/V and rigging services to the Convention Center. Encore is the exclusive provider for all rigging services but is a preferred provider for A/V services. The City receives a 33% commission from A/V and 30% commission on rigging for services provided by Encore.
- Upstage Center Inc. (Upstage) provides only rigging services to the Alamodome. Upstage is a preferred provider for all rigging services and payments are based on labor rates paid directly to the contractor by the City.

Additionally, contract monitoring and management is conducted by the Contract Manager, Contract Coordinators and the Building Maintenance Manager. The Contract Manager is responsible for overseeing all contracts within the CSF Department. The Contract Coordinators and Contract Officers are responsible for reviewing and monitoring contract administration plans including key contract terms. The Contract Coordinators and Contract Officers are responsible for reviewing Encore's invoices to verify commission payments owed to the City. The Building Maintenance Manager review Upstage's contract and are responsible for ensuring payments are reviewed and accurate prior to payment sent to the contractors.

Audit Scope and Methodology

The audit scope was Conventions and Sports Facilities (CSF) A/V and rigging contracts, specifically Encore Global and Upstage Center, Inc., from October 2022 to April 2023.

To gain an understanding of department operations, we interviewed CSF personnel and conducted walkthroughs of processes within the Henry B. Gonzalez Convention Center and the Alamodome, billing and invoicing, contract monitoring and management, client surveys, SBEDA, and user access. The primary criteria for this audit included contract requirements, City Administrative Directives, and SBEDA requirements.

We reviewed Contract Administration Plans (CAPs) to determine if key contract terms were included for monitoring, such as insurance, background checks and SBEDA requirements. In addition, we reviewed for appropriate rigging inspections completed by City staff. We also reviewed feedback in the form of surveys. Finally, we reviewed for appropriate system user access.

We also tested a sample of payments to contractors and verified accuracy and proper document support. In addition, we reviewed a sample of invoices to determine if the City received accurate commission revenue.

We relied on computer-processed data in the city's accounting system, SAP, and SAePS to validate payments to contractors and to the City. We also relied on Event Business Management Software (EBMS); a booking system used by the Henry B. Gonzalez Convention Center. 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 Recommendations

CSF have appropriate monitoring controls to ensure that Upstage Center, Inc. expenditures are accurate and properly supported. We reviewed a sample of 25 invoices totaling \$53,534 and determined that expenditures were accurate and properly supported in accordance with the contract rate schedule.

In addition, contractors were in compliance with key contract terms. We reviewed the insurance and bond requirements for both Upstage and Encore and determined that they were in compliance with the contract requirements. Additionally, we reviewed SBEDA requirements and determined that Encore was meeting requirements. Finally, user access for SAP and SAePS was appropriate. We reviewed a sample of 18 employees and determined that they had appropriate access.

However, the audit team identified areas in which controls could be improved.

A. Commission Revenue

We could not determine if the City received the accurate commission revenue in accordance with the Encore contract due to insufficient and inaccurate document support. We reviewed 24 invoices totaling \$956,000 from January 2023 – March 2023 for the accurate commission revenue due to the City. We identified 17 invoices that had inaccurate revenue percentages. In addition, we identified 17 invoices that had 68 errors in the contract price schedule for items billed to event participants at the Henry B. Gonzalez Convention Center. Finally, discounts provided to event participants could not be recalculated due to insufficient document information.

Per Encore contract requirements, the contractor shall pay to the City the percentage of Gross Sales of 33% A/V services and 30% rigging services and the contractor shall provide City a Rate Schedule with details of all proposed A/V and rigging services, equipment, and labor rates.

Conventions and Sports Facility (CSF) staff conduct periodic spot checks of event participant line item rates charged by Encore. However, this is insufficient to confirm the accuracy of total commission revenue due to the City which is 33% for A/V services and 30% for rigging services. In addition, Encore does not provide supporting documentation for invoices in a format that enables the City to reconcile total commission revenue due to the City. The lack of monitoring may result in commission revenue due to the City.

Recommendation

The CSF Director establish requirements to ensure Encore provides supporting documentation for invoices in a format that enables the City to reconcile total commission revenue due to the City. Subsequently, establish controls to confirm the accuracy of total commission revenue due to the City on a periodic basis.

B. Inspections and Physical Access

B.1 Contractor Service Inspections

CSF staff is not conducting inspections at the Alamodome or Henry B. Gonzalez Convention Center after rigging set-up is completed prior to start of events. In addition, CSF staff is not conducting service requests at the Alamodome, which is contractually required before the set-up of any event. A service request is a form required to be used by Upstage which indicates the number and type of staff, hours, rates, and estimated costs.

As a best practice, city representatives should inspect services provided by contractors to ensure service requirements have been completed satisfactorily. Per Upstage contract requirements, contractors shall not perform any services unless a service request has been prepared and approved in advance by the city representative. Prior to the departure of contractor staff from the facility, a city representative shall inspect all service areas to ensure service requirements have been completed satisfactorily.

CSF staff has not implemented procedures to ensure service requests are completed. Additionally, CSF staff have not established procedures to ensure periodic inspections are performed after rigging set-up is completed prior to start of events. The lack of procedures and controls to ensure services have been completed satisfactorily may results in an increased safety risk to the City.

B.2 Contractor Physical Access

Contractor staff accessing City facilities are not appropriately accounted for. We reviewed 12 events, 3 from Upstage and 9 from Encore Global. We reconciled the event staff paid to the corresponding hourly attendance logs and security sign in reports to verify that staff signed in and out for the working day. We determined 3 events did not accurately reconcile to the contractor's hourly attendance logs and security sign in reports.

Security procedures and expectations for Encore badged workers require them to clock in and out from their respective contractor office location within the Henry B. Convention Center. All non-badged workers sign in with security, located in the back loading dock. The non-badged workers will receive a colored wrist band for the day, which changes daily. Best practices

requires that contractors attending City facilities should be periodically monitored to ensure appropriate access to City facilities.

CSF have controls to ensure that contractors are properly monitored for attendance. However, existing controls had not been executed as intended. The lack of periodic monitoring may result in an increase liability risk to the City.

Recommendations

The Director of CSF:

B.1 - Implement procedures to ensure service requests are completed. Additionally, establish procedures to ensure periodic inspections are performed after rigging set-up is completed prior to start of events.

B.2 Ensure existing controls are executed as intended to ensure that contractors are properly monitored for appropriate access.

C. Background Checks

Upstage Center, Inc. follows the contract requirements related to background checks. These requirements are specific as to process and events that would disqualify staff. We reviewed 12 staff for Upstage and determined that they were in compliance with background check requirements.

However, while Encore Global indicated background checks were performed, there is no clear guidance on the extent of the review or disqualifying events. The contract does not include specific events (convictions) that should disqualify an employee from working on City property.

Recommendation

The Director of CSF amend the contract and/or establish criteria for satisfactory background check results and require Encore to certify for accuracy.

Appendix A – Staff Acknowledgement

Baltazar Vargas, CPA, CIA, CFE, Audit Manager
Sabrina Saldana, Auditor in Charge
Megan Dodd, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

January 10, 2024

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

RE: Management's Corrective Action Plan for Audit of Conventions & Sports Facilities Rigging and A/V Contracts

The Conventions & 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
1	Commission Revenue The CSF Director establish requirements to ensure Encore provides supporting documentation for invoices in a format that enables the City to reconcile total commission revenue due to the City. Subsequently, establish controls to confirm the accuracy of total commission revenue due to the City on a periodic basis.	6	Accept	Juan Torres / Contract Officer	04/30/2024
	Action plan: Encore will provide a format with the itemized breakdown of invoices by event that will enable the department to easily reconcile the commission's total revenue report. With the itemized breakdown information, the Contract staff will schedule a monthly review with Encore to reconcile the highest value event to validate pricing, discounts (if given) and revenue commissions.				



Audit of Convention and Sport Facilities
Rigging and Audio/Visual Services

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
2	Contractor Service Inspections The CSF Director implement procedures to ensure service requests are completed at the Alamodome. Additionally, establish procedures to ensure periodic inspections are performed after rigging set-up is completed prior to start of events.	7	Accept	Juan Torres / Contract Officer	05/30/2024
Action plan: The department has implemented procedures to ensure service requests are completed at the Alamodome. CSF, through Contract Staff, will review on a quarterly basis, rigging plans that are signed and approved by the Rigging Supervisor to confirm the plans meet appropriate safety standards and service requests were completed.					
3	Contractor Physical Access The CSF Director ensure existing controls are executed as intended to ensure that contractors are properly monitored for appropriate access at the Convention Center.	7	Accept	Juan Torres / Contract Officer	05/30/2024
Action plan: Staff will work with Encore to use personnel logs for all badged and non-badged workers. Staff will conduct a quarterly review to verify the Encore personnel logs reconcile to the Convention Center's sign in/screen log that is conducted at the security booth by the loading dock.					
4	Background Checks The Director of CSF amend the contract and/or establish criteria for satisfactory background check results and require Encore to certify for accuracy.	7	Accept	Juan Torres / Contract Officer	03/30/2024

Audit of Convention and Sport Facilities
Rigging and Audio/Visual Services

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: According to the current agreement, Encore shall screen all applicants and shall conduct and assure City that each of its full-time and part-time employees, as well as to the greatest extent possible all temporary, contract and union personnel that it utilizes at the Facility, have a criminal and personal background check, to the extent allowable by law, to ensure that Contractor's personnel do not pose a security or health risk to Clients, including at a minimum, criminal history, references and prior employment history to the extent necessary to verify representations made by said employees relative to their employment in the preceding ten (10) years.</p> <p>Currently, Encore provides a monthly personnel list identifying the date the background checks are completed but is not able to provide the background check results as it is against their company policy. While it is not stated in the contract that background check results need to be provided to the department, language will be included through the contract renewal process in September 2024 to establish criteria for satisfactory background check results and certify the employees on the list have completed the background check.</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

2/22/2024
 Date


 Alex Lopez
 Assistant City Manager
 City Manager's Office

2/23/2024
 Date