

Metro

Metropolitan Exposition Recreation Commission Portland Center for the Performing Arts

Concession Management Activities: System Works, Some Enhancements Needed

October 2006

A Report by the Office of the Auditor



METRO

PEOPLE PLACES

OPEN SPACES

Alexis Dow, CPA
Metro Auditor



METRO

OFFICE OF THE AUDITOR

October 13, 2006

To the Metro Council and Metro-area citizens:

As part of the Metro Auditor risk assessment and work plan, we evaluated the cash handling and inventory management practices associated with concession activities of the Portland Center for the Performing Arts (PCPA). In fiscal year 2006, PCPA concession activities generated revenue of almost \$1.3 million.

Aramark/Giacometti Joint Venture (Aramark) manages, staffs and operates concession activities for PCPA pursuant to a contract between Aramark and the Metropolitan Exposition Recreation Commission (MERC). MERC retains responsibility for contract management and oversight.

Overall, cash handling controls provide adequate assurance that all concession sales will be accounted for; however, several areas require improvement in the management of inventory and the oversight of the concession contract to preclude misappropriated assets and undiscovered errors. In addition, additional procedures are needed to ensure that all catering revenue is reported.

We recommend that MERC management work with Aramark to develop controls that will ensure employees adhere to policies regarding the receipt of inventory and that purchasing responsibilities be segregated from inventory management responsibilities. We also recommend that MERC engage in all oversight practices allowed under the terms of the concessions contract, which includes performing an outside audit, receiving copies of Aramark internal audits, and receiving concession account statements directly from the bank. In addition, we recommend MERC establish procedures to ensure that all catering revenue is reported.

The following report describes our work and our findings and recommendations in more detail. The last section of the report presents the written response of MERC officials responsible for concession activity and oversight.

We appreciate the assistance provide by the MERC Accounting Department and Aramark staff during the course of this review.

Yours very truly,

A handwritten signature in cursive script that reads "Alexis Dow".

Alexis Dow, CPA
Metro Auditor

Auditor: Eric Spivak, CIA

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Executive Summary

The purpose of this audit was to evaluate cash handling and inventory management practices associated with the Portland Center for the Performing Arts concession activities. The concession activities are managed, staffed and operated by Aramark/Giacometti Joint Venture (Aramark) pursuant to a contract between Aramark and the Metropolitan Exposition Recreation Commission (MERC). Our audit included a review of contract oversight practices and the reporting relationships among the performing arts center's concessions, the Aramark group accounting office, and MERC management.

We found that Aramark had instituted adequate cash handling controls that provide assurance that all cash sales will be recorded. However, we did find that the concession control environment allows for misappropriation of assets. To better ensure that concession assets – food, beverages and cash – are fully accounted for and used solely for authorized purposes, we recommend:

- Requiring the concession manager¹, rather than the bookkeeper who prepares cash deposits, send nightly sales reports directly to the Aramark accounting manager
- Restricting computer access to the concession manager's sales activity reports to preclude unauthorized alteration
- Requiring Aramark employees to adhere to Aramark procedures regarding the completion of receiving logs and authorization of invoices for payment
- Segregating duties so that the same individual does not prepare purchase orders, receive goods, and also conduct inventories.

In addition, MERC should engage in all oversight activities specified in the concessions contract. Currently, MERC relies primarily on analytical review of performance expectations. MERC, the performing arts center and Aramark management meet monthly to review fiscal data and discuss the achievement of performance expectations. Contract oversight activities specified in the concessions contract but not practiced by MERC include:

- Engaging an outside accounting firm to conduct an audit using reserve funds that have been accrued for this purpose
- Obtaining notification of Aramark internal audits and receiving the reports stemming from these annual audits
- Receiving bank statements, directly from the bank, of the accounts used to manage the concession activity funds.

We also found that no reporting system was in place to ensure all catering revenue was accounted for and reported prior to August 2006, as MERC accounting staff was not notified when catered events occurred and thus had no means of knowing whether catering revenue was deposited into the correct account. In August, administrative procedures were made in response to this finding.

A summary of our recommendations for addressing these matters is provided in the next section of this report.

¹ Actual job title is "Building Supervisor;" however, functional responsibility in this case is that of concession manager, which term is used for clarity.

Summary of Recommendations

1. Aramark should institute compensating controls to eliminate risks of misappropriated assets and undiscovered errors associated with the fact that the bookkeeper is involved in both cash deposit and sales activity reporting.
 - Aramark should require that the concession manager, at the end of every shift, report the nightly sales total to the Aramark accounting manager. Faxing a copy of the vault report or e-mailing a copy of the summary report would be appropriate methods of communicating this information.
 - Computer access to the sales activity reports completed by the concession manager should be restricted so that the bookkeeper does not have opportunity to alter and reproduce sales reports. This can be achieved by installing password protection requirements.
2. Aramark management should enforce adherence to established purchasing policies and procedures to help ensure that payment is made only for goods and services received in accordance with agreed upon terms. For example:
 - Employees should be required to complete receiving log entries in accordance with Aramark procedures.
 - Employees should be required to authorize payment by signing and dating invoices as required by Aramark policy.
3. Aramark should segregate duties in a manner that does not allow the same individual to complete purchase orders, receive supplies and conduct inventories. Concentrating more than one of these responsibilities in the same individual allows asset misappropriation and errors to go undetected.
4. MERC should engage in oversight activities allowed under the terms of the concessions contract:
 - MERC should use accrued funds to engage an outside audit firm to conduct an audit.
 - MERC should require Aramark to provide notification when Aramark will conduct its annual internal audit and to provide a copy of the ensuing report at the completion of the audit.
 - MERC should require that it receive monthly account statements directly from the bank that provides concession account services to ensure that funds are deposited and that the agreed upon reserves remain in the account.²
5. MERC financial management should receive copies of catering contracts or other documents that would provide it with the ability to better verify that all catering revenue has been reported.³

² The Metro Auditor's Office has been advised that MERC management has already taken the recommended action.

³ The Metro Auditor's Office has been advised that MERC management has already taken the recommended action.

Introduction

Background The Metropolitan Exposition Recreation Commission (MERC) owns and operates the Oregon Convention Center, the Portland Metropolitan Exposition Center, and the Portland Center for the Performing Arts. The performing arts center consists of three buildings:

- The New Theater Building contains the 900+ seat Newmark Theater and the 250-seat Winningstead Theater.
- The 2,777-seat Arlene Schnitzer Concert Hall is home to the Oregon Symphony, the White Bird Dance Company, Portland Arts & Lectures, and is used for various other concert events.
- The 3,000-seat Keller Auditorium is home to the Portland Opera, Oregon Ballet Theatre and Oregon Children's Theatre and also hosts traveling Broadway production companies.

MERC contracts with a professional concessionaire to manage, staff and operate the concession and catering activities at these locations. MERC entered into a concession and catering management agreement with Aramark/Giacometti Joint Venture (Aramark) in 1999. That agreement was updated and extended in 2001 and again in 2003. The 2003 amended agreement is effective until June 30, 2009.

Concession operations at the New Theater Building include *The ArtBar and Bistro*, which serves appetizers, light dinners, drinks and deserts on performance nights, as well as a 2nd floor "cash-only" concession stand that serves snacks and alcoholic and non-alcoholic beverages. Schnitzer Hall has several cash-only concession stands and the Keller Auditorium includes a bar as well as concession operations.

In fiscal year 2005-06, the performing arts center's catering, concession, and miscellaneous activities resulted in revenue of \$1.6 million.⁴ Total direct operating costs of concessions totaled \$1.3 million for the fiscal year. After payments to the concessionaire, MERC received earnings of approximately \$190,000. Fiscal year 2006 data is provided in Appendix C.

Aramark's responsibilities include purchasing the inventory; operating the restaurants, concessions and catering activities; depositing the receipts, making payroll and vendor payments; calculating the dollar amount due MERC; and providing payment and reporting to MERC on a monthly basis. More specific contract details are provided in Appendix A.

⁴ Based on draft year-end data.

**Audit Scope,
Objectives and
Methodology**

This audit examines concessions cash handling and inventory management practices at the performing arts center facilities. The scope focused on cash handling and inventory management practices, as the collection of cash and reporting of sales presents the greatest risk of loss due to the liquid nature and easy portability of cash, food and beverages.

The objectives of the audit were to determine if controls were adequate to mitigate the following risks:

- The risk that employees will “short” the cash register. This risk is increased by the nature of the “cash-only” concession stands.
- The risk that avoidable inventory shrinkage will increase expenses associated with concession operations.
- The risk that revenues will be under-reported by Aramark.

To accomplish these objectives, we interviewed MERC and Aramark employees to gain an understanding of operating practices and we observed Aramark concession activities. Additional audit methodologies included reviewing the concession contract governing the agreement between MERC and Aramark, evaluating Aramark reporting tools and control structure, and analyzing reported sales figures and supporting documentation.

This audit was conducted in accordance with generally accepted government auditing standards. These standards required that we review internal controls and report significant deficiencies that are relevant to audit objectives. Significant internal control deficiencies found during the course of the audit are described in the report.

Findings and Recommendations

Finding 1: Concession controls ensure that all cash sales will be recorded.

Aramark has instituted several controls to provide adequate assurance that all sales will be recorded. Responsibility for stocking concession stand inventory is segregated from responsibility for concession sales. Concession stand inventory is counted before and after each event to determine the number of items of inventory sold. The sales value of the depleted inventory is then calculated using unit prices multiplied by the number of inventory items sold. The calculated amount is compared to the dollar amount of sales revenue submitted by the concession worker (stand employee) to ensure that all inventory is accounted for. The concession manager is responsible for recording sales information into spreadsheets used for reporting purposes.

A complete listing of concession stand controls is provided in Appendix B.

Finding 2: Some additional procedures would help provide more complete assurance that all sales revenue is deposited and accurately recorded.

Bookkeeping duties related to the reporting and depositing of sales revenue are not adequately segregated, which allows for asset misappropriation and undetected errors. Currently, the morning after a show, the bookkeeper performs the tasks of counting the previous night's vault deposits and verifying that the deposits agree with the cash reports and the amounts recorded on the vault report. The same bookkeeper transfers information from the summary report to a weekly cash sales report, prepares the deposit slips, and physically transfers all paperwork to the Aramark group accounting office.

Though these steps provide for a more complete accounting of all sales and revenue, there are two weaknesses in the system that could be exploited, albeit with some difficulty, to siphon collected revenue and alter sales reports. These weaknesses, which can easily be mitigated, are:

- The bookkeeper, who works alone in the office, has access to all paperwork as well as access to cash and the ability to alter the spreadsheets prepared by the concession manager.
- The Aramark accounting manager does not have the means to verify the accuracy of information reported by the bookkeeper because the Aramark accounting manager does not receive information from a second source.

A process that would not add to the workload of any Aramark employee can easily mitigate these weaknesses. Provision of information to the Aramark group accountant directly from the concession manager would provide the means of

verifying that cash collection and sales information are not altered by the individual performing bookkeeping functions. Therefore, the following recommendations are offered:

Recommendation: Aramark should require that the concession manager, at the end of every shift, report the nightly sales total to the Aramark accounting manager. Faxing a copy of the vault report or e-mailing a copy of the summary report would be appropriate methods of communicating this information.

Recommendation: Computer access to the sales activity reports completed by the concession manager should be restricted so that the bookkeeper does not have the opportunity to alter and reproduce sales reports. This can be achieved by installing password protection requirements.

Finding 3: Purchasing and inventory controls have been established but are not consistently adhered to.

Purchase orders are used to ensure that all purchases are authorized. Sequentially numbered purchase orders are distributed by the office manager and are required for all purchases. Responsibility for purchasing is limited to key management individuals and segregated among those individuals. The restaurant manager is responsible for the purchase of alcoholic beverages, the concession manager for non-alcoholic beverages and paper products, and the catering manager⁵ for food. Additionally, authorization for the purchase of alcohol requires the signature of the general manager⁶ on the purchase order. Aramark policy requires invoices to be signed and dated, indicating authorization to pay.

A receiving log is used to record the receipt of inventory. However, employees do not consistently complete log entries. Thirty-two of 65 December entries and 30 of 90 April entries lacked initials documenting receipt of the inventory.

Inventory controls consist of weekly and monthly physical inventories of alcohol, non-alcoholic beverages, and all food items. Additionally, a perpetual inventory of alcoholic beverages is maintained. However, responsibility for conducting these inventories falls to the same individuals responsible for the purchasing function.

Access to inventories is limited through use of locked storage areas. Only management personnel have keys to the storage areas and key access to the alcohol storage area is further limited to the restaurant manager and general manager.

Fifteen items from the accounts payable log were tested to determine if procedures had been followed and to determine if supporting purchase documentation was maintained. For each item, a purchase order had been completed, receipt had been

⁵ Actual job title is "Chef;" however, functional responsibility in this case is that of catering manager, which term is used for clarity.

⁶ Actual job title is "Operations Manager;" however, functional responsibility in this case is that of general manager, which term is used for clarity.

documented on the received log, supporting documentation (purchase order and invoice) were maintained, and the dollar amount on the accounts payable log agreed with the invoice amount. However, only three of the 15 invoices were signed and dated. Additionally, in one instance the purchase order lacked an authorizing signature.

Recommendation: Aramark should institute the necessary actions to ensure employees comply with policies requiring that receiving log entries include the receiver's initials and that invoices are signed and dated.

Finding 4: Purchasing and inventory management duties are not adequately segregated.

As noted above, purchasing and inventory controls have been established; however, responsibilities are not adequately segregated. The catering manager prepares and authorizes the purchase orders for food items and then receives the goods, authorizes payment and performs weekly inventories. Similarly, the concession manager performs the same set of duties for the purchase of non-alcoholic beverages. The restaurant manager performs the same duties for the purchase of alcoholic beverages with the exception that the general manager must also sign the purchase order. Segregation serves as a control to prevent an individual from procuring goods for the purpose of misappropriation and then recording those goods as being available in the inventory.

Recommendation: Aramark should segregate purchasing from inventory management functions.

Finding 5: MERC has not engaged in oversight activities allowed by contract that would provide additional assurance that controls adequately safeguard MERC's interest in concession activities.

The concession contract includes the following provisions, which have not been implemented:

- 9B. MERC shall conduct an annual audit, or similar review, of Concessionaire's records, books, and accounts related to matters covered by this Agreement. The audit shall be conducted by an outside accounting firm selected by MERC. The cost of the annual audit will be treated as an operating expense under this Agreement.
- 9C. MERC shall have the right to conduct unannounced cash audits or other spot checks of food service activities, including but not limited to conducting surprise cash counts, observing Concessionaire's employees cash handling methods, and observing product inventory counts.
- 9D. Concessionaire shall notify MERC when any internal audit or review of its operations at MERC is taking place. Concessionaire shall provide to MERC a copy of any informal and formal audit or review reports as soon as the reports are completed.

- 9E. Concessionaire shall require its bank to provide directly to MERC original monthly bank statements for Concessionaire's accounts as soon as the bank statements are available.

MERC has not contracted an outside accounting firm to perform an annual audit since at least 2004, though \$40,000 has been accrued for this purpose. Similarly, MERC has not conducted any unannounced observations of cash handling or inventory controls.

MERC has not received internal audit reports from Aramark in 2005 or 2006. Aramark corporate policy requires an internal review be conducted on an annual basis. The last Aramark report received by MERC was dated April 30, 2004 and pertained to exposition center operations.

MERC does not receive monthly bank statements for concession accounts.

Recommendation: MERC should use accrued funds to engage an outside accounting firm to conduct an audit.

Recommendation: MERC should require Aramark to provide notification when any internal audits or reviews will occur and then provide a copy of the report upon completion of the audit or review

Recommendation: MERC should require that it receive monthly statements directly from the bank.

Finding 6: No method has been established to ensure that MERC is aware of catering revenue.

MERC relies on a monthly review of operating performance data to ensure that performance expectations are achieved. Accounting staff perform a monthly reconciliation to verify that funds received by wire transfer agree with the amount reported by Aramark as due to MERC. However, MERC would not know if revenue earned was not reported. For example, prior to August 2006 catering event information was not entered into the MERC accounting program and therefore accounting staff would not have known if revenue for these events was not reported.

Recommendation: MERC should receive copies of catering contracts from Aramark and banquet set up reports from the facilities division, which would provide the accounting department with the ability to verify that all catering revenue has been reported. In addition, the performing arts center manager should report catering activity to MERC financial management.

Appendices

Appendix A Summary of Key Concession Contract Terms

In consideration for managing and operating the Portland Center for the Performing Arts concessions, Aramark receives:

- 3.9% of net gross receipts
- 9.5% of net profits
- 2% of net profits if total net profits for all facilities exceeds \$3,350,000 (the total profit threshold) in any accounting year or 1% of any facility's net profit if that facility exceeded its apportion of the total profit threshold but the total profit threshold for all three facilities was not met
- 1% of net profits if Aramark meets certain qualitative goals that are mutually agreed upon by MERC and Aramark prior to each accounting year.

The contract allows certain expenses to be paid from gross receipts. These expenses include: cost of goods purchased; direct labor, including applicable taxes, worker's compensation costs and fringe benefits for on-site employees devoting their full efforts to the MERC contract; the food and beverage service manager's salary, insurance payroll taxes and fringe benefits; the group manager's salary, bonus, insurance, payroll taxes and fringe benefits; and other direct costs. Allowable other direct costs include copy machine and other equipment rental; vehicle rental, maintenance and repair; bank charges; linen and uniforms; employment fees; armored car; telephone and fax; computer supplies; professional services; printing, etc.

The contract specifically excludes the deduction of certain expenses by Aramark. These expenses include: corporate supervision and support services (accounting and payroll); bonuses to Aramark staff other than on-site management staff; auditing, legal and planning expenses; insurance other than the insurance costs directly attributable to the coverage required by the contract; corporate taxes; attorney fees; and other general corporate administrative overhead expenses.

Aramark is also required by the current contract amendment to invest a total of \$750,000 to renovate and equip the MERC food and beverage facilities with the necessary signage, small wares, furniture, equipment, etc.

Appendix B **Concession Stand Controls**

The following concession stand controls have been implemented by Aramark to provide adequate assurance that all sales are recorded:

- Prior to each event, the concession manager completes a “pull sheet” for each concession stand. The pull sheet lists the inventory to be added to the existing inventory at the concession stand.
- A runner gathers the inventory from the storage area and provides it to the stand employee.
- The stand employee verifies receipt of inventory and adds the pulled inventory to the existing inventory at the stand. The stand employee then completes the “beginning inventory” column of the “stand sheet” prior to opening the stand.
- At the end of the event, the stand employee counts the inventory, completes the “ending inventory” column of the stand sheet and submits the form to the concession manager.
- The stand employee then counts the money in the till and completes and signs a two-copy cash report.
- The concession manager enters the beginning and ending inventories from the stand sheet into the computer. The computer application then uses the inventory information to determine the dollar amount of cash sales that should have been collected. The concession manager compares the calculated sales revenue to the revenue reported by the stand employee.
- If there is a discrepancy between the calculated sales revenue and the revenue reported by the stand employee, then the concession manager will require the stand employee to recount the ending inventory and/or the collected revenue. Aramark policy requires a recount to occur if the discrepancy is greater than 0.5 percent, though the concession manager, at his/her discretion, may require a recount if the discrepancy is less than five percent.
- The concession manager signs the cash report.
- The stand employee then places the cash and one copy of the cash report in a bank bag and deposits the bank bag into the safe. The second copy of the cash report is left for the bookkeeper, along with the stand report.
- The stand employee signs and records the dollar amount deposited in the vault on a vault report.
- The concession manager tallies information from the individual concession stands and inputs the information into a summary report.

Appendix C Food and Beverage Operations

FY 2005-06 Year-End Fiscal Data (preliminary data)

REVENUES	YTD Actual
Catering	
Food	\$ 227,972
Beverage	-
Liquor	-
Wine	-
Beer	-
Subtotal	\$ 227,972
Concession	
Food	\$ 198,856
Beverage	266,186
Liquor	246,883
Wine	338,223
Beer	130,537
Starbucks	-
ArtBar Bistro	\$ 89,662
Subtotal	\$ 1,270,346
Other	
Miscellaneous	\$ 9,969
Labor	21,536
Gratuities	60,776
Subtotal	\$ 92,281
Gross Revenue	\$ 1,590,599
Less: Metro Excise Tax	-
Net Gross Receipts	\$ 1,590,599
EXPENDITURES	
Aramark Net Gross Receipts Split (3.9%)	\$ 60,224
Direct Operating Costs of Concessions – Cost of Goods Purchased	
Catering Food	\$ 67,555
Concession Food	58,340
Beverage	42,123
Liquor	66,379
Wine	103,529
Beer	27,086
ArtBar Bistro	44,819
Subtotal	\$ 409,831
Direct Labor	\$ 696,875
Music & Entertainers	1,600
Direct Expenses	106,945
Contract Reserve (2%) Capital	30,884
Contract Reserve (1%) Maintenance	15,442
Contract Reserve (1%) Utilities	15,442
Contract Reserve (1%) Marketing	15,442
Overhead	32,181
Subtotal	\$ 914,811
Total Direct Operating Costs of Concessions	\$ 1,324,642
Net Profit	\$ 205,733
Aramark Net Profit Split (9.5%)	\$ 19,545
Qualitative Incentive	
Return to MERC	\$ 186,188
MERC Margin	12.3%

Source: Aramark Year-End Report (draft form)

Response to the Report

Metropolitan Exposition Recreation Commission

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 1

Aramark should require that the concession manager, at the end of every shift, report the nightly sales total to the Aramark accounting manager. Faxing a copy of the vault report or emailing a copy of the summary report would be appropriate methods of communicating this information.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

PCPA will require that Aramark follows the auditor's recommended procedure.

Who will take action?

PCPA Executive Director will require Aramark General Manager to initiate.

When will action be accomplished?

November 1, 2006

Follow-up necessary to correct or prevent reoccurrence.

PCPA Assistant Executive Director will randomly verify procedure is in place and being followed.

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 2

Computer access to the sales activity reports completed by the concession manager should be restricted so that the bookkeeper does not have the opportunity to alter and reproduce sales reports. This can be achieved by installing password protection requirements.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

PCPA will require Aramark to establish passwords.

Who will take action?

PCPA Executive Director will require Aramark to comply.

When will action be accomplished?

December 1, 2006

Follow-up necessary to correct or prevent reoccurrence.

PCPA Assistant Executive Director will periodically verify.

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 3

Aramark should institute the necessary actions to ensure employees comply with policies requiring that receiving log entries include the receiver's initials and that invoices are signed and dated.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

Aramark staff will begin completing receiving log. Aramark management will hold receiver accountable.

Who will take action?

PCPA Executive Director will instruct Aramark management.

When will action be accomplished?

November 1, 2006

Follow-up necessary to correct or prevent reoccurrence.

PCPA Assistant Executive Director will randomly verify procedures are being followed.

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 4

Aramark should segregate purchasing from inventory management functions.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

Currently under design discussion with respect to EBMS. The purchasing and inventory phase of EBMS implementation will begin in 2007 with a six to nine month duration.

Who will take action?

PCPA Executive Director will work with Aramark and MERC Administration.

When will action be accomplished?

2007-08 Fiscal Year

Follow-up necessary to correct or prevent reoccurrence.

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 5

MERC should use accrued funds to engage an outside accounting firm to conduct an audit of concessions activity.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

MERC Deputy General Manager will engage an outside auditor to review Aramark.

Who will take action?

MERC Deputy General Manager

When will action be accomplished?

Audits will be engaged after all EBMS modules are installed and fully operations in 2007-08 Fiscal Year

Follow-up necessary to correct or prevent reoccurrence.

n/a

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 6

MERC should require Aramark to provide notification when any internal audits or reviews will occur and then provide a copy of the report upon completion of the audit or review.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

The contract with Aramark requires notification. In the past, Aramark has submitted internal audit reports to MERC.

Who will take action?

MERC management will request copies if audits are conducted in the future.

When will action be accomplished?

n/a

Follow-up necessary to correct or prevent reoccurrence.

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 7

MERC should require that it receive monthly bank account statements directly from the bank.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

U.S. Bank statements are being delivered to MERC Administration.

Who will take action?

Complete

When will action be accomplished?

Done

Follow-up necessary to correct or prevent reoccurrence.

n/a

Audit: Concession Management Activities: System Works, Some Enhancements Needed

Date: October 2006

AUDIT RESPONSE

Recommendation 8

MERC should receive copies of catering contracts from Aramark and banquet set up reports from the facilities division, which would provide the accounting department with the ability to verify that all catering revenue has been reported. In addition, the performing arts center manager should report catering activity to MERC financial management.

Agree

Yes X

No (specify reasons for disagreement)

What action will be taken (if any)?

Currently, Aramark's corporate officers are reviewing a contract amendment that was prepared by the Metro Attorney. This amendment allows Food & Beverage (F&B) activity to be incorporated into MERC's licensee agreement with customers. Once the contract is amended, Aramark will not enter into separate Catering contracts.

In addition to the contract changes, all Aramark transactions are currently being recorded in EBMS. This is being phased in between August and October 2006.

Assuming the contract is amended, effective November 1, 2006 customers will be invoiced by MERC Admin on a consolidated invoice for all MERC services and F&B. All payments will be received by MERC and a weekly transfer will be remitted to Aramark for the F&B share.

Who will take action?

General Manager is negotiating with Aramark. Deputy General Manager is implementing the new process.

When will action be accomplished?

Transition to new contract anticipated for November 1, 2006.

Follow-up necessary to correct or prevent reoccurrence.

n/a



Metro Auditor Report Evaluation Form

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Your feedback helps us do a better job. If you would please take a few minutes to fill out the following information for us, it will help us assess and improve our work.



Name of Audit Report: PCPA Concession Management Activities: System Works, Some Enhancements Needed, October 2006

Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, ideas, thoughts: _____

Name (optional): _____

Thanks for taking the time to help us.

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