



City of Bowling Green

Internal Auditor's Office

Sloan Convention Center Management Contract Revenue Audit

Project# 2015-04

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Finalized: 04/22/15

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Background



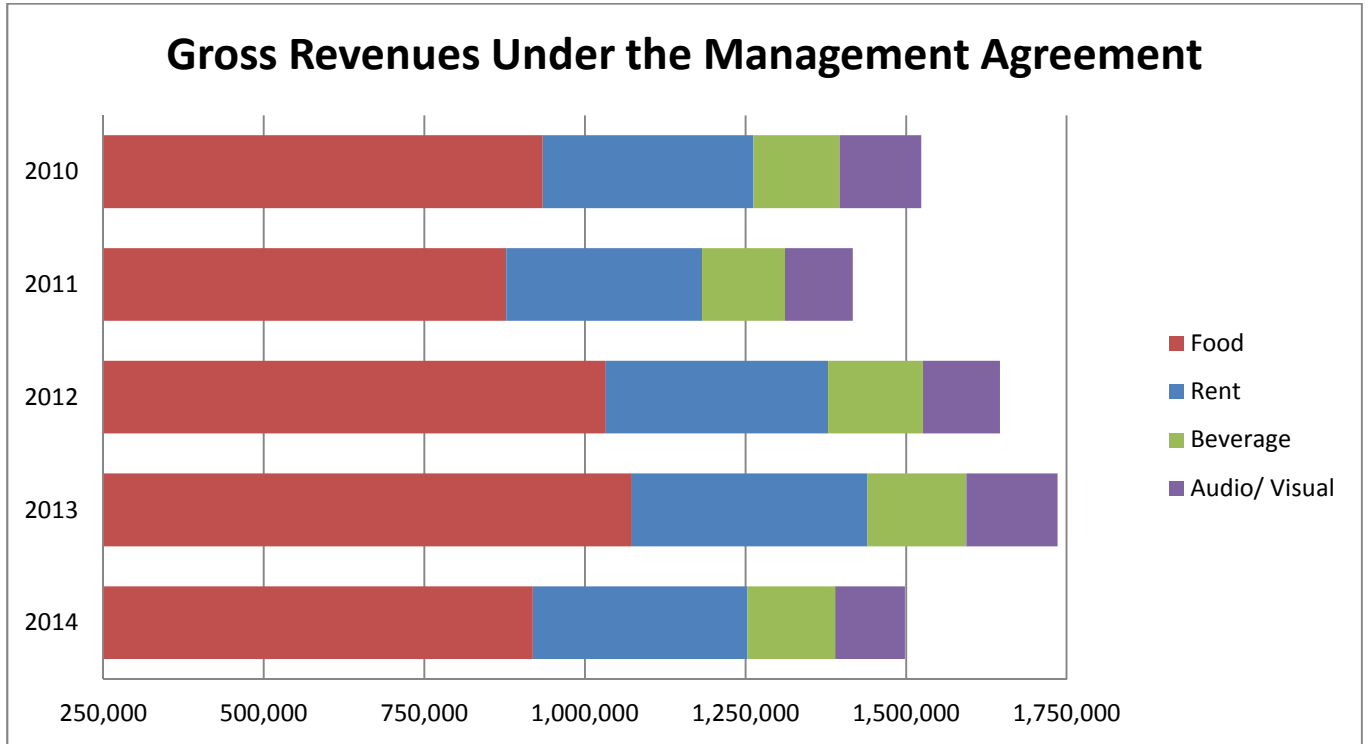
The Sloan Convention Center opened in mid-1995 as the Bowling Green-Warren County Convention Center. The center was renamed in January 2002 in honor of Patsy T. Sloan, Mayor of the City of Bowling Green from 1988 to 1991. The convention center construction was funded by a City of Bowling Green bond issue of \$8.6 million and a \$4 million grant from the Commonwealth of Kentucky. The bond payments are repaid from city and county property taxes and city occupational license fees generated by the Hartland tax increment district. The convention center receives 1% of the county-wide transient room tax. That plus the City's share of the room rental and catering revenues are used to cover capital expenditures, major maintenance repairs, insurance, and other expenses not covered under the management contract.

The convention center is owned by The Convention Center Corporation (originally Tourism & Economic Development Council, Inc. – “TEDCO”), which was established by the City of Bowling Green and County of Warren in 1988. Since 2003, the Convention Center Corporation (CCC) Board has been made up of the five-member City of Bowling Green Board of Commissioners plus the Warren County Judge Executive.

General financial administration and management oversight are provided by a City staff member acting as the CEO of the CCC. John Q. Hammons Hotels Management LLC, operator of the Holiday Inn University Plaza Hotel, is under contract to manage the convention center, including all staffing, sales/marketing, rental, building maintenance and catering.

Under the current two year contract, which became effective on April 1, 2014, the CCC receives 11% of all room rental, catering and audio visual rental.

Food sales within catering services are by far the largest revenue source averaging over 61% of the commissionable revenues over the past 5 calendar years.



Detailed revenues from the graph above are listed in the table below. The Sloan Convention Center Management and Catering Agreement's revenue shares have fluctuated over the years based on the applicable renewal agreement. Gross revenue shares from food, rent, beverage, and audio/visual were 12% for years 2010 and 2011, 11.5% for 2012 and 11% for years 2013 and 2014.

Year	Food	Rent	Beverage	Audio/ Visual	Gross Revenue	CCC Revenue
2014	918,997	333,437	137,107	108,468	1,498,008	164,781
2013	1,071,930	367,972	154,218	141,998	1,736,118	192,713
2012	1,031,198	347,604	147,105	120,326	1,646,233	191,221
2011	877,660	304,642	129,212	105,684	1,417,198	170,064
2010	934,405	327,477	134,683	127,101	1,523,666	182,840
Total Sales	\$4,834,189	\$1,681,132	\$702,326	\$603,577	\$7,821,223	\$901,619
% of Sales	61.81%	21.49%	8.98%	7.72%		

Objective

The objective of this audit is to review revenue due to the City from the room rentals, food and beverage, and audio visual rentals at the Sloan Convention Center to determine that proper remittance was made in accordance with the management contract.

Scope

The scope of this audit included rentals from April 1, 2013 through December 31, 2014.

Criteria and Approach

This audit was based on documented policies and procedures, as well as general best business practices. The approach consisted of three phases:

1. Understanding the Process:

During phase one, the entrance conference was held to discuss objectives of the audit work, collect information and documentation, and inform them why they were selected. The official minutes from the CCC Board minutes were reviewed as well as the contracts from 2008 through to the most current 2014 contract. Online research was conducted to review similar audits conducted on similar topics in other municipalities.

2. Sample Determination and Detailed Testing:

During phase two, review and testing was conducted to reconcile, trace and re-calculate revenue amounts reported quarterly to the CCC Board were in agreement with the following:

- A. The original Banquet Event Order Forms and Banquet Checks on file which are the invoice listing all of the charges such as room rent, food and beverage and associated charges that are incurred within a rental;
- B. The Catering Revenue Reports from the management company's software to ensure the revenue amounts matched; and
- C. The actual receipts within the City of Bowling Green's Detailed General Ledger Report reconciled to the amounts reported to the CCC.

3. Reporting:

During phase three, I analyzed and evaluated the results of the tests performed and summarized the results into a report format based on the analysis. A copy was provided to management for their files. No management comments were required.

Statement of Standards

The audit was performed in accordance with generally accepted government auditing standards. Those standards required that I plan and perform the audit to afford a reasonable basis for judgments and conclusions regarding the organization, program, activity or function under audit. I believe this audit provides a reasonable basis for the conclusions.

Audit Conclusion

The management company complied with the terms of the agreement.