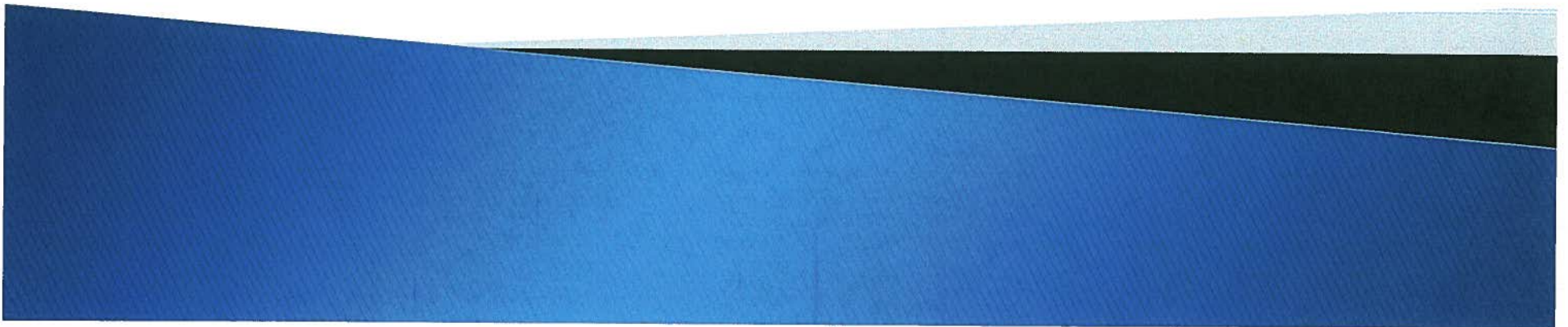


Audit of Fair Park Business Partners Oversight

Park and Recreation Board

June 2, 2016





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Audit Report

**AUDIT OF FAIR PARK BUSINESS PARTNERS
OVERSIGHT**

(Report No. A16-009)

May 13, 2016

City Auditor

Craig D. Kinton

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Executive Summary

Analysis of 16 Fair Park business partners, resulted in the selection of six major business partners (see textbox) for further risk evaluation. The risk evaluation was based on three years of audited financial statements, general ledger trial balances, and Federal tax returns (Internal Revenue Service Form 990), if available; analyses of key nonprofit financial ratios; and, survey information (see Appendix III).

For the following three business partners, certain financial and operational risks were identified which warrant closer monitoring by the Office of Cultural Affairs (OCA):

- Dallas Historical Society, Inc. (DHS)
- DSM Management Group, Inc. (DSM)
- Foundation for African-American Art (FAAA)

As a result, there is an increased risk that these business partners may need additional financial support from the City of Dallas (City). It is important to note that these organizations have strong community support and have managed to fulfill their missions for many years.

While the Department of Park and Recreation (PKR) and OCA perform various oversight / monitoring activities related to the six major Fair Park business partners, areas for improvement were identified. Specifically:

Background Summary

The City of Dallas (City) currently has management, lease and use, or service contracts with 16 entities (business partners) related to Fair Park, a 277-acre tourist destination and Texas' most visited Public Park. Over 5.2 million patrons visit Fair Park annually attending over 1,000 special events.

During Fiscal Year (FY) 2013 through FY 2015, the City received approximately \$13 million in revenues from these 16 business partners and spent \$5.8 million to support the business partners' activities. The City spent \$33.6 million on the operation and maintenance of Fair Park.

The Department of Park and Recreation (PKR) and the Office of Cultural Affairs (OCA) are responsible for contract oversight / monitoring of the 16 business partners. This audit focused on the following six major Fair Park business partners:

Oversight / Monitoring	Business Partners	Date of Organization
PKR	1 Live Nation (formerly Pace Entertainment Group)	1987
	2 State Fair of Texas (State Fair)	1886
	3 Texas Discovery Gardens	1941
OCA	4 Dallas Historical Society, Inc. (DHS)	1922
	5 DSM Management Group, Inc. (DSM)	1998
	6 Foundation for African-American Art (FAAA)	1979

Source: Business partner contracts, PKR, OCA

- The PKR and OCA do not have formal (written, approved, and dated) contract oversight / monitoring policies and procedures in place for contract monitoring / oversight of assigned Fair Park business partners. Without formal contract monitoring policies and procedures, PKR and OCA cannot ensure effective internal controls and that PKR and OCA personnel are performing duties consistently to reduce the risk of financial loss and contract noncompliance.
- The PKR and OCA did not provide sufficient contract oversight / monitoring. The OCA did not have documentation to demonstrate that the FAAA contract which expired on June 23, 2012 was properly renewed as required by Administrative Directive 4-05, *Contracting Policy* (AD 4-05). Operating without a formal contract increases the City's risk for contract noncompliance. In addition, PKR and OCA did not provide sufficient contract oversight / monitoring for 23 key contract sections because they were not identified for oversight / monitoring. As a result, business partners' noncompliance was not identified and actions were not taken to correct noncompliance.
- The State Fair of Texas (State Fair) contract does not clearly define "*Application of Excess Revenues*". Without a clear definition of "*excess of its revenues less its expenses*" and "*all reasonable and prudent reserves*", the City cannot readily verify the reasonableness of the amounts determined by the State Fair as available for the development and enhancement of Fair Park.
- The PKR's written procedures for PKR's review, allocation, and preparation of the annual utility reimbursement bill sent to the State Fair for utility expenses incurred during the annual State Fair (September 15th to October 31st of each year) does not include supervisor review procedures. In addition, the procedures have not been approved by PKR management. As a result, PKR cannot ensure that utility expenses are allocated and billed appropriately, and the State Fair has properly reimbursed the City for its portion of the utility expenses.
- The PKR has not cross trained staff to verify Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations. As a result, there is an increased risk that PKR could not readily ensure the accuracy of these important calculations in the event currently assigned personnel leave PKR unexpectedly.

We recommend the Directors of PKR and OCA improve contract oversight / monitoring controls by addressing the recommendations made in this report. If the Fair Park business partner contracts are transitioned to another entity, we

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recommend the entity consider the benefits of implementing the recommendations to establish proper contract oversight / monitoring controls.

The audit objective was to evaluate the financial, operational, and other risks for the major business partners operating facilities at Fair Park and the City's oversight / monitoring controls. This audit focused on six major Fair Park business partners and the associated oversight / monitoring responsibilities provided by PKR and OCA.

The audit scope included management operations from Fiscal Year (FY) 2013 through FY 2015; however, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Management's response to this report is included as Appendix V.

AUDIT RESULTS

Overall Conclusions

Analysis of the 16 Fair Park business partners, resulted in the selection of six major business partners for further risk evaluation. The risk evaluation was based on three years of audited financial statements, general ledger trial balances, and Federal tax returns (Internal Revenue Service Form 990), if available; analyses of key nonprofit financial ratios; and, survey information (see Appendix III).

For the following three business partners, certain financial and operational risks were identified which may warrant closer monitoring by the Office of Cultural Affairs (OCA): (1) Dallas Historical Society, Inc.; (2) DSM Management Group, Inc. (DSM); and, (3) Foundation for African-American Art (FAAA).

While the Department of Park and Recreation (PKR) and OCA perform various oversight / monitoring activities related to the Fair Park business partners, areas for improvement were identified. Specifically:

- The PKR and OCA do not have formal (written, approved, and dated) contract oversight / monitoring policies and procedures in place.
- The PKR and OCA did not provide sufficient contract oversight / monitoring. The OCA did not have documentation to demonstrate that the FAAA contract which expired on June 23, 2012 was properly renewed as required by Administrative Directive 4-05, *Contracting Policy* (AD 4-05). In addition, PKR and OCA did not

Contract Oversight / Monitoring

Contract oversight / monitoring is the process that ensures organizations contracted with comply with the contract terms, performance expectations are achieved, and any problems are identified and resolved.

Best practices for contract oversight / monitoring include the following.

- Responsibility and authority should be clearly assigned to one or more staff with the proper skillset, time, and resources
- Procedures, such as a synopsis of contract performance requirements, checklists, inspection reports or other methods, should be established to ensure that deliverables are received on time, comply with the contract performance requirements, and properly document the acceptance or rejection of deliverables
- Contract documentation should be well organized in a centralized location accessible to authorized staff and cover all aspects of the contract relationship, such as general correspondence; compliance with contract performance requirements; performance reviews; and, approved / verified payments made to / from the organization contracted with
- Periodic performance reviews of the organization contracted with should be completed and the results of the review reported to the proper level of management
- Sufficient ramifications for non-compliance with contract performance requirements, such as withholding payments and/or assessing penalties, should be available and used

Source: National State Auditors Association and the Office of the City Auditor

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provide sufficient contract oversight / monitoring for 23 key contract sections because they were not identified for oversight / monitoring.

- The State Fair of Texas (State Fair) contract does not clearly define "*Application of Excess Revenues*".
- The PKR's written procedures for PKR's review, allocation, and preparation of the annual utility reimbursement bill sent to the State Fair for utility expenses incurred during the annual State Fair (September 15th to October 31st of each year) does not include supervisor review procedures. In addition, the procedures have not been approved by management.
- The PKR has not cross trained staff to verify Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations.

Section I – Risk Evaluation of Fair Park Business Partners

Financial Viability of Three Business Partners Warrants Closer Monitoring

The Dallas Historical Society, Inc. (DHS), DSM Management Group, Inc. (DSM), and Foundation for African-American Art (FAAA) have certain financial and operational risks which warrant closer monitoring by the Office of Cultural Affairs (OCA). As a result, there is an increased risk that these business partners may need additional financial support from the City of Dallas (City). It is important to note that these organizations have strong community support and have managed to fulfill their missions for many years.

A risk analysis based on three years of audited financial statements, general ledger trial balances, and Federal tax returns (Internal Revenue Service Form 990), if available; analyses of key nonprofit financial ratios; and, survey information (see Appendix III) showed:

Financial Viability of Nonprofit Organizations

Ability of the nonprofit organization to:

- Pay its bills
- Secure reliable and diverse sources of income
- Balance income and expenses

Nonprofit organizations that strive to be financially viable need to have good practices and management processes in place that directly influence their financial health, such as: (1) financial planning; (2) budgeting; (3) managing costs; (4) managing cash; (5) managing grants; (6) diversifying sources of funding; (7) selling products and services; (8) building up reserve funds; and, (9) managing performance.

Source: Building Capacity through Financial Management, John Cammack; Klaus Boas – Indicators of Financial Sustainability and Establishing Good Financial Management.

Dallas Historical Society, Inc.

- Unrestricted net assets¹ was negative in three of the four years ending June 30, 2012 through June 30, 2015. Unrestricted net assets was in a negative position (\$486) as of June 30, 2015.
- Unrestricted expenses exceeded unrestricted revenues in two of the four years ending June 30, 2012 through June 30, 2015. Unrestricted expenses exceeded unrestricted revenues by \$21,066 for the year ended June 30, 2015.

¹ *Net assets is defined as total assets minus total liabilities. In a sole proprietorship the amount of net assets is reported as owner's equity. In a corporation the amount of net assets is reported as stockholders' equity. In a not-for-profit (NFP) organization the amount of total assets minus total liabilities is actually reported as net assets in its statement of financial position.* Source: AccountingCoach.com

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- The audited financial statements include a footnote disclosure discussing the concentration of revenues sources. The footnote indicates that membership events and the State Fair of Texas (State Fair) Exhibit were approximately 39 percent and 36 percent of total revenues during 2015 and 2014, respectively.
- The permanently restricted endowment fund (Endowment Fund), which represents over 80 percent of total assets (\$1,055,116 as of June 30, 2015), provides the Board of Trustees a financial resource to supplement its operations.
- In the year ended June 30, 2012, the Board of Trustees authorized a series of loans from the Endowment Fund totaling \$97,500 to supplement its operations. In the year ended June 30, 2013, the Board of Trustees authorized an additional \$5,000 loan. The annual Endowment Fund distributions to operations for the years ended June 30, 2014 and 2015 were used to reduce the loan to a balance of \$13,500 at June 30, 2015.

DSM Management Group, Inc.

- The DSM's operations is intertwined with its affiliated company, Dallas Summer Musicals, Inc. (Musicals)².
 - The DSM's President / Managing Director is also the President / Managing Director of Musicals and is compensated by Musicals.³
 - The DSM leases office space to and shares employees with Musicals.
 - The percentage of DSM's revenues derived from Musicals is over 50 percent.
 - The audited financial statements include a footnote disclosure that summarizes transactions with Musicals resulting in accounts receivable, accounts payable, notes payable and deferred revenue balances, and the amount of revenue derived from Musicals.
- The change in net assets was negative in two of the four years ending June 30, 2012 through June 30, 2015. The change in net assets was a negative \$133,144 for the year ended June 30, 2015.

² The City's agreement is with DSM. Musicals operations were not reviewed as part of this audit.

³ On April 29, 2016, Musicals Interim Managing Director assumed DSM's President / Managing Director position.

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- Unrestricted net assets was nine percent of total assets as of June 30, 2015.
- Beginning in the City's Fiscal Year (FY) 2015, the City agreed to reimburse DSM up to \$290,000 annually for utilities and cellular phone charges. Without this reimbursement, DSM's unrestricted net assets for its year ended June 30, 2015 would have been negative by approximately \$194,000. The lease agreement which expires on June 30, 2029 requires DSM to pay all utilities.

Foundation for African-American Art

- The FAAA is not meeting the following management contract financial requirements:
 - The FAAA has not established an endowment fund in accordance with the management contract which states: *"The Museum shall establish an operating endowment fund and shall also use its best efforts to raise contributions from year to year in order to augment such endowment. Earnings shall be used for the benefit of the Museum's operations."*
 - The FAAA is not current in submitting required annual audited financial statements. While the management contract does not specify a due date for submission, annual funding received through the Cultural Organization Funding Program (COP) specifies submission within 180 days of the organization's fiscal year. The FAAA's December 31, 2014 financial statements were still in draft form.⁴
- The auditor has expressed a qualified opinion due to the possible effects of insufficient evidence about notes payable, including accrued interest and inadequate accounting controls over the completeness of program service requests for the years ended December 31, 2012 and December 31, 2013.
- The FAAA had a Federal payroll tax delinquency of \$154,359 reported in the December 31, 2014 draft financial statements. The delinquency is being paid off in monthly installments.
- The FAAA reported notes payable totaling \$248,201 (including accrued interest) as past due in the December 31, 2014 draft financial statements.

⁴ Subsequent to April 8, 2016 (end of audit fieldwork), FAAA provided finalized audited financial statements as of December 31, 2014. The auditor's unqualified opinion was dated April 27, 2016. Changes in the amounts reported from the draft financial statements are not reflected in our analysis of FAAA.

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- The FAAA's net assets have decreased \$515,685 (36 percent) from a December 31, 2011 balance of \$1,440,603 to a December 31, 2014 balance of \$924,918.
- The FAAA's Internal Revenue Service Form 990s indicate FAAA lacks good trustee governance procedures as follows: (1) President / Chief Executive Officer's (CEO) compensation is not approved; (2) audited financial statements and Internal Revenue Service Form 990s are not reviewed; and, (3) no whistleblower or conflict of interest policy exists.
- There is no succession plan for the President / CEO who founded FAAA in 1979. The Vice President for Institutional Advancement has been with FAAA for 31 years and is considered a key fundraising employee.

The *State of Texas Contract Management Guide*, which provides contract managers with recommendations on improving existing contract management processes and practices, identified Financial Capability as one of the contract monitoring activities. Organizations which the City contracts with to provide services should be financially capable / viable of handling a project of a specific size and scope and operate in a manner that reduces the risk that the organization will not be able to meet the contract requirements.

Recommendation I

We recommend the Director of OCA implement procedures to more closely monitor the financial viability for DHS, DSM, and FAAA.

Please see Appendix V for management's response to the recommendation.

Section II – Contract Oversight / Monitoring of Fair Park Business Partners

Formal Contract Oversight / Monitoring Policies and Procedures Are Not In Place

The Department of Park and Recreation (PKR) and the Office of Cultural Affairs (OCA) do not have formal (written, approved, and dated) policies and procedures for contract oversight / monitoring of assigned Fair Park business partners. Without formal contract oversight / monitoring policies and procedures, PKR and OCA cannot ensure that PKR and OCA personnel are performing their duties consistently to reduce the risk of financial loss and contract noncompliance.

Policies and Procedures

Policies and procedures:

- Ensure that fundamental organizational processes are performed in a consistent way that meets the organization's needs
- Exist to effect internal controls

Source: Committee of Sponsoring Organizations (COSO) and the Office of the City Auditor

The Fair Park business partners' contracts assigned to OCA receive City of Dallas (City) funding through the Cultural Organization Funding Program (COP). Because COP has formal policies and procedures and many of the COP contract requirements are the same as the Fair Park business partners' contract requirements, certain Fair Park business partners' contract requirements are evaluated annually during the funding process. Not all of the Fair Park business partners' contract requirements, however, are the same as the COP contract requirements (see Appendix I).

The Committee of Sponsoring Organizations⁵ (COSO) identified established policies and procedures as a control activity needed to manage risk.

Recommendation II

We recommend the Directors of PKR and OCA develop and implement formal (written, approved, and dated) contract oversight / monitoring policies and procedures.

Please see Appendix V for management's response to the recommendation.

⁵ The COSO is recognized as a leading framework for designing, implementing, and assessing the effectiveness of internal control.

Sufficient Contract Oversight / Monitoring Activities Are Not Performed

The PKR and OCA did not provide sufficient contract oversight / monitoring. The OCA did not have documentation to demonstrate that the Foundation for African-American Art (FAAA) contract which expired on June 23, 2012 was properly renewed as required by Administrative Directive 4-05, *Contracting Policy* (AD 4-05). Operating without a formal contract increases the City's risk for contract noncompliance.

In addition, PKR and OCA did not provide sufficient contract oversight / monitoring for 23 key contract sections because they were not identified for oversight / monitoring (see Appendix I for the specific contract sections and the associated requirements). As a result, business partners' noncompliance was not identified and actions were not taken to correct noncompliance.

For example, during Fiscal Year (FY) 2013 through FY 2015, the Texas Discovery Gardens and the FAAA did not have Worker's Compensation insurance coverage. In addition, the insurance provisions were not stated as required by the contract in the Certificates of Insurance (please see Appendix I for the specific noncompliance noted).

The AD 4-05 states that it is the department directors' responsibility to: *“ensure that all contracts are properly executed prior to commencement of work or purchase (when applicable), and submit the record copy of the executed contract, including all exhibits, documents incorporated by reference, and necessary supporting documentation to the City Secretary upon execution of the contracts. Vendors and consultants should not be authorized to begin work until the contract, bonding (if bonding is required), and appropriate insurance, including amendments, have been fully executed and delivered.”* The Standards for Internal Control in the Federal Government by the Comptroller General of the United States (Green Book)⁶ requires management to establish and operate activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.

Recommendation III

We recommend the Director of OCA develop written procedures to ensure contracts are timely renewed and properly executed in accordance with AD 4-05.

⁶ As required by City Council Resolution 883428, departments will establish internal controls in accordance with the standards established by the Comptroller General of the United States ... which are stated in the Standards for Internal Control in the Federal Government established by the United States Government Accountability Office in September 2014 (Green Book).

Recommendation IV

We recommend the Directors of PKR and OCA establish procedures to ensure that all key contract requirements are monitored and are in compliance with the contract requirements.

Please see Appendix V for management's response to the recommendation.

State Fair of Texas Contract Requirements Regarding “Application of Excess Revenues” Are Not Clear

The State Fair of Texas (State Fair) contract does not clearly define “Application of Excess Revenues”. Without a clear definition of “excess of its revenues less its expenses” and “all reasonable and prudent reserves”, the City cannot readily verify the reasonableness of the amounts determined by the State Fair as available for the development and enhancement of Fair Park.

Contract Section XI.11.01 states: “*The State Fair agrees to expend the **excess of its revenues less its expenses**⁷ and after **all reasonable and prudent reserves**⁸ are funded, on major maintenance and capital expenditures, which State Fair agrees to use for the development and enhancement of Fair Park and the Fair, using as a reference guide the mutually agreed upon Long Range Plan.*” This section does not specify whether the source of information is from audited or unaudited financial statements. In addition, the lack of definition of “all reasonable and prudent reserves” gives the State Fair sole discretion in the determination of “reasonable and prudent.”

The National Association of State Auditors, Comptrollers and Treasurers (NASACT) *Best Practices in Contracting for Services* indicates contract provisions should clearly state and define the scope of work, contract terms, allowable renewals, and procedures for any changes and provide for specific measurable deliverables and reporting requirements, including due dates, etc.

Recommendation V

We recommend the Director of PKR works with the City Attorney’s Office and the State Fair to develop and agree on a contract definition that is sufficiently clear to allow PKR to verify the reasonableness of the amounts determined by the State Fair as available for the development and enhancement of Fair Park.

Please see Appendix V for management’s response to the recommendation.

⁷ Emphasis (bold) added to actual Contract Section XI.11.01.

⁸ Emphasis (bold) added to actual Contract Section XI.11.01.

Department of Park and Recreation Does Not Have Complete and Approved Written Processing Procedures for Annual State Fair Utility Reimbursement Bill

The PKR's written procedures for PKR's review, allocation, and preparation of the annual utility reimbursement bill sent to the State Fair for utility expenses incurred during the annual State Fair (September 15th to October 31st of each year) does not include supervisor review procedures. In addition, the procedures have not been approved by PKR management. As a result, PKR cannot ensure that utility expenses are allocated and billed appropriately, and the State Fair has properly reimbursed the City for its portion of the utility expenses.

For 2015 the reimbursement was approximately \$500,000. Audit testing identified insignificant billing errors which indicate improvements in processing controls are needed. The PKR confirmed the identified billing errors and adjusted the February 15, 2016 invoice accordingly.

The Green Book indicates control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system. The Green Book also identifies review and approval as a transaction control activity needed to manage risk for operational and financial processes, which may include verification, reconciliation, authorization, and approvals, etc.

Recommendation VI

We recommend the Director of PKR develops and implements written supervisor review procedures and formally approves the procedures.

Please see Appendix V for management's response to the recommendation.

Department of Park and Recreation Has Not Cross Trained Staff to Verify Live Nation Rental Calculations and Payments

The PKR has not cross trained staff to verify Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations. These calculations are used to verify the City and the South Dallas Economic Development Fund received the correct rental payments from Live Nation (see textbox). As a result, there is an increased risk that PKR could not readily ensure the accuracy of these important calculations in the event currently assigned personnel leave PKR unexpectedly.

Currently, only one PKR Senior Accountant knows how to verify the Live Nation Minimum Guaranteed Rental, Percentage Rental, and Additional Rental payments to the supporting detail. The supporting detail is complex and not easily understood. Hands-on training would be needed to efficiently learn to perform the verification process. If the Senior Accountant should leave, the knowledge base would be lost and could not be easily learned independently.

The Green Book identifies training in Principle 4 – Demonstrate Commitment to Competence; *Recruitment, Development, and Retention of Individuals and Succession and Contingency Plans and Preparation*, as a control activity needed to manage risk. Adequate staff back up should be maintained to retain the knowledge base for complex and not easily understood tasks.

Recommendation VII

We recommend the Director of PKR cross trains staff to verify the Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations to ensure a contingency plan is in place in the event currently assigned personnel leave PKR unexpectedly.

Please see Appendix V for management's response to the recommendation.

Contract Provisions

The Minimum Guaranteed Rental is payable to the City as follows:

<u>Lease Year</u>	<u>Amount</u>
2012-2014	\$300,000
2015-2016	\$350,000
2017-2022	\$500,000
2023-2028	\$550,000

In addition to Minimum Guarantee Rental and, if applicable, the Percentage Rental, Live Nation shall also pay to the City for the Leased Premises and the Parking Tract Rights, as additional rental... It is the intent of the Live Nation and the City that Additional Rental is to be used by the City as a "South Dallas Economic Development Fund".

Source: Second Amendment to the Lease and Use Agreement (GEXA Energy Pavilion), effective June 17, 2015

Contract Sections Not Monitored and In Noncompliance

The Department of Park and Recreation (PKR) and the Office of Cultural Affairs (OCA) did not provide sufficient contract oversight / monitoring for the following contract sections and the business partners were in noncompliance with the contract requirements as follows:

Department of Park and Recreation

Business Partner	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections
<p>1 Texas Discovery Gardens (TDG)</p>	<p>Section 8 Operating Polices and Responsibilities</p> <p>The TDG shall submit its operating policies to the Park and Recreation Board for review.</p>	<p>The PKR does not have documentation to demonstrate TDG submitted its operating policies for review.</p>
<p>2</p>	<p>Section 22 Charter and Bylaws</p> <p>The TDG shall file a true and correct copy of its corporate charter, with amendments if any, and an accurate and complete copy of its bylaws and any amendments thereto, with the City of Dallas (City) and to be maintained by the City as a public record available for inspection to any person upon request during normal business hours.</p>	<p>The PKR does not have documentation to demonstrate TDG filed a true and correct copy of its corporate charter, with amendments if any, and an accurate and complete copy of its bylaws and any amendments.</p>

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Business Partner	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections
3	<p>Section 25 Reports and Proposed Operating Budgets</p> <p>A. The TDG shall submit annually to the Park and Recreation Board a budget that shall be assembled in the same format as required by the Park and Recreation Board, and which shall reflect the income and expenditures for the past fiscal year and proposed expenditures for the next fiscal year. The budget shall be submitted in complete and final form not later than the annual date set by the Park and Recreation Board.</p>	<p>The annual date for budget submission has not been set by the Park and Recreation Board.</p> <p>None of the Fiscal Year (FY) 2013 through FY 2015 submitted budgets included the prior fiscal year's income and expenditures.</p>
4	<p>B.1. An annual inventory of all City property at the Premises.</p>	<p>A review of fixed assets was performed by TDG in January 2016 and, according to PKR, the items that were not shown in the TDG's report were disposed of during a major renovation of the property around 2010. There was no documentation to support this disposal occurred during the property renovation or the specific items included in the disposal. In addition, there was no documentation that an annual inventory of all City property was performed.</p>
5	<p>B.3. Monthly reports for any deletions or additions to the personal property of the City at the Premises.</p>	<p>The PKR does not have documentation to demonstrate monthly reports for any deletions or additions to the personal property of the City at the Premises have been submitted.</p>
6	<p>B.4. Monthly reports of revenues received from rentals and other funding sources at the Premises.</p>	<p>The PKR does not have adequate documentation to demonstrate monthly reports of revenues received from rentals and other funding sources at the Premises have been submitted.</p>

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Business Partner	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections
7	<p>B.5. Financial reports for each fund raising event, to be filed within 120 days following each event, including revenues by source, expenditures by type of expense, net profit, and the designated use of those profits at the Premises.</p>	<p>The PKR does not have documentation to demonstrate financial reports for each fund raising event were filed within 120 days following each event, including revenues by source, expenditures by type of expense, net profit, and the designated use of those profits at the Premises.</p>
8	<p>B.6. An annual audit by an independent Certified Public Accounting firm, which shall include, but not be limited to financial reports relative to the assets, liabilities and fiscal stability of TDG, finance records procedures, and accounting system of TDG.</p>	<p>The PKR provided only the May 31, 2013 audited financial statements. The provided May 31, 2014 audited financial statements were actually a September 29, 2014 draft audit correspondence with adjusting journal entries addressed to the Finance / Audit Committee of TDG. Only a draft of the May 31, 2015 audited financial statements was obtained from PKR on February 19, 2016. The final May 31, 2015 audited financial statements opinion was dated December 23, 2015.</p>
9	<p>Section 27 Insurance and Indemnification</p> <p>The TDG shall be required to purchase and maintain, during the term of this Agreement, insurance as described in Attachment 1, Insurance Requirements.</p>	<p>There was no Worker’s Compensation coverage for FY 2013 through FY 2015. In addition, the insurance provisions were not stated as required by Section 27, (Attachment 1) in the Certificate of Insurance for FY 2013 through FY 2015.</p>
10	<p>Section 29 Utility Services</p> <p>The TDG is required to develop and submit a utilities conservation plan with the goal of maintaining their utility expenses five percent below facility appropriation.</p>	<p>The PKR does not have documentation to demonstrate the TDG submitted the required utilities conservation plan.</p>

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Business Partner	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections
11 State Fair of Texas	Section VIII. 8.06 Support of Cultural Facilities and Community Outreach Programs Spend at least \$150,000 each calendar year with Cultural Facilities and Community Outreach Programs.	The PKR did not verify the State Fair of Texas spent at least \$150,000 each calendar year with the Cultural Facilities and Community Outreach Programs.

Office of Cultural Affairs

Business Partner	Key Contract Sections and Associated Requirements Not Identified by OCA for Oversight/Monitoring	Noncompliance With Contract Sections
<p>1 Dallas Historical Society, Inc.</p>	<p>Section 3.2 Title to Personal Property</p> <p>The property listed on Exhibit B shall be audited and inspected annually by an authorized representative of the Office of Cultural Affairs. Exhibit B shall be revised when necessary to reflect additions or deletions thereto, and shall be verified by the signatures of the Director of the Office of Cultural Affairs and the Director of the Society.</p>	<p>The Office of Cultural Affairs' (OCA) Facilities Manager has not conducted reviews of Dallas Historical Society, Inc. (DHS) fixed assets inventory lists since 2009.</p>
<p>2</p>	<p>Section 13.0 Insurance</p> <p>The Society agrees to meet the minimum insurance requirements and indemnity provisions as defined by Exhibit C and to provide funds for such insurance in its annual budget. In addition, the Society agrees to maintain sufficient cash reserves to cover any of its deductibles or retained risk.</p>	<p>For FY 2013, there was no dollar coverage limit given for automobiles. In addition, the insurance provisions were not stated as required by Section 13, (Exhibit C) in the Certificate of Insurance for FY 2013 through FY 2015.</p>

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

Business Partner	Key Contract Sections and Associated Requirements Not Identified by OCA for Oversight/Monitoring	Noncompliance With Contract Sections
<p>3 DSM Management Group, Inc. (DSM)</p>	<p>Section 3 Consideration and Other Related Matters</p> <p>Lessee will submit a copy of an annual report of revenue and expenditures from the Maintenance Account and the Operating Account to the Director, no later than the anniversary of July 15th of each year during the Term in accordance to the provisions of Section 7.</p>	<p>The annual reports of revenue and expenditures from the Maintenance Account and the Operating Account were submitted late as follows:</p> <ul style="list-style-type: none"> • FY 2013 (eight days late) • FY 2014 (28 days late) • FY2015 (74 days late) <p>The following errors were noted in the reports.</p> <ul style="list-style-type: none"> • FY 2013 – The Maintenance Account covers the period July 1, 2012 – June 30, 2013; however, the ending balance is identified as June 30, 2011 • FY 2014 – The Maintenance Account July 1, 2013 opening balance of \$54,503 does not agree with the FY 2013 (June 30, 2013) closing balance of \$44,282. In addition, the Operating Account ending balance is identified as June 30, 2013 rather than June 30, 2014 • FY 2015 – The July 1, 2014 opening balances of \$221 and \$78,187 for the Operating and Maintenance Accounts, respectively, do not agree with the corresponding account ending balances of \$222 and \$78,175 as of June 30, 2014 in the previous year's report

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

Business Partner	Key Contract Sections and Associated Requirements Not Identified by OCA for Oversight/Monitoring	Noncompliance With Contract Sections
4	<p>Section 3 Consideration and Other Related Matters</p> <p>The source of funds for the Maintenance Account shall be from eight percent (8%) of the gross food and beverage sales actually collected by the LESSEE at the Leased Premises, less sales and use taxes collected and paid (<i>"Gross F&B Receipts"</i>).</p>	<p>The OCA did not verify the reported gross food and beverage sales and the eight percent calculation.</p>
5	<p>Section 4 Performance and Description of Use</p> <p>Express additional covenants: A. Trash Receptacles, B. Cleanliness, C. Overnight Use, D. Liability, and E. Management and Labor.</p>	<p>The OCA has not specified requirements for business partner reporting related to additional covenants. According to OCA, these reports will be implemented when the new facilities manager begins.</p>
6	<p>Section 4 Performance and Description of Use</p> <p>Lessee shall have the right to charge rent for the use of the Leased Premises In accordance with a fee schedule which shall be approved by the Director, annually.</p>	<p>The Director of OCA has not approved the fee schedule annually. The DSM has not changed the fee schedule since 2006, and the schedule is still current; however, the contract requires the fee schedule to be approved by the Director annually.</p>
7	<p>Section 4 Performance and Description of Use</p> <p>Lessee shall as soon as is reasonably practicable prepare in written form for review and written approval by the Director, appropriate operating policies for the Leased Premises, which shall be attached to and made a part of this Lease.</p>	<p>The OCA did not have documentation of the Director of OCA's review and written approval of the operating policies for the Leased Premises, and the operating policies were not attached and made part of the Lease.</p>

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

Business Partner	Key Contract Sections and Associated Requirements Not Identified by OCA for Oversight/Monitoring	Noncompliance With Contract Sections
<p>8 Foundation for African-American Art (Museum)</p>	<p>Section 11.0 Operating Policies and Responsibilities</p> <p>The Museum shall submit its operating policies and procedures to the Office of Cultural Affairs in written form for review.</p>	<p>The OCA does not have documentation to demonstrate the Museum submitted its operating policies and procedures in written form for review.</p>
<p>9</p>	<p>Section 13.0 Insurance and Indemnity</p> <p>The Museum agrees to meet the minimum insurance requirements and indemnity provisions as defined by Exhibit C and to provide funds for such insurance in its annual budget. In addition, the Museum agrees to maintain sufficient cash reserves to cover any of its deductibles or retained risk.</p>	<p>There is no Worker's Compensation coverage. In addition, the insurance provisions were not stated as required by Section 13, (Exhibit C) in the Certificate of Insurance for FY 2013 and FY 2014.</p>
<p>10</p>	<p>Section 14.0 Endowment Fund</p> <p>The Museum shall establish an operating endowment fund and shall also use its best efforts to raise contributions from year to year in order to augment such endowment. Earnings shall be used for the benefit of the Museum's operations.</p>	<p>The Museum has not established an operating endowment fund and no funds were raised during Calendar Years (CY) 2013 through 2015 to augment such funds.</p>
<p>11</p>	<p>Section 16.0 Charter and Bylaws</p> <p>The Museum shall file a true and correct copy of its corporate charter with amendments, if any, and an accurate and complete copy of its bylaws and any amendments thereto, and copy of its I.R.S. letter of determination of I.R.S. Sec. 501(c)(3) status with the Office of Cultural Affairs to be maintained as a public record available for inspection to any person upon request during normal business hours.</p>	<p>The OCA does not have documentation to demonstrate the Museum filed a true and correct copy of its corporate charter with amendments, if any, and an accurate and complete copy of its bylaws and any amendments thereto.</p>

Business Partner	Key Contract Sections and Associated Requirements Not Identified by OCA for Oversight/Monitoring	Noncompliance With Contract Sections
12	<p>Section 20 Reports and Proposed Operating Budgets</p> <p>At a minimum, the following reports shall be required:</p> <p>A. An annual audit prepared by an independent certified public accounting firm.</p> <p>Note: No due date for submitting the audited financial statements is stated. The Cultural Services Contract (annual funding agreement) SECTION 16 AUDITED FINANCIAL STATEMENTS requires audited financial statements be submitted no later than 180 calendar days after the end date of the Cultural Organization's fiscal year (December 31 for The Museum).</p>	<p>The OCA monitors the receipt of the audited financial statements from Cultural Organizations Funding Program grant recipients; however, the Museum has not responded with timely submission as follows:</p> <ul style="list-style-type: none"> • December 31, 2011 audited financial statements were submitted to OCA 329 days past the required submission date • December 31, 2012 audited financial statements were submitted to OCA 240 days past the required submission date • December 31, 2013 audited financial statements were submitted to OCA 319 past the required submission date <p>The OCA has not yet received the December 31, 2014 audited financial statements. As of April 8, 2016 (end of fieldwork), the audited financial statements were 284 days late.</p>

Appendix II

Background, Objective, Scope and Methodology

Background

The City of Dallas (City) currently has management, lease and use, or service contracts with 16 entities (business partners) related to Fair Park, a 277-acre tourist destination and Texas' most visited Public Park. Fair Park offers diverse events, such as sporting events and first class entertainment, at multiple event venues. Over 5.2 million patrons visit Fair Park annually attending over 1,000 special events.

During Fiscal Year (FY) 2013 through FY 2015, the City received approximately \$13 million in revenues from these 16 business partners and spent \$5.8 million to support the business partners' activities (see Tables I and II on pages 28 and 29). The City budgeted \$33.6 million on the operation and maintenance of Fair Park (see Table III on page 29).

The Department of Park and Recreation (PKR) and the Office of Cultural Affairs (OCA) are responsible for contract oversight / monitoring of the 16 business partners (13 PKR / three OCA) as follows:

Department of Park and Recreation

Management, Lease and Use Contracts

1. Dallas Wind Symphony, Inc.
2. Dallas Zoological Society and Dallas Zoo Management, Inc. (Fair Park Aquarium)
3. Friends of Fair Park
4. Jane Douglas Chapter, National Society Daughters of the American Revolution
5. Live Nation
6. State Fair of Texas
7. Texas Discovery Gardens

Service Contracts Food and Beverage

8. Ed Campbell Concessions Company, Inc. – Cotton Bowl, Old Mill Inn, and the Coliseum
9. Fiesta Enterprise – Centennial Hall
10. Weiss Enterprise – Automobile Building

Parking, Security and Other Services

11. ACE Parking Management, Inc.
12. American Red Cross
13. Platinum Event Services

Office of Cultural Affairs

1. Dallas Historical Society, Inc.
2. DSM Management Group, Inc.
3. Foundation for African-American Art

The PKR is also responsible for monitoring the contracts for the following football games played at the Cotton Bowl:

1. TX/OU/State Fair of Texas/City Game Funding Agreement
2. Heart of Dallas Bowl

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

Tables I, II, and III (on pages 28 and 29) show the financial relationship between the City and each of the Fair Park business partners for FY 2013 through FY 2015.

Table I

**Contract Amounts (Payments / In-Kind) to the City
From Fair Park Business Partners**

Business Partner	Fiscal Year			Totals
	2013	2014	2015	
State Fair of Texas				
Rental Fee (In Kind Payment)	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 4,050,000
Marketing Fee-Paid to DCVB	50,000	50,000	50,000	150,000
Support Cultural Facilities and Community Outreach	150,000	150,000	150,000	450,000
Utility Reimbursement	477,610	481,193	496,415	1,455,218
Live Nation				
Minimum Guaranteed Rental	350,000	350,000	350,000	1,050,000
Percentage Rental	725,530	948,767	554,913	2,229,210
Additional Rental (Paid to South Dallas Economic Development Fund)	55,013	53,020	62,560	170,593
Ed Campbell Concessions - All Locations	101,230	374,772	193,421	669,423
Fiesta Enterprises, Inc.	136,752	29,686	27,156	193,594
Weiss Enterprises	96,314	102,879	143,132	342,325
Platinum Event Services	192,146	212,941	174,915	580,002
Ace Parking	532,634	592,395	446,056	1,571,085
Total Revenues	\$ 4,217,229	\$ 4,695,653	\$ 3,998,568	\$ 12,911,450

Sources: Contracts; Fair Park and Community Services' Business Office; and, Council Resolutions

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

Table II

City Expenditures in Support of Fair Park Business Partners

Business Partner	Fiscal Year			Totals
	2013	2014	2015	
Dallas Zoo Management, Inc. (Fair Park Aquarium Only)	\$ 50,929	\$ 130,810	\$ 131,248	\$ 312,987
Texas Discovery Gardens	95,862	95,862	95,862	\$287,586
Friends of Fair Park-Bike Rental Program	0	125,000	0	\$125,000
Annual Cultural Organizations Program Service Contracts				
Foundation for African-American Art	118,828	108,828	110,418	\$338,074
Dallas Historical Society	40,244	48,994	53,189	\$142,427
DSM Management Group, Inc.	0	0	290,000	\$290,000
Dallas Wind Symphony, Inc.	10,698	25,448	28,590	\$64,736
Texas/OU Football Game	1,000,000	1,000,000	1,000,000	3,000,000
Heart of Dallas Bowl	400,000	400,000	400,000	1,200,000
City Expenditures in Support of Business Partners	\$ 1,716,561	\$ 1,934,942	\$ 2,109,307	\$ 5,760,810

Sources: Contracts; Fair Park and Community Services' Business Office; and, Council Resolution

Table III

City Approved Budget in Support of Fair Park

Business Partner	Fiscal Year			Totals
	2013	2014	2015	
Department of Park and Recreation Adopted Budget – Fair Park				
General Fund	\$ 8,614,211	\$ 11,114,407	\$ 10,391,643	\$ 30,120,261
Additional Resources	1,571,200	1,327,698	573,497	3,472,395
City Approved Budget in Support of Fair Park	\$ 10,185,411	\$ 12,442,105	\$ 10,965,140	\$ 33,592,656

Sources: Contracts; Fair Park and Community Services' Business Office; and, Council Resolution

Business partner contracts to lease and/or manage a museum, event venue, or concession area state the City has title to the property and any improvements to the property made by the business partner. Any improvements require City approval before being made. Title to personal property such as artifacts, artwork and exhibits as well as furniture and fixtures are also addressed.

Objective, Scope and Methodology

This audit was conducted under authority of the City Charter, Chapter IX, Section 3 and in accordance with the FY 2016 Audit Plan approved by the City Council. The audit objective was to evaluate the financial, operational, and other risks for the major business partners operating facilities at Fair Park and the City's oversight/monitoring controls. This audit focused on six major Fair Park business partners and the associated oversight/monitoring responsibilities provided by the:

Department of Park and Recreation

1. Live Nation
2. State Fair of Texas
3. Texas Discovery Gardens

Office of Cultural Affairs

1. Dallas Historical Society, Inc.
2. DSM Management Group, Inc.
3. Foundation for African-American Art

The audit scope included management operations from FY 2013 through FY 2015; however, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period. This performance audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To achieve the audit objective, we performed the following procedures for the six major Fair Park business partners:

- Obtained and reviewed:
 - Contracts to identify financial and performance requirements
 - Audited or unaudited financial statements for the last three fiscal or calendar year ends
 - General ledger trial balances for the last three years
 - Documentation of Nonprofit 501(c) (3) status
 - Federal tax returns (Internal Revenue Service Form 990) for the last three years
- Performed ratio analyses for the last three fiscal or calendar year ends (see Appendix III)
- Surveyed the business partners regarding transactions, relationships, activities and current or former situations that could indicate a possible inability to fulfill the contract requirements or place the City in a compromising situation (see Appendix III)
- Tested calculations of payments to the City for correctness
- Reviewed internal controls to ensure all amounts required to be included in calculations of payments to the City were included in the calculation
- Reviewed the Texas state sales tax returns for Live Nation to ensure the amounts required to be included in calculations of payments to the City were reasonable
- Interviewed staff from PKR and OCA on procedures followed and extent of contract oversight/monitoring for the Fair Park business partner contracts
- Obtained, reviewed and tested as appropriate the documents that evidences PKR and OCA oversight/monitoring of the Fair Park business partner contracts

Appendix III

Business Partners' Ratio Analyses and Survey Request

The six major Fair Park business partners were asked to complete and return Attachments A and B. The responses along with other audit procedures were used to evaluate their financial viability.



City of Dallas

Attachment A

**Office of the City Auditor
Audit of Business Partner Oversight
Ratio and Trend Analysis**

Please provide the following financial ratios for the last three fiscal or calendar year ends by entering the ratios into the Excel spreadsheet template attached to the e-mail with the audit notification letter:

Financial Ratios	Financial Ratios Definition / Preferred Results⁹
Operating Cash Divided by Cash Expenses per Day	Ratio Definition
(With Cash Expenses per Day being Operating Expenses less depreciation and amortization, in-kind expenses, and unusual on-time expenses. Divide the result by 365).	This ratio measures the number of days the organization can operate if no additional funds were received.
	What Are the Preferred Results?
	Organizations typically strive to maintain at least 90 to 180 days cash on hand. Measuring this on a monthly basis can help plan additional fundraising or earned income opportunities.

⁹ Ratio definitions were not included in the documents sent to the six Fair Park business partners, but are shown here to clarify why the ratio was included in the Office of the City Auditor's risk assessment.

Financial Ratios	Financial Ratios Definition / Preferred Results⁹
Investments Divided by Total Assets	Ratio Definition This ratio measures the financial strength of an organization. What Are the Preferred Results? The higher the ratio, the better the ability of an organization to cover day-to-day, capital expenditures, and unforeseen expenses.
Current Assets Divided by Current Liabilities (Current Ratio)	Ratio Definition This ratio measures the financial strength of an organization. It shows to what extent an organization can take care of its short-term liabilities with the cash and cash equivalents it owns. What Are the Preferred Results? The ratio should be greater than one. A ratio greater than one may indicate the ability to meet short-term obligations and up-coming operational expenses.
Aged Accounts Payable over 90 Days Divided by Total Accounts Payable	Ratio Definition This ratio measures the financial strength of an organization. It is a measure of an organization's ability to pay vendors on a timely basis. What Are the Preferred Results? The lower the value the better. A high value may indicate the organization has cash flow problems.
Total Debt Divided by Total Assets	Ratio Definition This ratio is an indicator of financial leverage. What Are the Preferred Results? The higher the ratio, the higher the degree of leverage, and consequently, financial risk.

Financial Ratios	Financial Ratios Definition / Preferred Results⁹
Total Debt Divided by Unrestricted Net Assets	<p>Ratio Definition</p> <p>This ratio measures the financial strength of an organization. It measures how much the organization is relying on funding from others.</p> <p>What Are the Preferred Results?</p> <p>Higher values for this ratio imply a greater reliance on debt financing and may imply a reduced ability to carry additional debt.</p>
Percentage of Each Income Source to Total Income	<p>Ratio Definition</p> <p>This ratio indicates the diversity and mix of income sources.</p> <p>What Are the Preferred Results?</p> <p>The more income sources the better. It is better to have more than four income sources with no one source more than 75 percent.</p>
Earned Income Divided by Total Income	<p>Ratio Definition</p> <p>This ratio measures the relationship of earned income to all income.</p> <p>What Are the Preferred Results?</p> <p>Organizations with a higher percentage of earned income tend to have more autonomy and flexibility.</p>
Earned Income Divided by Total Expenses	<p>Ratio Definition</p> <p>This ratio measures the extent to which a nonprofit can cover its operating expenses through earned income.</p> <p>What Are the Preferred Results?</p> <p>A high percentage indicates an organization is more self-sufficient.</p>

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Audit of Fair Park Business Partners Oversight

Financial Ratios	Financial Ratios Definition / Preferred Results⁹
Program Service Expenses Divided by Total Expenses	<p>Ratio Definition</p> <p>This ratio measures the extent to which an organization spends its funds for programming versus fundraising or administrative functions.</p> <p>What Are the Preferred Results?</p> <p>A general rule of thumb is that a nonprofit should have approximately 80 percent program expenses and 20 percent general and fundraising expenses.</p>
(Income less Expenses) Divided by Total Expenses	<p>Ratio Definition</p> <p>This ratio is a way to determine if an organization is adding to or using up its net asset base.</p> <p>What Are the Preferred Results?</p> <p>Values greater than one indicate an increase in net assets.</p>
Fundraising Expenses Divided by Contributions	<p>Ratio Definition</p> <p>This ratio indicates how much the organization spends to generate \$1 in charitable contributions.</p> <p>What Are the Preferred Results?</p> <p>The lower the ratio the better.</p>
Grants (government, foundations, and other) Divided by Total Expenses	<p>Ratio Definition</p> <p>This ratio measures the use of grant funds raised from governments, foundations, and others to total overall activities of the nonprofit organization.</p> <p>What Are the Preferred Results?</p> <p>Ideally, the lower the percentage of the use of funds raised, the better.</p>

An Audit Report on –
 Audit of Fair Park Business Partners Oversight

Financial Ratios	Financial Ratios Definition / Preferred Results ⁹
<p>Chief Executive Officer (CEO) Compensation Divided by Total Expenses</p>	<p>Ratio Definition</p> <p>These ratios measure the reasonableness of personnel costs.</p>
<p>Salary and Wage Costs Divided by Total Expenses</p>	<p>What Are the Preferred Results?</p> <p>Low values may indicate a lack of funds and ability to retain talented and skilled personnel. High values may indicate a lack of commitment to fulfilling the organization's mission.</p>
<p>Benefit Costs (payroll taxes, insurance and other benefits) Divided by Total Expenses</p>	
<p>Benefit Costs (payroll taxes, insurance and other benefits) Divided by Total Salary, Wages and Benefit Costs</p>	
<p>Revenues per Full Time Equivalent</p> <p>Expenses per Full Time Equivalent</p> <p>(Full Time Equivalent (FTE) is the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by full-time employees).</p>	<p>Ratio Definition</p> <p>These ratios measure the efficiency of an organization's personnel and the adequacy of the organization's staffing levels.</p> <p>What Are the Preferred Results?</p> <p>High revenues per FTE may indicate a potential understaffing situation. Low revenues per FTE may indicate a potential overstaffing situation.</p> <p>High expenses per FTE may indicate a lack of fulfilling an organizations' mission or an understaffing situation depending upon the nature of the expenses. Low expenses per FTE may indicate a potential overstaffing situation.</p>
<p>Total Salary, Wages and Benefit Costs per Full Time Equivalent</p>	<p>Ratio Definition</p> <p>This ratio measures the reasonableness of the personnel costs.</p> <p>What Are the Preferred Results?</p> <p>Low values may indicate a lack of funds and the ability to retain talented and skilled personnel. High values may indicate a lack of commitment to fulfilling the organization's mission.</p>

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

In addition, please provide the source document(s) used to calculate each ratio. Unless it is self-evident, also provide documentation of the account(s) included in each of the ratios calculated. Reconcile the source document to the audited financial statements. (Note: The purpose of the reconciliation is to ensure that the source document accounts were "*audited*". Therefore, the reconciliation can be on a high level, such as total assets, liabilities, revenues and expenses).

Please provide a copy of the trial balance for each of the last three fiscal years and reconcile it to the audited financial statements. Provide any documentation readily available that explains the types of transactions posted to each account.



City of Dallas

Attachment B

Office of the City Auditor Audit of Business Partner Oversight Survey

Please provide a response to each of the following requests for information. If the requested information does not apply indicate such by writing "N/A" as the response. Use the Word file attached to the e-mail with the audit notification letter to prepare the response. Use as many lines as needed to provide the requested information.

List and describe all:

1. **Contingent liabilities.** A contingent liability is either a possible obligation arising from past events and dependent on future events not under the organization's control, or a present obligation that cannot be measured or settlement is not probable.
2. **Related party transactions.** A related party transaction is a deal or arrangement between the organization and another party who has a special relationship with the organization, such as a board member or executive management of the organization or one or more of a board member's or executive management's family members who contract with the organization to provide goods or services to the organization. Also, an entity controlled by the organization that provides goods or services to the organization would be a related party transaction.

List the following:

1. **All family members of the Board or executive management that work at the organization.** Include the family member's position title and years of employment at the organization.
2. **All key employees who perform the contracted services (include years of experience working on the contract).** A key employee is someone who has a specific expertise or level of knowledge about the organization's operations related to the contract with the City who would be difficult to replace and still achieve the same level of service in the short term.

3. **All key employees who perform fundraising (include years of experience).** A key fundraising employee is one who is responsible for over 20 percent (20%) of the funds raised or has a level of knowledge about the organization's fundraising operations, who would be difficult to replace, and still achieve the same level of contributions in the short term.
4. **All sub-contractors and minority owned businesses used.**
5. **All payments made to the City from the organization and amounts received from the City by the organization over the last three City fiscal years (October 1, 2012 through September 30, 2015).**

Respond to the following:

1. **Is there a formal succession plan for any key employees and management? If so, please describe the succession plan.**
2. **Describe how the organization tracks and manages all City owned property.**
3. **Provide a self-assessment of how the organization has met each of the organization's contract responsibilities.**

Appendix IV

Major Contributors to This Report

Rory J. Galter, CPA – Project Manager
Anya Stageberg, CIA, CFE – Auditor
Carol A. Smith, CPA, CIA, CFE, CFF – First Assistant City Auditor
Theresa A. Hampden, CPA – Quality Control Manager

Management's Response

Memorandum

RECEIVED

MAY 12 2016

City Auditor's
Office



CITY OF DALLAS

DATE: May 12, 2016
TO: Craig D. Kinton, City Auditor
SUBJECT: Response to Audit Report:
Audit of Fair Park Business Partners Oversight

The actions and implementation dates included in our responses below allow for the current uncertainty over PKR and OCA's department operations and their place within possible changes to the Fair Park business partner governance. They also allow for the full implementation, documentation and testing of the various annual monitoring processes.

Implementation on all these recommendations will begin as soon as possible, and we expect to have the initial policies and procedures developed by 12/31/16. The final March 31, 2018 implementation date affords the departments the entire calendar year 2017 to monitor and test the processes (e.g. annual review of contract compliance), and 90 days in 2018 to evaluate and report.

Our responses to the audit report recommendations are as follows:

Recommendation 1

We recommend the Director of OCA implement procedures to more closely monitor the financial viability for DHS, DSM, and FAAA.

Management Response / Corrective Action Plan

Agree Disagree

While there are no specific benchmarks for financial viability in the long-term use agreements, the Office of Cultural Affairs agrees with this recommendation and will implement procedures necessary to appropriately monitor, document and report on the financial status of our partner organizations.

Implementation Date
March 31, 2018

Responsible Manager
Business Manager

Recommendation II

We recommend the Directors of PKR and OCA develop and implement formal (written, approved, and dated) contract oversight / monitoring policies and procedures.

Management Response / Corrective Action Plan

Agree Disagree

PKR and OCA will revise their current contract oversight/monitoring policies and procedures into formal (written, approved, and dated) procedures governing contract oversight and monitoring and these will conform to applicable Administrative Directive 4-05.

The City's Business Development and Procurement Services is in the final stages of developing a Contract Management Manual for the City of Dallas that will help establish procedures to enable all City employees to efficiently manage contracts and have a clear understanding of their role and responsibilities.

Implementation Date
March 31, 2018

Responsible Manager
OCA – Business Manager
PKR - Fair Park Senior Accountant and Sr. Park Manager of Special Services

Recommendation III

We recommend the Director of OCA develop written procedures to ensure contracts are timely renewed and properly executed in accordance with AD 4-05.

Management Response / Corrective Action Plan

Agree Disagree

OCA agrees with this recommendation and will develop written procedures to ensure contracts are timely renewed and properly executed in accordance with AD 4-05.

Implementation Date
March 31, 2018

Responsible Manager
Business Manager

Recommendation IV

We recommend the Directors of PKR and OCA establish procedures to ensure that all key contract requirements are monitored and are in compliance with the contract requirements.

Management Response / Corrective Action Plan

Agree Disagree

While PKR and OCA have previously diligently worked with partner organizations to monitor and correct compliance issues, PKR and OCA agree with this recommendation and will revise their current contract oversight/monitoring policies and procedures into formal (written, approved, and dated) procedures governing contract oversight and monitoring and these will conform to applicable Administrative Directive 4-05.

The City's Business Development and Procurement Services is in the final stages of developing a Contract Management Manual for the City of Dallas that will help establish procedures to enable all City employees to efficiently manage contracts and have a clear understanding of their role and responsibilities.

Implementation Date

March 31, 2018

Responsible Manager

OCA - Business Manager

PKR - Fair Park Senior Accountant and Sr. Park Manager of Special Services

Recommendation V

We recommend the Director of PKR works with the City Attorney's Office and the State Fair to develop and agree on a contract definition that is sufficiently clear to allow PKR to verify that the State Fair is using all available excess revenues on major maintenance and capital expenditures as required by the contract.

Management Response / Corrective Action Plan

Agree Disagree

PKR will work with the City Attorney's Office and State Fair of Texas to clarify the definition of excess revenues in the existing executed contract.

Implementation Date

March 31, 2018

Responsible Manager

Fair Park General Manager

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

Recommendation VI

We recommend the Director of PKR develops and implements written supervisor review procedures and formally approves the procedures.

Management Response / Corrective Action Plan
Agree Disagree

PKR will develop and implement written supervisor review procedures and formally approve the procedures.

Implementation Date
March 31, 2018

Responsible Manager
Fair Park Business Manager

Recommendation VII

We recommend the Director of PKR cross trains staff to verify the Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations to ensure a contingency plan is in place in the event currently assigned personnel leave PKR unexpectedly.

Management Response / Corrective Action Plan
Agree Disagree

PKR will cross train staff to verify the Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations to ensure a contingency plan is in place in the event currently assigned personnel leave PKR unexpectedly.

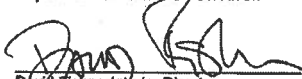
Implementation Date
March 31, 2018

Responsible Manager
Fair Park Business Manager

Sincerely,


Willis Winters, Director
Department of Park and Recreation


Mark McDaniel
Assistant City Manager

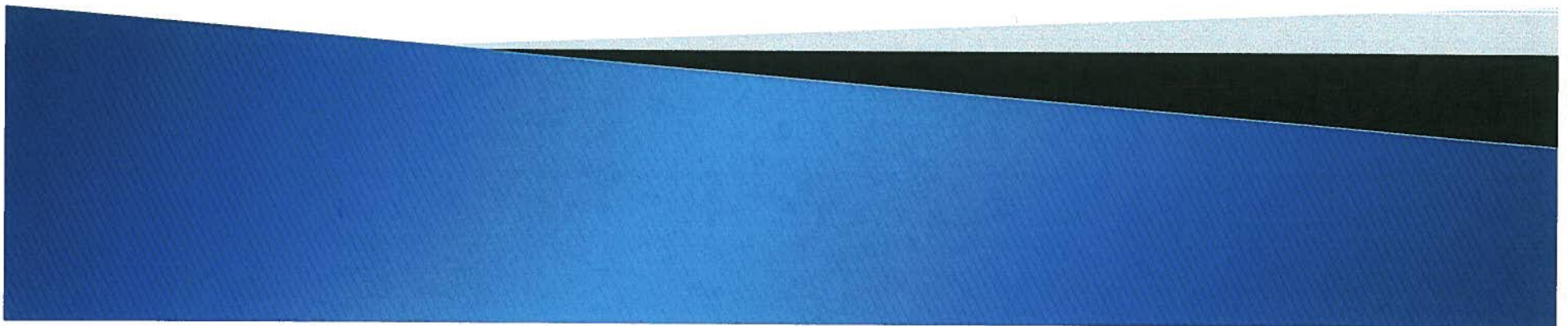

David Fisher, Interim Director
Office of Cultural Affairs


Jose Zepeta
Assistant City Manager

**An Audit Report on –
Audit of Fair Park Business Partners Oversight**

C: A.C. Gonzalez, City Manager
John Jenkins, Assistant Director, Administration and Business Services (PKR)
Daniel Huerta, Assistant Director, Fair Park and Community Services (PKR)
Clifton Gillespie, Manager III-Business (OCA)
Charla Sanderson, Manager II-General (OCA)

Agenda Item No. 9
Audit of Fair Park Business Partners
Oversight
(Texas Discovery Gardens Findings)



Texas Discovery Gardens (TDG) Contract Oversight

- ▶ **Leisure Venue Destination Management**
 - **Oversee contracts with management partners**
 - **Texas Discovery Gardens**
 - **Dallas Arboretum and Botanical Society**
 - **MoneyGram Soccer Park**
 - **Cedar Ridge Preserve**
 - **Trinity River Audubon Center**
 - **Elm Fork Shooting Ranges**
 - **Dallas Zoo and Children's Aquarium**
 - **Oversee outdoor concession contracts**



TDG Current Contract Oversight

Monitor Attendance Revenues Programs	Review Profit and loss statements Financial audits Insurance requirements Budget
Inspect Safety Quality assurance Environmental compliance	Attend Board meetings periodically
Prepare annual Park and Recreation Board briefing	

TDG Revised Contract Oversight

Monitor Attendance Revenues Programs <i>Utility usage</i> <i>Fixed asset audits and disposal</i>	Review Profit and loss statements Financial audits Insurance requirements Budget <i>Income reports</i> <i>Fundraising</i> <i>Operating policies</i> <i>Corporate charter and bylaws</i>
Inspect Safety Quality assurance Environmental compliance	Attend Board meetings periodically
Prepare annual Park and Recreation Board briefing	

Additional oversight items are in yellow font

NEW LEISURE VENUE DESTINATION MANAGEMENT CONTRACT AUDIT CHECKLIST

TEXAS DISCOVERY GARDENS	Audit Date:
3601 Martin Luther King Jr Blvd.	Period:
Dallas, TX 75210	Contact:

PERFORMANCE INDICATORS	COMMENTS
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I. MANAGEMENT REPORTS	YES	NO
Copy of Operating Policies - 8	<input type="checkbox"/>	<input type="checkbox"/>
Change in Admission Fees - 10	<input type="checkbox"/>	<input type="checkbox"/>
Change in Hours of Operation - 26	<input type="checkbox"/>	<input type="checkbox"/>

II. PERIODIC REPORTING	YES	NO
Annual Budget - 25A	<input type="checkbox"/>	<input type="checkbox"/>
Annual Inventory of all City Property - 6,7,25B1 (Exhibit B)	<input type="checkbox"/>	<input type="checkbox"/>
Annual Audit from Independent Auditor - 25B6, FA XIII	<input type="checkbox"/>	<input type="checkbox"/>
Report of educational and outreach activities (qty) - 25B2	<input type="checkbox"/>	<input type="checkbox"/>
Deletions or additions to City Property (month)- 25B3	<input type="checkbox"/>	<input type="checkbox"/>
Revenue report (rentals and other funding sources) - 25B4	<input type="checkbox"/>	<input type="checkbox"/>
Fundraiser reports (120 days after event) - 25B5	<input type="checkbox"/>	<input type="checkbox"/>

III. SIGNS	YES	NO
Do signs on the Premises comply with Article VII of Chapter 51A of Dallas City Code. - 15	<input type="checkbox"/>	<input type="checkbox"/>

IV. INSURANCE	YES	NO
Does TxDG maintain Insurance in keeping with Attachment I and Section 27 of the Agreement.	<input type="checkbox"/>	<input type="checkbox"/>

V. UTILITY CONSERVATION PLAN	YES	NO
TDG must provide a Utility Conservation Plan showing a 5% reduction from the facility appropriation.	<input type="checkbox"/>	<input type="checkbox"/>
A Utility Audit has been conducted confirming the results of the Conservation Plan and make recommendations for improvements.	<input type="checkbox"/>	<input type="checkbox"/>

VI. FUNDING AGREEMENT REQUIREMENTS	YES	NO
Annual Report turned in by September 15 - FA II	<input type="checkbox"/>	<input type="checkbox"/>
City is credited in promotional materials - FA III	<input type="checkbox"/>	<input type="checkbox"/>
Last notification of TDG sponsored activities - FA IV	<input type="checkbox"/>	<input type="checkbox"/>
Copies of all board meeting minutes - FA V	<input type="checkbox"/>	<input type="checkbox"/>
Listing of programs/activities and attendance - FA VI	<input type="checkbox"/>	<input type="checkbox"/>
Cultural Diversity Action Plan in place - FA VIII	<input type="checkbox"/>	<input type="checkbox"/>
End of year balance sheet - FA XIII	<input type="checkbox"/>	<input type="checkbox"/>

Final Review:	
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Completed By:	
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NEW LEISURE VENUE DESTINATION MANAGEMENT FACILITY SPOT CHECK FORM

Facility: _____ Date/Time: _____

Number of Visitors: _____ Staff on Duty: _____

School Groups/Special Interest Groups: _____

I. Grounds	NI	G	E
Areas are clean and free of litter	---	---	---
Entrance is clean (inside)	---	---	---
Entrance is clean (outside)	---	---	---
Trashcans emptied daily	---	---	---
Landscape well maintained	---	---	---

Comments: _____

II. Main Area	NI	G	E
Floors are clean	---	---	---
Merchandise is organized	---	---	---
Glass/Windows are clean	---	---	---
HVAC vents are clean	---	---	---
Water fountain is clean and operational	---	---	---
Staff availability	---	---	---

Comments: _____

III. Classroom Area (Educational Programming)	NI	G	E
Floors are clean	---	---	---
Tables are clean	---	---	---
Counters are clean	---	---	---
Educational materials (books, hands-on, etc.)	---	---	---
Number of student's	---	---	---

Comments: _____

IV. Compliance Concerns	NI	G	E
Fire Alarm system operational	---	---	---
Fire extinguishers/tagged and inspected	---	---	---
Emergency equipment operational	---	---	---

Comments: _____

V. Restrooms	NI	G	E	NI	G	E
	(Women)		(Men)			
Floors clean	---	---	---	---	---	---
Paper towels stocked	---	---	---	---	---	---
Toilet paper stocked	---	---	---	---	---	---
Sinks clean and operational	---	---	---	---	---	---
Toilets/Urinals clean/operational	---	---	---	---	---	---

Comments: _____

VI. Operations	Y	N
Visitors/patrons on-site during visit	---	---
Cash register window visible to customer	---	---
'No Smoking' policy observed	---	---

Comments: _____

VII. Staff	NI	G	E
Staff Customer Service	---	---	---
Dress and appearance	---	---	---
Names tags are worn	---	---	---

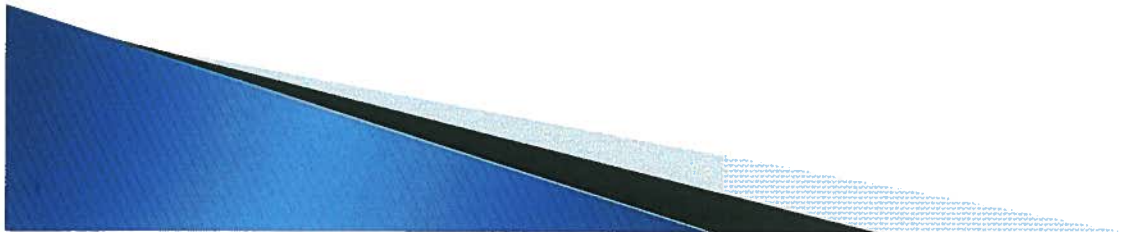
Comments: _____

NI - Needs Improvement
G - Good
E - Excellent
NV - Not viewed

Conducted by: _____

City Auditor Findings Status Report

ITEM	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections	STATUS
1	<p>Section 8 Operating Polices and Responsibilities The TDG shall submit its operating policies to the Park and Recreation Board for review.</p>	<p>The PKR does not have documentation to demonstrate TDG submitted its operating policies for review.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • Operating Policies received. • AIS completed for Park Board review. • Any policy changes will be submitted to LVDM within 30 days of change
2	<p>Section 22 Charter and Bylaws The TDG shall file a true and correct copy of its corporate charter, with amendments if any, and an accurate and complete copy of its bylaws and any amendments thereto, with the City of Dallas (City) and to be maintained by the City as a public record available for inspection to any person upon request during normal business hours.</p>	<p>The PKR does not have documentation to demonstrate TDG filed a true and correct copy of its corporate charter, with amendments if any, and an accurate and complete copy of its bylaws and any amendments.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • Bylaws and Corporate Charter obtained; filed with City Secretary's Office. • Any changes to these documents will be submitted within 30 days of change.



City Auditor Findings Status Report

ITEM	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections	STATUS
3	<p>Section 25 Reports and Proposed Operating Budgets</p> <p>A. The TDG shall submit annually to the Park and Recreation Board a budget that shall be assembled in the same format as required by the Park and Recreation Board, and which shall reflect the income and expenditures for the past fiscal year and proposed expenditures for the next fiscal year. The budget shall be submitted in complete and final form not later than the annual date set by the Park and Recreation Board.</p>	<p>The annual date for budget submission has not been set by the Park and Recreation Board.</p> <p>One of the Fiscal Year (FY) 2013 through FY 2015 submitted budgets included the prior fiscal year's income and expenditures.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • No budget format currently utilized. • Budgets for audit period obtained. • Budgets, in complete and final form, to be submitted no later than 90 days after the close of fiscal year.
4	<p>B.1. An annual inventory of all City property at the Premises.</p>	<p>A review of fixed assets was performed by TDG in January 2016 and, according to PKR, the items what were not shown in the TDG's report were disposed of during a major renovation of the property around 2010. There was no documentation to support this disposal occurred during the property renovation or the specific items included in the disposal. In addition, there was no documentation that an annual inventory of all City property was performed.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • City completed fixed asset audit on March 18, 2016; will continue every two years. • Texas Discovery Gardens has completed its annual self-audit of all City property; will continue annually. • Texas Discovery Gardens has responded re: missing City property.

City Auditor Findings Status Report

ITEM	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections	STATUS
5	B.3. Monthly reports for any deletions or additions to the personal property of the City at the Premises.	The PKR does not have documentation to demonstrate monthly reports for any deletion or additions to the personal property of the City at the Premises have been submitted.	<p>Status: Closed</p> <ul style="list-style-type: none"> • By the 10th of every month, Texas Discovery Gardens will submit a monthly report for any deletions or additions to City property. This will include a statement of <i>no change</i> if applicable. • The PKR Fixed Assets Coordinator will apply the City's property disposal procedures (if necessary).
6	B.4. Monthly reports of revenues received from rentals and other funding sources at the Premises.	The PKR does not have documentation to demonstrate monthly reports of revenues received from rentals and other funding sources at the Premises have been submitted.	<p>Status: Pending</p> <ul style="list-style-type: none"> • <i>Individual</i> reports of revenue from rentals and other funding sources have been requested for the audit period; due June 4, 2016. • By the 10th of every month, Texas Discovery Gardens will submit the individual revenue reports for rentals and revenues from all other funding sources.

City Auditor Findings Status Report

ITEM	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections	STATUS
7	<p>B.5. Financial reports for each fund raising event, to be filed within 120 days following each event, including revenues by source, expenditures by type of expense, net profit, and the designated use of those profits at the Premises.</p>	<p>The PKR does not have documentation to demonstrate financial reports for each fund raising event were filed within 120 days following each event, including revenues by source, expenditures by type of expense, net profit, and the designated use of those profits at the Premises.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • Fundraiser reports for the audit period obtained. • Texas Discovery Gardens will submit a list of proposed fundraising events for the next calendar year; and semi-annual reports, to reflect completed and remaining events for the calendar year. • Texas Discovery Gardens will submit the fundraiser financial report within 120 days of the completed event.
8	<p>B.6. An annual audit by an independent Certified Public Accounting firm, which shall include, but not be limited to financial reports relative to the assets, liabilities and fiscal stability of TDG, finance records procedures, and accounting system of TDG.</p>	<p>The PKR provided only the May 31, 2013 audited financial statements. The provided May 31, 2014 audited financial statements were actually a September 29, 2014 draft audit correspondence with adjusting journal entries addressed to the Finance / Audit Committee of the TDG. Only a draft of the May 31, 2015 audited financial statements was obtained from PKR on February 19, 2016. The final May 31, 2015 audited financial statements opinion was dated December 23, 2015.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • Outstanding finalized audited financial statements obtained. • Texas Discovery Gardens will certify its next fiscal year, no later than 90 days prior to the close of their current fiscal year. • Texas Discovery Gardens will submit its annual audited financial statements, in final completed form, no later than 90 days after the close of the fiscal year.

City Auditor Findings Status Report

ITEM	Key Contract Sections and Associated Requirements Not Identified by PKR for Oversight/Monitoring	Noncompliance With Contract Sections	STATUS
9	<p>Section 27 Insurance and Indemnification The TDG shall be required to purchase and maintain, during the term of this Agreement, insurance as described in Attachment 1, Insurance Requirements.</p>	<p>There was no Worker's Compensation coverage for FY 2013 through FY 2015. In addition, the insurance provisions were not stated as required by Section 27, (Attachment 1) in the Certificate of Insurance for FY 2013 through 2015.</p>	<p>Status: Closed</p> <ul style="list-style-type: none"> • Current certificate of insurance (COI) obtained. • Texas Discovery Garden is now in compliance with the Worker's Compensation requirement.
10	<p>Section 29 Utility Services The TDG is required to develop and submit a utilities conservation plan with the goal of maintaining their utility expenses five percent below facility appropriation.</p>	<p>The PKR does not have documentation to demonstrate the TDG submitted the required utilities conservation plan.</p>	<p>Status: Pending</p> <ul style="list-style-type: none"> • Texas Discovery Gardens has been provided with an annual utility allocation for the Premises, and is developing a utilities conservation plan. • LVDM will track utility usage to determine if TDG is progressing toward the goal of 5% below facility allocation.

Audit of Fair Park Business Partners Oversight

Park and Recreation Board

June 2, 2016

