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**Office of the City Auditor**

**Audit Report**

**REVENUE AUDIT OF FAIR PARK  
MUSIC HALL PARKING**

(Report No. A10-019)

**August 20, 2010**

**City Auditor**

Craig D. Kinton

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## Executive Summary

The Music Hall at Fair Park Paid Parking Plan Agreement (Agreement) and the Concession Contract for Parking Services at Fair Park (Contract) are not integrated to ensure operational clarity and consistency.

The Agreement and Contract do not contain provisions that:

- Give the Fair Park Business Office (Office) access to appropriate Music Hall event parking revenue supporting documentation
- Allow the Office to observe and verify Music Hall event parking operations to better monitor the accuracy of revenue received
- Address procedures and or penalties for late payments and/or defaults

As a result, the Office cannot ensure Music Hall event parking revenue is accurate and complete.

We recommend the Director of the Department of Park and Recreation (PKR) work with the Dallas Summer Musical Management Group, Inc. (DSM Group) to obtain adequate Music Hall event parking revenue supporting documentation. We also recommend the Director of PKR, in consultation with the PKR Board, City of Dallas (City) management, and the City Attorney's Office, review the Agreement and Contract documents to ensure that they are integrated and incorporate the following provisions:

- Office access to Music Hall event attendance source documents (scanning system report and ticket stubs)
- Timing of the DSM Group's parking revenue remittances to Parking Company of America – Dallas, Inc (PCA)
- Procedures and or penalties for late payments and/or defaults by DSM Group to PCA and/or PCA to the Office

### Background Summary

Music Hall event parking revenue is governed by the: (1) Paid Parking Plan Agreement; and, (2) Concession Contract for Parking Services at Fair Park.

**Music Hall at Fair Park Paid Parking Plan Agreement** – Between the PKR and the DSM Group

**Concession Contract for Parking Services at Fair Park** – Between the City and the PCA

According to the Fair Park Business Office, the City earned \$164,408 in parking revenue related to Music Hall events held between October 2008 and September 2009.

**Source:** PCA parking statements and DSM Drop Count Forms for FY 2009

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- Periodic Office observation and/or monitoring of Music Hall event ticket scanning and collections
- Notification of exemptions for Music Hall events for which no admission or parking is charged

The Agreement expires in August 2010 and the Contract expires in December 2010 which should allow PKR to promptly address the issues raised in the report.

The audit objective was to evaluate the adequacy of internal controls over Music Hall parking revenue. The audit scope included Music Hall parking revenue received from October 2008 through December 2009; however, certain other matters, procedures or transactions occurring outside of that period may have been reviewed to understand and verify information related to the audit period.

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

# Audit Results

## Overall Conclusion

The Music Hall at Fair Park Paid Parking Plan Agreement<sup>1</sup> (Agreement) and the Concession Contract<sup>2</sup> for Parking Services at Fair Park (Contract) are not integrated to ensure operational clarity and consistency.

The Agreement and Contract do not contain provisions that:

- Give the Fair Park Business Office (Office) access to appropriate Music Hall event parking revenue supporting documentation
- Allow the Office to observe and verify Music Hall event parking operations to better monitor the accuracy of revenue received
- Address procedures and or penalties for late payments and/or defaults.

As a result, the Office cannot ensure Music Hall event parking revenue is accurate and complete.

## The City Cannot Ensure Accuracy and Completeness of Revenue Received for Music Hall Event Parking

The Fair Park Business Office (Office) cannot ensure Music Hall event parking revenue is accurate and complete because the Office does not receive the appropriate parking revenue supporting documentation from the Dallas Summer Musical Management Group, Inc. (DSM Group). The Agreement between the City of Dallas (City) and the DSM Group includes provisions that make it difficult for the Office to verify and monitor revenue accuracy and completeness. Specifically:

- A portion of the parking revenue is based on the number of tickets presented at Music Hall events (Drop Count) rather than the number of tickets sold
- The Office does not receive Music Hall parking revenue directly from the DSM Group. Instead, the DSM Group pays the Parking Company of America – Dallas, Inc. (PCA) and then PCA remits parking revenue net of sales tax and management fees to the Office.

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<sup>1</sup> Between the PKR and the DSM Group

<sup>2</sup> Between the City and PCA

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During the audit, the Office requested DSM Group provide additional supporting Music Hall event parking revenue documentation for the last three years to verify revenue accuracy and completeness. The Office received the Ticketmaster Event Audit Statements and the DSM Group's Box Office Statements for the last three years; however, the additional supporting documentation received does not show the actual number of tickets scanned or ticket stubs retained for each Music Hall event which is the support needed for the Drop Count and the basis for the parking revenue calculation.

Proper accounting and financial reporting requires PKR to ensure revenue completeness (e.g., all revenue transactions that should have been recorded during the accounting period have been recorded).

**Recommendation I:**

We recommend the Director of PKR ensure that:

- The Office receives the appropriate Music Hall event parking source documentation from DSM Group

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

## **Supporting Documentation and Monitoring Requirements Are Not Integrated in the Agreement and the Contract**

The Agreement between PKR and the DSM Group and the Contract between the City and the PCA, which govern Music Hall event parking revenue, are not integrated to ensure operational clarity and consistency. For example, the Contract specifies parking revenue payment due dates and includes provisions for late payment penalties if payments are not received ten days after the end of the month. The Contract, however, does not specifically address the Music Hall event parking revenue received from the DSM Group. As a result, PKR does not assess the DSM Group late payment penalties even though the DSM Group remits payments ranging from 61 to 212 days late.

According to PKR, the DSM Group must wait until it receives payment from tenants renting the Music Hall (Dallas Summer Musical, ballet, etc.) before the DSM Group can pay PCA and PCA can pay PKR. If the Agreement included late payment penalties, approximately \$3,800 would have been assessed to the DSM Group in Fiscal Year (FY) 2009.

In addition, the Agreement and Contract do not contain provisions that provide:

- Access to Music Hall event attendance source documents (scanning system report and ticket stubs)
- Timing of the DSM Group's parking revenue remittances to PCA
- Procedures and or penalties for late payments and/or defaults by DSM Group to PCA and/or PCA to the City
- Observation and/or monitoring of Music Hall event ticket scanning and collections
- Notification of exemptions for Music Hall events for which no admission is charged

Good business practices require agreements and contracts governing the same operational area to be integrated to ensure operational clarity and consistency. Additionally, agreements and contracts related to revenue should include provisions that allow the entity to ensure revenue accuracy and completeness.

The Agreement expires in August 2010 and the Contract expires in December 2010 which should allow PKR to promptly address the issues raised in the report.

**Recommendation II:**

We recommend the Director of PKR, in consultation with the PKR Board, City management, and the City Attorney's Office, review the agreement and contract to ensure that they are integrated and incorporate the following provisions:

- Office access to Music Hall event attendance source documents (scanning system report and ticket stubs)
- Timing of the DSM Group's parking revenue remittances to PCA
- Procedures and or penalties for late payments and/or defaults by DSM Group to PCA and/or PCA to the City
- Observation and/or monitoring of Music Hall event ticket scanning and collections
- Notification of exemptions for Music Hall events for which no admission or parking is charged

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

## Background, Objective, Scope and Methodology

### Background

Music Hall event parking revenue is governed by the: (1) Paid Parking Plan Agreement (Agreement); and, (2) Concession Contract for Parking Services at Fair Park (Contract). The Fair Park Business Office (Office) is responsible for recording and depositing the City's share of revenue in accordance with Administrative Directive (AD) 4-13, *Cash and Debt Management Policies & Procedures*.

The Agreement between the City of Dallas (City) and the Dallas Summer Musical Management Group, Inc. (DSM Group) was renewed in August 2008 and 2009 and is up for renewal in August 2010. According to the Agreement, the DSM Group is to collect a \$1.50 surcharge on each ticket. In addition, patrons attending Music Hall events have the ability to park in areas adjacent to the Music Hall and the Parry Avenue and First Avenue lots owned by the City. Basic services for traffic control and parking management are required of the City's parking contractor who retains \$875 per performance. Although not stated in the Agreement, patrons attending Music Hall events are allowed to park at the Parry Avenue lot for a \$10 fee.

The Contract between the City and Parking Company of America – Dallas, Inc. (PCA) covers all Fair Park parking. The Contract term commenced on December 1, 2007 and terminates 36 months thereafter, with two twelve month renewal options. According to the Contract, the City is to receive 82.25 percent of the gross revenues less sales tax derived from PCA's parking operation at the Fair Park. PCA's payments to the City shall be made by the tenth day of the month for the previous month's business. Payments which are not received by the due date will accrue interest at the rate of ten percent per annum until paid in full.

### Objective, Scope and Methodology

This audit was conducted under authority of the City Charter, Chapter IX, and Section 3 and in accordance with the Fiscal Year 2010 Audit Plan approved by the City Council. 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.

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The audit objective was to evaluate the adequacy of internal controls over Music Hall parking revenue. The audit scope included Music Hall parking revenue received from October 2008 through December 2009; however, certain other matters, procedures, or transactions occurring outside of that period may have been reviewed to understand and verify information related to the audit period.

To achieve the audit objective, we performed the following procedures:

- Reviewed the Contract between the City and PCA; the Agreement between the City and the DSM Group; and, the Lease Agreement between the City and the DSM Group
- Reviewed the Fair Park Business Office policies and procedures related to Music Hall event parking revenue
- Performed a risk assessment of Music Hall event parking revenue and prepared an internal control questionnaire for the Fair Park Business Office
- Interviewed Fair Park Business Office personnel
- Tested revenue transactions to ensure proper controls were in place within the department, including appropriate segregation of duties

## Appendix II

### Major Contributors to This Report

Carol Smith, CPA, CIA, CFE, Audit Manager  
Kevin Hannigan, CIA, Project Manager  
Tony Sivasothy, CPA, Project Manager  
Theresa Hampden, CPA, Quality Control Manager

## Management's Response

Memorandum

**RECEIVED**

AUG 09 2010

**City Auditor's Office**



DATE: August 6, 2010

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report:  
Revenue Audit of Fair Park Music Hall Parking

Our responses to the audit report recommendations are as follows:

**Recommendation I:**

We recommend the Director of PKR ensure that:

- The Office receives the appropriate Music Hall event parking source documentation from DSM Group

**Management Response / Corrective Action Plan**

Agree  Disagree

Fair Park Administration concurs with this finding.

The DSM parking agreement will stipulate that the Fair Park Business Office will receive the "DSM Drop Count" and the "Ticket Master Statistic Report" for performances held at the Music Hall at Fair Park within three (3) business days following each performance.

**Implementation Date**

This process began on July 13, 2010 and the Parking Agreement with the DSM Group and the future parking contract with the City's parking services provider will be modified to reflect this change. Current parking contract expires in December 1, 2010.

**Responsible Manager**

Wanda Lee, Business Manager

**Recommendation II:**

We recommend the Director of PKR, in consultation with the PKR Board, City management, and the City Attorney's Office, review the agreement and contract to ensure that they are integrated and incorporate the following provisions:

"Dallas: The City That Works: Diverse, Vibrant, and Progressive."

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- Office access to Music Hall event attendance source documents (scanning system report and ticket stubs)
- Timing of the DSM Group's parking revenue remittances to PCA
- Procedures and or penalties for late payments and/or defaults by DSM Group to PCA and/or PCA to the City
- Observation and/or monitoring of Music Hall event ticket scanning and collections
- Notification of exemptions for Music Hall events for which no admission or parking is charged

### Management Response / Corrective Action Plan

Agree  Disagree

Fair Park Administration concurs with this finding.

The DSM parking agreement and the contract with the City's parking services provider will stipulate that the Fair Park Business Office will receive the "DSM Drop Count" and the "Ticket Master Statistic Report" for each performance held at the Music Hall at Fair Park within three (3) business days.

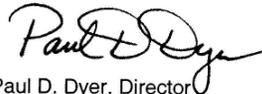
The DSM parking agreement and contract with the City's parking services provider will stipulate payment due date to the City, late payment penalties and procedures. The DSM parking agreement and the City's parking services contract will stipulate that the Fair Park Business Office will be able to conduct observation audits during the term of the contract and agreement. The parking agreement will require that the City's parking services provider and the Fair Park Business Office receive written notifications of Music Hall exempted events in which no admission and/or parking is charged no later than five (5) business days prior to each event.

### Implementation Date

September 15, 2010 for Music Hall parking agreement and December 1, 2010 with the City's new parking services contract.

### Responsible Manager

Wanda Lee, Business Manager



Paul D. Dyer, Director  
Dallas Park & Recreation Department

c: Barbara Kindig  
Daniel Huerta  
Mark Jarrell  
Wanda Lee

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