

Memorandum



DATE: January 27, 2006

TO: Honorable Mayor and Members of the City Council

SUBJECT: Follow-up report of the August 20, 2004, *Performance Audit of Reunion Arena*

We conducted this follow-up under the authority of Chapter IX of the City Charter, and according to applicable government auditing standards. We included tests of records and reviews of program guidelines and procedures that we considered necessary in the circumstances. Our objective was to determine whether management had implemented the original audit's recommendations or had taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

The original audit contained two findings with one recommendation each. Management implemented both of them.

1. Factors inhibit Reunion Arena's (RA) ability to maximize revenues.

We recommended that the Director of Convention & Event Services (CVS) determine whether to continue operating RA in light of the restrictions imposed by the right of first refusal. If operations are to continue, determine the feasibility of connecting RA to the Convention Center.

We found that the City Council evaluated the use of RA under the restrictions of the entertainment district and the non-compete clause of the Center Operating Company agreement; as well as the alternative of connecting it to the Convention Center. Council continues to review the options (Implemented).

2. The RA budget does not include all relevant expenditures.

We recommended that the Director of CVS ensure that future RA expenditure budgets include amounts that approximate historic results.

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We found that management budgeted to transfer \$223,246 to RA so that it could reimburse the Convention Center for labor at RA (Implemented).

Paul T. Garner
Assistant City Auditor

c: Frank Poe, Director of Convention and Event Services