

Subject: Audit of Lee Hedges Stadium Concessions Contract

To: Superintendent of the Caddo Parish School Board

From: Jeff Howard, Chief Internal Auditor

Audited by: 
Kelli Duffield

Date: July 5, 2011

Authority of the Audit

On April 20, 2010, the Caddo Parish School Board (CPSB) approved a contract with PWS, LLC, d/b/a TRI-STAR Concessions. This contract authorized this entity to have concession rights at Lee Hedges Stadium through June 30, 2011. This entity won the bid over the previous vendor, DVK Enterprises, L.L.C. The contract permitted the CPSB to audit the financial records and distributions made from these funds.

Scope of the Audit

We have examined the financial records for the 2010-2011 year. Our examination was directed toward determining if the conditions and requirements of the contract were met, if documentation was adequate, and if amounts calculated and submitted to the CPSB were materially correct.

Opinion

In our opinion, the calculation of profits made for the 2010 football season are not materially correct and are not in accordance with the contract. At the time of our review, internal controls over the vendor's accounting records were unsatisfactory. Departures from the required procedures were noted. Specific findings and recommendations are included on the following pages. As a result of the findings in this report, we are recommending PWS remit \$7,450.08 to the CPSB.

**LEE HEDGES STADIUM CONCESSIONS
FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011**

FINDINGS AND RECOMMENDATIONS

The following findings and recommendations are being made to assist the CPSB and the vendor to correct the problems noted.

Finding I

The bid for concession services for Lee Hedges Stadium was approved and accepted by the CPSB on April 20, 2010. The bid was awarded to PWS L.L.C., d/b/a TRI-STAR Concessions, Mr. John Gehl, Owner; however, the contract was never drawn up and signed. There is currently no copy of liability insurance on file with CPSB. PWS was to personally operate concessions and not assign or sublet the contract without prior written approval of the CPSB Chief Operations Officer. PWS allowed Pieworks Pizza By Design to sell pizzas at some of the football games and did not obtain written approval from the CPSB.

Also, the contract states that the CPSB is to receive all rebates from Pepsi resulting from Vendor's purchasing of soft drinks for resale. There was no rebate check received from Pepsi for the 2010-2011 year.

Recommendation I:

Considering the findings in this audit report, a decision should be made by the administration regarding contract renewal with PWS for the 2011-2012 school year.

Based on the bid that was accepted, proof of liability insurance was to be provided by the vendor (PWS) with the bid or within twenty (20) days following award of the bid. If the contract is renewed, a certificate of insurance should be obtained immediately according to the limits in the contract and kept on file.

According to the contract, PWS should submit in writing any intent to use outside vendors, food, etc. that is not listed in the final bid paperwork. Internal controls should be put in place to ensure that the gross sales of the outside vendor are included in the gross sales of PWS on each game recap sheet.

According to the contract, rebates from purchases of Pepsi products will be sent to the CPSB. As of June 23, 2011 no checks have been received. Pepsi was contacted by Auditing and no rebates will be given because Pepsi has no record of any purchases by PWS. PWS did not purchase all Pepsi products out of the Lee Hedges checking account according to the contract. PWS should be required to pay the CPSB an amount equivalent to the prior year rebate awarded by Pepsi which totals \$3,770.00.

Finding II

Funds deposited into the bank account by PWS exceeded the total game recap sheets by \$13,222.50. No explanation was provided for the difference.

Checks were received by CPSB for the first eight events held at Lee Hedges Stadium but not for the rest of the year. Only after PWS was contacted in May, 2011 by the CPSB did they remit funds to CPSB.

There was no reconciliation of game recap sheets to the Lee Hedges Field Schedule. There were 31 events on the schedule that did not have game recap sheets. It is unclear if the events were rained out or canceled because there was no one monitoring the schedule. The game recap sheets did not have dual authorization on the majority of those submitted.

The gross receipts for the 2010 football season were down 20% and 26% over the 2009 and 2008 football seasons respectively, even though there was a 26% increase in the number of games played. Average gross receipts per game went down from \$3,364.20 in 2008 to \$1,956.32 in 2010 for a 28.81% decrease (See attached schedule).

Recommendation II:

According to the approved bid paperwork, the schedule of proceeds should be as follows:

“The percentage bid of the gross proceeds from each event shall be divided by four with one fourth of the amount being paid to the band programs of EACH of the schools playing at Lee Hedges Stadium during that event. One fourth of the amount shall be made payable to CPSB to be placed into a repair fund. The remaining one fourth of the amount bid shall be made payable to CPSB which will be divided between all band programs in Caddo Parish at the end of the season.”

CPSB should receive 30.10% of the \$13,222.50 in excess of game recap sheets deposited in the bank. This totals \$3,680.08(net of tax), which should be remitted to CPSB immediately in accordance with the contract.

The bid further states that concession receipts shall be reconciled by PWS at the end of each event on a form provided by CPSB. This certification form (game recap sheet) is to be signed by the two designees of PWS and submitted to CPSB within seven days after each stadium use. The contract should be amended to state that forms and checks shall be submitted to the Finance Department monthly.

PWS should comply with the contract and remit funds accordingly. Concession sales should be reconciled by PWS immediately following the event and verified by dual authorization. Funds should be deposited the next business day and the validated deposit slip should be attached to each game recap sheet.

The Finance secretary should be trained and appointed as a contact person for the reconciliation of receipts from PWS. Monthly receipt of game recap sheets and a check totaling our percentage should be sufficient. A due date of the 5th of the following month should be established. Follow up by the Finance secretary should be done on a monthly basis. At the end of the football season the reconciliation should be forwarded to Auditing for review and approval of the split.

The bid also states that all funds derived from sale of concessions should be deposited into one bank account and all expenditures of those funds should be made by check from the same account. This was not done by PWS for the 2010-2011 year.

The total decrease in gross receipts is either due to inaccurate recordkeeping, theft, or failure to report all sales. Internal controls need to be implemented by PWS to ensure accurate documentation going forward. Total sales and a copy of the contract between PWS and Pieworks have been requested to determine the loss of sales due to CPSB. This was not received.

Finding III

There were only a handful of expenses coming out of the checking account related to concessions. Per Mr. Gehl, the other expenses were either made out of another checking account maintained by PWS that was not associated with Lee Hedges or paid out of concession receipts. There were also checks totaling \$15,060 that were either made out to Mr. Gehl, Monarch One LLC (an LLC operated by Mr. Gehl), or friends of Mr. Gehl. None of these checks were supported by invoices or receipts.

Recommendation III:

According to the bid paperwork, all expenditures related to concessions should be paid by check out of the separate checking account maintained by PWS. No expenditures should be made from concession receipts. All money from concession sales should be deposited into the checking account and tied to the game recap sheet.

PWS is in direct violation of the approved bid by writing checks out of the Lee Hedges account to friends, business associates and the owner.

**CPSB
LEE HEDGES CONCESSIONS
RECEIPTS VARIANCES**

	2008	2009	2010	INCREASE (DECREASE) FROM 2009
GROSS RECEIPTS	\$ 50,463.00	\$ 46,717.00	\$ 37,170.00	-(20.44)%
# OF GAMES PLAYED	15	17	19	11.76%
AVG GROSS RECEIPTS PER GAME	\$ 3,364.20	\$ 2,748.06	\$ 1,956.32	-(28.81)%

**CPSB
LEE HEDGES CONCESSIONS
HIGH SCHOOL BAND SPLIT
2010 FOOTBALL SEASON**

HIGH SCHOOL	AMOUNT	
WOODLAWN	\$	742.48
GREEN OAKS	\$	435.01
BYRD	\$	1,864.98
SHREVE	\$	1,528.58
SOUTHWOOD	\$	674.49
FAIRPARK	\$	465.23
HUNTINGTON	\$	784.13
BTW	\$	372.14
NORTH CADDO	\$	372.14
NORTHWOOD	\$	430.19
	\$	<u>7,669.39</u>

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To: Superintendent of the Caddo Parish School Board

From: Jeff Howard, Chief Internal Auditor

Audited by: _____
Kelli Duffield

Date: May 1, 2013

Authority of the Audit

In January 2012, the Caddo Parish School Board (CPSB) approved a contract with John Auzenne, Jr, LLC. This contract authorized this entity to have concession rights at Lee Hedges Stadium through June 30, 2012. The contract is renewable in one year increments for a four year period and was renewed for the year beginning 7/1/2012. This entity won the bid over the previous vendor, DVK Enterprises, L.L.C. The contract permitted the CPSB to audit the financial records and distributions made from these funds.

Scope of the Audit

We have examined the financial records from 7/1/2012-12/31/2012. Our examination was directed toward determining if the conditions and requirements of the contract were met, if documentation was adequate, and if amounts calculated and submitted to the CPSB were materially correct.

Opinion

In our opinion, the calculations of profits made for the 2012 football season are materially correct. At the time of our review, internal controls over the vendor's accounting records were satisfactory. Departures from the required procedures were noted. Specific findings and recommendations are included on the following pages.

**LEE HEDGES STADIUM CONCESSIONS
FOR THE PERIOD JULY 1, 2012 THROUGH DECEMBER 31, 2012**

FINDINGS AND RECOMMENDATIONS

The following findings and recommendations are being made to assist the CPSB and the vendor to correct the problems noted.

Finding I

The gross receipts for the 2012 football season were down 7% from the 2011 football season, even though there was a 22% increase in the number of games played. There was also a price increase in beverages from \$2 to \$3. Average gross receipts per game went down from \$3,795.33 in 2011 to \$2,882.50 in 2012 for a 24% decrease. The Byrd vs. CSHS football game had the largest decrease. Several workers walked out before the game which left the vendor short staffed. There was also an electrical issue with the coffee pots used to make the hot chocolate.

Recommendation I:

The total decrease in gross receipts is directly related to the Byrd vs. CSHS football game where sales were lost due to long lines and no hot beverages. The contract states that *"the vendor must provide sufficient personnel (minimum of 20 people per event) to supervise and operate the stadium concession facilities at all events considering that some events will require more personnel than others."* Going forward, Mr. Auzenne should have enough back up personnel to cover in case of sickness or walkout by existing personnel.

We recommend the contract with Mr. Auzenne be renewed for the year beginning 7/1/2013. This should be communicated to the vendor in writing according to the terms of the contract by the Supervisor of Athletics.