

**Food Service Contract
Risk Analysis
Audit 03-11**

<u>Risk</u>	<u>Effect</u>	<u>Control</u>	<u>Control In Place</u>	<u>Assessment</u>
Contractor does not provide \$1,000,000 investment in equipment improvements as required in contract.	Non-compliance with contract terms. TCC food service operations may be adversely impacted at the City's expense.	A reconciliation of the amount spent is to be provided to the TCC Administrator for review.	YES	LOW
Contractor does not conduct an annual food and beverage equipment inventory.	Non-compliance with contract terms. The food and beverage equipment is City property, if not accounted for properly, City may have to bear the cost of equipment shortages.	Per review of contractor's internal audit program, a monthly inventory is to be conducted by the location. The monthly inventories are tested by the contractor's internal auditors.	YES	LOW
Contractor charges unallowable expenses.	Non-compliance with contract terms. Charging unallowable costs would effect the profit amount and ultimately the City's share of profit.	The contract provides for an annual audit of the food service operation by a Certified Public Accounting firm.	YES - See audit report on WP C-4.2	LOW
Contractor understates or overstates gross receipts.	Non-compliance with contract terms. Understating gross receipts would understate the facility usage fee and profit paid to the City. Overstating gross receipts would overstate the management fee paid to the Contractor.	The contract provides for an annual audit of the food service operation by a Certified Public Accounting firm.	YES - See audit report on WP C-4.2	LOW

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Contractor does not remit the proper percentage of profit and facility usage fee to the City.	Non-compliance with contract terms. The City will not receive the correct amount of revenue it is entitled to.	The Profit and Loss Statement is audited by an independent CPA firm.	YES - See audit report on WP C-4.2	LOW
Contractor miscalculates the percentage (e.g., understates) for the Marketing Reserve and Equipment Addition and Replacement Reserve accounts.	Non-compliance with contract terms. The City will not receive the correct amount of funds it is entitled to.	The Profit and Loss Statement is audited by an independent CPA firm.	YES - See audit report on WP C-4.2	LOW
Expenditures from the Marketing Reserve and Equipment Addition and Replacement Reserve accounts are not for their intended purpose.	Non-compliance with contract terms. City will not receive the benefits for which the reserve accounts were established for.	Disbursements can only be made if co-signed or approved by the Administrator. Expenditures must be approved by both parties prior to being incurred. Furthermore, expenditures would be tested for compliance by the annual audit conducted by the independent CPA firm.	YES - See audit report on WP C-4.2	LOW

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A monthly statement of the balance of the reserve accounts is not provided.	Non-compliance with contract terms. TCC management cannot monitor the reserve accounts.	Each time a disbursement request is presented, the remaining balance is disclosed. In addition, the amounts deposited into the reserve accounts is disclosed in the monthly operating statements.	YES	LOW
Contractor performance is not evaluated.	Contractor may not be managing and operating the food service operation in a professional and efficient manner.	Post convention surveys are conducted by a third party. The results of such surveys are reported to the City and compared with established goals.	YES	LOW
TCC does not evaluate and test the contractor's internal controls over revenue, expenses, and inventory.	The food service business involves handling a lot of cash and easily marketable inventory such as food and liquor, increasing the risk of theft. Expenses can be inflated or manipulated.	The contract provides for an annual audit of the food service operation by a Certified Public Accounting firm. In addition, the Contractor's internal audit department performs audit of these controls.	YES	LOW
Food and beverage service requested by TCC as part of its in-house activities are not charged to TCC "at cost".	Non-compliance with contract terms. If charging retail, this would understate the amounts due to the City and overstate amounts due to the contractor.	The Profit and Loss Statement is audited by an independent CPA firm which includes a footnote regarding related party transactions.	YES - See audit report on WP C-4.2	LOW

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Contractor fails to schedule semi-annual inspections by appropriate public health officials and/or remit copies of the inspections to the TCC Administrator.	Non-compliance with contract terms. If food service operations are not in compliance with applicable laws and regulations this could effect TCC's ability to generate food and beverage revenue.	The Contractor's Internal Audit Department obtains date and score of last sanitation inspection during their audit.	YES	LOW
Sales by Contractor from TCC to persons and entities off the premises of TCC are without consent by the TCC Administrator.	Non-compliance with contract terms. City may be liable for the occurrence of unforeseen circumstances.	TCC Administrator approves all off premise sales. Only two off premises events were held during the audit period.	YES	LOW
City fails to bill contractor for its percentage of total waste removal costs.	Non-compliance with contract terms. The City would bear the entire cost of waste removal.	TCC submits bill to contractor for its percentage of total waste removal costs.	YES	LOW
Products sold are of low quality and prices charged are unreasonable.	Non-compliance with contract terms. Patrons of the TCC may not return to the TCC resulting in lost revenue to the City.	TCC Administrator and contractor must review products sold and prices to be charged on an annual basis with the review date being set as August 1.	YES	LOW

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Contractor and its subcontractors do not have proper insurance coverage.	Non-compliance with contract terms. City may be liable for claims that would otherwise be handle by contractor's its sub-contractors' insurance.	A certificate of insurance evidencing insurance coverage is required to be presented to the City from the contractor prior to the commencement of the agreement. The contractor must secure certificates of insurance from its subcontractors. Subcontractor certificates of insurance are tested by the contractor's internal audit department.	YES	LOW
Contractor does not furnish a performance or payment bond.	Non-compliance with contract terms.	A performance and payment bond must be furnished at the time of execution of agreement.	YES	LOW
Contractor does not submit revenue reports, profit/loss statements, and a budget that includes detailed revenue projections by event and by revenue source, as well as costs and other information.	Non-compliance with contract terms. Without adequate reports from contractor, TCC management may not be able to adequately monitor the financial performance of the contractor.	Monthly operating statements are submitted with monthly remittance. A quarterly report of revenue and expenses compared to forecated and prior year amounts with significant variance explanations are reviewed by the TCC Administrator.	YES	LOW

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