

**BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL**

**Arena / Forum
Concession Revenue**

AUDIT

AUGUST 2008

Alex J. McLaughlin, Comptroller

August 8, 2008

Barbara J. Fiala, County Executive:

The Department of Audit and Control has audited the Arena / Forum Concession Revenue. The principle objective was to gain assurance that the concession revenues are being properly computed and remitted.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, it is our opinion that, except for the instances noted herein, the concession revenues are being properly computed and remitted.

Sincerely,

Alex J. McLaughlin
Comptroller

cc: Mark R. Whalen, Chairman of the Legislature
Members of the Legislature
Eric S. Denk, Clerk of the Legislature
Brian Hoffman, Arena Manager
Doug Bottego, Chief Financial Officer, American Food and Vending, Inc.

Background

In October of 2000, Broome County contracted with Food Consultants, Inc. for food and beverage concession services to be provided for events at the Broome County Arena and the Forum. This agreement was subsequently amended in December of 2004. The term of the amended contract extends to August 31, 2015. In exchange for granting the concession rights to Food Consultants, Broome County receives agreed upon percentages of Food Consultants gross receipts, the percentage of gross receipts is dependant on the type of product sold, the location of the sale (sales at stands and booths versus sales at the Arena Club or skyboxes), and the year to date total value of gross receipts. Gross receipts from sales before, during, and after hockey games played by the B.C. Senators Inc. are subject to assignment provisions in a contract between Broome County and the B.C. Senators.

Concession revenue of \$80,000 was budgeted and \$103,095 was received for 2007. Concession revenue of \$92,000 was budgeted for 2008.

The primary objective of our Audit was to gain assurance that the Arena / Forum concession revenues are being properly computed and remitted.

For the purpose of achieving our objective, we reviewed the contract, met with Arena management and flowcharted the processes of receiving, recording, and depositing Broome County's percentage share of the gross receipts. Arena / Forum concession revenue was benchmarked against peer venues and found to be comparable.

We also performed detailed testing of the period of September 1, 2007 through November 30, 2007. Total concession net revenue for the period was \$84,596 on sales of \$393,553. Of that amount, \$55,110 was assigned to the B.C. Senators. The Arena's share was \$29,486.

We visited the parent company of Food Consultants Inc. (American Food and Vending, Inc.) in Syracuse. We examined the applicable quarterly NYS Sales Tax Return and inventory records. We then performed analytical procedures for the purpose of verifying that the quarterly return and the inventory records support the gross receipts reported to Arena management, which they did.

Officials from both the Arena and American Food and Vending were very helpful and cooperative.

FINDING 1: THE TIMING OF SOME CONCESSION PAYMENTS DOES NOT MATCH CONTRACT TERMS

During the course of our audit, we reviewed the timing of payments received during September 2007 thru November 2007. Out of 24 checks received during the period covered by our examination, 3 checks were late. Two checks were a few days late, while one was a month late.

The contract (# CA-8-516-A, section 4(b) specifies that the concession fee payable “shall be paid by the Consultants to the County monthly on the 15th of each month for the preceding month.....”

The timing of the payments was agreed upon and included in the contract. Therefore, unless the contract is amended, management should require Food Consultants, Inc. to comply with the terms.

RECOMMENDATION:

We recommend that management require Food Consultants to comply with the specified payment terms of the contract.

MANAGEMENT RESPONSE:

Food Consultants response:

We agree with your recommendation and have reinforced with our operations and accounting personnel the need to be more diligent in processing commission payments within the specified terms of the contract.

Arena response:

Arena personnel will monitor commission payments more closely to assure payments are received according to the terms of the contract.

FINDING 2: REVENUE SHARING PERCENTAGES NOT STRICTLY ADHERED TO

In the process of verifying that submitted revenues were calculated in accordance with the terms stipulated in the contract, we noted that in 2 instances (out of 24 events), Arena management agreed to accept a concession percentage lower than what was stipulated in the contract.

The contract provides for revenues deriving from the sale of novelty items to be shared 50/50. In the two instances that we noted, the County agreed to accept a 45% share of those revenues.

In the instances observed, Arena management felt that some negotiation was justified to help entice the acts to perform in our Arena.

As a result of having agreed to the lower percentage share, the County lost about \$300 over what it should have earned. (Total earnings for the two events were over \$7,000.)

RECOMMENDATION:

We recommend that Arena management stick to the terms of the contract. If flexibility in dealing with performers is required to successfully compete for acts, then the contract should be amended to stipulate ranges, rather than absolutes.

MANAGEMENT RESPONSE:

Food Consultants response:

We agree that Food Consultants must adhere to the terms of the contract, which states that “50% of Consultants Gross Receipts derived from all sales of souvenirs at the Facilities” be shared. If there needs to be further clarification, Food Consultants recommends that the County and Food Consultants collaborate to determine the original intent of the contract.

Arena response:

Arena Management agrees with the recommendation and will work with the County Attorney and Food Consultants Inc., to revise the contract and give Arena Management more flexibility in negotiating souvenir percentages.

