



# CITY OF SAN ANTONIO

P.O. Box 839966  
SAN ANTONIO TEXAS 78283-3966

December 20, 2013

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**Carlton Soules**  
Councilman, District 10

SUBJECT: Audit of the Convention and Sports Facilities  
Contract for Audio/Visual and Rigging Services

Mayor and Council Members:

We are pleased to send you the final report of the Audit of the Convention and Sports Facilities Contract for Audio/Visual and Rigging Services. This audit began in May 2013 and concluded with an exit meeting with department management in October 2013. Management's verbatim response is included in Appendix B of the report. Convention and Sports Facilities management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
City of San Antonio

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**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**



**Audit of the Convention and Sports Facilities Contract for  
Audio/Visual and Rigging Services**

Project No. AU13-004

December 20, 2013

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Convention and Sports Facilities (CSF), specifically the contract between the City of San Antonio (City) and Audiovisual Services Group, Inc. d/b/a PSAV Presentation Services. The audit objective, conclusions, and recommendations follow:

### **Are CSF and PSAV in compliance with contractual terms for Audio/Visual and Rigging Services?**

Yes, overall CSF and PSAV are both in compliance with contractual terms for audio/visual (A/V) and rigging services provided at the Henry B. Gonzalez Convention Center (Convention Center). PSAV is in compliance with both financial and performance terms specified within the contractual agreement. Overall, both parties are meeting expectations as specified in the contract. However, we identified some administrative processes that need improvement.

Controls do not exist for ensuring that PSAV is in compliance with the contractual terms in the following areas:

1. Insurance coverage for subcontractors providing goods and services does not exist. Note: Issue was remediated - CSF obtained a waiver from the City's Risk Management department.
2. PSAV is not utilizing subcontractors appropriately as specified in the Good Faith Effort Plan. Additionally, CSF is not reviewing subcontractor proof of payment and the SBEDA compliance reports that provide detail of utilization levels and good faith efforts by PSAV.

We recommend that the Director of CSF:

Ensure that PSAV is in compliance with the pertinent terms of SBEDA by thoroughly reviewing required SBEDA compliance reports and requesting supporting documentation, such as subcontractor billing payments.

CSF Management's verbatim response is in **Appendix B** on page 6.

## Table of Contents

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Executive Summary .....	i
Background.....	1
Audit Scope and Methodology .....	2
Audit Results and Recommendations .....	3
Appendix A – Staff Acknowledgement .....	5
Appendix B – Management Response.....	6

## Background

The City owns and operates, through the Convention and Sports Facilities (CSF) Department, the Henry B. Gonzalez Convention Center (Convention Center). The facility is made available to clients through short-term license agreements for a variety of events, including conventions, exhibits and meetings. Such events may require audio visual and rigging services and therefore the City sought to obtain an Audio Visual and Rigging Services contract for events held at the facility.

The City submitted a request for proposals and subsequently awarded a contract to PSAV Presentation Services (PSAV) to perform preferred (non-exclusive) audio/visual services and exclusive rigging services for events held at the Convention Center. Audio/visual and rigging services include equipment, materials, and labor (i.e. lighting equipment, video monitors, professional technicians, programmers, etc.).

The contract was awarded for a five year period beginning on May 1, 2011 and is due to expire on April 30, 2016. A renewal option of one consecutive three year term is available, subject to the approval of City Council. In consideration for the rights and privileges granted under this agreement, PSAV agreed to pay the City a percentage of gross sales as follows:

<b>City Commission</b>			
	<b>Annual Gross Sales</b>		
	<b>\$0 - \$999,999</b>	<b>\$1,000,000 - 1,999,999</b>	<b>\$2,000,000+</b>
<b>Initial Term</b>	28%	29%	30%
<b>Renewal Term</b>	30%	31%	32%

If annual gross sales do not meet the percentages listed in the table above, PSAV has agreed to pay the City a minimum annual guarantee (MAG) amount per agreement year, as follows:

<b>Minimum Annual Guarantee (MAG)</b>				
	<b>Agreement Year (May 1 to April 30)</b>	<b>A/V MAG</b>	<b>Rigging MAG</b>	<b>Total MAG</b>
Initial Term	2012	\$ 435,500	\$ 125,000	\$ 560,500
	2013	\$ 457,275	\$ 131,250	\$ 588,525
	2014	\$ 480,139	\$ 137,812	\$ 617,951
	2015	\$ 504,146	\$ 144,703	\$ 648,849
	2016	\$ 504,146	\$ 151,938	\$ 656,084
Renewal Term	2017	\$ 529,353	\$ 156,496	\$ 685,849
	2018	\$ 561,591	\$ 161,191	\$ 722,782
	2019	\$ 578,438	\$ 166,027	\$ 744,465

## **Audit Scope and Methodology**

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The audit scope included contract terms and related documentation for the time period between May 2011 and April 2013.

Testing criteria primarily included contract terms and City Administrative Directives. We interviewed CSF and PSAV management and staff and verified commission revenue and other pertinent information to ensure appropriate execution and monitoring of the contract terms.

We relied on computer-processed data in SAP, the City's principal accounting system, to validate payments submitted to the City by PSAV. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included comparing source documentation to SAP. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this audit 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Results and Recommendations

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### Lack of Internal Controls

Controls for ensuring that PSAV is in compliance with the contractual terms do not exist in the following areas:

1. Subcontractor Insurance Requirements

Section 20.4 of the contract states that PSAV agrees to require that all subcontractors providing goods or services obtain the same insurance coverages required of contractor, and provide a certificate of insurance and endorsement that names the contractor and the City as additional insureds prior to the beginning of any work by the subcontractor.

CSF remediated this issue during the audit by obtaining insurance waivers from the Risk Management Division. The waivers were issued to subcontractors who have no on-site presence.

2. Compliance with SBEDA Requirements

PSAV is not meeting the Small Business Economic Development Advocacy (SBEDA) requirements as stated in the contractual terms.

Section 24.3.1 of the contract explains that failure of the contractor to utilize a SBEDA Enterprise (i.e. suppliers and subcontractors) that was originally listed in the Good Faith Effort Plan (GFEP) constitutes a material breach of the SBEDA Program and the contract.

PSAV is not utilizing subcontractors appropriately as specified in the Good Faith Effort Plan. PSAV included 3 subcontractors on their compliance SBEDA reports that are not listed on the GFEP. In addition, a subcontractor listed on the GFEP is not being utilized.

Additionally, CSF is not reviewing the SBEDA quarterly reports before sending them to the Economic Development Department. Formula errors and incorrect utilization goals were identified on the SBEDA quarterly reports.

Section 24.2.5 of the contract requires PSAV to pay and provide documentation of all billing and payment information applicable to SBEDA Plan suppliers and subcontractors.

PSAV is not submitting subcontractor billing and payment information to the City, nor has the City requested such information from PSAV.

**Recommendation**

The Director of CSF should:

Ensure that PSAV is in compliance with the pertinent terms of SBEDA by thoroughly reviewing required SBEDA compliance reports and requesting supporting documentation, such as subcontractor billing payments.

## **Appendix A – Staff Acknowledgement**

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Sandra Paiz, CFE, Audit Manager  
Claudia Peña, CFE, Auditor in Charge  
Christopher Moreno, MPA, Auditor

## Appendix B – Management Response



### CITY OF SAN ANTONIO

P. O. Box 839966  
SAN ANTONIO TEXAS 78283-3966

November 6, 2013

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the Convention and Sports Facilities (CSF) Contract for Audio/Visual and Rigging Services

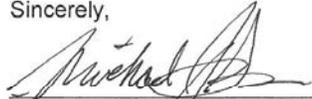
CSF Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p><b>SBEDA Program - Lack of Internal Controls</b></p> <p>The Director of CSF should ensure that PSAV is in compliance with the pertinent terms of SBEDA by thoroughly reviewing required SBEDA compliance reports and requesting supporting documentation, such as subcontractor billing payments.</p>	4	Accept	Kevin Burton/Contract Manager	12/31/13

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><u>Background:</u></p> <ol style="list-style-type: none"> <li>1. The contractor's Good Faith Effort Plan (GFEP) and SBEDA requirements in this contract are based on the City's 2007 SBEDA Ordinance. 3% of the contractor's 4% MBE goal originated from two subcontractors which the contractor no longer utilizes due to violation of contractor's operational standards (theft and professionalism). The contractor subcontracted labor from these companies and has yet to replace these subcontractors because of limited local availability of qualified, certified businesses. The remaining 1% MBE, as well as 2% of contractor's 4% WBE goal is additional subcontracted labor from another company. Though this company is a certified subcontractor, they've indicated they're not willing to comply with the contract's background check requirements, potentially jeopardizing this subcontractor's utilization as well. Nevertheless, the department has communicated to PSAV that background checks are a requirement of their contract and that this will be a requirement of all vendors working in the facility in the future.</li> <li>2. Much of the contractor's purchasing is performed at the corporate level, substantially reducing the potential amount of discretionary purchasing by the contractor's local office. The primary areas in which contractor's local office can purchase are subcontract labor, equipment rental, and materials and supplies. In addition to limited availability locally, most subcontract labor sources are also the contractor's competitors, further constraining from whom and how much the contractor can subcontract labor.</li> <li>3. In addition to no longer utilizing the two companies mentioned above, the contractor also doesn't utilize another electrical subcontractor from its GFEP because it does not require those services. Though the contractor has challenges with identifying replacement companies to subcontract labor from, it continues to try and purchase from certified vendors. Though the contractor's GFEP hasn't been formally amended, the contractor continues to identify and subcontract with SBEDA-certified businesses as possible.</li> <li>4. Contractor has provided all prior subcontractor billing and payment information applicable to SBEDA utilization to CSF staff. CSF staff is now requiring such billing and payment information from contractor.</li> </ol> <p><u>Action plan:</u>  <b><i>CSF staff is currently working with the contractor and Economic Development (EDD) staff to amend the contractor's Good Faith Effort Plan (GFEP) to add/remove subcontractors as applicable. In addition, prior SBEDA reports have been updated and were submitted with copies of billing and payment information to the Economic Development Department (EDD). In the future, CSF staff will review the reports and compare to contractor billing and payment information before forwarding the information to EDD staff.</i></b></p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

  
\_\_\_\_\_  
Michael Sawaya  
Director  
CSF Department

11/21/13  
Date

  
\_\_\_\_\_  
Edward Belmares  
Assistant City Manager  
City Manager's Office

11/24/13  
Date