June 21, 2019

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Councilwoman, District 3

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Councilwoman, District 2

Shirley Gonzales  
Councilwoman, District 5

Manny Peláez  
Councilman, District 8

SUBJECT: Audit Report of Audit of Center City Development and Operations Department River Barge Concession Contract

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Center City Development and Operations Department River Barge Concession Contract. This audit began in September 2018 and concluded in June 2019. Management’s acknowledgement of its review of the report is included in Appendix B. The Center City Development and Operations Department 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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Erik Walsh, City Manager
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John Jacks, Director, Center City Development and Operations Department
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John Peterek, Assistant to the City Manager, Office of the City Manager
Priscilla Soto, Audit Committee Member
Judy Treviño, Audit Committee Member
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Center City Development and Operations Department

River Barge Concession Contract

Project No. AU18-C01

June 21, 2019

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

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Center City Development and Operations Department (CCDO), specifically the river barge concession contract. The audit objective and conclusions follow:

Determine if the river barge concession contract between the City and Go Rio San Antonio (Go Rio) is adequately monitored and if Go Rio is complying with key terms.

Yes, CCDO is adequately monitoring the river barge concession contract and Go Rio is complying with key terms of that contract.

CCDO performs monthly desk reviews of key contract terms, such as payments due, expenditures from River Barge Improvement Fees collected by Go Rio, and reports of gross sales and ticket sales. CCDO reviews barge inspections and utility bill payments on a quarterly basis, staffing levels and wages on a semi-annual basis, and safety compliance, marketing plans and expenditures, insurance, barge maintenance, and other major terms annually. CCDO also conducts quarterly site visits to verify hours of business, schedules, wait times, cleanliness of facilities, and overall tour quality.

Go Rio is complying with key terms of the contract, such as providing training to barge captains, paying all employees a minimum of $14 per hour (inclusive of tips for barge drivers), paying the City its portion of revenues, maintaining a website, giving local businesses access to provide dinner cruises, and maintaining adequate insurance.

We identified no significant weaknesses in CCDO's monitoring of the river barge concession contract and no significant weaknesses with Go Rio's contract compliance. Therefore, we make no recommendations for improvement.

CCDO Management agreed with the results of the audit and has acknowledged receipt of a copy of the audit report in Appendix B on page 5.
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Background

The Center City Development and Operations Department (CCDO) facilitates and initiates the development and redevelopment of neighborhoods and oversees the operations of downtown. Its downtown operations include maintenance of the River Walk, coordination of large downtown events, management of various vendors and leases, and the operation and maintenance of special venues in the downtown area.

The City of San Antonio (City) awarded a contract to Go Rio granting exclusive rights to provide river barge services through San Antonio's River Walk. Go Rio offers a variety of services to visitors including: river barge tours, water taxi services, charter and special event cruises (dining, cocktail, and activities), and merchandise sales. The contract term is for 10 years beginning October 1, 2017.

The City earns a portion of the revenue generated on all ticket and merchandise sales under this contract. For the initial year of the contract, Go Rio earned over $18 million in barge revenue and $1 million in merchandise sales revenue, while the City collected over $8.7 million in concession fees from Go Rio. CCDO monitors the contract with Go Rio to ensure compliance with its terms and conditions.

Major terms of the contract include:
- A concession fee payable to the City with minimum annual guarantees
- A River Barge Improvement Fee payment (Year 1 only) and River Walk Capital Improvement Fee payments (Years 2-10)
- Barge Use Fee payments
- Utility payments
- Ticket prices and rental rates
- Operating standards
- Hours of operation
- Safety and training
- Marketing
- Insurance
- Standards for employees and their payment
- Small Business Economic Development Advocacy (SBEDA) requirements
Audit Scope and Methodology

The audit scope was Fiscal Year 2018 through March 2019 and included both CCDO contract monitoring efforts as well as Go Rio river barge concession contract compliance.

We interviewed staff, performed on-site observations, tested transactions, and reviewed documentation. We reviewed CCDO’s contract monitoring files, including quarterly site visits, staffing level reviews, insurance documentation provided by Go Rio, gross revenue report and ticket sales report reviews, documentation related to the River Barge Improvement Fee, and wages paid to Go Rio drivers. We interviewed personnel of the Economic Development Department to obtain Go Rio’s current status in meeting its small business economic development advocacy (SBEDA) program contract requirements. We reviewed documentation provided by Go Rio, and conducted tests of a sample of barge drivers’ training, a sample of sales tax exemptions, all River Barge Improvement Fee expenditures, access to barges by local businesses, all wages paid to employees, benefits provided to employees, and Go Rio’s website. We also reviewed the independent auditor’s report on Go Rio’s gross revenues for fiscal year 2018 and discussed that report with the CPA. We observed posted pricing of tours and taxis. The river barge concession contract between the City and Go Rio was used as the criteria for this audit.

We relied on computer-processed data in the City’s SAP accounting system to validate payments made by Go Rio to the City. Our reliance was based on performing direct tests on the data rather than evaluating the system’s general and application controls. We compared amounts due per the contract and Go Rio’s independent auditor to amounts received in SAP, as well as copies of checks kept by the contract monitor. We relied on the attestation report provided by Go Rio’s independent auditor for validation of gross revenue data from its point-of-sale system. 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 performance 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

CCDO is adequately monitoring the river barge concession contract and Go Rio is complying with key terms of that contract.

CCDO performs monthly desk reviews of key contract terms, such as:
- Payments due and remitted to the City
- Expenditures from River Barge Improvement Fees collected by Go Rio
- Reports of gross sales and ticket sales

CCDO reviews barge inspections and utility bill payments on a quarterly basis. It reviews Go Rio’s staffing levels and wages paid to Go Rio employees on a semi-annual basis.

On an annual basis, CCDO reviews Go Rio’s compliance with safety requirements, marketing plans and expenditures, insurance, barge maintenance, and other major contract terms.

CCDO also conducts quarterly site visits to verify Go Rio’s hours of business, tour/taxi schedules, pricing, minimum wait times, cleanliness of facilities, and overall quality of the tours.

Go Rio is complying with key terms of the contract such as:
- Providing training to barge captains
- Paying all employees a minimum of $14 per hour (inclusive of tips for barge drivers) and benefits
- Paying the City its portion of revenues
- Maintaining a website
- Giving local businesses access to provide dinner cruises
- Having an annual independent audit of its revenues and payments to the City
- Maintaining adequate insurance

We identified no significant weaknesses regarding CCDO’s monitoring of the river barge concession contract and no issues with Go Rio’s compliance with the contract. Therefore, we make no recommendations for improvement.
Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Susan Van Hoozer, CIA, CISA, Auditor in Charge
Rebecca Moulder, CIA, CISA, Auditor
Appendix B – Management Acknowledgement

June 07, 2019

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

RE: Management’s Acknowledgement of its Review of the Riverbarge Contract between the City of San Antonio and Go Rio.

The Center City Development and Operations Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

The Center City Development and Operations Department:

☐ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

John Jacks
Director
Center City Development and Operations Department

Lori Houston
Assistant City Manager
City Manager’s Office

6-10-19

6-13-19