



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

January 24, 2012

The Honorable Carl Seel, Chair  
Joint Legislative Audit Committee

The Honorable Rick Murphy, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Seel and Senator Murphy:

Our Office has recently completed an initial followup of the Arizona Sports and Tourism Authority regarding the implementation status of the 15 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in December, 2010 (Auditor General Report No. 10-09). As the attached grid indicates:

- 6 have been implemented;
- 8 are in the process of being implemented, and
- 1 is not yet applicable.

Our Office will conduct an 18-month followup with the Authority on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director  
Performance Audit Division

DC:sjs  
Attachment

cc: Tom Sadler, President/CEO  
Arizona Sports and Tourism Authority

# Arizona Sports and Tourism Authority

## Auditor General Report No. 10-09

### Initial Follow-Up Report

#### Recommendation

#### Status/Additional Explanation

#### Finding 1: Concessions procurement largely adhered to best practices; additional policies and procedures to guide future procurements would be helpful

- |  |   |
|--|---|
| 1.1 The Authority should follow its policies and conduct a competitive procurement process for each contract with an expected value of \$25,000 or more or document the reasons for not conducting a competitive procurement process.  | <b>Not Yet Applicable</b><br>The Authority has not issued a contract that would require a competitive procurement process since the audit report was issued and therefore, has not had the opportunity to implement this recommendation.  |
| 1.2 The Authority should develop and implement additional policies and procedures that incorporate procurement best practices recommended by the National State Auditors Association to help guide its future procurement activities. These policies and procedures should require that: |   |
| a. Requests for proposals (RFP) specify the business needs, scope of work desired, and the proposal evaluation criteria and weighting factors;   | <b>Implementation in process</b><br>The Authority has developed and its Board of Directors (Board) has approved the recommended policies and procedures for a competitive procurement process. However, since the Authority has not conducted a competitive procurement process since the audit report was issued, auditors could not assess the implementation of these policies. Auditors will follow up at 18 months to assess the implementation of these recommendations if the Authority has conducted a competitive procurement. |
| b. The award decision process ensures that proposals are received appropriately and evaluated objectively. It should also ensure that contracts are awarded fairly; and  | <b>Implementation in process</b><br>See 1.2a. for explanation.  |
| c. Contract provisions define the scope of work, contract terms, allowable renewals, and procedures for any changes; provide specific measurable deliverables and reporting requirements; and describe the methods of payment and payment schedules.                                     | <b>Implementation in process</b><br>See 1.2a. for explanation.  |

#### Finding 2: Authority has taken steps to improve financial situations, but still faces challenges

- |  |                                 |
|--|---------------------------------|
| 2.1 To ensure compliance with statute, the Authority should properly apply the funding priorities required in A.R.S. §5-835 to the youth and amateur sports reserve and use this reserve to fund monthly revenue shortfalls in its youth and amateur sports program as required by A.R.S. §5-838(B). | <b>Implemented at 12 months</b> |
|--|---------------------------------|

## Recommendation

## Status/Additional Explanation

2.2 The Authority and its Board of Directors should continue to take steps to address its financial shortfall by increasing revenues and/or decreasing expenses. In doing so, the Authority should study various options available to increase facility revenues and decrease facility expenses to address its projected deficits and fund its required reserve accounts. For example, it could review its legal services and related expenses to determine if opportunities exist to reduce these expenses.

### Implementation in Process

The Authority has continued to take steps to address financial shortfalls and does not project any cash shortfalls during the next five years. According to a facility manager official, the target of holding 100 events during fiscal year 2011 was met. In addition, the facility manager has continued to promote the stadium through various venues such as trade shows. Events have included or are planned to include large soccer games, weddings, proms, and recreational vehicle sales events. Authority and facility manager officials reported that they have continued to review operating expenses for potential savings, including analyzing legal costs and monitoring employee overtime. Auditors will follow up at 18 months to review any additional steps taken and the status of the Authority's financial position.

2.3 To enhance its long-term revenue projections, the Authority should continue to work with the Office of Tourism and other tourism industry representatives to forecast tourism revenues and create different ranges of growth such as conservative, moderate, and aggressive scenarios for its tax revenues and document its methodology.

### Implementation in Process

Although the Authority reported that it has implemented this recommendation; it was unable to provide sufficient documentation to support the implementation of this recommendation. Additional documentation is needed to show Board approval of ranges of growth that were created for long-term revenue projections.

## Finding 3: Authority meeting bond obligations, but has reached debt capacity

3.1 This Finding contained no recommendations

## Finding 4: Authority has improved oversight of facility manager, but minor additional steps needed

4.1 The Authority should take steps to ensure that the facility manager performs preventative maintenance according to its preventative maintenance schedule by:

- a. Requiring the facility manager to include maintenance completion dates on its monthly and quarterly reports; and
- b. Selecting a small sample of planned preventative maintenance projects from the preventative maintenance schedule to verify that preventative maintenance is performed in a timely manner. Authority staff should also determine, based on resources available, how frequently these samples should be reviewed.

### Implemented at 12 months

### Implementation in Process

The Authority began a process of selecting a sample of planned preventative maintenance projects to verify that the preventative maintenance was performed in a timely manner. The Authority completed this sample review for the 4<sup>th</sup> quarter of fiscal year 2011 and plans to review a sample from the preventative maintenance schedule each quarter going forward. Auditors will follow up at 18 months to verify that the Authority is continuing its review of preventative maintenance projects.

**Recommendation****Status/Additional Explanation**

4.2 The Authority should expand its review of facility manager expenses, including implementing a process for reviewing monthly check registers and bank reconciliations and, based on resources available, determine a frequency for selecting a sample of both direct and indirect expenses for an in-depth review.

**Implementation in Process**

The Authority reviews indirect expenses during its quarterly event settlement review process. However, the Authority is in the process of determining a review process for direct expenses and facility manager check registers. Finally, the Authority reported that it will not review bank reconciliations because both the facility manager's and Authority's financial auditors conduct such a review.

---

**Finding 5: Authority complying with Cactus League statutory requirements, but revenue shortfall will affect ability to meet planned commitments**

---

5.1 This Finding contained no recommendations

---

**Finding 6: Authority funding has helped youth and amateur sports, but future funding potentially limited**

---

6.1 The Authority should improve its biennial grant application funding process by:

a. Establishing additional guidance for staff regarding secured funding, such as the evidence or documentation staff should review and retain in the grant file in order to determine that the applicant has secured 100 percent of its project-funding contribution.

**Implementation in Process**

For the 2012 biennial grant cycle, the Authority has developed a biennial grant checklist designed to help authority staff ensure that a grant applicant has secured 100 percent of its portion of the project funding when the Authority's project funding agreement is executed. In addition, the Authority reported that it plans to require applicants to provide a letter stating that it has secured its funding. Authority staff also indicated that it will require the applicant to provide documentation of secured funding such as the applicant's financial statements. However, the Authority has not developed written guidelines for staff regarding documentation pertaining to secured funding that it should review and retain in the grant file. Auditors will follow up at 18 months to ensure that the Authority completes its plans to require additional documentation regarding secured funding during the 2012 biennial grant cycle.

b. Requiring authority staff to reconcile funding reimbursement requests to submitted invoices and to review invoices to ensure that work completed is consistent with the project scope as approved by the Authority.

**Implemented at 12 months**

---

6.2 The Authority should improve its quick grants by developing a method of documentation that clearly shows that the Authority issued each check on a reimbursement basis as required by quick grant requirements.

**Implemented at 12 months**

---

**Recommendation****Status/Additional Explanation**

6.3 As time and resources permit, the Authority should:

a. Review quick grants issued prior to May 2008 where it either lacks documentation supporting project completion and the appropriate expenditure of authority monies or the documentation indicates that the scope of the project and/or the project costs changed; and

**Implemented at 12 months**

b. Identify opportunities to recover monies and then work with its attorneys to take steps to recover these monies if it determines it has the ability and it is cost-effective to do so.

**Implemented at 12 months**

---