



FULTON COUNTY

FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
WOLF CREEK AMPHITHEATER AUDIT REPORT
November 4, 2016

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INTRODUCTION

The Office of the County Auditor has conducted an audit of the Wolf Creek Amphitheater (WCA) at the request of the Board of Commissioners.

BACKGROUND

The Fulton County WCA is a world-class event venue owned and operated by the Fulton County Board of Commissioners. Located on a picturesque 435-acre wooded site, the outdoor amphitheater accommodates 5,300 guests with reserved seating, table seating and spacious green lawns.

The WCA complex includes access roadways, parking areas, ample restroom facilities, dressing rooms, green room, production offices, kitchen facility, private meeting rooms, four (4) VIP Skyboxes and the Fulton County Public Safety Memorial.

The WCA's peak performance season runs from May through September and provides the perfect location for outdoor live music concerts, plays, performances and festivals. Its related facilities are available for use on a first come, first serve basis throughout the year.

OBJECTIVES

The objectives of the audit included performing a comprehensive review of the financials to determine whether the financial information is accurately reflected and to evaluate the financial practices to determine whether adequate financial controls exist. In addition, we conducted a review of the current operational business processes and an assessment of the management practices to identify opportunities for improvement.

SCOPE

The audit period for the review of the financial information was 2012 through June 30, 2016. As it relates to the scope of the operational review, it consists of the processes that were in effect from 2013 through 2016.

METHODOLOGY

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit by obtaining sufficient and appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. To achieve our audit objectives, we:

- Conducted interviews with key staff and personnel;
- Evaluated the financial controls and existing cash management practices;

- Analyzed the WCA’s financial records that consisted of settlement statements, cash receipts, invoices and other supporting documentation;
- Reviewed the WCA Reservation and Use Policy;
- Reviewed Board approved actions relating to the WCA;
- Evaluated the current business processes to assess the operations and management practices to include matters of risk management, contract administration, procurement and ticket sales; and
- Researched best practices that are consistent with the operations of the venue.

We believe that the evidence obtained provides a reasonable basis for our findings and recommendations detailed in the section below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Inadequate Accountability and Oversight

Individual accountability for all cash, including cash receipts, change funds and petty cash funds should be maintained at all times. Also, written procedures for receiving, recording, reconciling, safeguarding and depositing cash should be prepared and provided to employees with cash handling responsibilities. Our audit revealed that there was inadequate accountability and oversight over the financial operations at the WCA as there were errors reflected in the reconciliation of settlement statements, untimely deposits, missing and inadequate supporting documentation and no segregation of duties essential to maintain a system of proper internal controls. WCA management was unable to provide written documentation in reference to cash handling procedures for the venue. Lack of financial accountability and oversight leads to inadequate financial reporting that ultimately will not give a true and fair view of the activities of the venue and stem the tide of financial mismanagement.

Recommendation

Cash handling policies and procedures should be implemented for the WCA to ensure all cash receipts are recorded immediately upon receipt; all refunds and voided cash transactions are supported by documentation stating the reason for the refund or void; funds held overnight is minimized; cash is kept in a locked safe or other secure area; cash receipts are deposited in a timely manner, reconciliations are performed or reviewed by a supervisor/manager not directly involved in receiving and recording cash; and no one employee or group of employees are in a position both to perpetrate and conceal errors or irregularities in the normal course of their duties. Cash will always be a high-risk area of vulnerability when it comes to fraud. Stringent controls must be in place and deployed to mitigate the risk of loss. However, there must be diligent oversight for controls to be effective.

Finding 2 – Failure to Properly Safeguard Funds

Adequate internal controls and cash management practices require cash collections to be properly safeguarded and kept in a secure location. During the audit, we noted that the collection of box office sales and vendor payments were secured in a locked safe. However, at the conclusion of the weekend events, the funds were removed from the venue by the employee responsible for conducting the cash receipting process. Furthermore, the funds remained in the employee's possession until she was able to return to work to complete the cash receipting process and submit the funds to the Finance Department, which in some instances occurred several days later. WCA management failed to ensure funds were properly safeguarded by providing a secure method of transporting the cash collections from the venue to Fulton County's Treasury Department for deposit. This action increased the risk of funds being lost or stolen.

Recommendation

Recently the Finance Department took immediate action to ensure funds collected at the WCA are properly safeguarded. The funds are now transported from the venue to the Treasury Department by an armored courier. Continuing efforts to strengthen the internal controls related to cash collections would be enhanced by developing a County-wide system of cash management practices.

Finding 3 – Lack of Segregation of Duties

Based on best practices, incompatible financial duties and/or responsibilities should be properly segregated. The responsibilities and/or job functions that consist of authorizing transactions, maintaining custody of assets, the recordkeeping process and conducting reconciliations should be assigned to different individuals. During the audit, we noted that the same employee performed the following incompatible financial duties:

- Authorized and verified the box office cash collections and vendor payments;
- Maintained custody of the cash collections and access to the safe located at the facility;
- Conducted recordkeeping including preparing cash receipts and recording cash collections in the County's financial system;
- Prepared settlement statements that included determining the allocation of the proceeds from ticket sales based on a reconciliation of the event's expenses; and
- Dictated how the proceeds of all events are to be disbursed by Ticket Alternative, LLC on behalf of the venue.

These issues were a result of the financial duties not being delegated to the appropriate staff needed to maintain an adequate system of check and balances. Failure to appropriately segregate financial duties increased the risk of fraud and inaccuracies in financial reporting.

Recommendation

To strengthen internal controls, financial duties should be properly segregated. In the event proper segregation of duties cannot be achieved, the appropriate compensating controls should be established, such as increased monitoring to prevent errors and minimize the risk and opportunity for fraudulent activity to occur.

Finding 4 – Inaccuracies in Settlement Statements

Financial records should be accurate and consistent with the County’s standards for recording and reporting financial transactions. The WCA’s financial records include settlement statements that were prepared to reconcile ticket proceeds and expenses for each event. Upon completion, the settlement statements were then forwarded to Ticket Alternative, LLC and the respective promoter for review and approval. Based on our review of the settlement statements, we noted that numerous settlement statements contained errors and were mathematically inaccurate. The process lacked a formal review and approval by appropriate personnel within the County. As a result, the financial reporting was inaccurate.

Recommendation

All financial records should be properly reviewed to ensure accuracy and consistency. WCA management should work with the Finance Department to develop the appropriate method for preparing settlement statements that capture revenues and expenses of the venue that are consistent with County standards.

Finding 5 – Cash Collections Not Recorded and Received in a Timely Manner

Sufficient internal controls mandate that cash collections be receipted, recorded and deposited in a timely manner. During the audit, we noted instances of rental deposits, box office sales and vendor payments that were not receipted and recorded in the County’s financial system in a timely manner. In some cases the rental deposits were held for an extended length of time; up to approximately three (3) months. The lack of sufficient financial oversight in the operations of the WCA allowed funds not to be recorded and receipted in a timely manner. This could have resulted in the funds being lost or stolen.

Recommendation

All cash collections should be receipted and recorded timely. In the event that funds cannot be immediately receipted and recorded, the cash receipting process should occur no later than the following business day.

Finding 6 – Failure to Deposit Collected Funds

Internal controls entail that collections be receipted, recorded and deposited in a timely manner. On August 31, 2016, we discovered funds totaling \$1,093.05 in the WCA financial files that were not receipted or recorded in the County’s financial system. The funds were collected for an event that occurred on September 26, 2015 and consisted of \$73.05 in cash related to box office sales and \$1,020.00 in money orders related to vendor payments. It appears the funds were not receipted due to an oversight by the responsible employee. The lack of financial oversight that includes supervisory reviews and periodic reconciliations as well as appropriate segregation of duties allowed the un-deposited funds to go unnoticed, which resulted in errors in financial reporting.

Recommendation

Upon discovery, the County Auditor’s Office immediately forwarded the funds to the Finance Department to be receipted, recorded and deposited. All funds should be cash receipted onsite the night of the event and placed in the safe until the pickup occurs for transmittal to the Finance Department. We encourage management to continue to strengthen the internal controls and cash management practices.

Finding 7 – Misappropriation of Funds

Best practices indicate that all revenue collected should be deposited in the manner in which it was received. In addition, cash should not be disbursed from the proceeds of the collections. There were several instances where cash collected from box office sales was used as petty cash to reimburse employees for items purchased for the venue. WCA management failed to follow the appropriate process for employee reimbursements. This could lead to disbursing funds for unauthorized purchases and/or operating expenses not being accurately recorded. Additionally, reimbursements to employees who used personal funds to purchase items for the County may cause the County to incur unnecessary expenses for sales tax. Furthermore, there were instances where the collections from box office sales were used to compensate the box office and fire personnel for services rendered. As a result, the actual amount of cash collected from the box office sales was not accurately recorded. Both instances led to inaccuracies in the venue’s financial reporting.

Recommendation

All funds should be deposited in the same manner that they are received. In addition, efforts should be made to ensure all employees adhere to the County’s policy for obtaining an employee reimbursement and the procedures for cash disbursements. The County-issued purchasing card should be used for making small purchases for the venue.

Finding 8– Overpayments to an Independent Contractor

Proper internal controls related to cash disbursements require that disbursements be made upon receipt of the original invoice only. Additionally, all invoices must be reviewed and approved by an authorized person prior to the disbursements. However, the same individual should not hold the responsibility of authorizing and executing the disbursements.

During our review of the settlement statements and supporting documentation, we noted overpayments made to an independent contractor. The overpayments include two (2) disbursements totaling \$7,400 that were issued to All n 1 Security Services, Inc. for events that occurred on 6/20/2015 and 6/21/2015. Further review revealed an additional disbursement was issued to All n 1 Security Services, Inc. for the same day totaling \$7,231.90. Therefore, All n 1 Security Services, Inc. received a total amount of \$14,631.90. We were unable to obtain the supporting documentation in the form of an invoice that indicates the actual amount due for the services. However, the responsible employee indicated this was a duplicate payment made due to an oversight.

Ticket Alternative, LLC was directed to disburse the funds to the contractor prior to receipt of the final invoices. Disbursing funds prior to receiving an invoice resulted in overpayments to an independent contractor. In addition, the lack of an appropriate approval of invoices and review of settlement statements allowed the error to go undetected. To date, we have not been able to determine if the funds related to the duplicate payment were reimbursed to the County.

Recommendation

All payments and settlement statements should be properly reviewed and approved prior to disbursement. In addition, payments should not be made unless a valid invoice is received from the contractor. WCA management should also seek to recoup the overpayments from the contractor.

Finding 9 – Inadequate and Inaccurate Supporting Documentation

All expenditures should have an invoice/receipt that reflects the date, payee, amount and reason for payment. During our audit, we identified files that were missing invoices, invoice totals that did not agree with reconciliation totals, and incorrect payee information. The proper internal controls are not being utilized to ensure accurate recordkeeping. Poor recordkeeping can result in purchases that are not properly documented and hinder the department’s ability to provide accurate information for sound decisions for the venue in the future.

Recommendation

Strengthening the internal control system ensures that transactions are valid, accurate, properly authorized and complete. Supervisory reviews of these records should be performed on a consistent basis so any issues can be readily identified and remediated.

Finding 10 – Circumvention of the Procurement Process

According to the Standard Operating Procedures of the Department of Purchasing and Contract Compliance, the Purchasing Representative must determine the best solicitation method for the procurement of a needed good or service. As mandated by state law and the County’s purchasing code, the County’s purchasing thresholds are as follows:

- Purchasing Cards are used for small dollar purchases ranging from \$.01 to \$2,499.99;
- A Request for Quote (RFQ) or an informal bid is the method used for purchases ranging from \$2,500 to \$49,999.99; and
- A formal bid or Request for Proposal (RFP) should be used for purchases that are \$50,000 or greater.

During our review, we discovered that payments were made to contractors for services that should have been procured through a RFQ or RFP. For example in 2015 and 2016 the following payments were made to contractors:

Table 1

Payments to Contractors			
Contractors	Total Paid in 2015	*Total Paid in 2016	Total
Tactical Security	\$0	\$14,054	\$14,054
All n 1 Security Services , Inc.	\$112,474	\$0	\$112,474
Usher Coordinator	\$6,000	\$1,500	\$7,500
Box Office Personnel	\$20,000	\$5,000	\$25,000
Production Assistant	\$5,000	\$1,550	\$6,550
Total	\$143,474	\$22,104	\$165,578

**Amounts reflect payments through June 30, 2016 and are set to exceed the RFQ or RFP thresholds for the year.*

We also noted that this was done against the advice of the Purchasing Director. In 2012 some of these services were properly procured as an event staffing company was contracted to provide entry gate and usher services; however, WCA management later decided to cease this method. WCA management made these payments and execution of contracts a responsibility of the promoter and allowed these payments to be made utilizing Ticket Alternative, LLC to disburse the funds for the services. This may be a circumvention of the County’s procurement process. The funds were paid from the proceeds of ticket sales that are technically County funds and disbursed through a County contractor. As a result of how these funds were disbursed, we were unable to determine if the process for selecting these contractors were competitive as well as guarded against favoritism, extravagance and fraud.

Recommendation

All County policies should be followed. Adherence to all County procurement policies ensures that unauthorized purchases are prevented, cost considerations are evaluated and nonessential purchases do not occur. In addition, compliance with to purchasing procedures ensures

statutory requirements are followed to promote fair and open competition in a cost-effective manner.

Finding 11 - Lack of Transparency

Financial records should be transparent and clear in order to provide assurance that transactions are complete and accurate. Based on our review of the financial records, we noted irregularities as revenues and expenses were not properly reflected in the County’s financial records. Some irregularities include the following:

- The rental agreement specified a set rate the promoter was to pay for renting the facility. This rate included the actual cost to rent the facility as well as costs for services that are necessary in order to host an event at the facility. WCA management allowed these expenses to be paid from the ticket sales proceeds held by Ticket Alternative, LLC instead of obtaining the funds from the promoter prior to the event. Consequently, all revenues and expenses related to these transactions are not captured on the County’s financials.
- For County-partnered shows, County expenses paid from the proceeds held by Ticket Alternative, LLC were not recorded in the County’s financial statements.
- Instances when ticket sales proceeds from shows were not recorded or received because the amounts were applied to the expenses of future shows.

The disbursements were made by Ticket Alternative, LLC and the specific details of the financial activities were not provided to the Finance Department. As a result, the County’s financials do not include those transactions and did not provide a clear audit trail. This makes the County susceptible to the potential of theft or fraud.

Recommendation

The promoter’s expenses should be paid by the promoter and not from funds otherwise due to the County. In addition, we recommend all transactions related to the WCA be included in the County’s financial statements. All financial records should be provided to the Finance Department for review and approval.

Finding 12 – Failure to Request Proper Authorization

The Board of Commissioners (BOC) passed a resolution in 2012 related to promoter advances made through Ticketmaster, a former ticketing company. The resolution required the County Manager to authorize and execute all necessary documents with Ticketmaster, in order that Ticketmaster may assign as an advance prior to each event, a portion of the ticket sales revenue. The advance was not to exceed \$150,000 per event to the promoter of each of the events held at WCA. The resolution expired on December 31, 2012 and no other provisions to allow advances were approved by the BOC. However, in 2013, the County procured Ticket Alternative, LLC to provide ticketing services and promoters were still allowed to request

advances from the ticket sales proceeds. Furthermore, we noted instances in which the amount of the advance exceeded \$150,000 per event. These advances were disbursed based on a directive of an employee of the venue and did not obtain County Manager or BOC approval. Management failed to obtain proper approval to provide such advances. This violated County policy and may have allowed the County to be vulnerable to significant risks.

Recommendation

In order to protect the County and limit unnecessary risks all protocols should be followed to protect the best interest(s) of the County. No advances should be given without prior BOC approval.

Finding 13-Noncompliance with Written Agreements

Fulton County's standard practice is to abide by all contracts, written agreements, memorandums of understanding (MOU), county legislation, policies and procedures. In addition, any changes to written agreements require BOC approval. The BOC approved a resolution for the original Friends of Wolf Creek, Inc. (FOWC) to establish a partnership with the County to support the WCA by soliciting donations and/or raising funds. These funds are to be maintained by the FOWC until the funds are disbursed to the County to operate, promote, and maintain the WCA. Furthermore, the FOWC is a 501 (c)(3) that was established exclusively for charitable purposes which consists of making distributions to organizations that qualify as exempt organization under the Internal Revenue Code. Additionally, Ticket Alternative, LLC is contracted with the County to provide box office management services which requires Ticket Alternative, LLC to collect proceeds from tickets sales and remit the portion of such proceeds due to the County less the amounts to which Ticket Alternative, LLC is entitled.

During the audit, we revealed that Ticket Alternative, LLC and the FOWC disbursed funds to entities other than the County which extended beyond their obligations as outlined in the written agreements. Beginning in 2013, Ticket Alternative, LLC disbursed funds from the ticket sales proceeds to the FOWC prior to each event. These funds were used by the FOWC to pay the promoter's independent contractors including box office personnel, an usher coordinator, and a production assistant. The funds were also used to pay the County's off-duty fire, police and emergency services personnel in cash at the end of the event. WCA management allowed funds to be disbursed from the proceeds in an attempt to ensure prompt payments to the contractors. However, these disbursements were not the responsibility of the FOWC and should not have occurred. This is in violation of the resolution approved by the BOC.

Once the FOWC discontinued making payments on behalf of the WCA, Ticket Alternative, LLC took over the responsibility of disbursing the funds to the contractors and off-duty County personnel for each event. In addition to those payments, Ticket Alternative, LLC was also directed by WCA management to disburse advances requested by promoters from the ticket sales proceeds. Subsequent to settlement, Ticket Alternative, LLC was further directed to make payments to Lanier/Lancor Parking for providing parking management and to the promoter for

their portion of the proceeds. Although, the funds were disbursed at the direction of WCA management, this may have put the County at risk as a significant amount of proceeds were disbursed prior to Ticket Alternative, LLC remitting the proceeds due to the County.

In addition, these actions do not comply with the written agreements and were not approved by the BOC. Furthermore, these arrangements lack adequate financial oversight which increased the likelihood of misappropriation and funds being improperly disbursed.

Recommendation

Ticket Alternative, LLC should remit all ticket proceeds to the County as defined in the contract. All modifications to the scope of services of a County contract should be approved by the BOC. Also, any funds due on behalf of the WCA should be made by Fulton County. In the event that expenses are the promoter’s responsibility, the promoter should either reimburse the County for those costs or ensure payments are made prior to the event.

Finding 14- Failure to Properly Execute Contracts in County-Partnered Concerts

The Fulton County Board of Commissioners is the only entity that can authorize the execution of a binding agreement with an outside party. Based on County Policy 600-70, the County Manager is delegated the authority to:

- Establish rules, regulations and procedures for the public’s use of the Amphitheatre;
- Designate employees of County government to assist in the administration and implementation of these policies;
- Negotiate and enter into Facility Use Agreements for the rental of the Amphitheatre and its related facilities; and
- Approve or deny requests for the use of the Amphitheatre.

During our audit, we noted that a previous County Manager designated responsibilities to the WCA Manager that included handling the rental of the facility as well as collaborating with promoters for County-partnered events. In addition, the previous County Manager designated the financial responsibilities for the WCA to another member of WCA management.

As it relates to County-partnered events, the County is required to secure the performers through a contract with the promoter and the artist. While the WCA Manager handles the selection of the promoter and the artist, the contracts require proper written authorization from the County Manager and the Legal Department. However, based on our review, we noted contracts related to County-partnered events held in 2015 and 2016 were executed with only the signature of the WCA Manager and did not include written approval from the County Manager and the Legal Department. In addition, the contracts required the County to provide payments to the promoter which was made via wire transfer. Based on our review, we noted that the other member of WCA management initiated and approved the wire transfers related

to the improperly executed contracts that exceeded WCA management’s purchasing authority. Details of these wires are listed below in Table 2:

Table 2

Contract Date	Concert Date	Wire Date	Wire Amount
10/02/2014	05/02/2015	10/21/2014	\$50,000
01/21/2015	09/06/2015	02/11/2015	\$40,000
01/26/2015	07/18/2015	02/11/2015	\$39,000
01/29/2015	06/13/2015	02/11/2015	\$42,000
10/12/2015	05/07/2016	11/03/2015	\$22,000
10/12/2015	05/07/2016	01/19/2016	\$22,000
10/12/2015	07/16/2016	11/03/2015	\$18,000
10/12/2015	07/16/2016	01/19/2016	\$18,000
01/04/2016	08/20/2016	01/25/2016	\$42,000
01/04/2016	09/17/2016	01/25/2016	\$41,000
01/05/2016	09/02/2016	01/25/2016	\$45,000
Total			\$379,000

It appears management of the WCA failed to properly execute the contracts with the promoter by seeking proper written approval from the County Manager and the Legal Department. As a result, an employee that did not have the proper authority bound Fulton County to make payments totaling \$379,000 for the County-partnered events that occurred in 2015 and 2016.

Recommendation

WCA management should seek proper written approval from the County Manager and the County Attorney prior to executing any agreement that binds Fulton County. Written approval to initiate a wire should be granted only to those authorized to make such wire transfers and those amounts should not exceed a defined limit without prior written approval of the County Manager.

Finding 15- Failure to Enforce Insurance Requirements

The WCA Reservation and Use Policy states that a certificate of insurance is required from rental applicants evidencing insurance with policy limits equal to or greater than the limits as required. Certificates must name Fulton County Government as additional insured. In addition, the Fulton County Risk Manager must approve all insurance certificates, endorsements and/or policies prior to the start of any activities or events.

Based on our review of venue rental files, certificates of insurance were not being submitted with rental applications. WCA management failed to require the renters to submit a copy of the certificate of insurance indicating a policy exists to cover the date(s) associated with the rental of the facility. Consequently, WCA management failed to provide the necessary documents to the County’s Risk Manager for approval and confirmation that the policy has appropriately listed Fulton County as an additional insured as well as ensure the appropriate insurance

coverages and limits have been met. As a result, insurance requirements were not adequately enforced which could have put the County at risk for liability in the event a concert patron was injured or sustained a loss at WCA.

Recommendation

Executive management and the County's Risk Manager took immediate action to ensure that adequate insurance coverage is obtained and approved. Executive management should continue to monitor to ensure this process is adequately followed to maintain compliance with all insurance requirements.

Finding 16- Conducting Business with Unlicensed Company

According to the WCA Reservation and Use Policy, any individual or entity intending on selling tickets, concessions, and/or merchandise or performing any services before, during, and/or after the event must be properly licensed to operate in the State of Georgia. During the audit we verified the business status of entities that provided services for the WCA by obtaining access to the entities' information of record through the website provided by the Office of the Georgia Secretary of State. The records revealed that a promoter, J.D. Entertainment, LLC, was administratively dissolved on February 16, 2016. This dissolution of the company occurred prior to the 2016 concert season where J.D. Entertainment partnered with the County to host events at the WCA. WCA management failed to validate the licensure status of the business as required. This violates the rules established in the WCA Reservation and Use Policy and resulted in the County doing business with an entity that may not have been qualified to conduct business in the State of Georgia.

Recommendation

Any entities doing business with the WCA should be properly licensed to do business in the State of Georgia. WCA management should take the necessary steps to verify that all vendors and promotion companies are properly licensed and qualified to conduct business prior to each event.

Finding 17- Exposing Fulton County to Unnecessary Risks

WCA management indicated that the purpose for having County-partnered events was to share the financial burden and liability risk associated with hosting concerts. In the County-partnered show agreement with the promoter, Fulton County is required to pay a 50% deposit for securing the performing artist and to maintain 100% of the general liability and fire insurance on the venue. However, on several occasions, the County assumed the responsibility for meeting the majority of the financial obligations that are required prior to the concert date. This includes advance payments to the promoter through wire transfers in order to secure the artists as well as allowing promoters to obtain advance funds from the ticket sales proceeds the week of the show. As such, the promoter was not required to assume his share of his

responsibility for promoting the show. These actions put the County at significant risk in the event the show was cancelled.

Recommendation

A standard co-sponsorship agreement should be developed to define the allocation of financial benefits and responsibilities between the partners.

Finding 18- Yielding an Unfair Advantage

All County departments are required to adhere to the set of procurement rules, policies and procedures that govern purchasing activities for the County. Adherence to these guidelines would ensure all qualified promoters have an equal opportunity at promoting shows at WCA. During our audit, we noted two (2) affiliated companies hosted on average 74% of the events from 2014 to 2016 as referenced below in Table 3. The affiliation is the result of the owner of J.D. Entertainment, LLC also being the Chief Executive Officer of The Middle Georgia Entertainment Group, Inc.

Table 3

Wolf Creek Amphitheater Events	2014	2015	2016*
Number of Events Promoted by J.D. Entertainment, LLC**	9	5	1
Number of Events Promoted by The Middle Georgia Entertainment Group, Inc.	1	7	4
Total Events Promoted By Both Promotion Companies	10	12	5
Total Events Held at WCA	16	20	5
Percentage of Events Promoted Per Year By Both Companies	62.5%	60%	100%
Average Percentage of Events Promoted By Both Companies from 2014-2016	74%		

* This only includes events in our scope which is until 6/30/2016.

** In 2014, J.D. Entertainment rented the facility for 4 events and partnered with the County for 5 events.

This unfair advantage is further highlighted by the fact that from 2014 to 2016, J.D. Entertainment, LLC was the only promotion company allowed to partner with the County to host events. Based on our review, the County-partnered events were booked by the end of January possibly preventing other promoters from being able to partner with the County. Furthermore, there was no documentation available to determine whether any other promotion companies were given the opportunity to partner with the County.

The failure of WCA management to provide an equal opportunity to all qualified promoters extended an unfair advantage to this individual and his related affiliates. As a result, other concert promoters may have been denied the opportunity to host performances at the venue and provide diverse entertainment.

Recommendation

Concert promotion is not a unique professional service and should not be treated as a sole source service. Every effort should be made to ensure all qualified promoters have an opportunity to promote events at WCA.

Finding 19- Lack of Standard Operating Procedures for County-Partnered Events

Best practices indicate that written procedures should be developed for any significant business practices in the operations of an organization. During the course of the audit, we noted there were no documented practices or procedures established relating to County-partnered events. WCA management failed to develop the necessary standard operating procedures related to the operations of County-partnered events. Furthermore, we were unable to determine whether this practice was operating as intended. This creates a lack of employee accountability and inconsistencies in operations.

Recommendation

Adequate standard operating procedures should be developed and implemented relating to the operations of County-partnered events at WCA.

Finding 20- Issuance of Tickets Beyond Facility Capacity

Based on the WCA Reservation and Use Policy, the attendance for events should not exceed the maximum occupancy of 5,300. The Amphitheatre has the capacity to accommodate 260 patrons at VIP Tables, 1,040 in reserved seating and 4,000 patrons on the lawn. According to information contained on Ticket Alternative, LLC settlement statements, we concluded that WCA management has allowed ticket issuance for events to exceed venue occupancy limits. We observed instances where tickets issued exceeded the maximum capacity for the event. Most of the overages were caused by the excessive issuance of complimentary tickets. Overcrowding the facility violates the County Fire Code and could put WCA patrons and Fulton County at great risk if a catastrophe occurs.

Recommendation

To ensure the safety of WCA patrons, WCA management must ensure to limit ticket issuance to 5,300 including complimentary tickets. Appropriate guidelines pertaining to issuing and authorizing complimentary tickets should be developed.

Finding 21- Excessive Issuance of Complimentary Tickets

Based on industry standards, performance venues only allow the concert promoter to issue complimentary tickets that amount to 1% of venue capacity. WCA management has authorized printing and issuance of complimentary tickets that range from 500-700 tickets per show.

Complimentary tickets can be either printed by Ticket Alternative, LLC or at the venue by WCA management. We analyzed ticket sales for a small sample of concerts in 2015 to determine the impact of excessive complimentary tickets. Table 4 below illustrates the number of complimentary tickets issued by Ticket Alternative, LLC and those printed by WCA management. The table also provides an estimate of the County’s potential loss in revenue.

Table 4

Total Number of Tickets Issued Per Sampled Concerts	Number of Complimentary Tickets Issued	Number of Tickets Printed by Ticket Alternative, LLC	Number of Tickets Printed by WCA Management	Estimated Loss of Revenue
5,995	534	534	0	\$4,272
5,559	779	180	599	\$6,232
5,536	594	180	414	*\$21,783
5,250	795	509	286	\$6,360

* This event was a County-Partnered show; therefore, the amount includes the County’s portion of ticket sales as well as the facility fee.

WCA management’s printing of complimentary tickets at the venue has resulted in excessive issuance of complimentary tickets. In addition, there was a lack of sufficient documentation to account for the actual distribution of the complimentary tickets. The issuance of excess complimentary tickets could result in the loss of revenue to Fulton County and increase the possibility of the misuse of complimentary tickets.

Recommendation

The number of complimentary tickets should be limited to a maximum of 1% of the venue capacity, which is no more than approximately 53 tickets. Additionally, WCA management should develop guidelines and an approval process for the issuance of complimentary tickets.

Finding 22- Involvement of Non-County Employees in WCA Operations

Fulton County employees should be the only individuals involved in the operations of County-owned facilities unless otherwise approved by the appropriate authority. Through anonymous letters and employee interviews, we were informed that non-county employees were acting an integral role in the operations of WCA. Examples are as follows:

- The WCA Manager’s spouse performed various high-level management duties autonomously;
- Emails were provided to support the claim that the WCA Manager’s spouse, who is not employed by Fulton County, was involved in communicating with concert promoters and handling facility rental procedures;
- We also noted that the previously mentioned relative was able to authorize Ticket Alternative to void complimentary tickets that were requested by a promoter;

- Another WCA employee stated that her husband is in attendance at concert events and is available to provide emergency electrical service to the facility in the event it is needed; and
- The spouses of the WCA management were provided with all access badges. This allowed them to have unlimited access to the venue including areas that should have been restricted.

The involvement of family members in facility operations created the perception that some non-employees hold leadership and decision-making roles that impacts promoter’s ability to lease WCA. This violates the County’s conflict of interest policy and may result in Fulton County potentially being held liable for actions of non-employees.

Recommendation

Non-employees should not be acting on behalf of Fulton County without appropriate approval. No outside person should be able to instruct, direct, or make management decisions regarding the operations of the venue. All employees of the County should be sure not to violate any conflict of interest.

Finding 23 – Additional Tables Placed in VIP Seating Area

The ticket manifest and advertised floor chart provided by Ticket Alternative, LLC illustrates the availability to sell tickets for 30 tables in the VIP seating area. However, through anonymous statements and auditor observation, we discovered that WCA management has placed 10 additional tables in the VIP seating area of the WCA. Ticket Alternative, LLC informed us that they are aware that the additional tables were placed in the area however they indicated that they were not granted the authority to sell tickets for those tables. Our review of settlement statements indicated that approximately 75 to 88 complimentary tickets were issued for those VIP tables in many of the more popular shows. However, there were no sufficient records to determine whether the tickets were given away or sold. The additional VIP tables could potentially lead to fraud, waste and abuse.

Recommendation

Accountability for the tables in the VIP areas should be uniform. No tables should be held by WCA management for any reason without prior written approval from Executive Management.

Finding 24– Changes to WCA Rates Established by the BOC

All fees for the WCA are established by the BOC. The fees established by the BOC for the WCA include the facility rental fee, the rental deposit, and other fees that are to be charged based on the type of event held. Although the fees are set by the BOC, WCA management has the authority to negotiate the rental rates in the facility use agreements as well as the terms and conditions to protect public interest and reasonably reflect existing market conditions.

However, in 2014, WCA management created a set rate fee for the rental of the facility that was not established by the BOC. For example, WCA management changed the rate for commercial events to \$14,500 in order to combine the facility rental fee and costs associated with the event support personnel. The breakdown of the \$14,500 is detailed below in Table 5:

Table 5

Commercial Events Held at WCA	Fees Established By The BOC	Fees Changed By WCA Management
Facility Rental Fee*	\$4,100	\$2,500
Security Personnel	\$10.79 per hour	\$3,500
Janitorial	\$18.25 per hour	\$3,000
Box Office Personnel	N/A	\$1,000
Usher Coordinator	N/A	\$300
Emergency Personnel	\$40 per hour	\$820
Shuttle Services	N/A	\$3,100
Miscellaneous**	N/A	\$280
	Total	\$14,500

* Fee for events held Friday, Saturday, and Sunday

**Unable to determine how the remaining \$280 of the \$14,500 was allocated.

Material changes were made to the fees as the fees modified by WCA management decreased the facility rental fee from \$4,100 to \$2,500 and added costs including box office personnel, an usher coordinator, and shuttle services. In addition, WCA management decreased the rental deposit from \$7,500 to \$5,000. While they are able to negotiate based on market conditions, no evidence of a market analysis was presented to justify the rate decrease. Furthermore, in 2016 the rates were changed again to \$17,500 to include an increase in the rental rate to \$2,600 and the costs associated with the installation of led screens. There is further concern as there were instances in 2015 where the actual costs for services may have exceeded the costs included in the set price. These differences were not captured and charged to the promoters. These changes may have violated County policy and appear to have resulted in loss of income to the County for the rental of the WCA.

Recommendation

Any fees established by the BOC should be enforced. No changes to any fees should occur without the approval of the BOC.

Finding 25– Improper Use of WCA Skybox One

Based on BOC resolution, the intent of the FOWC is to support the WCA by soliciting donations and/or raising funds by other means from private, corporate and public sources. The FOWC dissolved on May 7, 2015 and fully ceased to conduct business under that name. On May 26, 2015, the Friends of Camp Creek, Inc. formally changed its name to the FOWC and was referred to as the Reconstituted FOWC.

During our audit, we noted that the Reconstituted FOWC provided unauthorized access to the WCA and Skybox One. The access was granted by allowing the raffling of an entertainment package during a fundraiser held by the Atlanta Business League. No prior authorization for the use of the WCA for these purposes had been obtained by the Reconstituted FOWC. Failure to obtain proper approval for the use of the County’s asset could result in legal ramifications.

Recommendation

Recently, the Board of Commissioners passed a resolution suspending any activity the County has or may have with the Reconstituted FOWC or for any other Friends Group operating on behalf of the WCA until further action has been taken by the County. However, we recommend that proper approval be obtained for the use of any Fulton County facility.

AUDIT CONCERN – Cash Donations

Internal controls for cash disbursements should be adequate to ensure that cash is disbursed only upon proper authorization of management and for valid business purposes. Management of WCA authorized a cash donation from the box office ticket sales to a church for parking. The utilization of the church’s parking spaces was for overflow parking as management oversold tickets for the venue. The lack of proper internal controls could lead to the misappropriation of cash through disbursements.

Recommendation

We recommend management develop and implement appropriate written policies and procedures for cash handling to include:

- Cash disbursements/donations;
- Expense reimbursements;
- Use of assets;
- Purchasing guidelines;
- Petty cash; and
- Conflicts of interest

CONCLUSION

Based on our comprehensive review of WCA’s financial information and operations, we found several areas of concern, which resulted in significant findings including the following:

- Inadequate Accountability and Oversight;
- Failure to Properly Safeguard Funds;
- Lack of Segregation of Duties;
- Inaccuracies in Settlement Statements;

- Cash Collections Not Recorded and Receipted in a Timely Manner;
- Failure to Deposit Collected Funds;
- Misappropriation of Funds;
- Overpayments to an Independent Contractor;
- Inadequate and Inaccurate Supporting Documentation;
- Circumvention of the Procurement Process;
- Lack of Transparency;
- Failure to Request Proper Authorization;
- Noncompliance with Written Agreements;
- Failure to Properly Execute Contracts in County-Partnered Concerts;
- Failure to Enforce Insurance Requirements;
- Conducting Business with Unlicensed Company;
- Exposing Fulton County to Unnecessary Risks;
- Yielding an Unfair Advantage;
- Lack of Standard Operating Procedures for County-Partnered Events;
- Issuance of Tickets Beyond Facility Capacity;
- Excessive Issuance of Complimentary Tickets;
- Involvement of Non-County Employees in WCA Operations;
- Additional Tables Placed in VIP Seating Area;
- Changes to WCA Rates Established by the BOC; and
- Improper Use of WCA Skybox One.

Management should continue to ensure that appropriate corrective actions are taken to strengthen the internal controls and improve the operations of the WCA. Management should work expeditiously to develop effective operating policies and procedures that extend beyond the rental and usage agreement in an effort to provide a clear understanding of how the facility is to be operated and managed. Furthermore, standards should be developed related to the proper production of settlement statements to ensure revenues and expenditures are accurately reflected and are in compliance with Generally Accepted Accounting Principles (GAAP).

Please provide a written response to this audit within 10 days if findings and/or audit concerns are listed in this report. Please email your written response to the County Manager and Brigitte Bailey, Audit Coordinator, at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.