

Harris County Auditor's Office



Memorandum

To: Commissioners Court

From: Mike Post, Harris County Auditor *MP*

Errika Perkins, Chief Assistant County Auditor *EP*

CC: Joe Madden, County Judge's Office
Brandon Dudley, Precinct 1
Mike Lykes, Precinct 2
Conrad Joe, Precinct 3

Cheryl Guenther, Precinct 4
Robert Soard, County Attorney's Office
DeWight Dopslauf, Purchasing Agent
Vince Ryan, County Attorney

RE: Compliance review of the Agreement between Harris County (County) and Party and Reception Center, Inc. (Operator) facilitating events at the Sylvan Beach Pavilion

Date: January 29, 2020

At the request of Commissioners' Court on November 12, 2019, Audit Services performed a compliance review of the agreement between the County and the Operator facilitating events at Sylvan Beach Pavilion for the period of July 2013 through September 2019.

The engagement's objectives were to determine whether:

1. Payments were made to the County in accordance with the terms of the Agreement.
2. The Operator is reporting complete and accurate records to the County.
3. The capital assets identified on the equipment list exist.

Overview

The original "Request For Proposal" dated March 1, 2013 listed anticipated revenue options which included a monthly lease amount or a flat or tiered commission rate based on gross sales revenue.

The executed contract dated July 17, 2013 required the Operator to pay the County a base rent of \$2,500 and 1% commission on gross rental revenue monthly. Our procedures consisted of reviewing monthly commission payments based on gross rental revenue.

Per the Agreement, the County pays for major repairs and utilities. The chart below illustrates the revenue received from the Operator and the expenses incurred by the County for July 2013 through September 2019:

Sylvan Beach Revenue and Expenses				
Base Rent Paid to the County	Commission Paid to the County	Utility Cost Incurred by the County	Maintenance Cost Incurred by the County	Loss to the County
\$170,000	\$23,200	\$275,842	\$11,965	-\$94,607

Observations

Our review identified inconsistencies with the agreement related to venue rental charges, timeliness of commission payments, additional extended hour venue charges, cancellation fees, discounts, and commission payments not paid to the County. However, we were unable to perform a complete review of the County's capital assets at the Sylvan Beach Pavilion because the assets were not clearly tracked or identified as Operator or County owned. Based on the Operators commission payment patterns and the discrepancies identified, we could not definitively determine if all commissions received were accurate. However, we were able to identify **\$1,120** that was excluded from commission payments (see Observations #3, #4 and #6). Details of our observations are noted below:

1. 202 of 612 (33%) customers were charged rental rates that were not in compliance with the daily rates identified in the Agreement. 12 of 612 (2%) customers were charged less than and 190 of 612 (31%) were charged more than the daily rental rate specified in the Agreement.
2. In accordance with the Agreement, on or before the 5th day of the month, 1% commission of the gross rental revenue of the previous month is due. Commission payments submitted to the County were late 83% of the time; an average of 27 days late.
3. The Agreement does not specify whether additional extended rental hours should be included in gross rental revenue. Revenue generated from the "extended hours revenue" was not consistently included in the 1% commission submitted to the County. Based on analytical procedures performed, \$957 (67%) of the commission generated from "extended hours revenue" was included. The remaining **\$471** commission generated from "extended hours revenue" was not included. See Appendix A.
4. The Agreement does not specify whether cancellation fees for customers that canceled their events should be included in gross rental revenue. Based on analytical procedures performed, \$60 (10%) of the commission generated from "cancellation fees revenue" was included. The remaining **\$514** commission generated from "cancellation fees revenue" was not included. See Appendix B.
5. The Agreement does not specify discounts that may be provided to customers. However, if a discount was provided or if a base facility rental fee was waived, the Operator paid 1% commission to the County on the discounted or waived amounts. See Appendix C & D.
6. Four of the events identified in the Operator's booking log were not listed in the Operator's financial reports. We confirmed the events occurred, which resulted in **\$135** that was not included in the County's commission.

See Appendix A thru E for additional financial data related to this Agreement.

Recommendation

Harris County Precinct 2 should collaborate with the County Attorney's Office and the Purchasing Agent's Office to ensure future agreements for the operation of Sylvan Beach Pavilion are more specific in defining revenues and commissions to be collected by the Operator and the County.

Appendix A

EXTENDED HOURS REVENUE



Appendix B

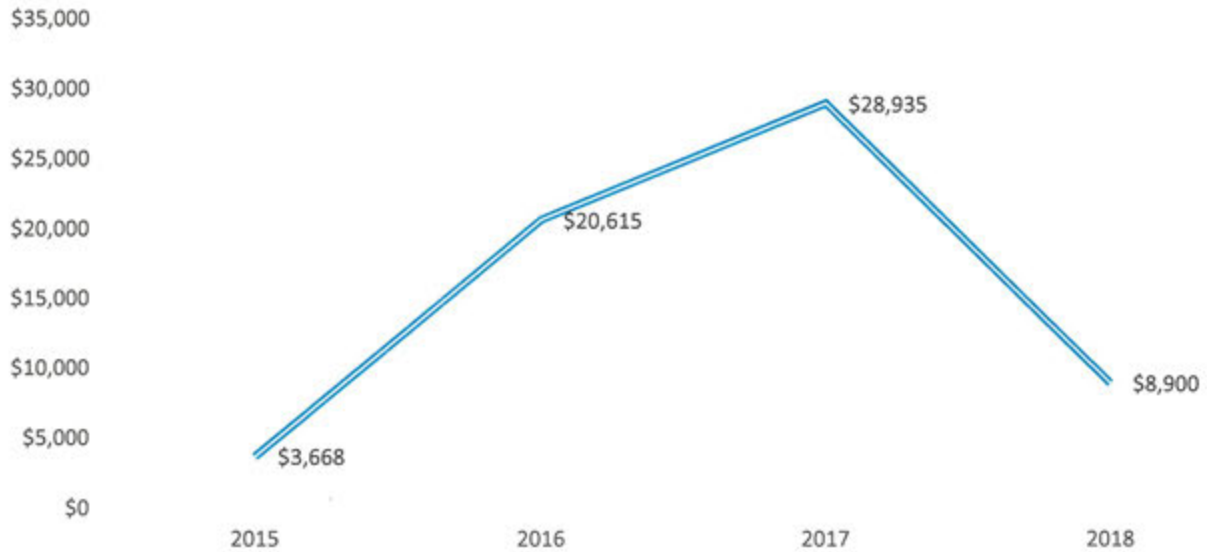
CANCELLATION FEES REVENUE



Note: The Income Statement Transaction Report provided did not contain this data for 2014 & 2019

Appendix C

AMOUNT OF DISCOUNTS PROVIDED



Note: The Income Statement Transaction Report provided did not contain this data for 2014 & 2019

Appendix D

AMOUNT OF RENTAL FEES WAIVED



Note: The Income Statement Transaction Report provided did not contain this data for 2014 & 2019, however, we identified a \$2500 rental fee waived for years 2014 and 2019.

Appendix E

Rental Fees Waived - Detail by Year

2014				
#	Date	Event Name	Rental Fee Waived	
1	Thursday, December 4, 2014	Christmas Party (HC free event per Agreement)	\$2,500	
			Total	\$2,500
2015				
#	Date	Event Name	Rental Fee Waived	
1	Thursday, April 16, 2015	Baytown Chamber of Commerce	\$2,500	
2	Wednesday, August 12, 2015	Enviromedia	\$2,500	
3	Thursday, August 20, 2015	HC free use - Operator data did not include event / organization	\$2,500	
4	Friday, September 11, 2015	Black and White Ball (HC free event per Agreement)	\$2,500	
5	Thursday, October 1, 2015	Lee College Gala	\$2,500	
6	Tuesday, October 13, 2015	Girls and Boys Harbor Good Skipper Dinner	\$5,000	
7	Thursday, October 29, 2015	Rehersal Dinner	\$2,500	
8	Thursday, November 12, 2015	Economic Alliance	\$2,500	
9	Monday, November 16, 2015	La Porte Volleyball	\$2,500	
10	Wednesday, November 18, 2015	End of Year Banquet & BAWP Breakfast	\$2,500	
			Total	\$27,500
2016				
#	Date	Event Name	Rental Fee Waived	
1	Thursday, January 28, 2016	La Porte Bayshore	\$2,500	
2	Thursday, February 4, 2016	Deer Park Chamber of Commerce	\$2,500	
3	Thursday, February 18, 2016	Taste of Italy	\$2,500	
4	Monday, February 22, 2016	La Porte HS Basketball Banquet	\$2,500	
5	Tuesday, March 8, 2016	Baytown Pilot Club Yellow Rose Gala	\$2,500	
6	Thursday, March 31, 2016	Baytown Chamber of Commerce	\$2,500	
7	Thursday, April 7, 2016	BIC Alliance	\$2,500	
8	Wednesday, April 13, 2016	La Porte ISD Junior High Cheer Banquet	\$2,500	
9	Thursday, April 14, 2016	GCCISD Foundation Gala	\$2,500	
10	Tuesday, April 26, 2016	La Porte Girls Soccer Banquet	\$2,500	
11	Wednesday, May 11, 2016	La Porte High School Baseball Banquet	\$2,500	
12	Tuesday, May 24, 2016	Baytown Heritage Society	\$2,500	
13	Tuesday, July 19, 2016	Darryl Malone - Banquet Malone	\$2,500	
14	Thursday, July 21, 2016	Bay Run Fishing Tournament	\$2,500	
15	Thursday, August 11, 2016	La Porte ISD	\$2,500	
16	Wednesday, August 17, 2016	LPISD Support Staff Luncheon	\$2,500	
17	Thursday, August 18, 2016	La Porte Education Foundation	\$2,500	
18	Wednesday, August 24, 2016	Shell Deer Park	\$2,500	
19	Thursday, August 25, 2016	Shell Deer Park	\$2,500	
20	Friday, September 9, 2016	Black and White Ball (HC free event per Agreement)	\$2,500	
21	Thursday, September 15, 2016	Baytown Lee College	\$2,500	
22	Thursday, September 22, 2016	La Porte Salute to Industry Banquet	\$2,500	
23	Thursday, October 13, 2016	PRCE Banquet	\$2,500	
24	Thursday, October 20, 2016	Harris mayors council association	\$2,500	
25	Thursday, October 27, 2016	La Porte Rotary	\$2,500	
26	Thursday, November 3, 2016	Economic Alliance	\$2,500	
27	Monday, November 7, 2016	La Porte High School Volley ball Banquet	\$2,500	
28	Tuesday, December 6, 2016	Pasadena Chamber of Commerce Gala	\$2,500	
29	Thursday, December 8, 2016	Bay Area Turning Point Luncheon	\$2,500	
			Total	\$72,500

Appendix E

Rental Fees Waived - Detail by Year

2017			
#	Date	Event Name	Rental Fee Waived
1	Friday, January 6, 2017	La Porte High School Football Banquet	\$2,500
2	Thursday, January 26, 2017	La Porte Chamber Banquet	\$2,500
3	Thursday, February 2, 2017	Deer Park Chamber Gala	\$2,500
4	Thursday, March 2, 2017	Bay Area Homeless Services	\$2,500
5	Thursday, March 30, 2017	Baytown Chamber Gala	\$2,500
6	Thursday, April 6, 2017	BIC Alliance Crawfish	\$2,500
7	Thursday, April 13, 2017	Bridge Over Troubled Water Fashion Show	\$2,500
8	Tuesday, April 18, 2017	Baytown Pilot Club Yellow Rose Gala	\$2,500
9	Thursday, April 20, 2017	La Porte JROTC Military Ball	\$2,500
10	Friday, August 18, 2017	LPISD Fountain Star Breakfast	\$4,000
11	Thursday, November 9, 2017	La Porte Emergency Services Luncheon	\$2,500
12	Sunday, December 31, 2017	New Years Party	\$3,000
Total			\$32,000
2018			
#	Date	Event Name	Rental Fee Waived
1	Thursday, February 1, 2018	La Porte Rotary Foundation	\$2,500
2	Thursday, February 8, 2018	Economic Alliance	\$2,500
3	Thursday, February 15, 2018	Deer Park	\$2,500
4	Thursday, March 29, 2018	JROTC Military Ball	\$2,500
5	Wednesday, April 4, 2018	BIC Alliance Crawfish	\$2,500
6	Thursday, August 9, 2018	La Porte Breakfast with the Stars	\$2,500
7	Tuesday, September 11, 2018	La Porte Chamber first responders Breakfast	\$2,500
8	Friday, September 21, 2018	Lee College Gala (HC free event per Agreement)	\$4,000
9	Thursday, October 4, 2018	Bic Alliance	\$2,500
10	Thursday, October 25, 2018	La Porte-Bayshore Chamber of Commerce Inc	\$2,500
11	Thursday, November 8, 2018	La Porte Rotary Foundation	\$2,500
12	Monday, December 31, 2018	New Year's Eve Party	\$2,500
Total			\$31,500
2019			
#	Date	Event Name	Rental Fee Waived
1	Wednesday, September 4, 2019	Business Forum (HC free event per Agreement)	\$2,500
Total			\$2,500
Total - All Years			\$168,500