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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 13, 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 18-month 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:

- 10 have been implemented;
- 1 has been partially implemented; and
- 4 recommendations are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Authority's efforts to implement the recommendations from the December 2010 performance audit report.

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

18-Month Follow-Up Report

| Recommendation | Status/Additional Explanation |
|----------------|-------------------------------|
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Finding 1: Concessions procurement largely adhered to best practices; additional policies and procedures to guide future procurements would be helpful

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| <p>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.</p> | <p>Implementation in process The Authority has developed appropriate procurement policies and procedures; however, since the audit was issued, it has not conducted a competitive procurement process. Therefore, auditors were unable to assess the Authority's implementation of and compliance with the policies and procedures.</p> |
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| <p>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:</p> | |
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| <p>a. Requests for proposals (RFP) specify the business needs, scope of work desired, and the proposal evaluation criteria and weighting factors;</p> | <p>Implementation in process See explanation for 1.1.</p> |
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| <p>b. The award decision process ensures that proposals are received appropriately and evaluated objectively. It should also ensure that contracts are awarded fairly; and</p> | <p>Implementation in process See explanation for 1.1.</p> |
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| <p>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.</p> | <p>Implementation in process See explanation for 1.1.</p> |
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Finding 2: Authority has taken steps to improve financial situation, but still faces challenges

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| <p>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).</p> | <p>Implemented at 12 months</p> |
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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.

Implemented at 18 months

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.

Implemented at 18 months

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

Implemented at 12 months

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 18 months

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.

Partially implemented at 18 months

The Authority reviews a sample of facility manager direct and indirect expenses during its monthly event-settlement review process. However, the Authority does not conduct a monthly review of check registers and bank reconciliations. The Authority reported that it and its facility manager undergo an annual financial audit, which includes a review of check registers and bank reconciliations, and that it does not have the resources available to review monthly check registers and bank reconciliations.

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

Implemented at 18 months

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

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