UNIVERSITY OF NEVADA, LAS VEGAS
THOMAS & MACK CENTER
Internal Audit Report
July 1, 2016 through December 31, 2017

GENERAL OVERVIEW

The Thomas & Mack Center (TMC) is a 19,522-seat multipurpose facility that hosts more than 250 diverse and unique events annually. Hosted events include concerts and music festivals, conventions, entertainment, and athletic events. The venue contributes significantly to the overall economic impact of Southern Nevada by providing jobs, generating sales tax and providing a facility for tourist and locals alike. During fiscal year 2017, Thomas & Mack Center generated approximately $22 million in event revenue and had an annual operating budget of approximately $20 million. In addition, Sam Boyd Stadium (SBS) is home to the UNLV Rebel Football program with seating capacity of up to 40,000, which additionally plays host to sporting events and festivals.

We noted that during the audit period, there were significant changes at Athletics which affected the Thomas & Mack Center. A new Athletic Director started June 2017, the business office transitioned to a new structure in fall 2017, and Workday was implemented October 2017 resulting in significant changes to business processes.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Thomas & Mack Center at the University of Nevada, Las Vegas for the period of July 1, 2016 through December 31, 2017.

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included tests of the accounting records and other auditing procedures as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Reviewing event contracts for payment terms and compliance with Nevada System of Higher Education (NSHE) guidelines.
2. Verifying private suite revenue in accordance with the agreement terms.
3. Reviewing payroll documentation to verify accuracy of payments and to determine compliance with state, federal, and university labor policies and procedures.
4. Reviewing cash handling and internal control procedures within the ticketing office.
5. Testing department expenditures for reasonableness, supporting documentation, and proper approvals.
6. Examining equipment inventory for proper accountability.
7. Verifying TMC account balances.

In our opinion, we can be reasonably assured that the Thomas & Mack Center is operating in a satisfactory manner. However, implementation of the following recommendations would further improve operations and related business processes.

EVENT TESTING

We were provided listings of events held at TMC and SBS and selected a sample of eight events that occurred during the audit period: six TMC/SBS events and two intercollegiate events. The events were reviewed to determine if relevant event documentation was maintained, whether the revenue and expense figures reported at event settlement were accurate, and to determine compliance with event contract terms. Additionally, we reviewed two box suite contracts during fiscal year 2017 to evaluate collection efforts for leased suites and to ensure compliance with contract terms. When reviewing event contracts, the following exceptions were noted:

1. For three events, licensee fee and deposits were not collected in accordance to the contract terms. In practice, TMC prepares a final settlement for the promoter at the end of the event and collects licensee fees from the event ticket revenue along with any other expenses.
2. For one event, the percentage of merchandise sales paid to the licensee were not in agreement with the original contract. Specifically, the licensee received an additional 5% of gross receipts from merchandise sales.
3. For three events, chargebacks were not collected in accordance to the contract terms.

For items 1-3, we recommend all contract modifications/amendments be signed and approved by the President or Designee in accordance with UNLV and NSHE contracting policy. We recommend contract modifications/amendments be completed in writing and signed by the highest-ranking position that signed the original agreement. We recommend that the Thomas & Mack Center collaborate with the UNLV legal counsel department to develop procedures that would support their agreement amendment needs.

Institution Response

We agree with this recommendation.

- **Corrective action taken: All changes to any terms in future contracts are now being handled with a written contract amendment signed by the highest ranking position that signed the original agreement.**
- **Compliance, Measurement and Documentation: All contract amendments will continue to be completed in accordance with UNLV and NSHE contract policy and approved by UNLV legal counsel.**
- **Responsibility: The Facility Director or The Associate Facility Director for Booking is responsible for the contract terms and amendments**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

4. On two occasions, the initial term of an event and a box suite contract commenced prior to obtaining a formal approval signature.

   We recommend contracts be routed in a timely manner to ensure proper signatures are obtained before the commencement of the contract in accordance with NSHE policy.

Institution Response

We agree with this recommendation.

- **Corrective action taken: Contracts are now being routed in a timely manner and a detailed checklist with all suite contracts will be kept for reference.**
- **Compliance, Measurement and Documentation: The Director of Luxury Seating has access to all suite contracts and dates and will continue to ensure that the contracts are routed in a timely manner and ensure that appropriate signatures are obtained.**
- **Responsibility: The Director of Luxury Seating is responsible for oversight of this issue.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

5. For one event, the Licensee was advanced merchandise cash proceeds prior to the conclusion of the event and a receipt was not maintained for the cash disbursement.

   We recommend cash advances made prior to settlement are properly documented in accordance with policies and procedures.

Institution Response

We agree with this recommendation.

- **Corrective action taken: We want to emphasize that no additional funds were provided to the licensee as a result of this cash advance. There will be no future cash advances without the proper paperwork completed and signed by both parties.**
- **Compliance, Measurement and Documentation: The cash advance receipt document is available in the ticket office and the Merchandise Manager will complete the form with the Licensee; it will be signed by both parties and each party will retain a copy.**

- **Responsibility: The Merchandise Manager is responsible for completing this form if needed with oversight from The Associate Facility Director for Booking.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

PAYROLL

From eight events during our audit period, we selected a sample of 30 part-time employees that were scheduled to work during the event. We performed testing for one pay period during the time period of the event to ensure pay for regular hours and overtime hours were properly calculated and that pay rates per memos were consistent with pay rates in the system. Additionally, for every employee tested, we examined part-time employee time sheets to ensure hours worked during each event traced to the individual pay period, time sheets were properly approved and signed, and total gross for each event traced to the financial system.

Additionally, we selected a total of 15 full-time employees (eight professional, four classified, and three letter of appointment) for testing. We performed testing to ensure total gross payment traced to the employee contract, if applicable overtime was properly paid and approved, and total gross payment was expensed to the proper accounts. The following exceptions were noted.

1. On two occasions, payroll was calculated incorrectly resulting in an overpayment. Specifically, overpayment of $571 occurred for a commission payment to a catering professional staff member and $344 to a part-time event staff. The two overpayments were manually calculated.
2. Per inquiry of the Event Manager, all novelty sale employees are commissioned sellers of merchandise. The department implemented a policy that states merchandise commission is

calculated after the adjusted gross and any shortages/shrinkage is determined and subtracted from gross sales. The agreed compensation will be up to 5% (divided among sellers) or an equivalence of up to $13.00 an hour. Per examination of one of the event time sheets, it was noted that merchandise employees received compensation of 5.5% for that event, which is over the agreed compensation percentage.

For items 1-2, we recommend additional procedures be put in place for manual commission and payroll payments in order to be made in accordance with department policy.

Institution Response

We agree with this recommendation.

- **Corrective action taken: All manually calculated payments, either payroll or commissions, are now receiving final approval from the Business Office before payment is made. For merchandise compensation we no longer pay any type of percentage; the staff is instead paid an hourly rate.**
- **Compliance, Measurement and Documentation: The Business Office will provide final approval on all manually calculated commissions and payroll to ensure compliance with department policy.**
- **Responsibility: The UNLV Athletics/TMC Business Office has final oversight.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

3. We noted an inconsistency related to overtime from NSHE/UNLV policy to actual procedures. Prior to the implementation of the new ERP system, part-time event staff were paid overtime after working eight hours in a work day. Upon review of employee files, it was noted that variable workday schedules were signed by part-time event staff that indicated overtime would be paid after a 40-hour work week.

We additionally noted some full-time TMC employees with multiple jobs. When trying to determine accuracy of the payment calculations, we noted a policy does not exist related to multiple jobs/dual employment.

We recommend that procedures be carried out that are consistent with current policies in place. We recommend consideration be made to discuss with legal on creating a policy related to multiple jobs/dual employment.

Institution Response

We agree with this recommendation.

- **Corrective action taken: In compliance with new NSHE policy part time staff are now only paid overtime after 40 hours. Also in compliance with policy classified employees are not able to work multiple jobs or have dual employment.**
- **Compliance, Measurement and Documentation: Both issues are currently in compliance with policy and monitored by the Athletics/TMC Human Resources Department.**
- **Responsibility: The Athletics/TMC Human Resources Department is responsible for overseeing this process.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

TICKET OFFICE

We selected a random sample of ten days of ticket office sales during the audit period to ensure proper segregation of duties and that funds were posted to the proper accounts in a timely manner. We noted the following exceptions.

1. Per inquiry of the Associate Facility Director, Ticket Operations, it was noted that all supervisors have access to perform transactions and void their own transactions without further approval. Additionally, an independent review of supervisor voids is currently not performed.

2. Per inquiry of the Associate Facility Director, Ticket Operations, it was noted that he can act as a cashier for promoter transactions, enter events and perform reconciliation functions in the ticketing system. Additionally, per examination of daily ticket office paperwork it was noted that supervisors can perform out of settlement and promotor transactions. A reconciliation of daily ticket sales and promotor comps is generated for each event, but an independent review of the supervisor's individual transactions is not performed.

   We recommend that more than one person be involved in certain transactions. Additionally, we recommend that a person independent of the ticket office have read only access to the ticketing system to generate reports in order to perform an independent review of the daily reconciliation.

Institution Response

We agree with this recommendation.

- **Corrective action taken: Voids are necessary for various reasons to adjust orders or correct customer service issues. Sellers are unable to void and need supervisor approval. As many transactions are time-sensitive, and there is often only one supervisor working on event night, the ability to approve these void transactions by the supervisor is necessary. However, our Paciolan ticketing system tracks all interactions with the system and any voids involving money appear on both the audit as well as the daily sales at the end of an event. The Business Office reviews and approves all daily ticket sales reports created by the Ticket Office in order to verify cash, credit card, event totals, and account information, so a cross-check does occur.**
- **Compliance, Measurement and Documentation: The Business Office will continue to perform these reviews and cross-checks.**
- **Responsibility: The Business Office is responsible for ensuring that adequate reviews and cross-checks of the voids continue.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

PETTY CASH/CHANGE FUND

We requested the Petty Cash/Change Fund custodian listing from the Controller's office and performed an independent cash count of the ticket office funds. We noted the following exceptions.

1. Per examination of the listing, it was noted that Thomas & Mack Center has three change funds assigned to the ticket office: Box Office, Novelty, and Parking. Previously, the three funds were maintained separately where Parking and Novelty would be checked out from the ticketing office for events. Per additional inquiry, Parking and Novelty no longer obtain change funds from the ticket office and all three change funds have been combined into one Box Office fund.
2. When reviewing a recent petty cash / change fund listing, we noted the authorized fund custodian is no longer employed at the TMC.

   For items 1-2, we recommend determining if the ticket office still needs three separate change funds and to update the change fund custodian.

Institution Response

We agree with this recommendation.

- **Corrective action taken: We use this for banks for the sellers, the change fund for supervisors to break large bills for the sellers and the rest is in the vault. That amount is necessary to facilitate multiple event days (NFR & Mountain West for example), multiple events happening at the same time (TMC event at same time as SBS, Baseball, Softball, and others for example), as well as provide temporary banks and cash requests for promoters and internal departments. Back-up is signed by both the receiving party as well as the box office and records are always stored in the small vault for back-up. We combined the three accounts as the full amount is needed to properly run events. The combined account is named 'Box Office' and we removed the Novelty and Parking names. We updated the name of the custodian to the current individual responsible for the change fund, the Director of Special Event Ticketing.**
- **Compliance, Measurement and Documentation: The petty cash funds are now listed properly with the controller's office. In the future, updates to the custodian will be performed in a timely manner.**

- **Responsibility: The Director of Special Event Ticketing is responsible for managing this account. Athletic/TMC Business Office is responsible for changes to the accounts and custodian.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

EQUIPMENT INVENTORY

A review of the equipment inventory assigned to the Thomas & Mack Center was performed to determine whether items listed on the equipment inventory report were physically present and whether there were items that met the reporting threshold that were not included on the report. We requested an inventory listing in addition to internally generating our own and selected a sample of 30 items. The following exceptions were noted:

1. On three occasions, assets could not be located. We were informed one asset was either lost or stolen, one asset was returned to the vendor and one asset was reported stolen from UNLV campus but a request was not submitted for removal of the asset from inventory. We recommend that equipment policies and procedures be reiterated to all staff to ensure proper procedures are followed. We recommend the employee responsible for TMC equipment inventory should be notified of the lost, stolen, destroyed, or missing items in a timely manner to notify Property Control.

Institution Response

We agree with this recommendation.

- **Corrective action taken: The records associated with the identified assets have been updated. Any future lost or stolen assets will be reported to our designated inventory manager in a timely manner so the system can be updated.**
- **Compliance, Measurement and Documentation: Staff received updated training in the procedures and will notify the TMC equipment inventory representative of lost or stolen assets, who will then notify Property Control.**

- **Responsibility: The TMC equipment inventory manager is responsible for all inventory issues.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

2. On three occasions, assets assigned to TMC were transferred to another building and were not removed from Thomas & Mack Center inventory. Specifically, two assets are currently located in the CSB building and one asset is currently located in the LAC building.

   We recommend that a transfer request be submitted to Property Control to ensure proper accountability of assets.

Institution Response

We agree with this recommendation.

- **Corrective action taken: The records associated with the identified assets have been updated. Any future equipment transferred to another building will be removed from the TMC inventory in a timely manner and a transfer request will be submitted to property control. All staff will be updated on this procedure.**
- **Compliance, Measurement and Documentation: Staff received updated training in the procedures and will notify the TMC equipment inventory representative of any transferred items, who will report the transfer to Property Control**
- **Responsibility: The TMC equipment inventory manager is responsible for all inventory issues.**

We respectfully request that this item be closed.

FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of initial response.

STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenue and expenditures provided is based on the activity of one state, 22 self-supporting, and 14 agency accounts that have been assigned to the Thomas & Mack Center. The revenue and expenditure information was obtained from the financial accounting system. The statement is provided for informational purposes only.

	State Accounts		Self-Supporting Accounts		Agency Funds	Total
Balance, July 1, 2016	$ -		$ 6,007,985		$ 854,455	$ 6,862,440
Transfers-In	-		350,261	1	-	350,261
Revenues						
State Appropriations	1,844,981		-		-	1,844,981
Sales & Svc Auxiliary	-		21,619,633		514,679	22,134,312
Gifts	-		130,929		-	130,929
Investment Income	-		84,308		-	84,308
Other Revenue	-		101,475		-	101,475
Total Revenue	1,844,981		21,936,345		514,679	24,296,005
Transfers-Out	-		3,343,485	2	-	3,343,485
Expenditures						
Salaries	1,205,635		9,444,567		-	10,650,202
Travel	-		-		-	-
General Operations	639,346		-		-	639,346
Hosting Expenses	-		668		-	668
Sales & Service Recharge	-		(822,187)		-	(822,187)
Event Center Ops (Event)	-		5,083,785		-	5,083,785
Event Center Ops (Non-Event)	-		4,899,304		-	4,899,304
Total Expenditures	1,844,981		18,606,137		-	20,451,118
Balance, June 30, 2017	$ -		$ 6,344,969		$ 1,369,134	$ 7,714,103
Balance, July 1, 2017	$ -		$ 6,344,969		$ 1,369,134	$ 7,714,103
Transfers-In	-		2,000		-	2,000
Revenues						
State Appropriations	1,774,671		-		-	1,774,671
Sales & Svc Auxiliary	-		9,953,413		2,696,819	12,650,232
Gifts	-		6,396		-	6,396
Investment Income	-		30,193		-	30,193
Other Revenue	-		(7,852)	4	-	(7,852)
Total Revenue	1,774,671		9,982,150		2,696,819	14,453,640
Transfers-Out	-		2,320,025	3	-	2,320,025
Expenditures						
Salaries	564,059		4,684,205		-	5,248,264
Travel	-		2,502		-	2,502
General Operations	245,179		6,453,188		-	6,698,367
Sales & Service Recharge	-		(263,703)		-	(263,703)
Hosting Expenses	-		268		-	268
Other Expenses	-		2,316		-	2,316
Total Expenditures	809,238		10,878,776		-	11,688,014
Balance, December 31, 2017	$ 965,433		$ 3,130,318		$ 4,065,953	$ 8,161,704

1. Amount includes $132,965 for administrative overhead support and $172,746 for project support.
2. Majority of the amount relates to mandatory bond payments (approximately $2,805,537) and administrative expenses (approximately $537,947).
3. Majority of the amount relates to administrative overhead for the first quarter ($82,592) and mandatory bond payments ($2,237,427).
4. Negative number since the total includes Nevada Live Entertainment Tax Payments for Sam Boyd Stadium Events and includes only a partial period.

The Internal Audit Department appreciates the cooperation and assistance received from UNLV Thomas & Mack Center personnel during this review.

Las Vegas, Nevada
January 23, 2019

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