



*Cobb County...Expect the Best!*

**INTERNAL AUDIT DEPARTMENT**

**Report Number: 2023-006**

**FINAL REPORT – Review of Mable House Barnes  
Amphitheater Revenue Collections and  
Operating Practices & Payment Card Industry  
(PCI) Readiness Assessment**

**October 27, 2023**

**Latona Thomas, CPA, CIA Director  
Erica Brooks Peters, CPA, Division Manager**

# Table of Contents

<b>Transmittal Memorandum</b> .....	Page i
<b>Background</b> .....	Page 1
<b>Results of Review</b> .....	Page 4
Additional Reconciliation and Validation of Manual Processes is Needed .....	Page 4
<i>Reconciliation</i> .....	Page 5
<i>Validation</i> .....	Page 5
<u>Recommendations 1 - 2:</u> .....	Page 6
An Assessment and Modification of Existing Practices is Needed .....	Page 7
<i>Inconsistent User Groups and Rates</i> .....	Page 7
<i>Quarterly Reporting Process Needs to be Evaluated</i> .....	Page 7
<u>Recommendations 3 - 4:</u> .....	Page 8
<i>A Risk Assessment of Operational Practices Should be Performed</i> .....	Page 8
<u>Recommendations 5 - 7:</u> .....	Page 10
<b>Appendices</b>	
Appendix I – Detailed Objectives, Scope, and Methodology .....	Page 11
Appendix II – Abbreviations .....	Page 13
Appendix III – Outcome Measures .....	Page 14
Appendix IV – Auditee’s Responses.....	Page 15



# COBB COUNTY INTERNAL AUDIT

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Director

October 27, 2023

## MEMORANDUM

**TO:** Dr. Jackie McMorris, County Manager

**FROM:** Latona Thomas, CPA, CIA, Director 

**SUBJECT:** **FINAL REPORT** – Review of Mable House Barnes Amphitheater Revenue Collections and Operating Practices & Payment Card Industry (PCI) Readiness Assessment

Attached for your review and comments is the subject draft audit report. The overall objective of the audit was to review the revenue collection and operating practices at Mable House Barnes Amphitheatre (MHBA) for leasing the facility and partnering with outside parties for concerts. We also surveyed how credit card transactions are processed at MHBA, Civic Center, and Jennie T. Anderson Theater box offices, as applicable per the most recent Countywide Payment Card Industry (PCI) Readiness Assessment<sup>1</sup>.

### **Impact on the Governance of Cobb County (County)**

The seven (7) recommendations, when implemented, will strengthen the internal control environment over revenue collections and other operating practices. County leadership and stakeholders can also be assured that there is adequate oversight and the information reviewed by leadership for decision making is useful, accurate, and complete.

### **Executive Summary**

We determined that control processes over revenue collection exist; however, some improvements are needed to ensure that revenue is reported accurately, timely, and completely for financial and internal reporting purposes. In addition, improvements are needed to ensure that the rates and fees assessed for leasing the facility and partnering with outside entities are appropriate and sufficient. Furthermore, the re-examination of certain existing practices is needed to determine if the related risks are reduced to an acceptable level.

We also reviewed the box offices at MHBA and Jennie T. Anderson theatre and noted that the results are consistent with the County's PCI Readiness Assessment report. Refer to that report for recommendations and corrective actions for Parks, Recreation and Cultural Affairs and Countywide. We also determined that the Civic Center does not have a box office, but credit card devices are used for certain events.

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<sup>1</sup> Report 2022-010 Final Report – Payment Card Industry (PCI) Readiness Assessment (performed by RSM US, LLP) issued 10/14/2022.

## **Recommendations**

We made seven (7) recommendations to improve the internal controls over revenue collections and internal reporting for management decision making. The seven recommendations are documented in the 'Results of Review' section of the report, on Pages 4 - 9. Two additional verbal recommendations were made to potentially improve physical security measures.

## **Responses**

The Parks, Recreation, and Cultural Affairs Director provided a response to our draft report and concurred with each of our recommendations. The complete responses to the draft report are included in Appendix IV with an expected completion date of June 2024. We will perform a follow-up on the corrective actions one year from the date of this report. A copy of this report will be distributed as referenced below. Please contact me at (770) 528-2559 if you have questions or Erica Brooks Peters, at 770-528-2558.

Cc: Michael Brantley, Director, Parks, Recreation and Cultural Affairs  
Mario Henson, Services Division Manager, Parks, Recreation and Cultural Affairs  
Wendy Goss, Recreation Program Manager, Parks, Recreation and Cultural Affairs  
Robert Edwards, Arts Technical Coordinator, Parks, Recreation and Cultural Affairs  
Dr. Jatunn Gibson, Director, Publics Services Agency  
Jimmy Gisi, Deputy County Manager  
Cobb County Audit Committee  
Internal Audit Department File

## Background

The Mable House Barnes Amphitheatre (MHBA) is a Cobb County (County) owned outdoor concert venue located in Mableton, GA. The facility can be leased for a variety of performances, such as plays or concerts. MHBA is in the Parks, Recreation, and Cultural Affairs Department (PARKS) and is managed by the Arts Technical Coordinator with supporting staff, including full-time and seasonal part-time employees. Contract staff, such as gate attendants and house management<sup>2</sup> are utilized as needed for performances.

### Leasing the Facility

Fees and rates for leasing the facility are approved by the Board of Commissioners (BOC) with the most recent approved on November 14, 2017<sup>3</sup>. Refer to Table 2 in the Results section for additional discussion on BOC approved rental rates versus actual rental rates. Per the 2015 MHBA Rental Packet<sup>4</sup>, the rates for leasing MHBA vary based on the type of user group:

1. Civic/Non-Profit (schools, churches, charitable organizations, etc.) - \$200 per hour, 6-hour minimum; \$850 for non-Cobb schools .
2. Corporations (events where profit is not the main objective)– daily rate starting at \$1500.
3. Commercial (any group or individual where profit is the main objective) - Rates are based on 10% of gross ticket sales, with a minimum of \$3200 up to \$7000 per day.

Additional fees are charged where applicable for equipment, labor, and janitorial fees<sup>4</sup>. Depending on the event, security may also be required. For instances where security is required, the event host pays the fees directly to the officers contracted for security.

The complete rental package is available on the venue's website, Mablehouse.org<sup>4</sup>, and user groups may contact the venue to lease the facility. A deposit is required to reserve the venue on a first come, first serve basis.

### Ticket Sales and Revenue Recognition

In addition to the rates and fees for leasing the facility described in the section above, revenue is earned from ticket sales, concessions, and VIP parking when paid in advance. Tickets for events are sold through Ticketmaster<sup>5</sup> via online, mobile, or at the MHBA Box Office. Parking, referred to as VIP Parking, can also be purchased in advance, when available. VIP parking is typically available for concerts where the facility has been leased by the commercial user group.

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<sup>2</sup> House management may provide various services during performances.

<sup>3</sup> Refer to the Cobb County PARKS Fee Schedule approved November 14, 2017.

<sup>4</sup> Mablehouse.org/amphitheatre/rent-the-venue 2015 Rental Packet.

<sup>5</sup> A third-party vendor used for ticket sales to ticketed events at MHBA [www.ticketmaster.com](http://www.ticketmaster.com).

Below is the five-year analysis of the top five revenue sources:

<b>MHBA FY2018 - FY2022 Top Five (5) Revenue Sources and Five-Year Average</b>							
<b>Account Description</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022<sup>6</sup></b>	<b>Five-Year Sum Totals</b>	<b>Five-Year Average</b>
Admission Fee	\$142,008	\$316,134	\$55,921	\$6,890	\$486,049	\$1,007,002	\$201,400
Building & Equipment Rental Fee	\$53,183	\$71,591	\$6,410	\$92,120	\$98,609	\$321,913	\$64,383
Parking Fee - Public	\$23,223	\$42,410	\$11,775	\$40,960	\$87,618	\$205,986	\$41,197
Other Income	\$-	\$-	\$-	\$12,792	\$33,044	\$45,836	\$9,167
Concessions and Royalties	\$4,485	\$8,541	\$2,894	\$-	\$15,691	\$31,611	\$6,322

Table 1 – Source: CGI Advantage Financial System reports, the County's financial system. (Rounded)

The five-year average is for the period between FY2018 - FY2022, with 2022 being a partial year (10 months). This average revenue was negatively impacted by the Covid-19 pandemic during FY2020 and FY2021. Other income includes a \$1 facility fee beginning in FY2021. There was also an overall increase of \$215,777 in the top 5 revenues combined from 2018 to 2019. The FY2021-22 Biennial Budget Book in the FY19/20 Challenges and Achievements section indicates that the seating capacity was increased with a new area that could seat over 600 people.

#### *Direct Ticketmaster Sales*

Ticketmaster provides the Remittance Summary report for the ticket sales each week, along with the remittance payment deposited directly into the County's bank account. The Remittance Summary report includes a breakdown for each event and includes tickets sold, 'comp' tickets, applicable taxes, facility fees, and VIP parking purchased. Comp tickets are tickets that the promoter may allocate to radio stations, etc. and/or courtesy tickets allocated to the County for each event. County courtesy tickets are limited to 20 tickets per event. The methodology of how courtesy tickets are distributed was not included in this audit but should be evaluated and documented internally with approval by the appropriate County official.

Upon receipt of the Ticketmaster Remittance Summary report and deposit referenced above, the Arts Technical Coordinator prepares a Ticketmaster Breakdown of Funds which details how the funds are to be allocated in the County's financial system. The Breakdown of Funds and Remittance Summary report are provided to the PARKS Business Manager. As deposits are identified on the bank statement, the PARKS Business Manager records the revenue as a cash receipt (CR)<sup>7</sup> transaction in the County's financial system using these documents provided.

<sup>6</sup> FY2022 is a partial year for ten (10) months and not a full year.

<sup>7</sup> A cash receipt is the method in which amounts collected are recorded in the County's financial system. For MHBA, amounts collected are deposited into the County's bank account and then recorded to the applicable object code.

### ***Box Office Sales***

Ticket revenue from purchases made in person at the Box Office is deposited into the County's bank account each business day. A daily report detailing cash/check and credit card revenue type is prepared and provided to the PARKS Business Manager, along with sales reports and copies of the deposit tickets. A similar CR transaction, as described above, is recorded into the County's financial system.

### ***Additional Revenue Transactions***

Additional cash receipt entries recorded by the PARKS Business Manager include the following:

1. Concessions revenue – recorded as checks from the concessions vendor are received by the Arts Technical Coordinator and deposited into the County's bank account. The County receives a percentage of sales, depending on the amount of food and beverage items sold by the vendor.
2. Lease deposits – recorded as checks are received from the event sponsor/promoter by the Arts Technical Coordinator and deposited into the County's bank account.

### **Event Settlements**

On the first or second business day after the previous week's events, the Arts Technical Coordinator downloads an Event Audit Report<sup>8</sup> and enters the information into a Settlement Statement spreadsheet for each event in the prior week. The Settlement Statement provides a detail of income (i.e. gross ticket sales and security deposit paid), less applicable rates, fees, and other expenses generated for each event as agreed upon in the facility lease. The net amount remaining is due to the event host or promoter and used to prepare a GAX1<sup>9</sup> payment request document. The Cultural Affairs and Special Event Manager reviews and approves the Settlement Statement documentation which includes the GAX1 Payment Request, Settlement Statement, and Event Audit Report for payment. The payment request is then processed through the County's AP Division and paid to the respective event host or promoter. The Arts Technical Coordinator also maintains a separate manual spreadsheet (Event Spreadsheet) to track revenue and associated expenses for each event. This spreadsheet is used for internal purposes only and is not used for validation.

### **Payment Card Industry (PCI) Readiness Assessment**

A report on the County's PCI readiness was issued on October 14, 2022, and the box offices at MHBA, Civic Center and Jeannie T. (JT) Anderson were not reviewed during this assessment. As such, we reviewed each location and observed that the results are consistent with the County's PCI readiness assessment report. Refer to the audit report<sup>1</sup> for the recommendations that apply to PARKS and the County overall.

### **Purpose of the Project**

This consulting project was initiated at the request of the PARKS Director and Services Division Manager. The scope of the project included events for the FY2021-2022 season which were between October 2021 and July 2022.

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<sup>8</sup> The Event Audit Report, which breaks down the gross ticket and parking sales for each event.

<sup>9</sup> A GAX1 is a payment request document that includes a description of the purpose of the payment, the accounting distribution codes, and is submitted with invoices to evidence review and approval of payments.



## ***Results of Review***

Our overall objective was to review the revenue collection and operating practices at Mable House Barnes Amphitheatre (MHBA) for leasing the facility and partnering with outside parties for concerts. We also surveyed how credit card transactions are processed at MHBA, Civic Center and Jennie T. Anderson Theater box offices, as applicable per the most recent Countywide PCI Readiness Assessment. Our procedures involved interviews of key personnel and walkthroughs of revenue processes through a review of internal documentation and external reports to understand and confirm the existing controls to record revenue received by the venue from Ticketmaster and at the box office each day. We also performed financial analyses, recalculated the revenue collections, and tax amounts recorded in the financial system.

We determined that although control processes over revenue collections exist, some improvements are needed to ensure that the revenue recorded is accurate, timely, and complete and to ensure that the rates and fees assessed for leasing the facility and partnering with outside entities are appropriate and sufficient. Furthermore, the re-examination of certain existing practices is needed to determine if the related risks are reduced to an acceptable level. In addition, we determined that the results of how credit card transactions are processed are consistent with the Countywide PCI Readiness Assessment report results. The accompanying pages include the results of the procedures performed and corresponding recommendations, as applicable.

### ***Additional Reconciliation and Validation of Manual Processes is Needed***

During our review we noted several manual processes that were not reviewed or validated to ensure the accuracy and completeness of revenue recorded.

The Arts Technical Coordinator's internal Event Spreadsheet used to track revenue and expenses for each event is a manual tool that included inconsistent, inaccurate, and/or incomplete data. In some instances, data was inadvertently excluded or entered incorrectly on the spreadsheet. For sample selection purposes, we obtained the internal Event Spreadsheet for the scope period of 10/1/2021-7/31/2022 and observed a total of 40 events on this spreadsheet, including two cancelled events. We identified 25 events that were commercial, for-profit concerts. We selected one event per promoter for a total of seven, excluding the one promoter selected during the initial internal control walkthrough<sup>10</sup>. Of the remaining non-cancelled events, we selected six ticketed events for a total of 13 sampled events, or 34% of the 38 events. We observed that some rates were inconsistent between the event Settlement Statement, BOC approved rates, internal Event Spreadsheet, and the vendor invoice. In addition, we were unable to locate some invoices necessary to validate the expenses on the Settlement Statements and the internal Event Spreadsheet.

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<sup>10</sup> An internal control walkthrough was performed for one sample to identify how the process is designed and to identify the internal controls that exist for testing purposes. A larger sample was then selected for testing to confirm that the internal controls identified in the walkthrough are operating effectively.



### *Reconciliation*

As described in the Background section, the Arts Technical Coordinator manually records the revenue and expenses for each event on the internal Event Spreadsheet. However, revenue is recorded in the financial system by the Business Manager using the bank deposit and cash receipt records. The revenue recorded per the Arts Technical Coordinator's internal Event Spreadsheet is not compared to the revenue recorded in the financial system to ensure revenue is accurate and complete. We performed a reasonableness analysis by comparing an estimated revenue amount from the Event Spreadsheet to the actual revenue recorded in the financial system. The estimated revenue was based on the revenue earned per the type of user group (i.e. school, commercial/promoter, etc.), net of the expected expenses. Based on this analysis, we noted inconsistencies between the revenue per the internal Event spreadsheet and the revenue recorded in the financial system. Therefore, we were unable to validate that the data recorded for MHBA in the financial system is accurate and complete.

### *Validation*

There is no secondary level of review to verify that the information entered on the Arts Technical Coordinator's Event Spreadsheet is accurate and complete. Although the Event Spreadsheet is not used for financial reporting, the data from this spreadsheet is used to create a quarterly reporting package to PARKS management. See Page 7 for further discussion on the quarterly reporting package. Reliable information is needed to determine actual costs of operations and if current fees are sufficient. Therefore, the information reflected in the Event Spreadsheet should be accurate and complete. Also, the Settlement Statement prepared by the Arts Technical Coordinator includes the lease agreement number but does not detail the event title or date of the event. Including this information on the Settlement Statement would provide an additional point of reference which is needed when validating.

In addition, we also examined the sales tax calculation for the events in our sample and recalculated the sales tax amount due. Per our analysis, we observed a potential underpayment in our sample of approximately \$2,400 between the total sales taxes per the Settlement Statements and our recalculated amount. We will provide this information to PARKS so that the potential difference can be researched to determine if additional sales tax amounts are due. During our review we became aware of a separate issue with the sales taxes being deducted from the respective Settlement Statements in error. However, this issue was resolved as the County has reimbursed each event sponsor/promoter for these amounts during the time period. A lack of validation can result in the under or overpayment of sales taxes, inaccurate revenue, and inaccurate vendor reimbursement. Our procedures did not include a separate validation of the amount due to each event sponsor nor the total sales taxes due to the State.

Reconciliations and validation activities ensure an effective internal control environment is maintained. Without valid, accurate, and reliable reports, the PARKS Department is unable to rely on its current process to substantiate the completeness and accuracy of year-end event revenues and expenses; make critical business decisions; or provide accurate data to County leadership and various stakeholders. The use of financial reports without validation, reconciliation, and/or other compensating controls increases the risks of errors without detection and inaccurate budgetary and financial reporting.

A reconciliation and validation between the financial records entered by the PARKS Business Manager and Event Spreadsheet maintained by the Arts Technical Coordinator would ensure that the revenue recorded and reported is accurate and complete.

### ***Recommendations***

The Director of Parks, Recreation and Cultural Affairs or designee should:

**Recommendation 1:** Implement a reconciliation process to agree the revenue recorded in the County's financial system to the Arts Technical Coordinator internal Event Spreadsheet and ensure that the revenue recorded is accurate and complete. The reconciliation process should also include an evaluation of the internal Event Spreadsheet contents, functionality, and continuous business need.

**Auditee Response:** **Concur with alternate solution.** Arts Technical Coordinator and/or designee will research software that will assist with reconciliation to improve efficiency and reduce the risk of human error. We will start this process immediately with final process instituted by April 2024.

**Recommendation 2:** Implement a process to ensure that the internal Event Spreadsheet has both a preparer and a reviewer/validator. A reviewer/validator will ensure that the information entered is complete and accurate. The internal Event Spreadsheet should then be compared to the supporting documentation to include, but not limited to vendor invoices, Settlement Statements, and other documentation as applicable. The Settlement Statements should also be reviewed against the BOC approved rates to ensure the rates are accurate. In addition, consider updating the Settlement Statement with the appropriate event title and date for ease of review.

**Auditee Response:** **Concur.** Arts Technical Coordinator and the Coordinator I will review and validate the internal spreadsheet along with supporting documents to include, but not limited to vendor invoices, settlement statement and other documentation to ensure accuracy. Signature line will be added to show that the spreadsheet was reviewed by both Arts Technical Coordinator and Coordinator I and the settlement statement will be updated to reflect the correct event title and date. We will continue to research fees at the Mable House Barnes Amphitheater. This process will be instituted by March 2024.

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## ***An Assessment and Modification of Existing Practices is Needed***

During this review, we determined that certain practices had been in place for some time that had not been periodically examined, updated as needed, and/or documented appropriately based on current practices.

### ***Inconsistent User Groups and Rates***

<b>Comparison of BOC Approved Fee Schedule and MHBA Rental Packet</b>		
<b>User Group</b>	<b>BOC Approved Fee Schedule</b>	<b>Rental Packet</b>
Civic	N/A	\$200/hour
Resident	\$1,200	N/A
Cobb School	\$650/day	Call for rate
Non-Profit (not a school)	\$1,200	N/A
Commercial	\$1,500	Greater of \$3,200 or 10% of Gross Receipts, up to \$7,000
Corporate Rate	N/A	\$1,500
Promoter	\$3,200	N/A

Table 2 – Source: 2017 BOC approved PARKS Fee Schedule and MHBA Rental Packet.

We noted inconsistencies in user groups and rates between the PARKS Fee Schedule approved by the BOC in 2017 and the 2015 rental package. We compared these two documents and observed some inconsistencies in the user groups and rates for leasing MHBA. Table 2 to the left highlights the inconsistencies identified. Per the BOC approved fee schedule, the rate for promoters<sup>11</sup> is \$3,200/day; however, the rate assessed is greater of \$3,200 minimum or up to 10% of Gross Receipts not to exceed \$7,000 as described in the rental packet for commercial<sup>12</sup> renters.

We determined through discussion that some user group descriptions and/or fees were inadvertently excluded from the document presented to the BOC for approval and therefore, not approved in the 2017 Park Fees Schedule. Only the rates that have been approved by the BOC should be assessed. Using rates that are inconsistent with the BOC approved rates can lead to incorrect charges and the over/under collection of revenue.

### ***Quarterly Reporting Process Needs to be Evaluated***

Each quarter the Arts Technical Coordinator prepares and submits a reporting package that provides a summary of the number of rentals, attendees, total revenue earned and total costs for each month. However, there is no evidence that the package has been evaluated for its continued applicability and usefulness. The internal Event Spreadsheet is the source of the data used in the reporting package, but the information included in the report cannot be relied upon for accuracy or completeness. Although this is not used for financial reporting purposes, the financial data is captured within the report for programmatic purposes and management review. See Section 'Additional Validation and Reconciliation of Manual Processes Is Needed' beginning on Page 4 for additional discussion. A financial forecasting model needs to be developed to illustrate the potential income that can be generated based on various factors to include, but not limited to the market, costs, pricing, and capacity. A periodic assessment is necessary to determine if the information as presented is meeting the expectations of PARKS and/or the County leadership. The financial forecasting model and periodic assessments should then be used for management decisions.

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<sup>11</sup> Promoters organize concerts and reserve MHBA for events.

<sup>12</sup> See background section for discussion on commercial and corporate user group rates.

Management reviews at the functional or activity level is a basic internal control activity. The review of insufficient, incomplete, or inaccurate data is not useful and could lead to erroneous decision making. This should be evaluated periodically to ensure expected desired information is presented for decision making. The reports should also be evaluated to determine if modifications are needed to ensure the necessary information is captured, accurate and complete.

## ***Recommendations***

The Director of Parks, Recreation and Cultural Affairs or designee should:

**Recommendation 3:** Perform an overall assessment of the current leasing pricing structure and methodology to determine the capacity and revenue-earning potential. This assessment should include a financial forecasting model for MHBA and evaluate the impact. The rates should be examined to determine if they are adequate to cover the operating costs incurred, and align the user group and rates per the rental packet and Board of Commissioners' approved fee schedule. The collective results should be presented to the Board of Commissioners for review and approval.

**Auditee Response:** **Concur.** Arts Technical Coordinator and Service Division Manager will research and compare pricing of other outdoor amphitheaters to assess the leasing pricing structure. This process will be completed by June 2024.

**Recommendation 4:** Review the current quarterly reporting package and process to determine if the information provided is useful for decision making purposes. The reporting process should be modified as needed to ensure critical information is captured accurately and completely.

**Auditee Response:** **Concur.** Services Division Manager will discuss with Arts Technical Coordinator and Special Events Manager what information is pertinent to make informed decisions. Once determined quarterly report will be modified to show information that will aide in making informed decisions. This reporting package will be updated by February 2024.

## ***A Risk Assessment of Operational Practices Should be Performed***

### ***Lease agreement***

The current facility agreement does not include a date or version information to indicate the most recent review and there is no evidence of how frequently the lease agreement is reviewed for potential modification as needed. Per our review of the facility lease agreements, leases are authorized by the Arts Technical Coordinator using a standard lease agreement for MHBA and that modifications must be reviewed by the County Attorney's office. We observed one modification to the standard lease agreement in our sample; however, evidence of the County Attorney's office review was not readily available. In addition, we attempted to locate documentation with authorized signatory levels regarding contracts to lease the facility on behalf of the County, but such documentation was not available. Contract language should be reviewed periodically by the County Attorney's office, as well as changes in terms, as appropriate. Formal documentation authorizing employees to lease County facilities should also be readily available. Out of date contract language and contracts authorized outside of County guidelines could lead to contracts with terms and conditions that are unfavorable to the interest of County stakeholders.

### Credit card refunds

We also observed that credit card refunds for ticket sales are expensed to credit card fees, instead of being netted against ticket revenue for accounting purposes. Credit card fees should reflect only those costs paid for credit card processing fees. In addition, we observed that lease deposits are recorded as revenue. Deposits are not revenue until earned and therefore, should be recorded as a liability. Though lease deposits are kept by the County, the deposit would be returned to the event sponsor/promoter if the event had to be cancelled by the County. Therefore, deposits should not be recorded as revenue until the performance or event has been held, fulfilling its contract with the event sponsor/promoter. However, recording the deposit as a liability may not be considered feasible given the County's accounting practices. In addition, we observed that with the exception of one sample, the lease deposit was not subtracted from the total ticket revenue on the Event Spreadsheet. Therefore, lease deposits are captured twice on the Event Spreadsheet, once as lease deposit revenue and again in total ticket revenue. Though not used for financial reporting, the Event Spreadsheet is used for quarterly reporting as referenced previously, and therefore revenue should be reflected accurately. Recording credit card refunds as expenses and lease deposits as revenue leads to inaccurate financial data.

### Concession revenue

There is no designated backup to monitor concession revenue collected. As described in the background section, the concessions revenue is not recorded by the PARKS Business Manager until the Arts Technical Coordinator receives the check and the cash receipt documentation is prepared; however, there is no compensating process. For events that sell concessions, the Arts Technical Coordinator monitors and anticipates payments, but in his absence, a payment could be missed. A process to identify and monitor for the timely receipt of revenue would ensure that all revenue amounts are collected on a timely basis. Not monitoring for outstanding review could result in revenues not being collected or revenues not collected on a timely basis.

Best practices require a periodic review of lease agreements and that documentation authorizing lease modifications and signatory authority be maintained and readily available. In addition, accounting best practices require that credit card refunds and lease deposits are properly offset against revenues and a liability, respectively and that controls are in place to ensure that missing payments can be identified in a timely manner. These processes at MHBA have been in practice; however, they have not been evaluated to ensure the appropriateness in the methodologies in leasing, recording revenue, and refunds and to evaluate the related risk in not monitoring for outstanding revenue to ensure the risk level is appropriate.

We observed two additional areas for potential improvement of physical safeguards. These will be discussed as verbal recommendations to minimize security risks.

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## ***Recommendations***

The Director of Parks, Recreation and Cultural Affairs or designee should:

**Recommendation 5:** Coordinate with Purchasing/Support Services and the County Attorney's office, where appropriate, to evaluate the process in which leases are authorized. Included in this coordination should be a review of signature authority levels based on established thresholds and appropriateness of the current lease agreement. Also implement a workflow to ensure that evidence of review of non-standard agreements is documented, maintained, and readily available. In addition, leases should be periodically reviewed to ensure agreement with the Board of Commissioner's approved fee schedule.

**Auditee Response:** **Concur.** Arts Technical Coordinator will ensure that non-standard agreements are documented and sent to legal for review. Verbiage of the current lease agreement will be reviewed and updated as needed. We will institute these recommended changes by June 2024.

**Recommendation 6:** Coordinate with Finance to determine the appropriate way to record the refunds to credit cards for ticket sales and how to track and monitor lease deposits. The methods identified and rationale should be documented. The internal Event Spreadsheet and quarterly reporting package should be updated accordingly.

**Auditee Response:** **Concur.** Arts Technical Coordinator will coordinate with PARKS Business Manager to update current paperwork and revise how refunds to credit cards for tickets sales are recorded and tracked. The Internal spreadsheet will be updated to reflect these numbers. Arts Technical Coordinator and the Coordinator I will review and develop a shared document that will track key rental information and deadlines required for the venue rental. This will be instituted by February 2024.

**Recommendation 7:** Examine the current process to determine if the appropriate safeguards are in place to ensure that concessions revenue is received and timely deposited.

**Auditee Response:** **Concur with alternate solution.** Arts Technical Coordinator and Service Division Manager will research and compare safeguards present at other comparable entertainment venues to best determine if the current process is appropriate. We will institute this process by March 2024.

### ***Detailed Objectives, Scope, and Methodology***

We conducted this review in conformance with The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. Our overall objective was to review the revenue collection and operating practices at the Mable House Barnes Amphitheatre (MHBA) for leasing the facility and partnering with outside parties for concerts. We also surveyed how credit card transactions are processed at MHBA, Civic Center and Jennie T. Anderson Theater box offices, as applicable per the most recent Countywide PCI Readiness Assessment. Our scope period included events beginning in October 2021 through July 2022.

To accomplish our objective, we performed the following steps:

- I. Reviewed the revenue collection and operating practices and procedures.
  - A. Reviewed the revenue recorded for accuracy.
    1. Obtained and reviewed a schedule of events for the scope period.
    2. Judgmentally selected a sample to include each type of event during the scope period.
    3. Reviewed Ticketmaster and other documentation (bank statements, cash receipts) to confirm revenue recorded agreed to revenue received.
    4. Reviewed internally prepared settlement statements and other documentation (lease agreement, invoices) to confirm revenue recorded was accurate.
  - B. Reviewed the schedule of performances to confirm revenue earned is complete.
    1. Compared revenue per the schedule of performances to the revenue per Financial Advantage<sup>1</sup> reports
    2. Performed a reasonableness test to recalculate the revenue earned and taxes.
  - C. Confirmed revenue transactions are properly authorized and valid.
    1. Examined job descriptions or other documentation for formal authorization to lease the facility.
    2. Examined leases for events selected above for proper authorization.
  - D. Confirmed the daily cash reconciliation is effective.
    1. Judgmentally selected 10 days in the scope period.
    2. Obtained and reviewed the daily cash reconciliation and documentation (bank statements, Financial Advantage reports) for accuracy and evidence of segregation of duties.
  - E. Confirmed the bank reconciliation is effective.
    1. Obtained the bank reconciliations for review. Through inquiry, we determined that the bank reconciliation is prepared for the bank account that is not solely for MHBA. Therefore, this step was deemed not applicable for our testing purposes.
  - F. Confirmed cash is secured.

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<sup>1</sup> CGI Advantage Financial is the County's financial system.



1. Observed whether cash is secured.
- G. Reviewed the quarterly Management package to determine if effective.
  1. Obtained and reviewed a management package from a judgmentally selected quarter.
  2. Examined performance measures to determine how MHBA's performance and variances against expectations are captured.
- H. Reviewed MHBA agreements and contracts
  1. Determined how contracts and agreements are monitored for expiration
  2. Obtained copies and confirmed contracts and agreements are properly authorized.
  3. Reviewed terms and conditions to determine if they were met.
- II. Surveyed how credit card transactions are processed at MHBA, Civic Center and JT Anderson Theater box offices.
  - A. For each location,
    1. Obtained, clarified, and reviewed the PCI questionnaire responses.
    2. Identified areas for improvement.

***Abbreviations***

MHBA	Mable House Barnes Amphitheatre
PCI	Payment Card Industry
CR	Cash Receipt

### ***Outcome Measures***

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

#### **Type and Value of Outcome Measure:**

- Reliability of Information– Actual; Recommendations when implemented will provide assurance of the completeness and accuracy of the revenue for Mable House Barnes Amphitheatre (See Pages 4 – 6 and 8 - 10).
- Compliance with BOC Approved Rates and Fees – Actual: Recommendation, when implemented, will provide assurance that the rates and fees assessed have been approved by the Board of Commissioners which is required (See Pages 7 - 8 )

#### **Methodology Used to Measure the Reported Benefit:**

The 5-year average of the top five revenue sources total \$322,469<sup>1</sup>. In addition, these measures are based upon the known inherent risks related to revenue and control activities in place.

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<sup>1</sup> Source – Table 1 on Page 2 of the Background section.

## Auditee's Responses



### COBB COUNTY PARKS

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phone: (770) 528-8800  
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Michael Brantley  
Director

DATE: October 6, 2023  
TO: Latona Thomas, CPA, Director, Internal Audit  
FROM: Michael Brantley, PARKS Director  
SUBJECT: Draft Report – Review of Mable House Barnes Amphitheater Revenue Collections and Operating Practices & Payment Card Industry (PCI) Readiness Assessment

Several recommendations were made and our response to those recommendations are below.

#### **Recommendations**

The Director of Parks, Recreation, and Cultural Affairs should:

**Recommendation 1:** Implement a reconciliation process to agree the revenue recorded in the County's financial system to the Arts Technical Coordinator Internal Event Spreadsheet and ensure that the revenue recorded is accurate and complete. The reconciliation process should also include an evaluation of the internal Event Spreadsheet contents, functionality, and continuous business need.

**Response:** Concur with alternate solution.

*Arts Technical Coordinator and/or designee will research software that will assist with reconciliation to improve efficiency and reduce the risk of human error. We will start this process immediately with final process instituted by April 2024.*

**Recommendation 2:** Implement a process to ensure that the internal Event Spreadsheet has both a preparer and a reviewer/validator. A reviewer/validator will ensure that the information entered is complete and accurate. The internal Event Spreadsheet should then be compared to the supporting documentation to include, but not limited to vendor invoices, Settlement Statements, and other documentation as applicable. The Settlement Statements should also be reviewed against the BOC approved rates to ensure the rates are accurate. In addition, consider updating the Settlement Statement with the appropriate event title and date for ease of review.

**Response:** Concur

*Arts Technical Coordinator and the Coordinator I will review and validate the internal spreadsheet along with supporting documents to include, but not limited to vendor invoices, settlement statement and other documentation to ensure accuracy. Signature line will be added to show that the spreadsheet was reviewed by both Arts Technical Coordinator and Coordinator I and the settlement statement will be updated to reflect the correct event title and date. We will continue to research fees at the Mable House Barnes Amphitheater. This process will be instituted by March 2024.*

**Recommendation 3:** Perform an overall assessment of the current leasing pricing structure and methodology to determine the capacity and revenue-earning potential. This assessment should include a financial forecasting model for MHBA and evaluate the impact. The rates should be examined to determine if they are adequate to cover the operating costs incurred and align the user group and rates per the rental packet and Board of Commissioners' approved fee schedule. The collective results should be presented to the Board of Commissioners for review and approval.

**Response:** Concur

*Arts Technical Coordinator and Service Division Manager will research and compare pricing of other outdoor amphitheaters to assess the leasing pricing structure. This process will be completed by June 2024.*

**Recommendation 4:** Review the current quarterly reporting package and process to determine if the information provided is useful for decision making purposes. The reporting process should be modified as needed to ensure critical information is captured accurately and completely.

**Response:** Concur

*Services Division Manager will discuss with Arts Technical Coordinator and Special Events Manager what information is pertinent to make informed decisions. Once determined quarterly report will be modified to show information that will aide in making informed decisions. This reporting package will be updated by February 2024.*

**Recommendation 5:** Coordinate with Purchasing/Support Services and the County Attorney's office, where appropriate, to evaluate the process in which leases are authorized. Included in this coordination should be a review of signature authority levels based on established thresholds and appropriateness of the current lease agreement. Also implement a workflow to ensure that evidence of review of non-standard agreements is documented, maintained, and readily available. In addition, leases should be periodically reviewed to ensure agreement with the Board of Commissioner's approved fee schedule.

**Response:** Concur



*Arts Technical Coordinator will ensure that non-standard agreements are documented and sent to legal for review. Verbiage of the current lease agreement will be reviewed and updated as needed. We will institute these recommended changes by June 2024.*

**Recommendation 6:** Coordinate with Finance to determine the appropriate way to record the refunds to credit cards for ticket sales and how to track and monitor lease deposits. The methods identified and rationale should be documented. The internal Event Spreadsheet and quarterly reporting package should be updated accordingly.

**Response:** Concur

*Arts Technical Coordinator will coordinate with PARKS Business Manager to update current paperwork and revise how refunds to credit cards for tickets sales are recorded and tracked. The Internal spreadsheet will be updated to reflect these numbers. Arts Technical Coordinator and the Coordinator I will review and develop a shared document that will track key rental information and deadlines required for the venue rental. This will be instituted by February 2024.*

**Recommendation 7:** Examine the current process to determine if the appropriate safeguards are in place to ensure that concessions revenue is received and timely deposited.

**Response:** Concur with alternate solution

*Arts Technical Coordinator and Service Division Manager will research and compare safeguards present at other comparable entertainment venues to best determine if the current process is appropriate. We will institute this process by March 2024.*