



Robert Prosser & Associates

CITY OF SASKATOON Leisure Services Branch

Lease Revenue System

Management is in the process of incorporating contract compliance requirements into the POSSE system. This should help to ensure current contracts are in place at all times and allow for timely monitoring and reporting on contract compliance.

We found only two notable areas of inconsistency in contract content that may warrant standardization.

October 2007

Report Highlights

City of Saskatoon Leisure Services Branch Contract Management

With over forty contracts requiring monitoring in Leisure Services – moving from a manual system to an automated system will help to ensure current contracts are in place at all times and allow for timely monitoring and reporting on compliance.

Purpose of the Audit

The audit focused on whether adequate systems, practices and controls are in place to ensure contract compliance and evaluate whether concession, lease, and non-monetary contracts are consistent, as applicable, across the Branch.

What Internal Audit Recommends

- That typical concession terms be included in any license agreement that includes concession rights.
- That similar agreements include similar terms as required.

Per management, the Community Services Department is currently in the process of incorporating the compliance requirements related to contracts and agreements, into the POSSE system. Using the POSSE system to monitor contract terms will ensure current contracts are in place at all times and allow for timely monitoring of compliance with contract terms.

With regard to concession license contracts, we found that all contracts are current and have been signed and that the required insurance policies and letters of credit are in place. Controls are not in place to ensure Certificates of Approval are issued by the Medical Health Officer prior to concession opening. We also note that in some circumstances, Licensees using City facilities have the option to operate concessions. However, in such cases, they are not required to sign separate concession agreements.

With regard to license agreements and lease contracts pertaining to facility space, we found that two of the agreements had expired in September and October of 2006 although new ones were being finalized at the time of our audit. We also found that current insurance policies are not on file for most of the agreements/ contracts.

With regard to nominal monetary lease/license contracts we found that three licensees continued to use facilities/equipment in 2006 without current contracts (it should be noted that two were in the process of being completed at the time of the audit). We also found that current insurance policies were not on file for most of the contracts.

With respect to content of concession license contracts and facility license agreements and lease contracts, we only found two notable areas of inconsistency that may warrant some degree of standardization across contracts. We found no notable areas of inconsistency in the content of nominal monetary contracts.

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Chapter 1 – Introduction and Background

Introduction

The corporate audit plan included provision to conduct a financial systems audit of concession, license, and nominal monetary contract management practices in the Leisure Services Branch.

Background

The City of Saskatoon Leisure Services Branch contracts outside service providers to operate concessions in civic facilities. There are twenty concession locations, seventeen of which are operated under concession license agreements, two of which are operated through a service contract for which no fee is associated (i.e., Gordon Howe Campground and Silverwood Golf Course), and one for which a nominal fee (\$1) is charged (i.e., Gordon Howe Bowl). In 2006, revenue associated with these concession license agreements approximated \$201,000.

The City of Saskatoon Leisure Services Branch leases facility space to private organizations at various civic facilities throughout the city (e.g., indoor leisure centres, ACT Arena, etc.). There are fifteen of these lease contracts and in 2006, revenue associated with these leases approximated \$406,000.

The City of Saskatoon Leisure Services Branch also grants access to civic facility space, land and outdoor amenities throughout the City (e.g., land, lawn bowling sites, community gardens, etc.). There are fourteen of these contracts with the associated annual revenue being nominal.

Audit Objective & Scope

The audit focused on whether the Leisure Services Branch has adequate systems, practices and controls in place to ensure contract compliance and whether concession, lease and nominal monetary lease contracts are consistent across the Branch for similar contracts.

The scope of the audit focused only on those contracts that are managed by the Leisure Services Branch, namely:

- Concession licenses;
- Lease agreements; and
- Nominal monetary lease contracts.

Acknowledgements

Robert Prosser & Associates Inc. wishes to extend special thanks to the City Solicitor's Office and to the Manager of the Leisure Services Branch, the Parks Program Consultant, the Accounting Coordinator, and the Revenue/Payroll Clerk in the Financial Accountability Section of the Community Services Department for interviews, information and documents, and reviewing our audit findings.

Chapter 2 – Contract Management – Concession Licenses

We audited the extent to which adequate systems, practices and controls are in place to ensure contract compliance and evaluated whether contracts are consistent across the department.

With regard to contract compliance, we note that:

- All concession licenses are current and have been signed;
- Some licensees have been late in getting their cheques into the City resulting in later deposit dates;
- Insurance policies and Letters of Credit are in place for all concessions that are currently operating;
- There are no controls for ensuring that licensees obtain Certificates of Approval from the Medical Health Officer before opening concessions.

Per management, the Department is currently in the process of incorporating the compliance requirements related to concession licenses into the POSSE system. Using the POSSE system will allow for timely monitoring of compliance with license terms.

With regard to contract content, we found only two notable areas of inconsistency that may warrant some degree of standardization across contracts.

There are twenty concession licence contracts.

Concession licence contracts are in place at the following facilities:

- ACT Figure Skating/Hockey Centre (Saskatoon Figure Skating Club)
- Archibald Arena (Holiday Park Entertainment Centre Ltd.)
- Kinsmen Arena (Holiday Park Entertainment Centre Ltd.)
- Lions Arena (Holiday Park Entertainment Centre Ltd.)
- Cosmo Civic Centre (Holiday Park Entertainment Centre Ltd.)
- Lakewood Civic Centre (Holiday Park Entertainment Centre Ltd.)
- Lawson Civic Centre (Holiday Park Entertainment Centre Ltd.)
- Harry Bailey Aquatic Centre (Holiday Park Entertainment Centre Ltd.)
- George Ward Pool (101048476 Saskatchewan Ltd.)
- Lathey Pool (Holiday Park Entertainment Centre Ltd.)
- Mayfair Pool (Holiday Park Entertainment Centre Ltd.)
- Riversdale Pool (101048476 Saskatchewan Ltd.)
- Saskatoon Field House (Holiday Park Entertainment Centre Ltd.)
- Forestry Farm Park & Zoo (Saskatoon Zoo Society Inc.)
- Gordon Howe Bowl (Saskatoon Amateur Softball Association Inc.)

- Kinsmen Park Rides (Holiday Park Entertainment Centre Ltd.)
 - Gordon Howe Campground (Gordon McMaster)
 - Holiday Park Golf Course (Nigel K. Wright)
 - Silverwood Golf Course (Earl Scott Golf Works Ltd.)
 - Wildwood Golf Course (W.C. Food Services Ltd.)
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All concession licenses are current and have been signed.

The Leisure Services (LS) Parks Program Consultant is responsible for monitoring the status of thirteen of the twenty concession licenses. A spreadsheet is used to monitor contract expiry dates in order to ensure contracts are renewed before expiry.

The remaining seven contracts are monitored by three other individuals in the Leisure Services Branch. These individuals deal often with the Licensees and are considered to be in the best position to be able to monitor contract status and initiate contract renewals.

The responsible contract manager initiates the contract renewal process in consultation with the City Solicitor's Office. The City Solicitor's Office reviews all returned contracts to ensure they have been properly signed.

Our review of the concession licenses on file confirmed that all contracts are current and have been properly signed.

Adequate controls are in place to ensure complete, accurate, and timely collection of Licensee fees.

With the exception of two concessions (Saskatoon Zoo Society Inc., Saskatoon Figure Skating Club), all licenses include the requirement to provide post-dated cheques to the City on or in advance of the license start date. Management believes it is reasonable to not require these parties to provide post dated cheques given the long-term relationship they have with the City and the concession license being only one part of business the City has with these organizations. The cheques received are agreed to the contract terms before being forwarded to the Revenue/Payroll Clerk for safeguarding until deposit.

The Revenue/Payroll Clerk maintains a spreadsheet of all deposit dates for each contract, as stated in each contract. As the post dated cheques are deposited the spreadsheet is updated. This minimizes the risk of Licensee fees not being collected and deposited in the City's bank account.

The bank will notify the City if any cheques do not clear the bank account (i.e. NSF cheques).

Through review of the Revenue/Payroll Clerk's listing of payments received and deposited, we found that all fees due as of November 1,

2006, were paid in full with the exception of one payment by one of the Licensees, which was collected the following month. Through review of the cash receipt dates, we note that a few of the Licensees have been late in getting their cheques into the City resulting in later deposit dates.

Insurance policies are in place for all concessions that are currently operating.

The LS Parks Program Consultant is responsible for monitoring whether the required insurance coverage has been secured for thirteen of the twenty concession licenses. A spreadsheet is used to monitor insurance coverage dollar amounts and expiry dates in order to ensure coverage is renewed before expiry.

The remaining seven contracts are to be monitored by three other individuals in the Leisure Services Branch. These individuals deal often with the Licensee and are considered to be in the best position to be able to monitor insurance coverage status and initiate renewals.

We confirmed insurance policies are in place for all concessions that are currently operating.

Letters of Credit are in place for all concessions that are currently operating.

Letters of Credit are intended to protect the City in the event the Licensee fails to perform any or all of the terms or conditions of their contract. We confirmed that Letters of Credit are in place for all concessions that are currently operating.

Other concession license conditions are not being monitored for compliance.

Other significant concession license conditions include:

- Submitting concession menus and pricing to the City for approval (sixteen contracts),
- Providing a copy of the Certificate of Approval issued by the Medical Health Officer for Saskatoon prior to opening (sixteen contracts), and

Staff indicate that there are no controls in place to ensure these concession license conditions are met.

Concession Licenses, cont'd

We found only two notable areas of inconsistency in contract content.

Lease contracts pertaining to the ACT Arena, Gordon Howe Campground, Silverwood Golf Course and Bob Van Impe Ballfield provide Licensees with the right of first refusal to operate the concession at these locations. Currently, these lessees are not required to sign separate concession licenses. Separate concession licenses would increase the likelihood of concessions being operated in accordance with the City's expectations and/or provincial legislation/regulations – e.g. separate concession agreements include clauses requiring inspections by the Saskatoon Community Health Unit prior to opening and Certificates of Approval to be issued by the Medical Health Officer. Per the City Solicitor's Office, lease contracts issued/renewed after the audit fieldwork, include standard terms relating to the operation of concessions.

Six of the twenty concession licenses include a specific clause protecting the City from any damage or loss, including any economic loss, suffered by the Licensee as a result of temporary closure of the building that houses the concession. Including this clause in all similar concession licenses would reduce the likelihood of the Licensee holding the City responsible for forgone revenues and/or additional costs (e.g. relocation expenses) if the concession is closed temporarily. Per the City Solicitor's Office, all lease contracts issued/renewed after the audit field work, include interruption clauses.

Recommendations

1. That typical concession terms be included in any license agreement that includes concession rights (i.e. Saskatoon Figure Skating Club, Gordon Howe Campground, Silverwood Golf course, and Bob Van Impe Ballfield).
2. That similar agreements include similar terms as required.

Management Response

1. Agree
2. Agree

Chapter 3 – Contract Management – License Agreements & Lease Contracts

We audited the extent to which adequate systems, practices and controls are in place to ensure contract compliance and evaluated whether contracts are consistent across the department.

With regard to compliance, we note that:

- Two of the license agreements had expired in September and October of 2006 although new ones were being finalized at the time of our audit;
- Some licensees/lessees have been late getting their cheques into the City resulting in later deposit dates;
- Current insurance policies are not on file for most of the agreements/contracts.

Per management, the Department is currently in the process of incorporating the compliance requirements related to license agreements and lease contracts into the POSSE system. Using the POSSE system will help to ensure current agreements/contracts are in place at all times and will allow for timely monitoring of compliance with agreement/contract terms.

With regard to the content of agreements/contracts, we found only one notable area of inconsistency that may warrant some degree of standardization across agreements/contracts.

There are thirteen license agreements and two lease contracts.

License agreements and lease contracts are in place with the following:

- Saskatchewan Baseball Inc. (office space at the Saskatoon Field House)
- Saskatchewan Weightlifters Association Inc. (multi-purpose room at the Saskatoon Field House)
- Saskatoon Figure Skating Club (ice at the ACT Arena)
- United Commercial Travellers Council (mezzanine floor at the ACT Arena)
- Saskatoon Goldfins Swimming Club (timing and judging booth at the Harry Bailey Aquatic Centre)
- Dani Winstanley – message therapy (office space at the Saskatoon Field House) – lease contract.
- Lakewood Indoor Tennis Inc. (tennis court facility)
- Saskatoon Zoo Foundation Inc. (portion of the Superintendent's Residence at the Saskatoon Zoo and Forestry Farm)
- Saskatoon Rowing Club Inc. (Victoria Riveredge Facility)
- Saskatchewan Track & Field Association (office space at the Saskatoon Field House)
- Saskatoon Regional Health Authority (office space at the Saskatoon

Field House)

- Lakewood Baptist Church Inc. (storage area at the Lakewood Civic Centre)
- Armstrong's Physiotherapy Clinic (office space at the Saskatoon Field House) – lease contract.
- Myobody Muscle & Body Solutions Inc. (office space at the Lakewood Civic Centre)
- Red Carpet – vending (supply and install vending machines at the Cosmo Civic Centre)

Two of the license agreements expired between September and October of 2006. Both agreements were being finalized at the time of the audit.

The LS Parks Program Consultant is responsible for the thirteen license agreements. A spreadsheet is used to monitor agreement expiry dates in order to ensure contracts are renewed before expiry.

The two lease contracts are monitored by two other individuals; one by the Facility Services Supervisor, and one by the Manager of the Saskatoon Zoo & Forestry Farm. Given there are few contracts, this reduces the risk of expired contracts going unnoticed.

The responsible contract manager initiates the contract renewal process in consultation with the City Solicitor's Office. The City Solicitor's Office reviews all returned contracts to ensure they have been properly signed.

Our review of the license agreements and lease contracts on file confirmed that two of the license agreements are not current (Saskatchewan Weightlifters Association Inc., Saskatoon Rowing Club, although new agreements are being finalized.

Adequate controls are in place to ensure complete, accurate, and timely collection of Licensee fees.

The LS Parks Program Consultant agrees the cheques, when received, to the contract terms before forwarding them to the Revenue/Payroll Clerk. This minimizes the risk of inaccurate cheques being deposited.

The Revenue/Payroll Clerk maintains a spreadsheet of all deposit dates for each contract, as stated in each contract. As the cheques are received and deposited the spreadsheet is updated. This minimizes the risk of payment not being received on time.

The bank will notify the City if any cheques do not clear the bank account (i.e. NSF cheques).

Through review of the Revenue/Payroll Clerk's listing of payments received and deposited, we found that all fees due as of November 1, 2006 were paid in full with the exception of one Licensee that paid in

full later that month. Through review of the cash receipt dates, we note that a few of the Licensees' have been late in getting their cheques into the City resulting in later deposit dates.

There is no evidence of the required insurance coverage for thirteen of the fifteen contracts.

The LS Parks Program Consultant is responsible for monitoring whether the required insurance coverage has been secured for all license agreements and lease contracts. A spreadsheet is used to monitor insurance coverage dollar amounts and expiry dates in order to ensure coverage is renewed before expiry.

Twelve of the thirteen license agreements and both lease contracts require public liability insurance policies. The Department does not have current insurance policies on file for the license agreements and has only one current insurance policy on file for a lease contract.

We found only one notable area of inconsistency in contract content.

Several agreements/contracts include a specific clause protecting the City from any damage or loss, including any economic loss, suffered by the Licensee as a result of temporary closure of the facility. Including this clause in all other similar lease contracts would reduce the likelihood of the Licensee holding the City responsible for foregone revenues and/or additional costs (e.g. relocation expenses) if the facility is closed temporarily.

Recommendations

3. That similar agreements include similar terms as required

Management Response

3. Agree

Chapter 4 – Contract Management – Nominal Monetary Lease/License Contracts

We audited the extent to which adequate systems, practices and controls are in place to ensure contract compliance and evaluated whether contracts are consistent across the department.

With regard to contract compliance, we note that:

- Three licensees continued to use facilities/equipment in 2006 without current contracts (it should be noted that two were in the process of being completed at the time of the audit);
- Current insurance policies were not on file for most of the contracts.

Per management, the Department is currently in the process of incorporating the compliance requirements related to nominal monetary lease/license contracts into the POSSE system. Using the POSSE system will help to ensure current contracts are in place at all times and will allow for timely monitoring of compliance with contract terms.

We found no notable inconsistencies between contracts in terms of content.

<p>There are fourteen nominal monetary lease/license contracts.</p>	<p>Nominal¹ monetary lease/license contracts are in place with the following:</p> <ul style="list-style-type: none"> • Saskatoon Potter’s Guild (pottery equipment) • North Saskatchewan Rugby Union Inc. (land rental) • Shakespeare on the Saskatchewan Festival Inc. (land rental) • Saskatoon Soccer Centre Inc. (soccer facility) • Riversdale Lawn Bowling Inc. (lawn bowling facility) • Bob Van Impe Ballfield (ball field) • Mayfair Lawn Bowling Club Inc. (lawn bowling facility) • Nutana Lawn Bowling Club Inc. (lawn bowling facility) • Crocus Park Tennis Courts (tennis courts) • City Park Community Garden Committee (community garden) • Shearwater Properties Ltd. (docking site for boat tours) • Leif Erickson Tenant Association (community garden) • Saskatoon Men’s Baseball League Corp. (Leakos baseball field) • Saskatoon Baseball Council Incorporate (J.F. Cairns baseball field)
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¹ Facilities rented for \$1.00 per year payable on the first day of each rental year, or for nil.

Nominal Monetary Lease/License Contracts, cont'd

Three parties continued to use facilities/equipment in 2006 without current contracts.

The LS Parks Program Consultant is responsible for monitoring the status of eleven nominal monetary lease/license contracts and the Facility Services Supervisor is responsible for monitoring the other three. A spreadsheet is used to monitor contract expiry dates in order to ensure contracts are renewed before expiry.

The responsible contract manager initiates the contract renewal process in consultation with the City Solicitor's Office. The City Solicitor's Office reviews all returned contracts to ensure they have been properly signed.

Our review of the nominal monetary lease/license contracts on file confirmed that three facilities were used by parties where their license contracts had expired prior to 2006 (Nutana Lawn Bowling Club, Riversdale Lawn Bowling Club, City Park Community Garden). In both cases, new lawn bowling contracts were in the process of being finalized at the time of the audit.

There is no evidence of the required insurance coverage being in place in 2006 for the majority of the nominal monetary lease/license contracts.

The LS Parks Program Consultant is responsible for monitoring whether the required insurance coverage has been secured for all nominal monetary lease/license contracts. A spreadsheet is used to monitor insurance coverage dollar amounts and expiry dates in order to ensure coverage is renewed before expiry.

We found no evidence on file in the Community Services Department, of current insurance policies having been in place in 2006 for the majority of contracts.

We found no notable areas of inconsistency in contract content.

Our test results disclosed no notable inconsistencies in contract content that would place the City at risk.

Recommendation

That the information be received.

Chapter 5 – Implementation Plan

	Recommendations	Management Response	Implementation Date
1	That typical concession terms be included in any license agreement that includes concession rights (i.e. Saskatoon Figure Skating Club, Gordon Howe Campground, Silverwood Golf course, and Bob Van Impe Ballfield.	Agree	Upon renewal.
2 and 3	That similar agreements include similar terms as required	Agree	Upon renewal.