

# Harris County Auditor's Office



## Memorandum

To: Commissioners Court

From: Mike Post, Harris County Auditor *MP*

Errika Perkins, Chief Assistant County Auditor *EP*

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

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

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

Date: January 29, 2020

---

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

The engagement's objectives were to determine whether:

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

## Overview

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

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

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

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

## Observations

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

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

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

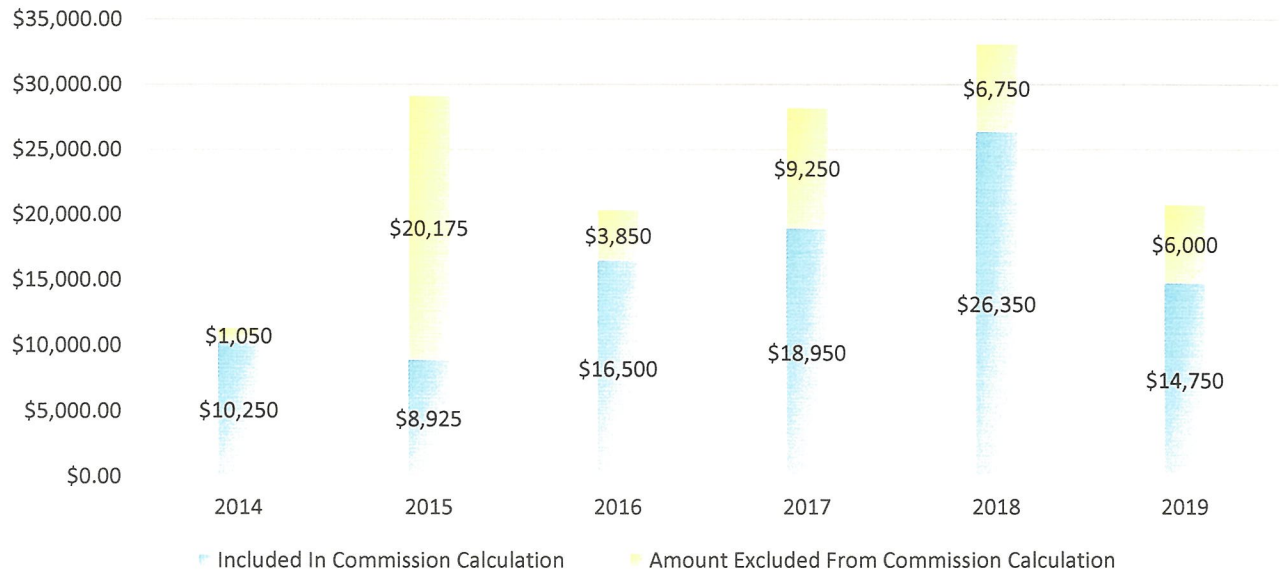
---

## Recommendation

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

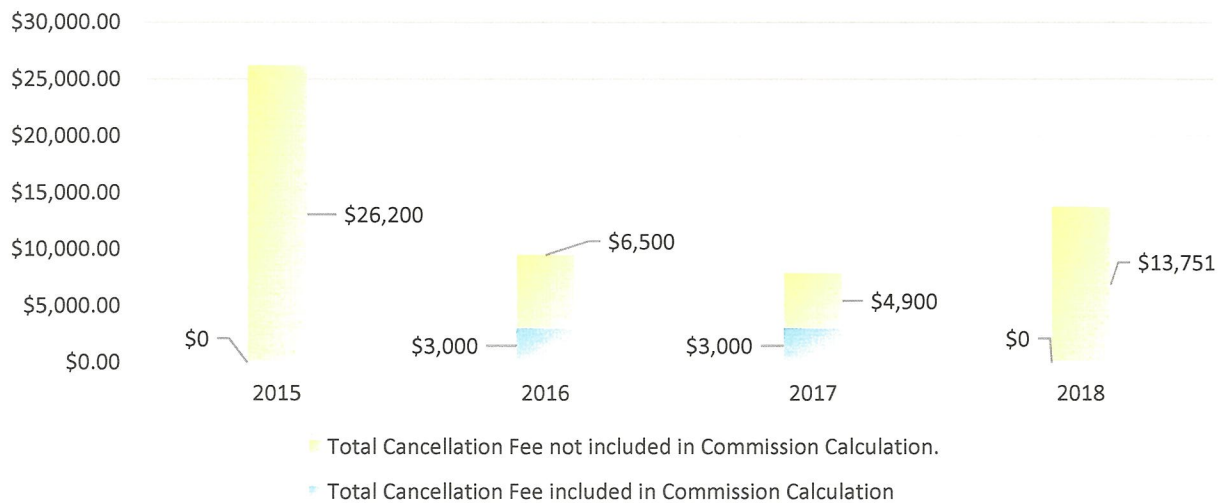
## Appendix A

### EXTENDED HOURS REVENUE



## Appendix B

### CANCELLATION FEES REVENUE

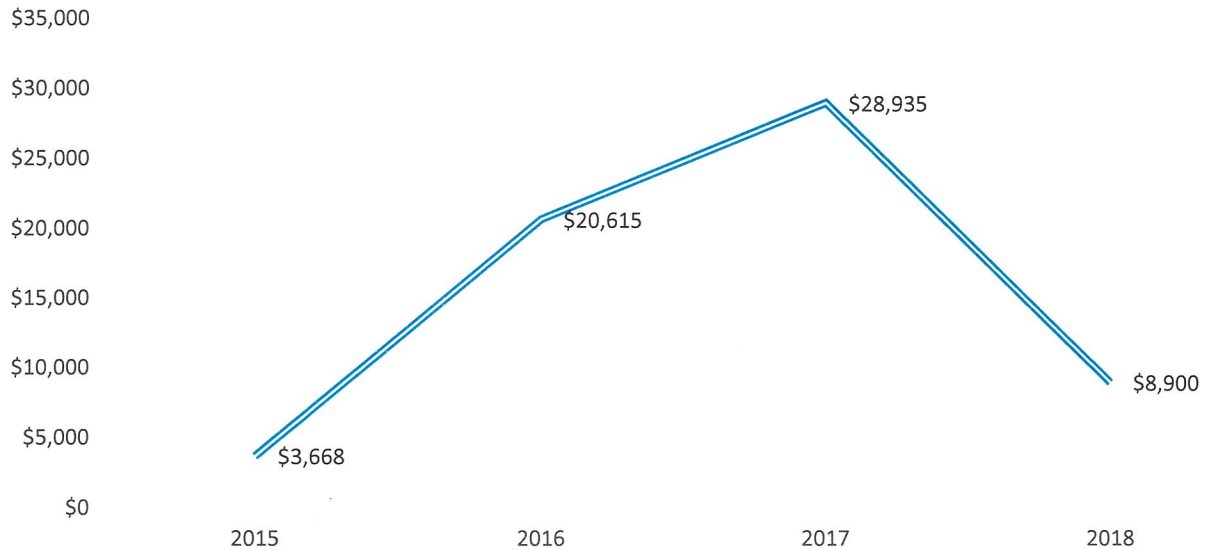


**Note: The Income Statement Transaction Report provided did not contain this data for 2014 & 2019**



## Appendix C

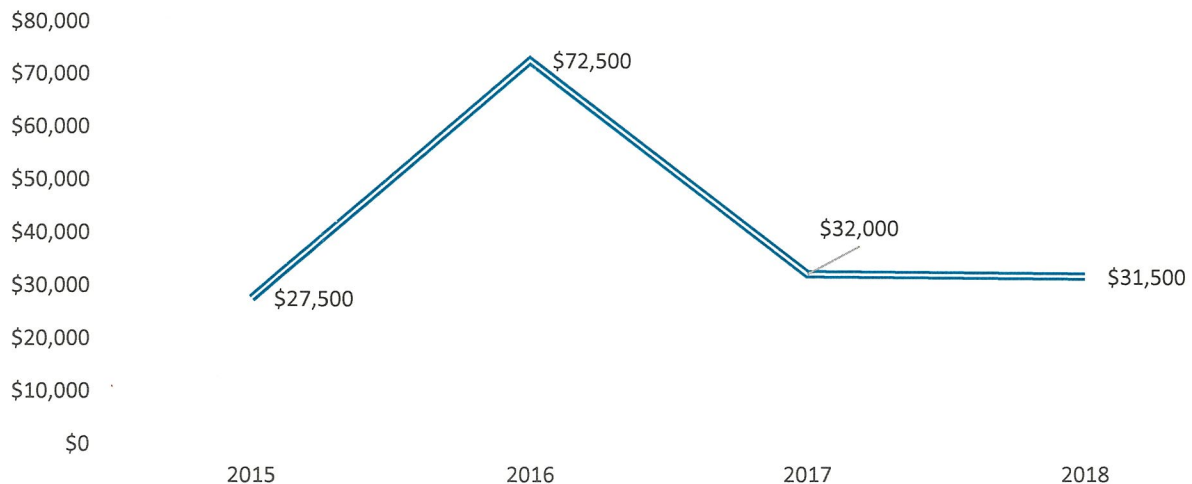
### AMOUNT OF DISCOUNTS PROVIDED



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

## Appendix D

### AMOUNT OF RENTAL FEES WAIVED



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

# Appendix E

## Rental Fees Waived - Detail by Year

2014

| #     | Date                       | Event Name                                    | Rental Fee<br>Waived |
|-------|----------------------------|---|----------------------|
| 1     | Thursday, December 4, 2014 | Christmas Party (HC free event per Agreement) | \$2,500              |
| Total |                            |   | \$2,500              |

2015

| #     | Date                         | Event Name   | Rental Fee<br>Waived |
|-------|------------------------------|--|----------------------|
| 1     | Thursday, April 16, 2015     | Baytown Chamber of Commerce                                      | \$2,500              |
| 2     | Wednesday, August 12, 2015   | Enviromedia  | \$2,500              |
| 3     | Thursday, August 20, 2015    | HC free use - Operator data did not include event / organization | \$2,500              |
| 4     | Friday, September 11, 2015   | Black and White Ball (HC free event per Agreement)               | \$2,500              |
| 5     | Thursday, October 1, 2015    | Lee College Gala   | \$2,500              |
| 6     | Tuesday, October 13, 2015    | Girls and Boys Harbor Good Skipper Dinner                        | \$5,000              |
| 7     | Thursday, October 29, 2015   | Rehersal Dinner  | \$2,500              |
| 8     | Thursday, November 12, 2015  | Economic Alliance  | \$2,500              |
| 9     | Monday, November 16, 2015    | La Porte Volleyball  | \$2,500              |
| 10    | Wednesday, November 18, 2015 | End of Year Banquet & BAWP Breakfast                             | \$2,500              |
| Total |                              |  | \$27,500             |

2016

| #     | Date                         | Event Name   | Rental Fee<br>Waived |
|-------|------------------------------|--|----------------------|
| 1     | Thursday, January 28, 2016   | La Porte Bayshore                                  | \$2,500              |
| 2     | Thursday, February 4, 2016   | Deer Park Chamber of Commerce                      | \$2,500              |
| 3     | Thursday, February 18, 2016  | Taste of Italy                                     | \$2,500              |
| 4     | Monday, February 22, 2016    | La Porte HS Basketball Banquet                     | \$2,500              |
| 5     | Tuesday, March 8, 2016       | Baytown Pilot Club Yellow Rose Gala                | \$2,500              |
| 6     | Thursday, March 31, 2016     | Baytown Chamber of Commerce                        | \$2,500              |
| 7     | Thursday, April 7, 2016      | BIC Alliance                                       | \$2,500              |
| 8     | Wednesday, April 13, 2016    | La Porte ISD Junior High Cheer Banquet             | \$2,500              |
| 9     | Thursday, April 14, 2016     | GCCISD Foundation Gala                             | \$2,500              |
| 10    | Tuesday, April 26, 2016      | La Porte Girls Soccer Banquet                      | \$2,500              |
| 11    | Wednesday, May 11, 2016      | La Porte High School Baseball Banquet              | \$2,500              |
| 12    | Tuesday, May 24, 2016        | Baytown Heritage Society                           | \$2,500              |
| 13    | Tuesday, July 19, 2016       | Darryl Malone - Banquet Malone                     | \$2,500              |
| 14    | Thursday, July 21, 2016      | Bay Run Fishing Tournament                         | \$2,500              |
| 15    | Thursday, August 11, 2016    | La Porte ISD                                       | \$2,500              |
| 16    | Wednesday, August 17, 2016   | LPISD Support Staff Luncheon                       | \$2,500              |
| 17    | Thursday, August 18, 2016    | La Porte Education Foundation                      | \$2,500              |
| 18    | Wednesday, August 24, 2016   | Shell Deer Park                                    | \$2,500              |
| 19    | Thursday, August 25, 2016    | Shell Deer Park                                    | \$2,500              |
| 20    | Friday, September 9, 2016    | Black and White Ball (HC free event per Agreement) | \$2,500              |
| 21    | Thursday, September 15, 2016 | Baytown Lee College                                | \$2,500              |
| 22    | Thursday, September 22, 2016 | La Porte Salute to Industry Banquet                | \$2,500              |
| 23    | Thursday, October 13, 2016   | PRCE Banquet                                       | \$2,500              |
| 24    | Thursday, October 20, 2016   | Harris mayors council association                  | \$2,500              |
| 25    | Thursday, October 27, 2016   | La Porte Rotary                                    | \$2,500              |
| 26    | Thursday, November 3, 2016   | Economic Alliance                                  | \$2,500              |
| 27    | Monday, November 7, 2016     | La Porte High School Volley ball Banquet           | \$2,500              |
| 28    | Tuesday, December 6, 2016    | Pasadena Chamber of Commerce Gala                  | \$2,500              |
| 29    | Thursday, December 8, 2016   | Bay Area Turning Point Luncheon                    | \$2,500              |
| Total |                              |  | \$72,500             |

# Appendix E

## Rental Fees Waived - Detail by Year

2017

| #     | Date                       | Event Name                              | Rental Fee<br>Waived |
|-------|----------------------------|---|----------------------|
| 1     | Friday, January 6, 2017    | La Porte High School Football Banquet   | \$2,500              |
| 2     | Thursday, January 26, 2017 | La Porte Chamber Banquet                | \$2,500              |
| 3     | Thursday, February 2, 2017 | Deer Park Chamber Gala                  | \$2,500              |
| 4     | Thursday, March 2, 2017    | Bay Area Homeless Services              | \$2,500              |
| 5     | Thursday, March 30, 2017   | Baytown Chamber Gala                    | \$2,500              |
| 6     | Thursday, April 6, 2017    | BIC Alliance Crawfish                   | \$2,500              |
| 7     | Thursday, April 13, 2017   | Bridge Over Troubled Water Fashion Show | \$2,500              |
| 8     | Tuesday, April 18, 2017    | Baytown Pilot Club Yellow Rose Gala     | \$2,500              |
| 9     | Thursday, April 20, 2017   | La Porte JROTC Military Ball            | \$2,500              |
| 10    | Friday, August 18, 2017    | LPISD Fountain Star Breakfast           | \$4,000              |
| 11    | Thursday, November 9, 2017 | La Porte Emergency Services Luncheon    | \$2,500              |
| 12    | Sunday, December 31, 2017  | New Years Party                         | \$3,000              |
| Total |                            |   | \$32,000             |

2018

| #     | Date                        | Event Name                                     | Rental Fee<br>Waived |
|-------|-----------------------------|--|----------------------|
| 1     | Thursday, February 1, 2018  | La Porte Rotary Foundation                     | \$2,500              |
| 2     | Thursday, February 8, 2018  | Economic Alliance                              | \$2,500              |
| 3     | Thursday, February 15, 2018 | Deer Park                                      | \$2,500              |
| 4     | Thursday, March 29, 2018    | JROTC Military Ball                            | \$2,500              |
| 5     | Wednesday, April 4, 2018    | BIC Alliance Crawfish                          | \$2,500              |
| 6     | Thursday, August 9, 2018    | La Porte Breakfast with the Stars              | \$2,500              |
| 7     | Tuesday, September 11, 2018 | La Porte Chamber first responders Breakfast    | \$2,500              |
| 8     | Friday, September 21, 2018  | Lee College Gala (HC free event per Agreement) | \$4,000              |
| 9     | Thursday, October 4, 2018   | Bic Alliance                                   | \$2,500              |
| 10    | Thursday, October 25, 2018  | La Porte-Bayshore Chamber of Commerce Inc      | \$2,500              |
| 11    | Thursday, November 8, 2018  | La Porte Rotary Foundation                     | \$2,500              |
| 12    | Monday, December 31, 2018   | New Year's Eve Party                           | \$2,500              |
| Total |                             |  | \$31,500             |

2019

| #     | Date                         | Event Name                                   | Rental Fee<br>Waived |
|-------|------------------------------|--|----------------------|
| 1     | Wednesday, September 4, 2019 | Business Forum (HC free event per Agreement) | \$2,500              |
| Total |                              |  | \$2,500              |

Total - All Years \$168,500