

## MEMORANDUM OF TRANSMITTAL

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**To:** Allen Johnson, Chief Venues Officer

**From:** George J. McGowan, CPA  
Director, Office of Audit Services and Management Support

**Dates:** June 6, 2019

**Subject:** Magic Contract Controls (Audit Report No. 19-13)

The Office of Audit Services and Management Support performed an audit of the controls over the contract governing the City's business with the Orlando Magic. The audit objectives were to ensure that the Orlando Venues Department protects the best interest of the City by ensuring day-to-day operations are in compliance with the terms specified in the contract. Our examination was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The scope of this audit focused on the risks we identified in the contract with the Orlando Magic and associated operational controls being performed by the Orlando Venues Business Division. We reviewed the contract with the Orlando Magic and identified the provisions which required action by the City, and therefore a risk for inaction, and classified these risks as having a High, Medium, or Low exposure for the City. For the purpose of this audit, we focused on the risks we identified as "High," which resulted in a review of thirty-four risk areas.

During this engagement we had several discussions with the Orlando Venues Business Division's management and team, where we gained an understanding of their day-to-day operations related to the Magic contract. From this review, we conclude that the Orlando Venues Business Division operations appear to be control-driven, professional, and results-orientated.

Our assessment did not reveal any material exposures to the risks we identified and reviewed. In fact, our review revealed the following areas of possible exposure where mitigating controls were in place to ensure that the City is in compliance with the contract with the Magic and provides greater effectiveness:

- The contract specifies an annual time table for capital repairs planning. Rather than restrict itself to this annual contractual requirement, the Orlando Venues Business Division and other department personnel meet throughout the year with the Magic to have on-going meetings to discuss capital improvements. We believe that the current practice provides better management and continual oversight.
- Similarly, the contract specifies the annual funding and reconciliation process for a joint-use Capital Fund Account for arena capital repairs and improvements. The Orlando Venues Business Division does not follow this timeline, we found that there

are continuous memorandums, communications and associated transfers of funds for capital activities throughout the year. We believe that the current practice provides better and timelier oversight.

- The contract states that Orlando Venues is responsible for training of the business partners who assist in the operations of the Amway Center to the standards expected at a facility which hosts an NBA franchise. We were informed that every year, Orlando Venues hosts an "Amway Center University," facilitated by Disney in which our partners and customers are invited to participate. Since it is not feasible to have all the employee of the partners attend this event, we were informed that Orlando Venues expects its partners to pass along the important training information to their staff. In order to fully document the provision of this contractually mandated training, we believe controls can be enhanced by having an attendance roster, which is signed by the partner representative at the annual "University." This will allow Orlando Venues Department to identify any non-compliant partners, if any.

We appreciate the cooperation and courtesies extended by the staff of the Orlando Venues Department. This review was performed by Joanne Cambridge, Senior Auditor.

GJM/jc

c:     The Honorable Buddy Dyer, Mayor  
       Jody Litchford, Deputy City Attorney  
       Chris McCullion, Chief Financial Officer  
       Craig Borkon, Venues Special Project Manager  
       Clyde Boutte, Venues Business Division Manager