



**CITY OF LAREDO, TEXAS
INTERNAL AUDIT DIVISION**

To: Honorable Mayor & Members of the City Council

CC: Robert A. Eads, City Manager
Rosario C. Cabello, Deputy City Manager
Kristina L. Hale, Assistant City Manager and Acting City Attorney
Riazul I. Mia, Assistant City Manager

From: Veronica Urbano-Baeza, Internal Auditor

Date: October 2, 2020

Subject: Friday Packet: Internal Audit Report(s) and/or Update(s)

Enclosed we are pleased to provide the following report(s) for your review and subsequent approval:

1. Fiscal Year (FY) 2020 Overtime & Compensatory Time Audit Report: Laredo Transit Management, Inc. (First Transit) – *Department Response Pending, Department has Ten (10) Working Days from Receipt of Audit to Submit Response*; and,
2. Fiscal Year (FY) 2020 Overtime & Compensatory Time Audit Report: Sames Auto Arena (ASM Global) – *No Department Response Required.*

We would like to thank Transit and Arena management and staff for their assistance during our audit. If you should have any questions regarding the enclosed report(s) submitted, please feel free to contact me at my office at (956) 790-1808. Thank you.

City of Laredo, Texas

Internal Audit Division



Special Audit Assignment:

Fiscal Year (FY) 2020 Overtime & Compensatory Time
Audit Report: Sames Auto Arena (ASM Global)

September 29, 2020

**City of Laredo
Internal Audit Division**

**Special Audit Assignment:
Fiscal Year (FY) 2020 Overtime & Compensatory Time Audit
Report: Sames Auto Arena (ASM Global)**

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EXECUTIVE SUMMARY

As per City Council directive, a motion was made at the August 17, 2020 City Council meeting requesting a review of the overtime earned and compensatory time accrued by Sames Auto Arena (Arena) employees during fiscal year 2020. To provide some background, the City of Laredo has contracted with ASM Global (previously SMG) as an independent contractor to manage, operate and promote the Sames Auto Arena since December 1, 2014 for an initial five (5) year term with an option to extend for two additional five (5) year periods. Under the current management agreement, ASM Global is responsible for selection, training and employment of all staff at the Arena. A summary of the audit objectives, results and recommendations follows.

The objective of this audit was to review the overtime earned and compensatory time (if applicable) accrued by Arena employees in fiscal year 2020 and to determine if ASM Global had stayed within their allotted overtime budget during the COVID-19 pandemic time period.

The last time overtime was earned by Arena staff was back in March 2020, and that as early as April 2020 the directive from ASM Global was to begin the process of furloughing Arena staff due to the COVID-19 pandemic. Even though the Arena does not have an allocated overtime budget for FY 2020, the total overtime expenditures fiscal year to date only totaled \$1,543.57 which indicates that Arena management are scheduling employees to ensure that the minimum amount of overtime is being worked. With a majority of part-time employees as part of their staffing, Arena management must ensure that those employees are not working more than twenty-nine (29) hours per week; this is accomplished through quarterly audits conducted and reviewed by Arena management to ensure that part-timers stay within those twenty-nine hours per week.

No written response to the audit results is required on this report.

A more extensive report of all the audit results and recommendations can be found in the following report.

INTRODUCTION

As per City Council directive, a motion was made at the August 17, 2020 City Council meeting requesting a review of the overtime earned and compensatory time accrued by Sames Auto Arena (Arena) employees during fiscal year 2020. To provide some background, the City of Laredo has contracted with ASM Global (previously SMG) as an independent contractor to manage, operate and promote the Sames Auto Arena since December 1, 2014 for an initial five (5) year term with an option to extend for two additional five (5) year periods. Under the current management agreement, ASM Global is responsible for selection, training and employment of all staff at the Arena.

AUDIT OBJECTIVES

The objective of this audit was to review the overtime earned and compensatory time (if applicable) accrued by Arena employees in fiscal year 2020 and to determine if ASM Global had stayed within their allotted overtime budget during the COVID-19 pandemic time period.

AUDIT SCOPE AND METHODOLOGY

The time period reviewed consisted of Fiscal Year 2020 payroll pay periods which encompassed October 1, 2019 through September 2, 2020. In order to achieve the audit objectives, we:

- Conducted interviews of Arena Management staff;
- Obtained an understanding of the current Management Agreement between the City of Laredo and ASM Global (previously SMG);
- Obtained the Arena's operating fund budget for Fiscal Year 2020 and 2021;
- Conducted a review of the following audit support documents to assess overtime earned and/or compensatory time accrued (if applicable):
 - Arena's ADP System generated reporting on Overtime expenditures from October 1, 2019 through September 2, 2020; and,
 - Detailed overtime composition / justification by event generating overtime.

We conducted this audit from August 2020 to September 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives.

AUDIT RESULTS & RECOMMENDATIONS

SAMES AUTO ARENA:

In discussions with the Arena's General Manager (GM), we were informed that the last time overtime was earned was back in March 2020, and that as early as April 2020 the directive from ASM Global was to begin the process of furloughing Arena staff due to the COVID-19 pandemic. Under normal operating circumstances, the Arena would be staffed at 19 to 20 full-time and 30 to 45 part-time staffers on a weekly basis; however, due to the COVID-19 pandemic the current Arena staffing consists of a core team of eight (8) employees for all operations. The Arena's GM also indicated that overtime is not earned frequently because of the number of part-time staffers utilized for Arena events, and compensatory time is not offered to employees. Since overtime is not earned frequently, the Arena does not have an established FY 2020 budget for overtime. The table below is reflective of the Arena's overtime expenditures for the current fiscal year to date (October 1, 2019 to September 2, 2020) with event overtime justification descriptions following the table.

Pay Date	Overtime Hours Worked	Overtime Earnings	Staff Needed	Department
10/04/2019 (1)	1.5	\$24.19	Surveillance	Operations
10/18/2019 (2)	2.25	\$35.44	Surveillance	Operations
11/15/2019 (3)	12.00	\$159.09	Changeover Laborer	Operations
11/29/2019 (4)	25.04	\$404.11	Changeover Laborer, Vault Staff, Concession Supervisor, Stand Leader, Cashiers and Cook	Operations, Food & Beverage
12/27/2019 (5)	29.25	\$373.04	Changeover Laborers, Parking Attendant, Surveillance and Security Guard	Operations
01/10/2020 (6)	15.25	\$188.54	Parking Attendant, Surveillance and Security Guard	Operations
03/06/2020 (7)	23.58	\$359.16	Changeover Laborers, Vault Staff, Stand Leader, Cashier, Cook, Surveillance and Security Guard	Operations, Food & Beverage
Total	108.87	\$1,543.57		

- 1) 10/04/2019: Arena hosted three (3) concert events (Maluma (9/19/19), Mijares (9/20/19) and Los Temerarios (9/22/19)) during this pay period which required 72 hours of overnight security for back to back events.
- 2) 10/18/2019: Arena hosted two (2) events (National Night Out (10/1/19) and Gloria Trevi Concert (10/12/19)) during this pay period which required overnight security.
- 3) 11/15/2019: Arena hosted three (3) events (H-E-B Feast of Sharing (11/1/19), Snoop Dog Concert (11/7/19) and 90's Pop Tour Concert (11/8/19)) during this pay period which required extensive manpower labor to convert configurations.

- 4) 11/29/2019: Arena hosted four (4) days of Disney on Ice event (with three (3) days of Matinee and Evening shows totaling seven (7) shows) during this pay period which required additional labor from the Food & Beverage Department.
- 5) 12/27/2019: Arena hosted thirteen (13) days of events during this pay period (Emparejados (12/8/19), Police Entrance Exam (12/10/19), TAMU Graduation (12/11/19 to 12/12/19), City of Laredo Employee Luncheon (12/13/19), Dunamis Two-Day Concert Distribution Event (12/14/19 to 12/15/19), Angel of Hope Toy Distribution Event (Three Day Event) (12/16/19 to 12/18/19) and Three Days of Public Ice Skating (12/20/19 to 12/22/19).
- 6) 01/10/2020: Arena hosted two days of ice skating during this pay period which subsequently required three days of labor for ice removal and five days of labor for the Arena Christmas tree removal.
- 7) 03/06/2020: Arena hosted four (4) events (Camila Concert (2/15/20), Harlem Globetrotters (2/26/20), Los Angeles Azules (2/28/20) and WBCA Carnival (2/13/20 to 2/24/20) during this pay period. Additionally, the Society of Martha Washington event (2/16/20 to 2/23/20) consisted of seven (7) days of overnight security, conversion and setup, as well as Food and Beverage setup for banquet catering, removal and cleanup.

CONCLUSION

Even though the Arena does not have an allocated overtime budget for FY 2020, the total overtime expenditures fiscal year to date only totaled \$1,543.57 which indicates that Arena management are scheduling employees to ensure that the minimum amount of overtime is being worked. With a majority of part-time employees as part of their staffing, Arena management must ensure that those employees are not working more than twenty-nine (29) hours per week; this is accomplished through quarterly audits conducted and reviewed by Arena management to ensure that part-timers stay within those twenty-nine hours per week.

APPENDIX A
STAFF ACKNOWLEDGEMENT

Veronica Urbano-Baeza, Internal Auditor