



Columbus Consolidated Government

Georgia's First Consolidated Government

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Audit Authorization

A vendor audit of Spectra Food Services & Hospitality was requested by the Director of the Columbus Iron Works Convention and Trade Center (Trade Center), Hayley Tillery, and approved by City Council on October 27, 2020.

Background

Spectra is the Trade Center's food and catering provider; services include the management and operation of food and beverage concessions and catering services exclusively at the Trade Center. They have been the Trade Center's vendor for almost 7 years.

The terms of the contract with this vendor are for a 5-year period; currently they are in the process of negotiating a 2-year extension to the current contract.

General Audit Process

Because the contract is being re-negotiated and the Trade Center had questions regarding invoicing from Spectra, it was determined that an audit needed to be conducted.

The current contract with Spectra states that an audit can be completed on the 12-month period preceding the audit request. For this audit, that period was January 2020 through December 2020.

An entrance conference was conducted virtually with the Trade Center Director, Hayley Tillery and the Trade Center Finance Director, Francesca Dye on November 10, 2020. I explained that a review of all data submitted by Spectra to the Trade Center regarding billing would be required. The audit began in January 2021.

Findings

Spectra was asked to respond to 26 questions: 19 were regarding expenses appearing on the Trade Center's financials, 7 were regarding credits the Trade Center received during 2020. All questions were initiated because the items (both expenses and credits) were not consistent or did not follow a normal pattern.

Seven (7) months in 2020 included payments of invoices for multiple months, some of the payments covered as much as 6 months of invoices. Five (5) months of telephone invoices included payment of late fees totaling \$81.25. Four (4) months included telephone invoices with charges for data usage and international calls totaling \$220.98. One (1) payment was a duplicate payment of \$16.25 for the miscalculation of actual amounts owed.

Spectra also charged the Trade Center with a \$5,000 unauthorized severance payment which, once identified by Trade Center personnel, a credit was promptly received.

After a review of telephone invoices for 2021, it appears that issues are being addressed.

Five (5) invoices requested did not include any detail. Spectra stated (1) either they were not able to locate the invoices or (2) the calculation of the charges were unable to be determined.

Of the 7 credits, 5 were due to the prepayment of expenses before they were incurred. They are as listed: Catering Temporary Staff \$30,850.94, Outside Legal \$1,700.00, Office Wages \$2,363.00, Vehicle Rental Expense \$450.00, Computer Maintenance \$1,500.00.

Two (2) additional credits were: Management Incentives All \$15,452.64; this credit was a gesture of goodwill from Spectra due to slumping business issues during the pandemic. There was a Depreciation Expense credit for \$12,157.53; Spectra responded that this was a request made by the Trade Center in how the Trade Center wanted depreciated calculated. It should be noted that according to emails between Spectra and the Trade Center, Spectra made a calculation error, and this was the correction.

Because of minimal activity at the Trade Center in 2020 due to the pandemic, a review of additional years of "normal operations" was conducted. The Trade Center provided the monthly billing data from Spectra for the years 2017 through 2019.

After review, it was found there were errors in calculating their management fees. These errors consisted of: (1) January 2019 through December 2019, management fees were incorrectly calculated on Total Sales not Total Revenue,

(2) September 2019 through January 2020, the Service Incentive Fees were incorrect,

(3) July 2020 through December 2020 the Sales Incentive Fee was calculated on the incorrect revenue threshold of 2.0%. It should have been calculated on the threshold of 1.5%.

The total of the errors in Spectra's calculations resulted in the Trade Center being under charged \$20,066.

It should be noted that over charges to the Trade Center due to calculation errors were resolved with credits by Spectra.

Recommendations

Spectra and the Trade Center must communicate and agree what information the Trade Center needs monthly. The additional information that Spectra provides is excellent but should be available based on the request of the Trade Center Director and the Trade Center Finance Director.

A review of invoices prior to payment is recommended.

Prepayment of expenses should be minimized and only with prior approval by the Trade Center Director.

Trade Center personnel must review the monthly information prior to receiving the next month's information. This process would include:

asking for clarification,

- asking for documentation and support,
- understanding all calculations, and
- understanding why the numbers vary from month to month.

Performing this process as soon as possible upon receipt of the information allows the vendor to identify the issue, resolve it, and make the necessary adjustments before any payments are finalized.

Trade Center Response

The initial plan when requesting an audit for Spectra Ovations was to review the financials over the past five years. When reviewing these financials, it was discovered that there were plenty of inconsistencies mainly on how certain items were coded month over month. When having initial conversations with Spectra Ovations, it was brought to my attention that based on our contract language, an audit can only take place for a year from when it was requested. Spectra agreed that we could push the months back where we could audit the entire year of 2020. The financials that were to be reviewed included the months from January 2020 – December 2020. Inconsistencies were still discovered based on the structure and line items on the financial statements. Conversations have taken place between Spectra on an organized and more consistent system moving forward. Every month we will review and have questions answered for the prior month versus waiting for a year to review. The communication between myself and Spectra Ovations has improved drastically, and we have a plan for the future to make sure consistency is key for reporting financials each month. To support this, we have work on renegotiating our lease agreement that includes language on what is expected from both parties moving forward.

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