



AUDIT HIGHLIGHTS

WestWorld Marketing & Concession Contracts

January 17, 2018

Audit Report No. 1806

WHY WE DID THIS AUDIT

A audit of *WestWorld Marketing & Concession Contracts* was included on the City Council-approved fiscal year (FY) 2017/18 Audit Plan to evaluate selected contracts for contract compliance, effectiveness and administration.

BACKGROUND

The primary contracts are 2013-186-COS *WestWorld Food and Alcohol License and Marketing Agreement* (Food & Marketing Agreement), and 2013-191-COS *Monterra Food and Alcohol License Agreement* (Monterra Agreement). The review also sampled event contracts with terms that impacted the Agreements' concession fees.

In December 2013, the City awarded both the Food & Marketing and the Monterra Agreements to National Western Capital Corporation (NWCC).

NWCC has held a food and alcohol license for Monterra since 2002, sublicensing operations to M Culinary Concepts since 2013. Under the Food & Marketing Agreement, most WestWorld events are now required to use this provider for concessions and catering.

Marketing services, initially subcontracted to a marketing agency, are currently managed by NWCC employees. The primary objective of the marketing services contract was to generate additional events to cover WestWorld's operating costs and recover some of the \$52 million cost to construct the multi-use Tony Nelssen Equestrian Center (TNEC).

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WHAT WE FOUND

A more fully developed Marketing Plan may help improve its effectiveness. The marketing vendor has been successful at increasing event-related revenues, but results have not met the Food & Marketing Agreement targets. Some factors that may help reduce this gap are:

- Including more research and analysis in developing marketing strategies,
- Addressing identified marketing challenges and private use restrictions on TNEC and WestWorld,
- Including additional stakeholder reviews of the marketing plan, and
- Ensuring contract-required marketing activities are addressed.

Concession revenues were generally reported in accordance with terms, but exceptions were not documented and some terms are unclear.

Food and alcohol revenues were generally reported correctly. However, WestWorld sometimes had the subcontractor pay event producers on the City's behalf, and resulting use fee reductions were not transparent. Reports to City Council do not estimate the impact of the negotiated terms. Additionally, certain use fees do not appear to be applied consistent with contract terms, and additional terms are needed to guide contractor-produced events.

Several aspects of contract administration need improvement.

Among others:

- The Contract Administrator received a personal discount from one of the contractors, which may not comply with the City's ethics code.
- Certain contract requirements have not been applied.
- Information provided to City Council was not always accurately or clearly presented.
- The vendor's use of the WestWorld name and ownership of the WestWorld website and social media sites do not appear to comply with requirements.

WHAT WE RECOMMEND

We recommend the WestWorld General Manager:

- Require the marketing vendor to include more research and analysis in developing marketing strategies, and to complete required activities.
- And the City Manager include additional stakeholder review of the marketing plan and work with the contractor to address identified challenges.
- Ensure transparent reporting of event revenues, expenses and contract terms.
- More consistently apply contract requirements, and consult with the City Attorney's office regarding contract clarifications.

The City Manager should request Human Resources review a potential ethics issue.

MANAGEMENT RESPONSE

The Department agreed with most recommendations.