

# Spectra Food Service Contract



## Objectives

- Determine if Spectra is compliant with the following major requirements of the food and service beverage agreement 17-4173:
  - Insurance coverage
  - Independent audit of gross receipts and commissions
  - Operating account
  - Reporting requirements
- Determine if the City has proper internal controls in place to ensure Spectra is compliant with the agreement.
- Determine if ASM has proper internal controls in place to ensure Spectra is compliant with the agreement.

## Background

Ovations Food Services, L.P. d/b/a Spectra Food Services & Hospitality (Spectra) is a food service company that provides management services to operate the food, beverage, novelty, and merchandise concession and catering for stadiums, arenas, convention centers, fairgrounds, expo centers, hotels, casinos, racetracks, zoos, performing arts centers, and amphitheaters.

On December 12, 2017, Spectra entered into an agreement with the City of Sioux Falls to provide food, beverages, novelty, and merchandise concession services and catering for the Sioux Falls Arena, the Sioux Falls Convention Center, the Orpheum Theater, the Denny Sanford PREMIER Center, and the Sioux Falls Baseball Stadium. Services began on January 1, 2018. The term of the agreement will conclude on December 31, 2022. Effective July 1, 2019, services provided to the Orpheum Theater were contracted with Washington Pavilion Management, Inc.

## What We Found

### Finding 1: Insurance Requirements

- There was no evidence Spectra provided the City and facility manager proof of insurance renewals at least 45 days prior to expiration, as required by the agreement.
- Spectra's policy only identifies \$1,000,000 automobile coverage when the agreement requires \$1,500,000 coverage.

### Finding 2: Orpheum Theater Insurance

- Spectra's insurance policies provided still listed the Orpheum even though they no longer provide services to the facility.

### Finding 3: Independent Audit

- The 2019 independent audit of Spectra's gross receipts performed by Eide Bailly was not completed in compliance with the agreement.

### Finding 4: Controls over Contract Compliance by City Administration

- The checklist provided by management was not completed, insurance documents on file were expired, proof of the performance bond was not on file, proof of property insurance was not on file, and contract amendments were not on file.

### Finding 5: Controls over Contract Compliance by ASM

- A lack of thorough documentation in monitoring activities resulted in unmet contract requirements.

## What We Recommend

- We recommend Spectra develop and implement procedures to ensure compliance is maintained throughout the terms of the agreement.
- We recommend Spectra provide updated insurance documents reflecting the correct location(s) services and procure and maintain the correct amount of business automobile coverage required by the agreement.
- We recommend management develop a citywide written internal policy and procedures to:
  - Strengthen current controls over contract compliance.
  - Define contract administration and monitoring practices.
  - Ensure contract requirements are obtained before execution of work.
  - Address contract amendments and renewals.
- We recommend ASM develop record-keeping standard operating procedures that will strengthen the monitoring process to ensure Spectra's compliance to the agreement.

## Opportunity for Improvement

- We recommend at the expiration of Agreement 17-4173 a thorough review of the succeeding agreement is imperative to eliminate mistakes and inconsistencies.