

CITY OF ALLENTOWN

“Lights in the Parkway” Sponsorship and Business Partnership Agreement Review

Date of Report: February 28, 2022

“Lights in the Parkway” is a drive-through light display that covers more than a mile of Lehigh Parkway and features lighted trees, light tunnels, and animated displays. The admission price for “Lights in the Parkway” is per vehicle rather than per person.

For 2021, advanced tickets were required and needed to be purchased online before arriving at Lehigh Parkway. Cars were \$16 (up to 8 passengers per vehicle), \$26 per commercial vans, limo, or minibus. No cash or credit sales were accepted on site.

The event ran daily from 5:30–10:00 p.m. from November 26 through December 31, 2021 (closed Christmas Day).

To commemorate the 25th Anniversary of “Lights in the Parkway”, Anniversary Ornaments were available for purchase for \$20.00. The ornament could be purchased online or at the Allentown Federal Credit Union (AFCU).

OBJECTIVE

The objectives of the review were to:

- Identify any potential control weaknesses and opportunities for improvement for “Lights in the Parkway” Sponsorship and Business Partnerships,
- Ensure proper supporting documentation with sponsorship and business partnership were maintained.

PROCEDURES

This audit was conducted in accordance with Generally Accepted Governmental Auditing standards and utilized an approach that included staff interviews, reviews of documents, and reports and examinations of individual financial transactions.

The period selected for testing was the 2021 “Lights in the Parkway” season. Our process began by:

- Obtaining a list of 2021 “Lights in the Parkway” sponsorships and business partnerships,
- Requesting copies of the sponsorship and business partnership agreements,
- Reviewing the agreements for opportunities for improvement.

FINDINGS, RECOMMENDATIONS AND RESPONSES

INTERNAL CONTROL WEAKNESSES

1. Contracts Not Forwarded to the Controller's Office

Per the Codified Ordinance, Article IV Financial Procedure, 5-21 Contracts, Section B Bidding Process, (4):

“All contracts, change orders and leases shall be on file in the office of the City Controller and shall be available for public inspection during normal business hours.”

Using the “Lights in the Parkway” (LITP) promotional flyers, 16 (sixteen) Sponsorship or Business Partnerships were identified.

Of the 16 (sixteen), none of the contracts were forwarded to the Controller's Office until requested by the Controller's Office in November 2021.

Recommendation

All contracts/agreement should be forwarded to the Controller's Office either as a hard copy or electronic copy as required by the Codified Ordinance.

Administration's Response

The “Recommendation” above seems to point towards Section 5-21 Contracts. This is for “Bidding Process” as it relates to contracts. Business sponsorships are not bid contracts. As such, Section A. Administration 1-8 do not apply to this situation. Section B. Bidding Process 1-5 do not apply to this situation. Section C. Emergency Purchases 1-2 do not apply to this situation. Nor do any of the other sections of 5-21 Contracts. It is not appropriate to select one subsection of the ordinance and apply to business sponsorship when the overall category is not relevant.

There is not a formal policy that sponsorships must be contracted. For the past 25 years, LIP and other Special Events, there has not been a requirement for a contract for a sponsorship. If this is the case, any City-sponsored activities should be contracted.

Additional Auditor's Comment

For 2021, LITP sponsorships totaled almost \$130,000. Consequently, when the city enters into an agreement for something of value with a 3rd party, the agreement should be memorialized and go through the contract process. This best management practice protects the City's interests.

2. **Weak or Lack of Agreement/Contract**

Of the documentation for the 16 (sixteen) sponsorship or business partnership documentation received for the “Lights in the Parkway”, none had a formal or standardized contract defining the expectation, terms and conditions for the cash donation or barter, nor did they include the Mayor’s signature.

Additionally, to commemorate the 25th Anniversary of “Lights in the Parkway”, Anniversary Ornaments were available for purchase for \$20.00 thru the Allentown Federal Credit Union (AFCU).

There was no formal contract or agreement with the AFCU for the service.

Recommendation

Contracts/agreements should be prepared outlining the expectations for the cash donation and/or barter(s).

Administration’s Response

Sponsorship of Lights In The Parkway is really a marketing opportunity for local businesses. The sponsorship form clearly indicates the Sponsorship Benefits (expectations) for the prospective sponsor. It is important to keep in mind that this is a seasonal community event and not advertising at the PPL Arena.

The Sponsorship form will be updated for the 2022 season to include a place for entry of the Sponsor’s pertinent contact information and requested sponsorship level. The form will also include a statement that sponsorship dollars will be utilized to offset the overall costs of the Lights In the Parkway including but not limited to investment in light displays, promotional materials, advertising campaigns and other general expenses.

Again, there is not a formal policy that sponsorships must be contracted. Having contracts, we would have gone through the contract module for the Mayor’s signature.

Last year, the controller’s office recommended gaining more sponsorships and reaching out to additional volunteer groups, as you can see the SE team has accomplished.

3. **AR Agreements are Not in EDEN**

Accounts Receivable (AR) is money owed to the City of Allentown but not yet paid.

The TYLER Contract Management Module for EDEN was implemented in 2015. The Contract Management Module tracks both Payable and Receivable contracts.

The Contract Module for AR contracts benefits the City by:

- Monitoring the progress of contracts during preparation and while on the City's internal approval route,
- Maintaining all contract information in a single location, and
- Processing and tracking "running balances" for active contracts.

7 (seven) of the "Lights in the Parkway" Sponsorship or Business Partnership agreements were for cash sponsorship only, 8 (eight) were for barter, and 1 (one) was for barter and cash sponsorship.

Of the 7 (seven) identified for cash sponsorship, none were in the TYLER Contract Management Module for EDEN.

Recommendation

At a minimum, AR contracts should be entered into the TYLER Contract Management Module for EDEN.

Administration's Response

This will be adhered to in the future.

4. Sales Tax Not Collected

To commemorate the 25th Anniversary of "Lights in the Parkway", Anniversary Ornaments were available for purchase for \$20.00. The ornament could be purchased online or at the AFCU.

No sales tax was collected or included in the cost of the ornament.

Recommendation

Sales Tax should be collected on the sale of ornaments.

Responsibility of collection and reporting should be defined both internally and, in the Sponsorship, and/or Business Partnership agreements.

Administration's Response

There is not a formal policy on the sale of City items. For the past 25 years of LIP had the AFCU sale tickets, and never the question of sales tax being charged. This suggested requirement is new to the Special Events process. If this is genuinely a GAP requirement, please provide us with the tax law requirements so that revised policies and procedures may be developed.

Does this same sales tax requirement apply to on ticket sales and promotional giveaways?
If this is the case in the future, the Special Events may not offer items to sell or provide promotional giveaways.

Additional Auditor's Comment

This is PA Sales tax requirement and if being challenged should be pursued with the Solicitor's Office.