

MEMORANDUM

DATE: February 6, 2007
TO: Rossi Ralenkotter, President & CEO
FROM: Jon Reese, Sr. Manager of Internal Audit 
SUBJECT: R&R Live Discussion

We met on January 17, 2007 to discuss R&R Partners and R&R Live issues. This memo includes the answers to your questions brought up in the meeting. A spreadsheet is also attached which gives examples of the mark-up percentages changed on actual and estimated costs for different functions to illustrate the commissions ultimately charged to the LVCVA for the services provided by R&R Live. The information for the attachment was gathered by reviewing documentation from four events put on by R&R Live.

Adam and I are available to discuss this in more detail or answer any questions you may have. I have also sent a separate memo for your response that details the three issues we discussed in our meeting.

Background

R&R Live is an event planning company that is two-thirds owned by R&R Partners. R&R Live charges a commission on top of the estimated event cost for each event and then invoices R&R Partners. R&R Partners then invoices the LVCVA for the amount charged by R&R Live. R&R Partners does not charge a commission to the LVCVA for work performed by R&R Live.

Questions

What are the reasons behind the different commission levels used by R&R Live?

Per Julie Gilday-Shaffer of R&R Live, the Industry Standard commission for "Above the Line" Management positions is a 43% mark-up on net. The industry standard commission for "Below the Line" talent positions is a 17.65% mark-up on net.

"Above the Line" positions apply to industry-specialized workers which include producers, directors, stage managers, lighting designers, audio engineers, set designers, choreographers, production assistants, etc.

"Below the Line" positions apply to workers that could be hired directly by a client and includes models, dancers, specialty acts, headline talent, make-up artists, hair stylists, vocalists, musicians, etc.

For the events reviewed, the mark-up charged for the majority of the functions was consistent with the guidelines provided by Julie Gilday-Shaffer. (see Mark-up (Estimate) section of the Attachment).

When an R&R Live employee travels, is a commission charged on top of the estimated cost?

- Yes. The mark-up on travel and other related items is normally 17.65%. This commission is applied to expenses for contracted employees, as well as R&R Live employees. (see Travel section of the Attachment)

The Agreement with R&R Partners has these expenses being charged to the Authority at cost.

Why was the \$500 limit added in the contract for postage, travel, etc.?

The Agreement states that the Client agrees to reimburse the Agency for amounts actually incurred by the Agency for printing, postage, delivery, travel expenses, and entertainment and any other expenses. A discussion with Luke Puschnig disclosed that this is standard language put in most contracts. It does not necessarily mean that these types of expenses will be incurred, but if they were to be incurred in an amount greater than \$500, they would necessitate approval from the Authority. The \$500 limit was added in the May 1999 contract. Luke was not sure why greater than \$500 was the agreed upon amount. He said that it is not the dollar amount that is important, it is the authority to approve or disapprove this type of expense.

Current practice is that these expenses are approved after the fact. R&R Partners has a stamp that is used on invoices with the LVCVA Advertising Executive's signature, which gives the appearance that the above mentioned expenses over \$500 were pre-approved when they really were not. The contract does not specify that written approval is required.