



Internal Audit Report

BOCC Visitor & Convention Bureau
(VCB)



Report Number: 2017.10
Date: December 18, 2017



Audit of BOCC Visitor & Convention Bureau



To: The Honorable Linda Doggett, Lee County Clerk of the Circuit Court & Comptroller

From: Tim Parks, Chief Internal Audit Officer/Inspector General

Date: December 18, 2017

Re: Audit of BOCC Visitor & Convention Bureau

Dear Ms. Doggett,

The Inspector General Department (IG) has completed an audit of the Board of County Commissioners (BOCC) Visitor & Convention Bureau (VCB). David Rollman, CIA, Senior Internal Auditor and Lihong Xia, CPA, Internal Auditor completed this review.

This audit activity conforms to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General (Green Book)*.

The audit client's response is attached to this report. We wish to express our appreciation for the cooperation and assistance provided us by management and staff during this review.

This report will be posted to the Clerk of Courts website, www.leeclerk.org, under Inspector General, Audit Reports. A link to this report has been sent to the Lee County Board of County Commissioners and appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Tim Parks".

Tim Parks, Chief Internal Audit Officer/Inspector General
Inspector General Department

TJP/GK



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Executive Summary

The Lee County Clerk of Circuit Court & Comptroller's (LCCC) 2017 Annual Audit Plan included an audit of the Lee County Visitor & Convention Bureau (VCB), which is a department under the management of Lee County Board of County Commissioners (BOCC).

The VCB's risk factors were identified in a risk assessment questionnaire that was completed by department management. An entrance conference was held with management to discuss the results, confirm the audit's objective and scope, and to solicit current information regarding risks.

The audit objective was to determine if effective internal controls are in place, evaluate the effectiveness and efficiency of the VCB's processes, and to determine if the department is in compliance with applicable laws, regulations, policies and procedures.

A number of tests were performed, including the review and analysis of the following. The statistics used in testing were verified.

- Goals and objectives management
- Revenue
- Events and attractions marketing activities
- Beach and shoreline projects
- Contracts and invoice expenditures
- Travel and entertainment expenses
- Purchase card management and travel reporting procedures

Our conclusion is that VCB is performing its function in a satisfactory manner. The employees appear to be adequately trained and appropriately certified to perform the work. The department has met industry standards as demonstrated by gaining re-accreditation from Destinations International in July 2017. We offer recommendations to add value and potentially enhance the efficiency and effectiveness of VCB's processes and controls.

VCB has effective internal controls related to the tracking and reporting of strategic objectives and operating goals, reviewing and approving contractor invoices, planning and approving travel and entertainment expenses, and managing purchase cards. VCB is actively seeking opportunities to improve its operating efficiency by updating its internal procedures.

We believe that enhancements can be made in terms of:

- Strategic plans
- Management of department goals
- Written policies and procedures
- Documentation of project funding
- Travel planning and reimbursements



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Background

The Visitor & Convention Bureau (VCB) is Lee County's primary tourism marketing organization. VCB serves the interests of the economy of Lee County by acting as an industry leader to market the entire area globally, facilitate travel to the area, and preserve and protect the area's unique attributes for the continual benefit of its residents and the travel and tourism industry.

A Tourist Development Tax of five percent is charged in Lee County on property rentals of six months or less.¹ The gross tourist tax receipts are as follows:

- Fiscal Year 2016 \$39,694,021
- Fiscal Year 2015 \$37,789,522
- Fiscal Year 2014 \$33,347,860
- Fiscal Year 2013 \$28,621,792
- Fiscal Year 2012 \$26,512,920

Tourist Development Tax (TDT) may be used as authorized under Section 125.0104, Florida Statute and Lee County Ordinance 13-14. Per county ordinance, 53.6 percent of tourist tax receipts are allotted to advertising and promotion through the VCB and the Lee County Sports Development office. Beach and shoreline improvements and maintenance are allocated 26.4 percent of the receipts. The other 20 percent is allocated for stadium debt service and major maintenance of the sports stadiums. This last portion of the allotment was not covered in the scope of this audit.

The Tourist Development Council (TDC) was established in 1982. The nine-member council is an advisory committee to the BOCC. The TDC members oversee the entire tourist development tax fund, provide direction on programs and budget, and review the expenditures of the VCB.

As of August 31, 2017, VCB had 33 full-time employees. In addition there were approximately 135 volunteers and interns. VCB also has representation in the Northeast and Midwest of the United States, as well as Canada, United Kingdom, Scandinavia and Germany. Contracted representatives supplement domestic and international sales efforts. The VCB organization consists of five main departments including: Administration, Marketing & Promotions, Domestic & International Sales, Communications, and Visitor Services.

VCB's marketing agency is the provider of VCB's advertisements in all marketing channels. The agency won a three-year contract with up to two one-year renewals through a Lee

¹ Disclosure –The tax is collected by the IG Department of the Lee County Clerk of Court & Comptroller.



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County Procurement bid. The 2017 contract has an annual contract amount of not to exceed \$11,785,297.00 dollars. VCB shares the three year marketing strategic objectives as well as annual sales and marketing goals with the agency.

VCB is a highly data driven department. The MMGY marketing agency, STR (previously known as Smith Travel Research), Davidson Peterson Associates and the Clerk's bed tax report provide statistics for VCB to track the Lee County tourism industry sales and marketing performance results against the annual goals. The results are posted on the VCB's website on a monthly basis for industry partners, TDC and VCB executives; as well as the public to access. In addition, VCB manages a customer relationship database and captures leads through SimpleView software.

VCB works with various industry partners, including Chambers of Commerce of the municipalities in the Lee County, over 1000 local businesses, as well as 19 local and national organizations. As of May 2017, VCB had memberships with various domestic and international organizations within the tourism industry. VCB is a member of Destinations International (DI), a professional organization representing destination marketing organizations and conventions and visitor bureaus worldwide. VCB was originally accredited by DI's Accreditation Program (DMAP) in 2007, and has maintained the accreditation throughout the years. In July 2017, VCB gained re-accreditation. The DMAP is an independent international entity that defines quality and performance practices in destination marketing and recognizes Destination Marketing Organizations (DMOs) that meet or exceed 58 mandatory and 30 voluntary industry standards.

Objective, Scope, and Methodology

The audit objective was to determine if effective internal controls are in place, evaluate the effectiveness and efficiency of the VCB's processes, and to determine if the department is in compliance with applicable laws, regulations, policies and procedures.

The scope of the audit included a review of:

- VCB organization
- Goals and objectives
- Contracts and agreements
- Policies, procedures, and controls
- Revenue
- Expenditures
- Purchase cards
- Beach and shoreline improvements and maintenance
- The activity reviewed was primarily from Fiscal Years 2016 and 2017



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- The scope of the audit did not include a review of the portion of tourist tax receipts allocated to Lee County Sports Development and stadium debt service.

The audit methodology was comprised of the following steps:

- Preliminary Risk Assessment - A meeting was held with management to discuss the audit objective and scope and to solicit information regarding risks.
- Planning - Audit procedures were developed based upon research, audit objectives, scope, and the preliminary meeting.
- Field Work - Managers and employees were interviewed for insight on the operations. Evaluations and tests were conducted on operations and procedures to address and complete the audit fieldwork.
- Wrap-up - an Exit conference was held with management to discuss the audit results.

Observations and Recommendations

Strategic Plan

A new Strategic Plan for 2017 through 2020 had not been completed as of September 25, 2017. The current Strategic Plan was for the period of 2013 through 2016. The drafted strategic plan for 2017 through 2020 is under current review and revision by the Office of the Lee County Manager.

Recommendation:

Since the strategic plan for 2017-2020 was drafted after the 2016-2017 annual sales and marketing plan, we recommend that VCB review the two plans concurrently to ensure that they are aligned.

Goals Management:

1. Goals Results and Gap Analysis

- **Unmet goals:** One objective in the three-year strategic plan for 2013 - 2016, and some goals in the “Annual Sales and Marketing Plan” for 2015 and 2016 were unmet. It was noted that the three-year strategic plan objectives are for the entire tourism industry. The annual sales and marketing goals are also for the industry. Therefore, some goals are not fully within VCB’s control.

We recognize that the result of unmet goals is not a reflection of the VCB department's performance. From the VCB stakeholders (i.e., industry partners and the public) perspective, if the goals are not realistic, the value of the goals may be lost.



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- **Written gap analysis:** Per our testing, goal performance was timely and completely tracked. We noted that the reasons why goals were unachieved had been verbally communicated during the VCB internal meetings and during TDC meetings. While we did find analysis of why certain goals were not being met, we could not locate written analysis for all of the unmet goals and the corresponding action items. As a highly data-driven department, written documentation such as gap analysis could help VCB obtain valuable business insights and improve transparency to the public.

Recommendation

We recommend that:

- VCB review the annual sales and marketing goal items that have not been met for a sustained period of time to determine whether it was because those goals were too aggressive, uncontrollable, or inflexible to the changing environment. If so, consider adjusting the current and future goals.
- If the goals are achievable and controllable but were not met due to performance issues from VCB or industry partners, provide a written "Gap analysis" in the TDC and internal staff meetings with reasons and the proposed action items for improvements.

2. Goals Communication to the Public

Some goals were not clearly communicated. For example, some of the Performance Dashboard target numbers that were posted on the Lee County website did not match the annual sales and marketing plan goals.

Goal target numbers on the Performance Dashboard that differ from goals in the annual sales and marketing plan may be misleading to executives, industry partners and the public.

Recommendation

We recommend that:

- The discrepancies should be corrected in the Performance Dashboard to match with the annual sales and marketing plan goals.



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Funding Programs

VCB supports tourism product development through three funding programs; Beach and Shoreline, Events Marketing, and Attractions Marketing.

There are guidelines, flowcharts, and other documentation for these programs, but there are no written internal Standard Operating Procedures for the programs.

Recommendation

It is recommended that internal Standard Operating Procedures be written for the three funding programs. Written procedures would help ensure that the proper steps are taken in administering these programs.

Beach and Shoreline

Beach and Shoreline project files for Fiscal Year 2016 were selected for review. The files were reviewed to determine whether the projects had been properly approved by the TDC and the BOCC. The files were also reviewed for completed documentation such as applications, agreements, County Attorney opinions, and site visits.

All of the projects were properly approved and contained written agreements. However, many of the files did not contain evidence of the County Attorney opinion, evidence of site visits, or a copy of the project application.

Some of the Beach and Shoreline projects are administered by county departments (Parks & Recreation, Natural Resources, and Facilities) rather than by VCB. VCB processes the initial applications and the project approvals. The monitoring of the projects and disbursements of the funds is handled by the other county departments. VCB received periodic project status updates, but they showed little direct oversight of these projects.

Recommendations

It is recommended that each Beach and Shoreline project file contain all of the necessary documentation including evidence of County Attorney opinion, evidence of an adequate number of site visits, and a copy of the project application. Consideration should also be given to transitioning from paper project files to electronic files.

It is recommended that VCB project oversight be expanded. The Beach and Shoreline projects are the responsibility of VCB. VCB personnel have the expertise as to what expenditures are authorized.



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Performance Evaluations

Lee County Policy Number 502 states that supervisors should complete performance evaluations annually.

A few of the VCB employees, including the Executive Director, have not received a performance evaluation on an annual basis as outlined in the policy.

Recommendation

It is recommended that all VCB employees receive an annual performance evaluation as specified in the County policy.

VCB administrative personnel should monitor the evaluations and ensure that they are completed on a timely basis.

Contractor Invoice Approval Process

1. Invoice payment based on unwritten/unaccountable performance goals: The VCB marketing provider's annual contingency fee payment in the past six fiscal years (FY 2011-2016) has been based on the measurement of the overarching goal of the annual sales and marketing plan, which is the TDT revenue. The overarching goal as the agreed measurement for the contractor was not in writing. Also the TDT revenue goal is not an accountable measurement for the contractor's performance, because it is not under the contractor's control.

A lack of written achievable goals makes it difficult to measure the contractor's performance and justify the payment of the invoice.

2. Inconsistency in nonrecurring invoice approval signatures: One contractor's nonrecurring invoices approval had some inconsistency. Some nonrecurring invoices were approved by fiscal manager only, without the operating manager's signature. For example, one marketing campaign project invoice was approved by the fiscal manager only.

The exceptions were based on reasonable causes for processing efficiency, such as managers pre-approving the invoice amount, or the vendor providing supporting documentation. However, a lack of written procedures for the exceptions of waiving manager's approval may subject VCB to a risk of paying the vendors without verifying that they have completed the project or met the service criteria.



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Recommendation

We recommend that VCB enhance the accountability of the contractors and improve the internal invoice review process by:

- Setting up written accountable performance measurements with the contractors if required by the contract.
- Putting in standard operating procedures as to when the manager approval signature on an invoice can be waived as an exception.

Travel Expense Reporting Process

1. Bank of America (BOA) purchase card online image uploading function:

The current travel expense reporting process is not automated, is time consuming, and is subject to errors. VCB has discussed with the BOCC Procurement Director and the LCCC Accounts Payable Manager about the opportunity of a pilot program to improve the current manual process. The VCB Fiscal staff suggested researching the image function available from Bank of America (BOA) "Works Program" to upload receipts online.

We inquired about any progress on the image adding function or the travel expense reporting automation. We were informed that BOCC Procurement was going to sign an agreement with BOA to utilize the image adding function. The BOCC Procurement Department is looking to implement the image adding function by the beginning of FY 2018.

The main effect of implementing the image function is that BOCC departments no longer need to submit paper receipts to Finance. It would save time for Accounts Payable for reviewing and scanning into OnBase. However, the fiscal managers of the BOCC departments will still need to collect receipts from each employee and scan them online to the BOA website, and the employees still need to fill out the manual travel forms. This will actually add steps for the VCB fiscal staff.

2. Manual process of travel form data entry:

BOCC purchase cardholders (travelers) currently do not have access to view their credit card transactions online since they are not given access. We inquired of BOCC Procurement on the possibility of giving the card holders view access to the BOA credit card online and enabling them to upload the receipts as they see the transactions posted. It is not feasible because of limitations on BOCC employees' PC and scanner access; as



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well as limited internet access during travel. In addition the Works Program image function requires specific scanners.

By not giving employees access to their BOA online account view access and enabling them to upload the receipts online, the VCB fiscal manager will still have to match various receipts with transactions, and employees still need to manually enter data in the travel form. Therefore the expense reporting data input process still requires a lot of manual inputs.

Recommendation

We recommend that VCB Fiscal Manager:

- Discuss with BOCC Procurement the concerns regarding the implementation of the Works Program image adding process in FY 2018. Explore any solution if and how the process could be simplified while utilizing an image uploading function.
- Continue to work with BOCC Procurement and Accounts Payable to look for opportunities of user function improvement to automate the travel expense reporting process. As technology progresses, the speed and accuracy of the expense approving and reporting process may be accelerated.

Travel planning and Trainings

1. Employee Reimbursement Longer Than 30 Days

We noted that travel reimbursements often take more than 30 days to complete.

We observed the VCB fiscal manager's process of reviewing and approving employees' travel forms. The fiscal manager had to communicate and correct multiple employees' input errors in the travel forms before approving and submitting to Accounts Payable.

We tested 30 domestic and 5 international travel reimbursement invoices and noted that Accounts Payable made corrections to 47 percent of the domestic travel reimbursements and 40 percent of the international travel reimbursements. The most frequent changes include:

- Employees were not entitled to certain meals due to travel starting and ending time restrictions
- Employees entered whole number of mileage while Accounts Payable rounded mileage to 2 decimal places
- Employees used wrong GSA meal rates
- Employee or fiscal person counted the hotel deposit charge as one night hotel expense



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Per the VCB Fiscal Manager, the processing days required to reimburse employees are about 15 to 20 days, which is acceptable. Per the LCCC Accounts Payable Manager, from the time when they receive the documents it normally takes two weeks to process the reimbursements. Both Accounts Payable and VCB recognized that reimbursement delays are often caused by errors in the employees' travel forms that require corrections.

2. Travel planning: Hotel booking

We observed in our sample testing of domestic travels that three hotel rates were more than \$400 per night before tax. The locations were Boston, MA and Key West, FL. We found that the hotels were booked at least one month ahead. The current travel policy does not indicate specific time limits regarding when employees must book their travel. There is a potential risk that employees may not book the hotel or air ticket immediately after the "Travel Arrangement Approval Form" (TAAF) is approved by the managers. Last minute booking of hotels may result in higher prices.

Recommendation:

We recommend that VCB:

- Incorporate into internal training the normal expected processing days for reimbursement and the fact that employee's data input errors can cause delays in reimbursement. The training should include examples of the most common errors in the travel forms to help prevent the same types of errors from happening.
- Continue looking for opportunities to work with BOCC Procurement and Accounts Payable to improve the automation of the travel expense and travel reimbursement reporting.
- Add into internal written procedures the time limit (for example, within ten business days) when employees shall book the hotel and air ticket after the TAAF is approved.
- Consider centralizing the travel booking function if it is more efficient or cost effective for the department.

Special Tips that may be categorized as Promotion Expenses

Pursuant to Florida Administrative Code 69I-42.010 specific tips and gratuities are reimbursed based on assigned rates. In many first-tier cities the allowable minimum gratuity surpasses the pre-set transportation fares. When gratuity exceeds the allotted reimbursement, staff is unable to seek full reimbursement. The county-wide travel policy is under revision, and VCB is updating its internal travel procedures in a draft dated April 2017.



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Conference related gratuities such as bus transportation and special delivery tips may fall under promotional expenses, however these tips and allowable reimbursements are not outlined in an internal policy or Administrative Code.

Recommendation:

We recommend that while updating the travel policies and procedure, VCB consult with BOCC Procurement, county attorney and Finance Accounts Payable to determine if the tips for bus drivers during conference and other special tips such as special delivery tips may be categorized as "promotion expenses". If they can be categorized as "promotion expenses," request that the County Administrative Code be updated. Add the procedure to the internal standard operating procedures, and provide employees with appropriate training.



To: Tim Parks, Chief Internal Audit Officer/Inspector General
From: Tamara Pigott, VCB Executive Director
Date: December 8, 2017
Subject: Visitor & Convention Bureau Audit

Thank you for the information contained in the audit of the VCB department. The following is in response to the recommendations contained in the report.

Strategic Plan

Audit Recommendation:

Since the strategic plan for 2017-2020 was drafted after the 2016-2017 annual sales and marketing plan, we recommend that VCB review the two plans concurrently to ensure that they are aligned.

Response:

The final draft of the 2017-20 Strategic Plan and the FY2017-18 Sales and Marketing Plan were reviewed by the TDC at its November 13 meeting and are scheduled for the approval of the Lee County Board of County Commissioner's board meeting on December 19. The goals for the two plans are in alignment.

Goals Management

Audit Recommendation:

VCB review the annual sales and marketing goal items that have not been met for a sustained period of time to determine whether it was because those goals were too aggressive, uncontrollable, or inflexible to the changing environment. If so, consider adjusting the current and future goals.

If the goals are achievable and controllable but were not met due to performance issues from VCB or industry partners, provide a written "Gap analysis" in the TDC and internal staff meetings with reasons and the proposed action items for improvements.

Response:

The FY2017-18 Sales and Marketing Plan is attached. Targets identified in the plan are designed to be challenging yet attainable.

Goals Communication to the Public

Audit Recommendation:

The discrepancies should be corrected in the Performance Dashboard to match with the annual sales and marketing plan goals.

Response:

The variance in the Performance Dashboard and the Sales and Marketing plan was due to a computer programming error; this issue has been corrected.

Funding Programs

Audit Recommendation:

It is recommended that internal Standard Operating Procedures be written for the three funding programs. Written procedures would help ensure that the proper steps are taken in administering these programs.

Response:

Existing flowcharts and guidelines are in the process of being combined into a Standard Operating Procedure format for Beach and Shoreline, Events Marketing and Attractions Marketing (anticipated completion-January 2018).

Beach and Shoreline

Audit Recommendation:

It is recommended that the Beach and Shoreline project file contain all of the necessary documentation including evidence of County Attorney opinion, evidence of an adequate number of site visits, and a copy of the project application. Consideration should also be given to transitioning from paper project files to electronic files.

Response:

Effective immediately, all Beach and Shoreline project files will be kept electronically.

Audit Recommendation:

It is recommended that VCB project oversight be expanded. The Beach and Shoreline projects are the responsibility of VCB. VCB personnel have the expertise as to what expenditures are authorized.

Response:

Based on their area of expertise, the VCB utilizes county staff from various departments to oversee all Beach and Shoreline projects.

The VCB staff oversees the projects and expenditures for various entities, including site visits on a monthly basis and quarterly reports. The VCB will continue to work with staff from other departments to ensure program compliance.

Performance Evaluations

Audit Recommendations:

It is recommended that all VCB employees receive an annual performance evaluation as specified in the County policy.

VCB administrative personnel should monitor the evaluations and ensure they are completed on a timely basis.

Response:

Staff evaluations will be performed in accordance with county policy.

Contractor Invoice Approval Process

Audit Recommendations:

Setting up written accountable performance measurements with the contractors if required by the contract.

Putting in standard operating procedures as to when the manager approval signature on an invoice can be waived as an exception.

Response:

VCB staff will coordinate with Procurement to ensure contracts contain necessary performance measures.

An internal Standard Operating Procedure will be developed for all contract-related invoices (anticipated completion-December 2017).

Travel Expense Reporting Process

Audit Recommendations:

Discuss with BOCC Procurement the concerns regarding the implementation of the Works Program image adding process in FY 2018. Explore any solution if and how the process could be simplified while utilizing an image uploading function.

Continue to work with BOCC Procurement and Accounts Payable to look for opportunities of user function improvement to automate the travel expense reporting process. As technology progresses, the speed and accuracy of the expense approving and reporting process may be accelerated.

Response:

The VCB welcomes the opportunity to work with Lee County Procurement and the Clerk's Accounts Payable staff to identify ways to automate and expedite the travel process.

Travel planning and Trainings

Audit Recommendations:

Incorporate into internal training the normal expected processing days for reimbursement and the fact that employee's data input errors can cause delays in reimbursement. The training should include examples of the most common errors in the travel forms to help prevent the same types of errors from happening.

Continue looking for opportunities to work with BOCC Procurement and Accounts Payable to improve the automation of the travel expense and travel reimbursement reporting.

Add into internal written procedures the time limit (for example, within ten business days) when employees shall book the hotel and air ticket after the TAAF is approved.

Consider centralizing the travel booking function if it is more efficient or cost effective for the department.

Response:

In the new internal travel policy currently under development with input from Accounts Payable and Procurement, processes will be put in place to ensure fiscal responsibility. We will continue to explore recommendations while adhering to policies and procedures.

Examples of common errors on travel reimbursements and specific time limit of booking travel arrangements once travel is authorized will be incorporated into current travel procedures. Additionally, an automated process will likely reduce errors and improve the timeliness of employee reimbursements.

Special Tips that may be categorized as Promotion Expenses

Audit Recommendation:

We recommend that while updating the travel policies and procedure, VCB consult with BOCC Procurement, county attorney and Finance Accounts Payable to determine if the tips for bus drivers during conference and other special tips such as delivery tips may be categorized as "promotion expenses". If they can be categorized as "promotion expenses," request that the County Administrative Code be updated. Add the procedure to the internal standard operating procedures, and provide employees with appropriate training.

Response:

The travel guidelines are currently being reviewed by Lee County Procurement and Clerk of Courts Accounts Payable department. The VCB provided travel related suggestions and will continue to work with necessary departments in updating travel guidelines.