



# Internal Audit Report

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2020-03 – WEST VOLUSIA TOURISM ADVERTISING AUTHORITY

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Internal Auditor

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Deland, Florida 32720

**August 14, 2020**

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**Internal Auditor**

August 14, 2020

Honorable Members of the County Council and County Manager

Ladies and Gentlemen:

I am pleased to present audit report 2020-03 West Volusia Tourism Advertising Authority. The objective of this audit was to provide information to Council and the County Manager an evaluation on the West Volusia Tourism Advertising Authority's operations and that business processes are in compliance with relevant laws and regulations. The period audited was from October 1, 2017 through March 31, 2020.

I conducted this audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on audit objectives. I believe that the evidence obtained provides reasonable basis for my findings and conclusions. The audit was performed in the months of May through August 2020.

I appreciate the assistance of the staff involved that work for the advertising authority for their support during this audit.

A handwritten signature in black ink, appearing to read "Jonathan Edwards".

Jonathan Edwards, CIA, CPFO  
Internal Auditor

## Background

In 1987, the County adopted Ordinance 87-21, as amended, pursuant to Chapter 212.0305, Florida Statutes, which created a special revenue fund of the County to administer and disburse the proceeds of the Convention Development Tax, commonly referred to as the “bed tax,” imposed within the boundaries of the West Volusia Tax District as defined by Chapter 262.94, Laws of Florida. This tax is three percent of the dollar charged for such lease or rental of living quarters or sleeping or housekeeping, accommodations, subject to FL Ch. 212.0305(4)(c)(1). The proceeds are to be used solely within the District to promote and advertise tourism and to fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus. The County Council appoints all members of the West Volusia Tourism Advertising Authority’s (WVTAA) board of directors for two-year terms.

The WVTAA is a dependent taxing district of the County and is bound by State and County laws, ordinances, and procedures governing the operations of such boards. The annual budget of WVTAA is subject to approval of the County Council. The board members are on a voluntary basis and are not considered personnel or employees of the WVTAA or the County. The WVTAA operates as a non-profit government organization and maintains a Florida Department of Revenue Consumer’s Certificate of Exemption on File.

The Board meets on a regular basis and utilizes an executive director to: prepare and submit the annual budget, approve and direct all expenditures within appropriations adopted, continuously study of development and needs, prepare reports, direct the work of staff, keep accurate records of all financial transactions, and other duties to plan, direct, and manage the operations of the WVTAA. There are no staff at WVTAA, rather a leasing agency is used.

The County Revenue Division is responsible for collecting and administration of the tax. Monthly, the County deducts an administrative fee and submits the net amount to the WVTAA. Each year, the County hires an external auditor who conducts an agreed-upon procedures engagement to verify tax receipts to the business’s records. The external auditor selects 25 taxpayers and reviews their last three years of tax remittances to their internal financial records.

The WVTAA and executive director is responsible for expending the tax revenues as approved in the annual budget and marketing plan. The WVTAA will also collect monies from individuals and organizations for cooperative advertising, meal functions and events to offset joint advertising or event costs.

## Scope and Methodologies

The purpose of the audit was to gain a reasonable degree of assurance that the control environment surrounding the WVTAA is based upon sound business processes and ensures that associated activities are conducted efficiently and effectively, while maintaining compliance with relevant laws, rules, and regulations.

Specific audit objectives were:

1. To obtain an understanding of internal controls that are significant to the WVTAA.
2. To perform procedures that will provide reasonable assurance of detecting instances of noncompliance with resolutions passed by Council and guidelines that have been established relating to the WVTAA.
3. To perform procedures that will provide reasonable assurance that revenue received by the Convention Development Tax was allocated, disbursed, tracked, and reported correctly.
4. To perform procedures that will provide reasonable assurance that expenditures were appropriately approved, acquired, tracked and are appropriate.
5. To perform procedures that will evaluate the economy, efficiency, and effectiveness of the WVTAA.

On May 5, 2020, County Council approved the 2020 Audit Plan, which included auditing the WVTAA.

The audit scope includes all financial transactions from October 1, 2017 through March, 31, 2020. In other words, fiscal years, 2017-2018, 2018-2019 and the first six months of 2019-2020.

By using a mix of statistical and nonstatistical sampling techniques, the audit consisted of the following items:

Item	Number of Transactions in Sample	Total Amount in Sample	Number of Transactions in Population	Total Amount in Population	% of Sample to Population, Number of Transactions	% of Sample to Population, Amount
Receipts*	20	\$ 13,069	166	\$ 199,667	12%	66%
Expenditures	60	198,139	2,521	1,734,195	2%	11%
Credit Cards	43	7,355	652	77,661	7%	9%

\* The numbers indicated do not include the tax payments received from the County Revenue Division, but only receipts from partner organizations or individuals. The tax payments from the County were all tied to the WVTAA records to the County records.

## Evaluation

Based on the results of the testing, the West Volusia Advertising Authority is operating and materially complying with the policies and procedures set forth by the County Council and the Board. It is operating in accordance to the annual budget and marketing plans as approved. There are a few minor concerns noted as opportunities for improvement as described herein.

## Findings, Concerns, and Recommendations

Findings are defined as frequent or commonly seen observations during an audit. They include critical and major failures in a program where requirements have not been effectively implemented or where there are significant issues.

Concerns are defined as infrequent or isolated observations during an audit. They include minor failures in a program where requirements have been met but opportunities may exist for improvement.

### FINDINGS:

None.

### CONCERNS:

#### 1. DISBURSEMENTS

##### 1.A. ITEMIZED, DETAILED RECEIPTS AND INVOICES

Itemized and detailed receipts for 4 out of the 43 (9%) credit card transactions tested, totaling \$106, were not obtained or retained. The executive director was entertaining clients at area restaurants and did not retain the itemized meal receipt. The credit card authorization slip was retained; however, these slips do not clearly identify what was purchased as required by policy.

One expenditure (1 out of 60 tested, or 2%) was not supported by an invoice, but rather a monthly statement, totaling \$4,000. The original invoice could not be located and the statement was used; however, statements do not clearly identify the services or goods provided such as item description, item price, shipping charges, etc. The statement only provides a grand total for each invoice.

Expenditures should have sufficient detail so each transactions can stand on its own well after the fact to demonstrate the benefit to the WVTAA.

##### RECOMMENDATION:

Ensure all invoices and itemized receipts are obtained and retained to support the purchase.

##### MANAGEMENT'S RESPONSE:

*Agree, and have already retrained staff and implemented.*

### **1.B. SALES TAX ON PURCHASES**

Sales tax was charged on 15 (or 35%) credit card transactions, totaling \$14.61 at retail stores within Florida. The WVTAA is exempt from state sales tax and the policy requires that staff inform the vendor that the purchase is for official WVTAA purposes and therefore the sales tax should not be charged.

#### **RECOMMENDATION:**

Retrain staff on state sales tax exemption and ensure sales tax is not charged on future purchases.

#### **MANAGEMENT'S RESPONSE:**

*Agree, and have already retrained staff and implemented.*

### **1.C. MILEAGE REIMBURSEMENT SPREADSHEET**

The mileage reimbursement spreadsheet used by the executive director contained a rounding formula error which caused a miscalculation in her mileage reimbursement on two separate occasions.

In January 2018, the executive director was overpaid by \$0.40 and in June 2019, she was underpaid by \$0.24.

#### **RECOMMENDATION:**

Ensure formulas are double-checked in spreadsheets to prevent rounding formulas.

#### **MANAGEMENT'S RESPONSE:**

*Agree, and will review all formulas used in spreadsheets in the future.*

### **1.D. ADVERTISING AGENCY AGREEMENT**

The WVTAA's advertising agency agreement allows for a monthly retainer amount of \$3,000 (or \$36,000 a year) for creative and art services, strategic marketing plan, media planning, public and media relations, promotional development, among other deliverables.

Given the swings in the tourism industry, having such flat, or fixed fees, may hinder the agency's ability for flexibility and control of their advertising.

#### **RECOMMENDATION:**

Consider future advertising agreements contain specific task assignments with a negotiated fee per hour.

#### **MANAGEMENT'S RESPONSE:**

*Agree. We will consider future agreements to include a negotiated fee per hour. This was the WVTAA's first agreement with hiring an agency and at the time, a flat fee was the better option.*

## **2. RECEIPTING AND DEPOSITING**

### **2.A. 3-PART RECEIPT BOOK NEEDED**

A 3-part receipt book is not utilized when customers purchase a map or pay for an event. Receipts were not given to the customer. Deposits were not always supported by documentation or purpose of the payment. A cash deposit for \$446 did not indicate who made the payment, the receipt just noted that it was for the "Florida Scenic Highway Program." Another cash deposit for \$30 contained no detail and staff believe it may have been for the "fish fry dinner."

Best practices of receipting is to give the customer a copy of the receipt, a second copy kept with the deposit backup, and the third copy maintained in the receipt book. Payment details, customer name, description of sale, date, and amount should be written on the receipt. This will assist in ensuring all sales are captured and recorded into the financial records.

#### **RECOMMENDATION:**

Utilize a 3-part receipt book then reconcile the receipts to the financial records on a regular basis. Issue receipts in numerical order and maintain a copy in the receipt book.

#### **MANAGEMENT'S RESPONSE:**

*Agree, already purchased a 3-part receipt book and implemented.*

### **2.B. TIMELY DEPOSITS**

On average, it took 13 days before cash or checks were deposited to the bank. Due to the fairly low transaction count and low dollar amount of most receipts, staff held the cash or check(s) securely in a locked place to reduce the number of trips to the bank. However, the longer the cash and checks are held, the more likely that they will become lost or stolen.

Best practices of receipting is to reduce the time from when money is received from when it is deposited at the bank.

#### **RECOMMENDATION:**

Ensure deposits are made at least once a week, or once it is over a certain dollar amount.

#### **MANAGEMENT'S RESPONSE:**

*Agree, already implemented.*

### **3. POLICY & PROCEDURES UPDATES**

The policy and procedures handbook has not been reviewed or updated in several years. The current handbook does not:

- a) Restrict credit card purchases from being shipped to an employee's home address. The audit showed this was not happening. However, by not having the restriction in the manual, it could trigger employees to improperly purchase items for personal usage.
- b) Require that employees sign a credit card authorization form. Such a form should summarize the credit card policy, explain that improper usage may result in disciplinary action, and requires the cardholder to sign in agreement. The policy states all of these items, but specifically signing this form reinforces it to the cardholder. By not having signed agreements, it may hinder the WVTAA in disciplinary action in the case of misuse by the cardholder.
- c) Include a policy regarding passwords on WVTAA computers and networks. The current password system does not time-out after a certain amount of inactivity or require the usage of passwords. By not having password policies and procedures could lead to improper access to WVTAA applications, network, or programs.

#### **RECOMMENDATION:**

Update the policy and procedures handbook to include policies:

- a) Restricting goods from being shipped to the employee's home address.
- b) Requiring cardholders to sign agreements which acknowledges adherence to the credit card policies.
- c) Develop a password policy, including time-out for inactivity and work with the technology vendor to implement.

#### **MANAGEMENT'S RESPONSE:**

*Agree and will be updating the handbook in the next few months to include these items. Will arrange a technology assessment review with our current technology vendor.*

#### 4. BOARD MINUTES

Audio recordings of the Board meeting minutes have not been given to the Deputy Clerk of County Council since 2018 as required, due to a change in staff. Additionally, Board minutes are currently not posted on the WVTAA’s website. Although posting of agendas and minutes to the website is not required, the other two advertising boards in the County post these items to their websites.

Citizen’s trust in governmental functions is vital and transparency is one way to build trust. Posting agendas and minutes of the Board’s actions to the website, demonstrates the values the WVTAA operates by the same values held by its citizens and demonstrates the Board is providing information to the public.

#### RECOMMENDATION:

Ensure audio recordings are provided as required and consider posting Board agenda and minutes to the website for public viewing.

#### MANAGEMENT’S RESPONSE:

*Agree, will post prior and future agendas and meetings on the WVTAA’s website.*

#### 5. BENCHMARKING AND BEST PRACTICES

The Destinations International is a non-profit organization which advocates for professionalism, effectiveness, and significance of destination management organizations (DMO) worldwide. They have set standards and best practices to assist in assessing internal performance of DMO and convention and visitor bureaus (CVB). They recognize that DMO/CVB operate as a steward of public funds which requires fiduciary responsibility with consistent and transparent performance reporting.

Destinations International has provided a best practice handbook and recommend DMO/CVB use for benchmarking and assessing internal performance and identifying opportunities for success. It includes different performance areas including: convention sales, travel trades, marketing and communications, visitor centers, and return on investments.

The handbook breaks each area into three different measures. The table defines each measure with a few examples (this is not an exhaustive list):

Measure and Definition	Examples
<b>Activity</b> – physical action taken to support the mission.	<ul style="list-style-type: none"> <li>• Number of bids</li> <li>• Number of tradeshow attended</li> <li>• Number of familiarization tours and participants</li> <li>• Number of sales calls</li> <li>• Number of client events</li> <li>• Number of client site inspections</li> <li>• Number of media impressions: online, social media, email, media missions, etc.</li> </ul>

Measure and Definition	Examples
<p><b>Performance measures</b> – helps define and quantify results of the activity to yield actionable tools for staff to use for short or long-term enhancement of its efforts. These will measure the results of the DMO/CVB.</p>	<ul style="list-style-type: none"> <li>• Number of sale leads</li> <li>• Number of bookings (hotel events, number of bookings, booked room nights, etc.)</li> <li>• Number of lost opportunities</li> <li>• Number of leads per tradeshow attended/exhibited by sales staff</li> <li>• Number of brochure requests, website hits, clicks, social media interactions, etc.</li> </ul>
<p><b>Productivity metrics</b> – illustrate the relationship between the performance and its resources, typically expressed as a ratio.</p>	<ul style="list-style-type: none"> <li>• Cost per lead</li> <li>• Cost per booking</li> <li>• Cost per booked room night</li> <li>• Lost opportunity ratio</li> <li>• Lead conversion rates</li> <li>• Click-through rates</li> </ul>

At times, costs for these events or conventions are upfront, and the benefit may not necessarily be reaped for a few years, even up to seven years. Maintaining these data metrics in a transparent and consistent manner may assist in proving that the event is worthwhile even though the event, or benefit, is not seen immediately.

Staff utilize and report some of these metrics, along with their advertising vendor; however, the use of the data could be enhanced further to support ongoing transparency and best practices of the industry.

The organization also produces and suggests a uniform chart of accounts that DMO/CVBs may utilize. This system of accounts has been incorporated into various productivity ratios and formulas as described above. It also suggests potential financial statement formats.

**RECOMMENDATION:**

Continue reporting industry standard benchmarks and consider using and enhancing other measures outlined in the best practices to further strengthen the commitment to transparency, consistency, and accountability of public funds.

**MANAGEMENT’S RESPONSE:**

*Agree and will review Destinations International benchmarks and practices.*