



Follow-Up Review of Transition
Review of the Greater Fort Lauderdale
Convention & Visitors Bureau

Office of the County Auditor

Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Audit Conducted By:
Jenny Jiang, CPA, Audit Manager
Abbey Tenn, Audit Staff

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OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

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Honorable Mayor and Board of County Commissioners:

We have conducted a follow-up review of our Transition Review of the Greater Fort Lauderdale Convention & Visitors Bureau. The objective of our follow-up review was to determine the implementation status of our previous recommendations.

Of the nine recommendations in the report, we determined that five were implemented and four were partially implemented. The status of each of our recommendations is presented in this follow-up report.

We appreciate the cooperation and assistance provided by the Greater Fort Lauderdale Convention & Visitors Bureau throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Stacy Ritter, Director of the Greater Fort Lauderdale Convention & Visitors Bureau

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INTRODUCTION

Scope and Methodology

We conducted a follow-up review of our Transition Review of the Greater Fort Lauderdale Convention & Visitors Bureau (Report No. 17-2). The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original review was:

1. To evaluate the adequacy of internal controls over the Convention & Visitors Bureau's internal business processes.
2. To provide new management with recommended areas for improvement.

Our follow-up review included such tests of records and other auditing procedures as we considered necessary in the circumstances. Our follow-up testing was performed July 2, 2018 to August 30, 2018. The original review period was June through November 2016. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

Overall, of the nine recommendations in the report, we determined that five were implemented and four were partially implemented. We continue to encourage management to fully implement the remaining recommendations.

Background

In 1980, the Broward County Board of County Commissioners (Board) adopted Ordinance No. 80-70 to levy and impose a Tourist Development Tax (TDT) throughout the County. The TDT is a local sales tax, authorized and governed by Section 125.0104, *Florida Statutes*. Any awards and expenditures of TDT funds must comply with the authorized use of such funds pursuant to Section 125.0104, *Florida Statutes*.

The Greater Fort Lauderdale Convention & Visitors Bureau (CVB) was created by the Board in 1987. It is a governmental agency funded by a portion of the five percent (5%)¹ TDT on hotel rooms. The overall responsibility of the CVB is to promote the Greater Fort Lauderdale/Broward County area as an attractive destination for conventions and leisure travel.

There are eight sections within the CVB, and their responsibilities are as follows:

1. **Marketing Communications** manages tourism advertising, interactive marketing, Sunny.org website, and social media applications.
2. **Convention Sales** is responsible for booking conventions and conferences at the Broward County Convention Center and individual hotels throughout the County to increase hotel room nights, global travel, and tourism.
3. **Tourism Sales** markets Greater Fort Lauderdale as an attraction to tour operators, wholesalers, and retail travel agents in the domestic and international market. Sales staff attend trade shows, plan sales missions in major cities, and arrange vacation package programs for tour operators.
4. **Strategic Client Services** assists other CVB sections by arranging housing, meals, transportation, event experiences, and additional supporting services.
5. **Multicultural Business Development** promotes Greater Fort Lauderdale as the destination of choice for conferences and family reunions to organizations and families of color.
6. **Sports Development** coordinates professional, amateur, and recreational sports events with the support of the Florida Sports Foundation.
7. **Office of Film, Music & Entertainment** promotes Broward County as a key destination for film, music, entertainment, and related events.
8. **Finance & Administration** oversees the CVB budget and is responsible for human resources, payments, payroll, and other office administrative duties.

The CVB also has two staff working at the Broward County Convention Center who oversee Convention Center operations and administer the management services agreement for the Convention Center.

¹ Effective January 1, 2018, the tax was increased by 1% with the proceeds designated for any of the authorized uses permitted by Section 125.0104(5), Florida Statutes.

STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Opportunities for Improvement in our previous transition review of the Greater Fort Lauderdale Convention & Visitors Bureau. The issues and recommendations contained herein are those of the original review, followed by the current status of the recommendations.

1. The Tourist Development Council did not review CVB expenditures of Tourist Development Tax Funds to ensure authorized use as required by Section 125.0104, Florida Statutes.

As required by Section 125.0104 (4) (e), *Florida Statutes*, the governing board of each County which levies and imposes a tourist development tax shall appoint a Tourist Development Council (TDC). The TDC shall:

- Meet at least once each quarter;
- Make recommendations to the County governing board for the effective operation of special projects or for uses of the TDT revenue;
- Receive, at least quarterly, expenditure reports from the County governing board or its designee, and continuously review expenditures from TDT funds; and
- Report unauthorized expenditures to the County governing board and the State of Florida Department of Revenue.

During our review, we noted that CVB Finance & Administration prepared and provided a periodic summary report showing budget to actual expenses on a year-to-date basis to the TDC. The last report that the CVB provided to the TDC was dated April 2015. Upon review, we noted the report did not contain sufficient and relevant information for the TDC to make a determination as to whether TDT revenues were expended for authorized uses as required by Section 125.0104, *Florida Statutes*.

Lack of oversight by the TDC over CVB expenditures precludes the TDC from determining whether expenditures are authorized uses of TDT funds as required by *Florida Statutes*.

We recommended the Board direct the County Administrator to require the CVB to provide quarterly expenditure reports to the TDC with sufficient information to facilitate compliance with Section 125.0104, *Florida Statutes*.

Status: Implemented. CVB management stated that they have been complying with the Statutory requirements since August 2016.

2. The CVB did not have standard written policies and procedures for allocating TDT funds for incentives and sponsorships to competitively attract tourism to Broward County.

The CVB is responsible for the promotion and marketing of Broward County as a desirable tourist and convention destination. As a way to competitively attract tourism and encourage economic development and growth in Broward County, the CVB provides sponsorships and incentives to various entities and organizations that use Broward County as a venue for their conventions, conferences, trade shows, and other events. Incentives and sponsorships provided by the CVB are paid from TDT funds.

Broward County Administrative Code, Section 13.31.d, requires that the CVB establish and implement policies regarding the marketing of Broward County as a desirable tourist and convention destination, and the operation and marketing of the Broward County Convention Center.

The CVB provides sponsorships and incentives to various entities and organizations to accomplish its goal to competitively attract tourism and stimulate economic development and growth in Broward County. Our review noted that the CVB did not have standard written policies and procedures that establish formal criteria and a process for allocating TDT funds to various entities and organizations. As a result, we found inconsistent processes among the CVB's different sections for awarding sponsorships and incentives. For example, the commitment form was generally used by CVB sections to document the approval and award of incentive funds. However, different sections either did not use or inconsistently used this form.

Lack of standard policies and procedures for sponsorships and incentives may limit the CVB's ability to optimize TDT funds and may result in noncompliance with statutory requirements for authorized uses of TDT funds.

We recommended the Board direct the Office of the County Attorney to provide the draft resolution to the Board by August 15, 2017.

Status: Implemented. A resolution was approved by the Board in June 2018 amending Sections 13.30 and 13.31 and creating Section 13.32 of the Broward County Administrative Code, which established formal criteria and a process by which the CVB may provide sponsorships and incentives to various entities and organizations.

3. The CVB entered into agreements to provide sponsorships and incentives to various entities without the delegated approval authority.

Broward County Administrative Code (Section 21.14.c.6) requires that the Director of Purchasing execute all contracts and amendments within the Director's approval authority and agreements delegated by the Board for the Director's execution.

Our review found that the CVB enters into agreements to provide sponsorships and incentives to various entities and organizations, but approval authority has not been delegated to the CVB President by the Board. We consulted with the Office of the County Attorney and the Purchasing Division, and confirmed that the current Administrative Code does not authorize the CVB President to execute contracts and amendments on behalf of the County. Failure to follow the County's Procurement Code may result in unauthorized agreements.

We recommended the Board direct the Office of the County Attorney to provide the draft resolution to the Board by August 15, 2017.

Status: Implemented. A resolution was approved by the Board in June 2018 amending Sections 13.30 and 13.31 and creating Section 13.32 of the Broward County Administrative Code, which authorized the CVB President and County Administrator to execute agreements for sponsorships and incentives.

4. There were no written agreements for sponsorships and incentives. As a result, these expenses were typically paid using Payment Request Forms and not encumbered in the financial system contrary to County Policy.

Sponsorships and incentives should be executed by written agreements and the related expenses should be encumbered in the County's financial system to avoid overspending the approved budget.

During our review, we noted that some sponsorships and incentives were supported by written agreements; however, these agreements did not include standard terms and conditions to protect the County's interests. As advised by CVB staff, there were also some other sponsorships and incentives that did not have formal written agreements.

Due to a lack of written agreements, sponsorships and incentives were typically paid through Payment Request Forms (PRFs)² when the expenses exceeded the County's Purchasing Card (P-Card) limits.³ The Accounting Division's ICH⁴ provides a list of specific items authorized to be paid via PRFs and additional items to be processed as PRFs with written authorization by the Director of Accounting. However, sponsorships and incentives are not authorized items to be paid via PRFs according to County policy.

Lack of written agreement terms creates legal uncertainty, may increase the County's financial risk, and may leave the County with limited recourse for non-performance or cancellation of incentivized or sponsored events. The use of PRFs for items not authorized by County policy could circumvent the County's procurement process, and may result in over commitment of funds when such payments are not encumbered in the financial system.

We discussed this finding with CVB management, the Purchasing Division, and Office of the County Attorney for their immediate attention. As a result, the Office of the County Attorney is in the process of establishing a standard written agreement for sponsorships and incentives.

² Payment Request Forms (PRF) are formerly known as Direct Payment Vouchers in the Advantage financial system. PRFs are generally used to pay for expenses incurred in the course of operations where budgeted amounts were not set-aside for payment.

³ P-Cards are County credit cards that allow employees to make convenient purchases of non-recurring and low dollar value goods and services, or pay for travel related expenses. Standard P-Card Limits are \$3,500 per single transaction, \$6,000 per day and \$20,000 per month.

⁴ The Accounting Division's ICH Chapter 3 Section VI.

We recommended the Board direct:

- A. the County Attorney to establish a standard written agreement for sponsorship and incentives and submit for Board approval by August 15, 2017, and
- B. the County Administrator to ensure that sponsorships and incentives are executed by standard written agreements and encumbered in the financial system.

Status:

- A. Partially Implemented. A standard written agreement for large sponsorships and incentives has been developed by the Office of the County Attorney. CVB is still working with the Office of the County Attorney to finalize the standard written agreement for small sponsorships and incentives. Section 13.32 of the Broward County Administrative Code requires that sponsorships shall be executed in written agreements and reviewed and approved by the Office of the County Attorney.
- B. Partially Implemented. CVB management stated that some large sponsorships and incentives have been executed by the standard written agreement. However, these sponsorships and incentives were paid through Payment Request Forms when the expenses exceeded the County's Purchasing Card limits, and these payments were not encumbered in the financial system. CVB is working with the Office of Management and Budget and the Accounting Division to ensure that payments made for sponsorships and incentives are encumbered in the financial system in the fiscal year.

5. The CVB did not follow established County procurement procedures when providing supporting services (such as transportation, meals, etc.) for events.

The County's Procurement Code is designed to ensure free and open competition among vendors when purchasing goods and services. Purchases above \$3,500⁵ to the mandatory bid amount of \$50,000 are generally processed by or through the Purchasing Division based on the purchase requisitions submitted by agencies. Purchases over \$50,000 are subject to a formal selection process. Quotations for purchases above \$3,500 should be obtained from vendors that are on the Purchasing Division's approved vendor list.

The CVB's Strategic Client Services (SCS) section provides supporting services to other CVB sections for housing services, meals, transportation, and event experiences. SCS obtained quotations from vendors registered through Sunny.org, instead of going through the County's

⁵ The authority to make purchases under \$3,500 is delegated by the Purchasing Division to selected individuals at the agency level.

procurement system and using the Purchasing Division's approved vendor list. We also noted that some goods and services procured by the SCS section were more than \$3,500, but were not processed by or through the Purchasing Division as required by County policy.

Failure to follow the Purchasing Division's policies and procedures may preclude fair and equitable opportunities for all qualified vendors to respond to County procurement needs, and may also result in hiring vendors that are not in compliance with County requirements, such as the Living Wage, Small Business or Sheltered Market Programs.

We recommended the Board of County Commissioners direct the County Administrator to require the CVB to follow County procurement policy when establishing vendor relationships to procure goods and services.

Status: Partially Implemented. We noted that the CVB used vendors that are approved by the Purchasing Division for purchases above the County's Purchasing Card limit of \$3,500. However, the CVB did not consistently obtain multiple quotations for purchases above \$3,500, and these purchases were not consistently processed by or through the Purchasing Division as required by County policy. As advised, the CVB has been working with the Purchasing Division to create a Qualified Vendor List (QVL) of pre-approved vendors to facilitate the procurement process.

6. A total of approximately \$179,000 in sales commissions for Fiscal Year 2014 and 2015 were paid to employees without adequate supporting documentation and evidence of independent review.

The CVB has a total of 46 full time employees including 35 salaried and 11 hourly staff, and uses the County's Kronos payroll system to record hours worked and leave taken by employees. We ran a payroll report for Fiscal Year (FY) 2014 and 2015 and noted that some CVB employees were paid sales commissions and performance awards. Table 1 below shows the number of employees, their sales commissions, and performance awards paid in FY 2014 and 2015.

Table 1
CVB Employee Sales Commissions & Performance Awards FY 2014 & 2015

	FY 2014		FY 2015		Total Paid
	Number of Employees	Amounts Paid	Number of Employees	Amounts Paid	
Sales Commissions	14	\$ 86,784	14	\$ 92,133	\$ 178,917
Performance Awards	3	\$ 13,515	2	\$ 6,805	\$ 20,320
Total Paid		\$ 100,299		\$ 98,938	\$ 199,237

Source: Prepared by the Office of County Auditor with information obtained from Kronos Payroll System.

Our review found that performance awards were supported by letters from the Human Resources Division indicating approval from the County Administrator. However, our review of sales commissions disclosed the following issue.

On October 11, 2005, the Board authorized the County Administrator to implement a Sales Commission / Incentive Program for CVB sales staff. The program was designed to provide awards to sales staff for attaining sales goals viewed as critical to the strategic growth and profitability of the CVB. The program also established a list of eligible job classifications for sales commissions and an annual not-to-exceed amount of \$10,000 per employee per fiscal year.

Sales commissions may be received during the fiscal year and at the end of the fiscal year. During-the-year sales commissions may be awarded by the CVB President for the following:

- Sale of rooms for sports or other special events;
- Sales to groups that sign for more than one year;
- Sales to Multicultural, Minority, and Gay, Lesbian, Bi-sexual, Transgender groups; and
- Sales during the summer season (June through September).

End-of-year sales commissions may be awarded for sales staff who exceed their room night sales goals, and are calculated at \$0.50 per room night sold in excess of their annual goal at the end of the fiscal year. As advised by CVB staff, the booked room nights recorded in the CVB database are used to calculate the end-of-year sales commissions. The CVB President approves calculated sales commissions and sends a memorandum to the Accounting Division's payroll supervisor to process commissions for payment.

We requested and reviewed the supporting documentation for sales commissions paid to selected employees in FY 2014 and 2015. We found that sales commissions were supported by memoranda from the CVB President to the Accounting Division's Payroll Central; however, we were unable to reconcile booked room nights in the CVB database to the room nights used as a basis to calculate sales commissions reviewed. We also noted there were no written criteria for determining room night goals for different job classifications and no verification of booked room nights by CVB management. Without adequate supporting documentation and independent review, unjustified sales commissions may be paid.

We recommended the Board direct the County Administrator to require the CVB to develop and implement written policies and procedures to ensure that:

- A. Formal criteria is established for determining sales goals, and
- B. Sales commissions are supported by adequate documentation and independent review prior to authorization for payment.

Status:

- A. Implemented. The Board approved financial parameters for CVB's Incentive Program in December 2017. It is within the authority of the County Administrator to implement the Program including the development and approval of procedural rules. Formal criteria has been established in CVB's Incentive Program Procedural Rules dated May 4, 2018, which was approved by the County Administrator.
- B. Implemented. CVB's new Incentive Program Procedural Rules require that sales commissions are supported by required documentation and monitored by the CVB's Business Intelligence Manager. CVB management stated that sales commissions for FY 2018 will be processed and paid under the new Incentive Program Procedural Rules.

7. Some incentives and sponsorships were paid in advance of scheduled events, however, these advance payments were not authorized by the Board as required by County Policy.

County Policy⁶ generally prohibits advance payments. Exceptions may be made in the case of rent, membership dues, registration fees, subscriptions, or certain maintenance service contracts. According to Section 21.45 of the Procurement Code, the Purchasing Director has

⁶ Accounting Division Internal Control Handbook (ICH), Chapter 3, Payment Process

delegated authority to approve advance payments for certain maintenance service contracts. All other advance payments require Board approval.

During our review, we noted that some CVB sections paid incentives and sponsorships in advance of the events. However, these advance payments were not authorized by the Board as required. Advance payments may subject the County to the risk of loss in the event that the goods or services are not subsequently received.

We recommended the Board direct the County Attorney to determine whether exemptions can be made to allow advance payments for incentives and sponsorships under specific and prescribed circumstances and submit appropriate administrative code changes to the Board by August 15, 2017, if applicable.

Status: Implemented. A resolution was approved by the Board in June 2018 amending Sections 13.30 and 13.31 and creating Section 13.32 of the Broward County Administrative Code, which allowed advance payments for incentives and sponsorships under specific and prescribed circumstances.

8. Documentation of business and entertainment expenses at CVB did not consistently specify client names, titles or connections to the tourist industry as required by *Florida Statutes*.

Section 125.0104 (9) (a), *Florida Statutes*, requires that business entertainment expenses be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry. All travel and entertainment related expenditures in excess of \$10 must be substantiated by paid bills. Complete and detailed justification for all travel and entertainment-related expenditures must be shown on the travel expense voucher or attached.

During our review, we noted that business entertainment expenses by CVB employees and contractors did not consistently specify the meeting purpose and client's connection to the tourist industry as required by *Florida Statutes*. This issue was also noted in our prior travel review.⁷

Due to a lack of required supporting documentation, we are unable to ascertain whether business entertainment expenses were in compliance with statutory requirements.

⁷ Auditor Report No. 16-1 Review of Travel Payment Processing issued on May 24, 2016.

We recommended the Board direct the County Administrator to require the CVB to ensure that business entertainment expenses specify clients' names, titles, and connection to the tourist industry in accordance with Section 125.0104, *Florida Statutes*.

Status: Partially Implemented. Our sample review found that one business entertainment expense in 2018 did not include documentation that specified clients' titles and their connections to the tourist industry. We also noted that one business entertainment expense in 2017 did not include an itemized receipt. As per our request, the CVB provided the explanation of clients' connection to the tourist industry and the itemized receipt. However, these documents were not submitted in PeopleSoft originally.

We again recommend the Board direct the County Administrator to require the CVB to ensure that business entertainment expenses specify clients' names, titles, and connection to the tourist industry in accordance with Section 125.0104, *Florida Statutes*.

9. The CVB paid cell phone expenses for five office administrative staff without proper justification, and there was no distinction between personal and business use of employee-owned cell phones for reimbursement as required by County policy.

There are 30 CVB employees who had cell phone expenses during our review period. Nineteen employees had County-issued cell phones and 11 employees were reimbursed for use of their personal cell phones. These 11 employees did not distinguish between personal and business calls on their bills as required by County policy.⁸ Furthermore, some cell phone invoices submitted were summary invoices without a detailed listing of charges and fees necessary to facilitate an appropriate review. We also noted that the CVB paid cell phone expenses for five office administrative staff without proper justification of the business necessity contrary to County policy.⁹

⁸ County Administrative Policy and Procedures, Volume 7, Chapter 5, Section 2.2, Business Use of Personally-Owned Cell Phones, states that "an employee who is not assigned a County-issued cell phone and uses their personal cell phone for valid business calls may seek reimbursement for such calls. The employee should identify all business calls on a bill issued by the cellular carrier and submit it along with an employee reimbursement form approved by their respective supervisor/agency director."

⁹ County Administrative Policy and Procedures, Volume 7, Chapter 5, Section 2.1, County-Issued Mobile Devices, states that "mobile devices may be issued to employees when an employee's duties require regular contact with outside vendors or customers while away from the office, or an employee's duties require the employee to be accessible outside of scheduled or normal working hours where time sensitive decisions/notifications are required."

Lack of proper justification and distinction between personal and business use of employee-owned cell phones may result in the payment of unauthorized cell phone expenses. Failure to review detailed monthly invoices could result in payment and billing errors.

We recommended the Board direct the County Administrator to require the CVB to follow County policy for mobile communication devices and ensure that cell phone invoices are reviewed in sufficient detail prior to approval for payment.

Status: Partially Implemented. CVB Employees are no longer reimbursed for employee-owned cell phones. However, CVB employees were issued County-supplied cell phones prior to submitting Mobile Device Justification Forms, contrary to the County Policy for Mobile Communication Devices.