



Follow-up Review of
Convention and Visitors Bureau
Florida Sports Foundation Account

Office of the County Auditor

Follow-up Review Report

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Report No. 21-12
April 13, 2021



OFFICE OF THE COUNTY AUDITOR

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April 13, 2021

Honorable Mayor and Board of County Commissioners:

We have conducted a follow-up review of the Audit of the Convention and Visitors Bureau Florida Sports Foundation Account (Report No. 20-06). The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that the six recommendations in the report were implemented. We commend management for implementing our recommendations. The status of each of our recommendations is presented in this follow-up report.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

We appreciate the cooperation and assistance provided by the Convention and 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
Monica Cepero, Deputy County Administrator
Stacy Ritter, President, Convention and Visitors Bureau

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IMPLEMENTATION STATUS SUMMARY

REC. NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
1.	Follow established County procurement practices, including the segregation of incompatible duties in the procurement process, and the adequate review and approval of invoices prior to payment by an independent person.	✓		
2A.	Ensure that employees are compliant with outside employment requirements and prohibit employees from purchasing goods and services from affiliated companies.	✓		
2B.	Cooperate with law enforcement and consult with the County Attorney's Office as to potential recoveries.	✓		
3.	Comply with the County Administrative Code requiring fair and open competition among all vendors.	✓		
4.	Evaluate the business need and adequately document the public purpose for entertainment expenditures. Document attendees and specific justification for attendance.	✓		
5.	Properly segregate and account for grant expenditures and reimbursements in accordance with County policy.	✓		

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted a follow-up review of the Audit of the Convention and Visitors Bureau Florida Sports Foundation Account (Report No. 20-06). The objective of our review was to determine the implementation status of previous recommendations for improvement.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Our follow-up review included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The follow-up testing was performed for the period January 1, 2020 through January 31, 2021. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that the six recommendations in the report were implemented. We commend management for implementing our recommendations. The status of each of our recommendations is presented in this follow-up report.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS

This section reports actions taken by management on the recommendations in our previous audit. The issues and recommendations herein are those of the original review, followed by the current status of recommendations.

1. Lack of Internal Controls Allowed for Inappropriate Transactions and Violations of County Policy to Occur.

During our prior audit, we noted that the lack of internal controls in the use of the Sports Foundation Account (Account) allowed the CVB to avoid the County's procurement process and pay vendors without proper review and approval. We noted the following deficiencies:

- A. All Account deposits and disbursements were processed and maintained by SMG (the vendor responsible for operating the Broward County Convention Center) outside of the County's financial accounting system and established internal control processes. This practice circumvented normal County disbursement processes and established controls over procurement.
- B. Duties related to the use of this Account to procure goods and services were inadequately segregated. The CVB Vice President had the ability to select vendors, order and receive products, and deliver payments to the vendors.
- C. Purchases circumvented the County's procurement code and lacked evidence of competitive solicitation. Our review noted that none of the vendors used were required to go through the County's procurement process. Vendors were selected directly by the CVB. The County's Procurement Code is designed to ensure free and open competition.
- D. Invoices were not adequately reviewed prior to payment. From the 21 disbursement groups tested, zero of 163 (0%) invoices reviewed had evidence of review and approval. The CVB President only approved check request letters, which listed vendor names and dollar amounts only, in lieu of actual invoices.

Per CVB management, the Account was originally established to assist the Sport Development Office in handling Florida Sports Foundation grant funds and the ability to have funds readily available to pay vendors. The Office treated the account as non-tax dollars, which they rationalized were not subject to the established County controls and oversight.

The lack of internal controls in conjunction with the use of the Account allowed the CVB to avoid the County's procurement process and pay vendors without proper review and approval. As a result, inappropriate transactions occurred as discussed in Opportunity for Improvement No.s 2 through 4.

We recommended management follow established County procurement practices, including the segregation of incompatible duties in the procurement process, and the adequate review and approval of invoices prior to payment by an independent person.

Status: Implemented. Management updated policies and procedures to reflect established County procurement practices, including the segregation of incompatible duties in the procurement process, and the adequate review and approval of invoices prior to payment by an independent person. We further confirmed implementation based on interviews of CVB management and a limited review of selected transactions.

2. A CVB Vice President Purchased Over \$400,000 of Products and Services from an Affiliated Company, and Processed Payments for Goods and Services of Questionable Market Value and Legitimacy.

During our prior audit, we found that a CVB Vice President purchased \$419,532 of products and services from her own company, Saints Enterprises. We identified the following concerns:

- A. A CVB Vice President was doing business with her own company and did not disclose the outside employment until June 2019, long after payments to her company ceased. The President approved the outside employment form on June 27, 2019, and did not recognize that the company name was the same name that had previously been approved for payments on the check request letters.
- B. Charges for goods and services were of questionable fair market value and legitimacy. Saints Enterprises was the highest paid vendor for our audit period, totaling \$419,532.

We reviewed all invoices and noted the following concerns:

- 1) Fifteen invoices, totaling \$182,352, were for bottle opener koozies. These are used as marketing materials for specific sporting events and other CVB events. Per the CVB Vice President, her markup on koozies was 100%. The shipping address on the invoices was to Saints Enterprises rather than the CVB, and there was no evidence documenting receipt of the koozies. The business address for Saints Enterprises is the same address as the CVB Vice President's home address.

- 2) Eleven invoices, totaling \$136,245, were for gifts and other giveaways. Gifts included items such as leather carryon bags, leather briefcases, athletic bags, airfare, and Guy Harvey artwork. However, many invoices were not itemized, making it unclear what was ordered and what the business purpose was.
- 3) An invoice for \$10,000, was for an NFL On Location package for the 2018 Super Bowl in Minneapolis. Three other tickets and one hotel room were also purchased through two different vendors costing an additional \$21,000. The Super Bowl expenditures are further discussed in Opportunity for Improvement No. 4. There was no clear business purpose for this expense and no supporting documentation was provided to support the expenses incurred. No attendance list was maintained.
- 4) Several invoices appeared suspicious and contained errors such as the miscalculation of total amounts charged, unmatched purchase order or invoice numbers, and spelling, quantity, and unit price errors. In some instances, the invoice template used was not consistent
- 5) We requested the CVB Vice President provide us with documentation to support that the products and services purchased were received by the CVB and that the pricing was reasonable. The documentation requested was not received. The lack of supporting documentation leads to question whether the goods and services were valid and appropriate.

Immediately upon notification, the President of the CVB acted quickly and the CVB Vice President resigned, effective September 12, 2019.

We recommended management:

- A. Ensure that employees are compliant with outside employment requirements and prohibit employees from purchasing goods and services from affiliated companies.
- B. Cooperate with law enforcement and consult with the County Attorney's Office as to potential recoveries.

Status:

2A. Implemented. Management updated policies and procedures to ensure employees are compliant with outside employment requirements and employees are prohibited from purchasing goods and services from affiliated companies. Additionally, at the request of the CVB, the Broward County Attorney's Office is now providing staff with ethics training on an annual basis. Thus far, two of these training sessions have been attended by staff.

2B. Implemented. This matter has been referred to the State Attorney's Office.

3. Potentially Inappropriate Vendor Relationships may Have Facilitated Questionable Transactions.

During our prior audit, we identified four questionable transactions involving Scientific Games (a.k.a. MDI Scientific Games Properties, MDI Entertainment, LLC, and Scientific Games International, Inc.) and Intercoastal Marketing, LLC., totaling \$67,098.

Our review of the invoices noted the following concerns:

1. We contacted Scientific Games to obtain verification of the two invoices paid. We spoke with their accounting department, who verbally confirmed the invoices did not appear to exist in their system.
2. During our interview of the CVB Vice President, she admitted to using her company, Saints Enterprises, to sell backpacks to Scientific Games, then purchased those same backpacks from Scientific Games for the CVB.
3. We identified email correspondence between the County and Saints Enterprises where the formatting of an Intercoastal Marketing invoice was altered. The invoice was emailed from Saints Enterprises to the CVB Vice President's email, altered, and emailed back to Saints Enterprises from the CVB email the next day.
4. Intercoastal Marketing was a registered company on Sunbiz, effective November 28, 2016, and dissolved on September 22, 2017, which is a short timeframe and closely surrounds the dates of the invoices submitted for payment.
5. The products and services billed by Intercoastal Marketing have primarily only been provided by Saints Enterprises. These included the Winterfest Boat Parade, gifts, and koozies. Also, CVB management believed that koozies were a sole sourced item that only Saints Enterprises could provide.

The Director of Marketing for Scientific Games is also the owner of Intercoastal Marketing. There appeared to be a potentially inappropriate relationship between this individual and the CVB Vice President. We noted email correspondence sharing personal events and a travel itinerary. In addition, during an interview, the CVB Vice President described their relationship as personal and professional.

We recommended management comply with the County Administrative Code requiring fair and open competition among all vendors.

Status: Implemented. Management updated policies and procedures evidencing requirements of fair and open competition among all vendors. We further confirmed implementation based on interviews of CVB management and a limited review of selected transactions.

4. Questionable Costs Were Incurred Totaling Approximately \$588,271.

During our prior audit, we identified expenses where we questioned the necessity, justification, and public purpose of the activities and related costs such as yacht charters, sporting and concert event tickets, and charitable contributions. These expenses did not have a documented public purpose and the invoices lacked itemization, attendance records, and evidence of review and approval.

We recommended management evaluate the business need and adequately document the public purpose for entertainment expenditures. Document attendees and specific justification for attendance.

Status: Implemented. Management updated policies and procedures evidencing requirements for evaluation of business need and adequate documentation of public purpose for entertainment expenditures.

5. Grant Reimbursements Were Diverted to the Account Facilitating the Expenditures of Public Funds Without Oversight.

During our prior audit, we noted that grant and non-grant transactions were co-mingled within the Account and it appeared that grant reimbursements were deposited into the account for use in non-grant expenditures. The Account was primarily funded by reimbursements from Florida Sports Foundation grants. However, the original expenses that were being reimbursed were not all made from the Account. Some of the original expenses were paid from CVB's operating fund. This effectively diverted CVB Operating funds into the Account.

We recommended management properly segregate and account for grant expenditures and reimbursements in accordance with County policy.

Status: Implemented. Management updated policies and procedures requiring grant receipts to be processed in accordance with standard County processes and no external bank account exists, further ensuring proper accounting of grant funds.