

**SEMINOLE COUNTY  
TOURISM DEVELOPMENT DEPARTMENT**

**Tourist Development Tax  
Revenues & Expenditures Audit**

**August 29, 1994**

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The Board of County Commissioners  
Seminole County, Florida

Dear Commissioners:

I am very pleased to present you with the following audit report of the Tourism Development Department.

The audit took place between April 4, 1994 and June 24, 1994, and focused on the procedures and internal controls associated with Tourist Development Tax revenues and expenditures. The audit was conducted in accordance with generally accepted government auditing standards. Responses to our audit findings and recommendations from the Tourism Development Director are included herein. The corrective actions implemented in response to our findings and recommendations should provide significant improvements in the level of financial and administrative controls exercised over expenditures of Tourist Development Tax revenues.

I would like to thank the County Manager, Ron Rabun, Tourism Development Director, Jack Wert, and their staffs for their cooperation and assistance throughout the course of the audit, and express my sincere appreciation to all the County employees who provided assistance to my Internal Audit staff.

With warmest personal regards, I am

Most cordially,

Maryanne Morse  
Clerk of the Circuit Court  
Seminole County

**SEMINOLE COUNTY  
TOURISM DEVELOPMENT DEPARTMENT**

**Tourist Development Tax  
Revenues & Expenditures Audit**

The Internal Audit Department has completed a revenue and expenditures audit of Seminole County's Tourism Development Department.

**PURPOSE**

The purpose of the internal audit of Seminole County's Tourism Development Department was to determine that:

1. Tourist Development Tax revenues are properly and accurately accounted for and safeguarded; and,
2. The procedures and controls exercised over the budgeting, allocation, and expenditure of tourist development revenues are appropriate and adequate to provide a satisfactory level of financial and administrative control and accountability and to ensure compliance with applicable state and local legislation, county policies and the terms and conditions of tourism development sponsorship grants and consulting contracts.

**BACKGROUND**

Seminole County's Tourist Development Council (TDC) and Tourism Development Department were established under the authority of the Local Option Tourist Development Act; Florida Statute 125.0104 – County Government; Tourist Development Tax. The TDC was created in February 1988 by the Board of County Commissioners (BCC) to develop a plan for tourist development in Seminole County, including estimated revenues and proposed expenditures, for its approval contingent upon passage of a county ordinance authorizing the tax. On October 4, 1988, the voters of Seminole County approved a two-percent (2%) Tourist Development Tax on transient rental accommodations and the TDC was permanently installed by ordinance. It consists of nine members, appointed by the BCC, representing local governments, the tourist industry, and owners/operators of accommodations subject to the tax. As defined in the Statute, the TDC acts as an advisory group to the BCC regarding tourism development and makes recommendations to them "for the effective operation of the special projects or for the uses of the tourism development revenue." Sponsorship grants initiated by the TDC to provide funds for tourism-related activities or events make up the bulk of the special projects. The BCC must approve all expenditures of the tourist development tax funds including sponsorship grants initiated by the TDC.

In December 1990, the county hired a Tourism Development Director and initiated the Tourism Development Department. The Director works closely with the TDC and reports to the Deputy County Manager/Administration. The Tourism Development Department's primary goal is to increase the number of visitors to Seminole County by creating tourism related marketing and promotional programs, placing advertisements, distributing brochures and other tourist related material, and providing sponsorship support (i.e., grants) for cultural, sporting, and other events in and around Seminole County. The department currently consists of a director, an events coordinator, and an administrative secretary with additional temporary help employed as needed. Its operating budget is totally funded by tourist development revenues and is subject to approval by the BCC. The Tourism Development Department's offices also serve as Seminole County's Convention and Visitor's Bureau.

On January 1, 1993, the tax was increased from two percent (2%) to three percent (3%) to finance the issuance of \$2,895,000 of Tourist Development Tax Revenue Bonds – Series 1992. The bond proceeds were used to build the Sports Training Center (STC) at Lake Sylvan Park. The STC will provide a training facility for the United States Soccer Federation's National teams, enhance Seminole County's youth soccer programs, and form an integral part of Seminole County's tourism development program. The STC was completed and opened in July 1993. Yearly debt service for the bonds of approximately \$249, 100 will be required through the year 2012. The BCC also provides a yearly grant of \$180,000 from tourism development tax revenues to the Central Florida Zoo. Tourist Development Tax revenues for fiscal year 1992-93 were approximately \$864,000. Anticipated revenues for 1993-94 are approximately \$900,000.

## **SCOPE**

The scope of our internal audit of the Tourism Development Department consisted of analytical reviews on a limited basis of the procedures and controls associated with Tourist Development Tax revenues and budgeting processes, and a more comprehensive examination of the various types of expenditures made by the department. Our audit work included:

- Reviews of the enabling Seminole County ordinances #88-9 and #93-7, the County's Purchasing Code, and Florida Statutes 112.061 and 125.0104.
- A review of the procedures and controls exercised over Tourist Development Tax remittances from the Seminole County Tax Collector and substantive testing limited to the period when local collection of the taxes was initiated and thereafter.
- Interviews of key personnel in the Tourism Development Department, County Finance, Office of Management and Budget, Purchasing, Library and Leisure Services, and the County Attorney's Office regarding Tourism Development's

budgeting, accounting, and expenditure processes including sponsorship agreements.

- An examination of the Tourism Development Department's 1993-94 fiscal year budget and actual expenditures and the proposed budget for 1994-95.
- Detailed reviews of eighteen sponsorship agreements, one media relations consulting contract, one market analysis study contract, and examinations and evaluations of corresponding expenditure and contract related documentation including TDC meeting minutes.
- A limited financial review of the Tourism Development Tax Revenue Bond – Series 1992 issue and the accounting and allocation of the funds including current and long term debt obligations. A detailed examination of the Purchasing Division's records regarding the bidding processes and financial oversight exercised over the building of the Sports Training Center was also performed.
- Detailed examinations, on a sample basis, of various operating expenditures to ascertain their propriety and the adequacy of their supporting documentation.
- Other such auditing as considered necessary in the circumstances.

The audit field work was started on April 4, 1994 and completed on June 24, 1994. The audit was conducted by Julie Watermolen and Paul Wise.

## **OVERALL EVALUATION**

It is our opinion, based on the results of this audit, that the financial and administrative controls exercised over Tourist Development Tax expenditures by Seminole County's Tourism Development Department are inadequate and require significant corrective actions to:

- Ensure compliance with the terms and conditions of sponsorship grants and consulting contracts including sufficient documentation.
- Assure compliance with state and county statutory and regulatory requirements.
- Provide an adequate level of financial internal control and accountability.
- Improve conformity with County purchasing, payroll, and disbursement policies and procedures.

The audit findings indicate that too much financial independence is exercised by the Tourism Development Director.

Florida Statute 125.0104 – Tourist Development Tax, gives significant financial review responsibility and expenditure oversight authority to the Tourist Development Council (TDC), the advisory council appointed by the Board of County Commissioners under the statute. Internal Audit has determined through our review of TDC meeting minutes that the TDC does a commendable job in the allocation of sponsorships funds and direction of the marketing and promotional activities of the Tourism Development Department. Nonetheless, given the results of our internal audit, we would hope that the TDC takes a more active and formal role in conducting their oversight responsibilities over the budgeting and expenditure processes, including operating expenses, to provide greater accountability and control over the disbursements of Tourist Development Tax funds.

The following details our audit findings and recommendations for corrective action.

### **Finding No. 1**

#### **The Tourism Development Department has committed and expended Tourist Development Tax funds without approval of the Board of County Commissioners.**

The Director of the Tourism Development Department has committed, and in some cases expended, Tourist Development Tax funds without a formal agreement being prepared and reviewed by the County Attorney, and without the approval of the Board of County Commissioners (BCC). We found four specific instances where the Director made unauthorized financial commitments during the current fiscal year.

- 1) On May 31, 1994, the Tourism Development Director signed a contract with T. Skorman Productions, Inc. for a July 1, 1994 performance by Tommy James & The Shondells at Cranes Roost Park. The contract was for \$19,500 plus special provisions which included ten single hotel rooms, sound, light, backline equipment and staging. No evidence of BCC approval was found.
- 2) On May 6, 1994, at \$1,000 payment was made to the City of Oviedo to help offset the cost of the visit by the U.S. Volleyball Association on February 23 and 24, 1994 to look at a potential headquarters site. The payment was authorized by the Tourism Development Director based on an oral agreement between him and the City of Oviedo's Director of Parks and Recreation. No evidence of BCC approval was found.
- 3) On March 22, 1994, an invoice for \$3,000 from the Amateur Softball Association (ASA) was authorized by the Tourism Development Director and paid. The payment represented one quarter of a \$12,000 bid guarantee for the 1994 Men's Class B Slow Pitch National Championships. A contract for this event has been executed between the ASA and the Metro Orlando Amateur Softball Association; however, no

sponsorship agreement between the Metro Orlando Amateur Softball Association and Seminole County has been approved and/or executed by the BCC.

- 4) In December 1993, the Orlando Area Sports Commission (OASC) along with the Seminole County Convention & Visitors Bureau (i.e., the Tourist Development Department) announced that their bid proposal to host the 1994 Senior Softball World Series (SSWS) in October 1994 had been accepted. The proposal included a funding commitment by OASC of \$100,000; \$60,000 in cash and \$40,000 in "in-kind" services.

On March 30, 1994, the Director, in the name of the Seminole County TDC, pledged \$5,000 in support of a \$60,000 irrevocable Letter of Credit issued by SunBank on behalf of the OASC for the "front money" cash portion of the bid. The documents we examined indicate that nine private companies, one not-for-profit organization (OASC), and one governmental agency (Seminole County TDC) made commitments of \$5,000 each to guarantee the Letter of Credit. The guarantee states:

"Pursuant to your request for a guarantee to support the issuance of a \$60,000 Letter of Credit issued by SunBank in conjunction with the 1994 Senior World Series of Softball, the undersigned hereby represents that they are legally empowered to obligate their respective company for a commitment to a contribution of \$5,000 if called upon to do so on October 1, 1994. It is agreed that the Sports Commission will make a best effort to secure contributions, which will replace our commitments, and if successful, we will not be expected to fund said commitment. In the alternative however, we the undersigned hereby commit that we shall fund our share of the above-referenced commitment (or a prorated share in the event OASC is partially successful in collecting replacement funding) within 15 days of a properly authorized written request by OASC for funding."

We were informed on June 22, 1994, that a contract is currently being negotiated between OASC and the SSWS for this event, but it has not been completed and executed. A sponsorship agreement between the OASC and Seminole County for the event has been drafted and is being reviewed by the County Attorney, however, it has not been finalized and presented to the BCC for their approval as yet.

A part-time events coordinator was hired in March 1994, by the Tourism Development Department to coordinate softball field acquisition and scheduling, set up a Housing Bureau, and make other necessary operating arrangements for the SSWS. The Events Coordinator is now working full-time on the event (an additional \$7,000 has been transferred from the Tourism Development budget's contingency account to cover these additional wages). Her duties were expanded to include raising the \$60,000 in sponsorship donations and handling some printing and advertising for OASC.

Consequently, it appears that Tourism Development is providing manpower and services to OASC and SSWS that should have been properly defined in a sponsorship agreement between Seminole County and OASC.

### **Recommendations**

Internal Audit realizes that the Tourism Development Department is unique within Seminole County government. Its funding sources, statutory requirements (including TDC oversight), sponsorships program, and promotional and advertising activities set it apart from other County departments. However, the Tourism Development Department still must adhere to the County's policy requiring Board of County Commissioners' formal approval to commit County funds before a Director can authorize and expenditure. We recommend that:

- 1) All sponsorship initiatives and proposed promotional expenditures of tourist development funds or services be approved on an advisory basis by the TDC as defined in Florida Statutes, Chapter 125.0104, County Government – Tourist Development Tax and documented on a special form developed for that specific purpose. The form should be signed by the TDC Chairman and the Tourism Development Director as evidence of their approval.
- 2) Sponsorship agreements be prepared for all TDC recommended sponsorships and promotional expenditures, reviewed by the County Attorney, and approved and executed by the BCC before any agreements, contracts, and/or other binding documents are signed by the Tourism Development Director. A copy of the signed TDC approval form should be attached to the sponsorship agreement as documentary evidence of TDC's advisory approval.
- 3) County Finance ensure that a formal sponsorship agreement has been approved by the BCC, recorded in the County records, and the funds properly encumbered before any expenditures are made regardless of the Director's authorization.

Specific to the Senior Softball World Series, we have a real concern regarding the \$40,000 of "in-kind services" OASC is to provide. Since final contracts, either between OASC and SSWS, or OASC and Seminole County, did not exist prior to the completion of our audit fieldwork, we could not review them to determine if "in-kind services" have been legally addressed and defined. Therefore, we believe it is prudent and in the best interests of Seminole County that a sponsorship agreement between the County and OASC for this event not be processed and executed until the agreement between OASC and SSWS has been finalized and reviewed by the TDC, and that all TDC recommended commitments of funds and services to OASC for the event be defined and detailed in Seminole County's agreement with it.



## **Finding No. 2**

### **Tourism Development sponsorship agreements are not adequately monitored to ensure compliance with their terms and conditions.**

The Tourism Development Director is responsible for monitoring and verifying compliance with the terms and conditions of TDC sponsorship agreements. It is our opinion, based on the results of our review of expenditures related to eighteen (18) sponsorship agreements, that the Tourism Development Director is not adequately performing this responsibility. We noted the following discrepancies:

- Eleven (11) sponsorship agreements required the submission of cancelled checks and original invoice. For ten (10) of these contracts, no cancelled checks were submitted with the requests for payment. Only copies of invoices were attached in support, not the originals as required. The eleventh contract had a request for payment with a check copy attached, but no invoice, in any form, was submitted.
- Fourteen (14) sponsorship agreements required the submission of a financial statement. For thirteen (13) of these contracts, no financial statements were received and filed in the Tourism Development Department.
- Twelve (12) sponsorship agreements required the submission of an interim and/or final narrative report describing the tourism related benefits and what had been accomplished as a result of the event. For eight (8) of these contracts narrative reports were received; however, no reports were received for four (4) of them.
- Nine (9) of sixteen (16) sponsorship agreements, recorded in the County records, did not include the Request for Funds and/or a Narrative Progress Report form attachment. These exhibits are an integral part of the contract and, according to the County Attorney's Office, should be included as part of the contract in the official records of the County.

Our examination also disclosed the following control and contract compliance discrepancies as related to specific sponsorship agreements.

#### **Florida Citrus Sailfest**

A sponsorship agreement between Seminole County and The Greater Seminole Chamber of Commerce (Chamber) to provide reimbursement, up to a maximum of \$35,000, for certain related expenses of the Florida Citrus Sailfest was executed on October 27, 1993. Our review of the contract and examination of paid and pending requests for payment disclosed that:

- The agreement between Seminole County and the Chamber prohibits the assignment of the contract to a third party without the written consent of both. However, all Sailfest activities and financial transactions were handled by the Florida Citrus Sailfest Committee, a third party, with the Chamber participating only as a “pass-through” agent for the requests for funds. No written assignment to the Sailfest Committee was executed. Consequently, this constituted an improper assignment of the agreement to a third party by the Chamber and should have been caught and corrected by the Tourism Development Department if it had properly monitored compliance with the contract.
- The initial Request for Funds of \$17,456.96 was submitted to and paid by County Finance in January 1994. However, County Finance flagged the request for a more detailed review by Internal Audit because of contract compliance questions. Our review determined that the Sailfest Committee (through the Chamber) was overpaid \$14,642.72 for four invoices for private entertainment, food, and beverages that were non-reimbursable expenses per the Sailfest Agreement. An additional Request for Funds, submitted to County Finance in February, was not paid pending additional information. The invoices totaled \$17,804.48, which included a charge of \$4,170.08 for trophies, another non-allowable expense. Therefore, the net reimbursable amount under the terms of the agreement was \$13,634.40. Subcontracting the overpayment on the first Request for Funds from the net amount payable on the second Request resulted in an amount due to Seminole County of \$1,008.32 from the Sailfest Committee.

Fortunately, we noted in our examination of the Sailfest Committee’s budget and expense records that there appeared to be other allowable expenditures in excess of the over-payment amount that could be submitted to the County for reimbursement under the agreement. Per our recommendation, County Finance returned copies of both Requests for Funds to the Tourist Development Director with the non-allowable expenses highlighted on the invoices and an explanation for the return. The Tourist Development Director contacted the President of the Chamber and the Executive Director of the Sailfest regarding the matter and requested that they submit any additional Sailfest related expenses for reimbursement that met the criteria of the Agreement. In May 1994, a final request for payment in the amount of \$11,876.09 was received from the Chamber for reimbursement. After proper verification of compliance with the Sailfest Agreement and deducting the previous overpayment, the request was paid by County Finance in June.

- We also noted that original invoices and cancelled checks for the expenditures did not accompany the Requests for Payment as required by the agreement. The Requests for Funds were authorized for payment by the Tourist Development Director. He indicated to us that he approved them for payment because they were all promotional related expenses and that he

disagreed with our findings. It is our opinion that our interpretation of the contract's terms and conditions was fairly liberal and that those expenditures we deemed non-allowable were clearly defined as such in the Sailfest Agreement.

### Valentine's Day Festival

On January 13, 1994, Seminole County's Tourism Development Council (TDC) reviewed a proposal from the Altamonte Springs Community Redevelopment Agency (CRA) to provide financial support for a two day Valentine's Day Festival at Cranes Roost, scheduled for February 12 and 13, 1994. The TDC authorized sponsorship support of \$11,800 for the event. However, the contract (i.e., Outdoor Performance Agreement) between Seminole County and the CRA was not approved and executed by the BCC until March 8, 1994, more than seven (7) weeks after the TDC authorized the sponsorship and three weeks (3) after the event.

### Orlando Area Sports Commission

The agreement between Seminole County and the OASC, dated October 6, 1992, to provide it operating funds of \$50,000 per year, stipulates, in part, that OASC will provide proof of adequate Liability and Worker's Compensation insurance and make quarterly activity and financial reports to Seminole County. Internal Audit determined that:

- Proof of liability and worker's compensation insurance was not obtained from OASC to verify that the coverage was adequate per the agreement by the Tourism Development Department.
- Quarterly reporting requirements were not met by OASC. The first activity report was received in October 1993, and covered the fiscal year period of October 1992 through September 1993. No quarterly activity reports were received during this period. The first financial report was received in February 1994, covering the calendar year period of January through December 1993. No quarterly financial reports were received during this period. The financial report consisted of a summary of expenditures in twelve categories compared to budget, but did not include revenues amounts and sources.

### Lake Brantley High Swimming Complex

A sponsorship agreement was executed on April 3, 1992, between Lake Brantley High School Athletic Boosters, Inc. (Boosters) and Seminole County to provide \$150,000 of financial assistance toward the construction of a swimming complex at the high school. The agreement required the execution of contracts between the Boosters and the Seminole County School Board (Board) and the Boosters and the general contractor before the funds were disbursed. The contract between the Boosters and the School

Board was to provide “authorization to and the terms and conditions of constructing the Complex on the Seminole County School Board’s property, and the conveyance by the Boosters of the Complex to the Seminole County School Board subsequent to completion of construction of the Complex.”

The funds were released by Seminole County under the authorization of the Tourism Development Director to the Boosters on May 15, 1993. However, there was no evidence in the Tourism Development’s files to indicate that a copy of the contract between the Boosters and the general contractor was ever received prior to authorizing the payment and, per the Tourism Development Director, a contract between the School Board and the Boosters was still being negotiated as of May 26, 1994.

### **Recommendations**

TDC sponsorship agreements include specific terms and conditions for the legal protection of the County and to assure that Tourist Development Tax funds are used in the manner specified by the BCC. It is the responsibility of the Tourism Development Department to ensure compliance with all contract requirements of a TDC sponsorship agreement. We recommend that:

- The Tourism Development Department set up a system whereby the terms and conditions of each sponsorship agreement are defined and documented, and are checked off as they are completed. This will provide an easy reference as to the compliance status of an agreement and identify missing items for follow-up.
- When a sponsorship agreement stipulates that certain terms and conditions be complied with prior to the release of funds, the Tourism Development Director should assure that the terms and conditions are satisfied before authorizing the disbursement of funds.
- When a sponsorship agreement allows for the release of funds prior to the contract requirements being completed, the Director should still assure that the terms and conditions are met within the time frame specified before closing the file. If the beneficiary of such a sponsorship agreement does not ultimately comply with the contract requirements, the discrepancy should be reported by the Director to the TDC and the County Manager for possible follow-up action as deemed necessary by them.

Internal Audit believes that the implementation of these internal control procedures will provide the necessary level of accountability for properly monitoring TDC sponsorship agreements for compliance with their terms and conditions and ensures that the

Tourism Development Department performs its responsibilities regarding contract compliance.

Relative to the sponsorship agreement exhibits, they are an integral component of the contract and as such we recommend that the Tourism Development Department ensure that they are included in the sponsorship agreement submitted to the BCC for approval and subsequently recorded in the official County Records.

### **Finding No. 3**

#### **Some of Tourism Development Department's operating practices do not comply with County policies.**

Our examination of general operating expenditures determined that some of Tourism Development's current practices do not comply with Seminole County's employment, purchasing, and travel expense policies. We noted the following inconsistencies in our review:

- 1) The Tourism Development Department has, on occasion, employed temporary, part-time workers for clerical assistance. The individuals were hired by the Tourism Development Director and paid directly as independent contractors through the County's disbursement system with no withholding of taxes. Consequently, this practice might be a violation of certain Internal Revenue Service (IRS) regulations and does not comply with Seminole County's personnel policies regarding part-time employment.
- 2) Tourism related advertisements are not always procured through the County's purchasing system nor are they always accounted for and allocated to the Display Advertising account, #110-01-10-00-00-511-30-49-00. Some advertising is purchased directly by Tourism Development and is allocated to the Promotional Activities account, #110-01-10-00-00-511-30-48-00, which is also the budget account used for sponsorship grants expenditures.
- 3) The Director, in the course of performing his duties and responsibilities, routinely incurs miscellaneous expenses (e.g., parking fees, luncheon meeting fees, etc.) that are submitted directly to County Finance for reimbursement without being reviewed for propriety and approved by his supervisor.

### **Recommendations**

To ensure Tourism Development Department's compliance with Seminole County's personnel and purchasing policies and improve accountability and control over these expenditures, we recommend that all:

- 1) Temporary help be obtained through and in coordination with the County's Employee Relations Department.
- 2) Advertising be processed through the County's purchasing system and accounted for under Account #110-01-10-00-00-511-30-49-00, Display Advertising, and that only sponsorship related expenditures, as defined in a sponsorship agreement be accounted for and allocated to the Promotional Activities account, #110-01-10-00-00-511-30-48-00.
- 3) All business related travel and miscellaneous expenses incurred by the Tourism Development Director be reviewed and approved by his supervisor, the Deputy County Manager/Administration, to assure the validity and propriety of the expenditures prior to submission and processing by County Finance.

#### **Finding No. 4**

**Financial control and accountability over Tourism Development's media relations consulting firms' travel and other reimbursable expenses is not adequate nor is it sufficiently addressed in the contract.**

Geiger & Associates, a media relations consulting firm, was awarded a consulting contract in July 1991 by Seminole County to assist the Tourism Development Department with their promotional activities. It expires on September 30, 1994. The contract called for a fixed monthly base fee to Geiger of \$4,000 plus reimbursable expenses including travel expenses, postage, printing, etc. Our examination determined that travel expenses incurred and submitted by Geiger employees for reimbursement under the contract are not sufficiently explained and documented as required by Florida Statute 125.0104 – Tourist Development Tax and IRS regulations regarding travel, entertainment, and gift expenses (Publication 463). We noted the following recurring discrepancies regarding travel and other consulting expenses reimbursed under the contract:

- No original meal receipts, hotel bills, gas and rental car receipts, or airline tickets were received in support of their employees' travel expense report only copies; even the travel expense report was a copy.
- No original telephone bills, shipping and postage receipts, clipping service invoices, and receipts for miscellaneous expenses were submitted to support the expense items listed on their billing invoices, only copies were provided in support for the expenditures.
- Travel expense reports did not contain adequate documentation or explanations to support the expenditures. For example: meals that included guests did not indicate who the guests were, their organization and position,

and the business purpose of the meal and/or entertainment; long distance phone calls were not explained; receipt stubs without the restaurant name and location.

- Tips of twenty percent or more of the meal cost were paid by Geiger employees and included in the meal total for reimbursement.
- Miscellaneous tips, listed on travel expense reports, were not adequately explained. Although the tip amounts ranged from \$2 up to \$40 a day, it was not unusual to find amounts of \$15 and \$35 recorded. Sometimes “baggage” or “portage” was written at the start of the Tip line on the report, but usually there was no explanation at all. There may have been legitimate reasons for incurring tips of these amounts, yet without proper explanation, these reasons could not be ascertained.

Florida Statute 125.0101(9)(a) states that, “all travel and entertainment-related expenditures in excess of \$10 made pursuant to this subsection shall be substantiated by paid bills thereto,” and “complete and detailed justification for all travel and entertainment-related expenditures made pursuant to this subsection shall be shown on the travel expense voucher or attached thereto.” IRS requires that certain elements be sufficiently documented to prove the validity of travel and business expenses including, but not limited to, the amount of the expenditure, date of expenditure, receipts for each expenditure over \$25, and for entertainment related expenditures, the names and business relationship of persons being hosted, and the business purpose, and the name and location of the meal and/or entertainment, as applicable. It is Internal Audit’s opinion that neither the Florida Statute or IRS documentation requirements are being met by Geiger & Associates, and that their tipping practices are excessive.

## Financial Control & Accountability

From a financial control perspective, we found the consulting contract between Seminole County and Geiger & Associates somewhat vague and lacking in specifics. Our opinion is based on the following:

- The contract does not define what travel and entertainment expenses are appropriate and allowable as elaborated above.
- The contract does not include any mention of a monthly or yearly not-to-exceed amount for reimbursable expenses.
- The contract indicates that expenditures will be reimbursable, "if prior approval is authorized by the County," (i.e., the Tourism Development Director). This process of requesting and giving "prior approval" is not defined. The Director stated that this process is done verbally and is not documented in writing.

We also noted in our review of the contract that proof of satisfactory levels of liability and worker's compensation insurance, as defined in the contract, was not obtained by the "County." However, it is not clear whether it was Tourism Development or Purchasing Division's responsibility to assure compliance with this provision since the contract was let through the County's purchasing system.

## Recommendations

Regarding the current contract with Geiger and Associates, we recommend the following:

- Changes and alterations to any documents are almost impossible to detect on a copy. Consequently, payments should only be made based on original invoices and receipts. This is a basic and generally accepted financial control that should be an integral part of every organization's system of internal controls. It is our opinion, since Seminole County is the ultimate payer of the expenses, that all expense reimbursements to Geiger be supported by original documents or not paid. Geiger does not need the originals. Copies should be sufficient for their records since these expenses are not deductible for tax purposes anyway.
- Tipping is a customary practice when traveling and/or dining, especially given the promotional and entertainment duties of Tourism Development and Geiger & Associates' personnel. However, as stated in F.S. 125.0104 (9), all expenditures must be "reasonable and necessary." Consequently, the amount and purpose of a tip should be sufficiently documented to avoid the appearance of impropriety and comply with the documentary requirements of



this Statute and the IRS. One cannot evaluate what is reasonable and necessary if this information is not present.

Defining the appropriateness of tip amounts is more difficult because of its subjective nature. Fortunately, there are a number of sources, such as the American Automobile Association, that provide guidelines regarding customary tip amounts and percentages. An excellent reference, which we believe is the most applicable to Tourism Development, is the travel policies of the Florida Department of Commerce since it is a state governmental organization and has similar promotional responsibilities. For example, waiter tips are limited to 15%, unless a larger amount is automatically included as part of the bill, and tips paid to taxi drivers in excess of 15% will not be reimbursed.

In our opinion, Geiger & Associates' tipping practices need to be addressed. We suggest that the Florida Department of Commerce's travel policies regarding tipping be used and communicated to Geiger until the County has developed its own tourism development related travel policies (as recommended below).

#### Tourism Development Travel Policies

Based on the number of discrepancies we identified in our review of travel expense reports as discussed herein, it is apparent that these discrepancies are the result of a lack of clearly defined travel policies for Tourism Development personnel and their consultants. The Tourism Development Department has a unique mission as compared to other local governmental units. Florida Statute 125.0104 explicitly recognizes this and authorizes the agency to make reasonable and necessary expenditures for travel and entertainment, where applicable, "in connection with the performance of promotional and other duties of the agency."

Therefore, to eliminate any misunderstandings and assure statutory and regulatory compliance while still providing enough flexibility to accomplish their promotional and advertising responsibilities, we recommend that Seminole County develop travel policies specifically for the Tourism Development Department's personnel and consultants.

#### New Consulting Contract

It is our understanding that the Purchasing Division has solicited Request for Proposals for a marketing public relations consultant since the current consulting contract with Geiger will expire on September 30, 1994. We believe the new consulting contract provides an excellent opportunity to improve financial control and accountability over the consultant's reimbursable expenses. Therefore, we recommend that the new consulting contract include these provisions:

- All reimbursable travel and entertainment expenses and the corresponding documentary requirements be defined. This is necessary because, although

it is the Tourism Development Director's responsibility to assure compliance with the terms and conditions of all contracts where Tourist Development Tax funds are expended,, it cannot be expected that the consulting firm or the Tourism Development Director be accounting and tax experts. By defining what expenses are allowable and what is sufficient documentary support for their reimbursement, it significantly reduces misinterpretations by all parties involved in the submission/payment process and provides tangible details for verifying compliance with the contract's requirements.

- A not-to-exceed amount for reimbursable expenses as negotiated with the consulting firm selected by the County.
- If pre-approval of the consultant's reimbursable expenses is required, it should be documented in writing by the Tourism Development Director with a copy forwarded to County Finance for evidence of approval.

The extensive liability, property, and worker's compensation insurance requirements in the Marketing Public Relations Consultant Agreement are included for the legal protection of the County. Therefore, it is extremely important that this proof of insurance is obtained and verified "prior to the commencement of work" under the new contract. (At this time, it is a moot point relative to the current contract with Geiger & Associates). We believe the Purchasing Division should be responsible for this verification.

#### Original Documents

As stated above, relative to the Geiger consulting contract, payments should only be made based on original invoices and receipts. We cannot emphasize enough the importance of this basic financial control technique. It should be an integral part of every organization's system of internal controls. We strongly recommend to the County Manager and County Attorney that all consulting contracts contain the requirement that only original reports, bills, invoices, etc. must be submitted where expenses will be reimbursed by the County.

#### Finding No. 5

**Formal, written goals, objectives, and standards for measuring and evaluating the effectiveness of the Tourism Development Department do no exist.**

Formal goals, objectives, and operating standards have not been developed to measure, quantify, and evaluate the effectiveness of the Tourism Development Department and its various sponsorship programs and promotional activities. Currently, according to the Deputy County Manager/Administration, limited information such as hotel occupancy rates during an event are used for gauging Tourism Development's effectiveness. However, this information is provided by the same groups to whom sponsorship funding is paid and may not be totally objective regarding their results.

## **Recommendation**

Without written, quantifiable goals, objectives, and operating standards, it is impossible to measure the effectiveness and evaluate the performance of any department. It is our understanding that one of Seminole County Government's top operational priorities is to develop departmental goals and objectives for performance audits and evaluations. Internal Audit agrees and supports this extremely important goal since it will improve government accountability and allow performance evaluations to be made. Therefore, we recommend that Tourism Development, under the guidance of the Tourism Development Council and with the assistance of the County's Office of Management and Budget (OMB), develop departmental goals, objectives, and operating standards.

Operating standards should include comparative analysis methods and techniques to identify and evaluate the impact of sponsorship and advertising expenditures on hotel, restaurant, and retail revenue generated. For example, OMB has developed a cash flow report that compares Tourism Development Tax revenues by month to month and year to year. The report is somewhat basic and does not reflect the area's general economic climate and its effect on tourism. However, it does appear to have the potential to become a useful measurement tool for analyzing the impact of TDC activities with more work and Tourism Development's cooperation. OMB is also trying to develop a way to measure the incremental increase in rooms rented as a result of a TDC sponsored event as compared the normal occupancy levels for the same time period. We admit that developing useful standards will not be easy, but by utilizing their consultants and OMB, we believe progress can be made.

## **Other Issues**

1. Geiger & Associates' contractual payments are budgeted and allocated to Tourism Development's Contractual Services account, #110-0-00-511-30-34-00. The budgeted amount for the current fiscal year was \$72,000 (i.e., \$48,000 base fee plus \$24,000 for expenses annually). The Tourism Development Department's proposed 1994-95 fiscal year budget includes an unexplained and undocumented increase of \$35,000 for this account. We believe this increase should be properly explained for budget evaluation purposes.
2. The Request for Funds form needs to be revised since the instructions do not reflect the current process for submitting the request for payment. The instructions require the form to be submitted to OMB. The Request should indicate that it be submitted, with attachments (i.e., original invoices), directly to the County Finance Department. A copy of the request form and attachments should be sent to the Tourism Development Department for verification of compliance with the terms and conditions of the contract. After verification, the request copy with the Director's authorizing signature should be forwarded to Finance Department for matching to the original and subsequent payment.

3. Regarding the Orlando Area Sports Commission (OASC) activity and financial reports, we suggest that the Tourism Development Department request the OASC to include the following in their reports so that the four funding sources can evaluate the benefits of their participation:
  - Comparative information between the three counties and Orlando in their activity reports; and,
  - Revenues and a cash flow analysis in their financial report.
4. The Tourism Development Director informed us that, due to the department's internal growth, the offices it shares with the Altamonte Springs Community Redevelopment Agency are no longer adequate. So, he anticipates relocating in the near future; the third location in four years. Our visit confirmed that additional space is needed. However, we suggest that before moving, consideration be given to finding a location easily accessible from I-4 that will serve Tourism Development's needs for the next three to five years. This will eliminate the disruptive and costly impact of constantly relocating and make it easier for tourists to visit the Seminole County Convention and Visitor's Bureau which is part of the Tourism Development Department.
5. The Tourism Development Department maintains an off site post office box in Altamonte Springs. This necessitates one of the department's staff making a trip to it each day. Valuable staff time is lost and mileage expense is incurred. Eliminating the need for a post office box and having all mail delivered directly should be considered as part of the relocation plans (see above).
6. The Seminole County Sports Training Center (STC) was financed with a revenue bond issue backed by future Tourism Development Tax revenues on the premise that county tourism would increase as a result of the United States Soccer Federation moving its training offices to the STC. The STC would become the primary training site for the USSF's National soccer teams and would probably attract foreign teams as well. Our work included a very limited review of the STC's facilities and operational status. Although the STC served as the World Cup training site for the Irish team, the USSF has not moved its training staff into the office and training facilities provided under its agreement with Seminole County as of the date we finished our audit field work (June 24, 1994). We were advised by the Tourism Development Events Coordinator that USSF plans to move in after the World Cup competition has been completed. Therefore, at this time, Internal Audit is unable to express any opinion regarding STC's status, its utilization, or compliance with any contractual agreements between Seminole County and the USSF.

## **Auditee's Responses**

The responses of Seminole County's Tourism Development Director, Jack Wert, to the findings and recommendations reported herein are included in the following pages.

Although there are some differences of opinion regarding certain audit findings, we are gratified to see that our recommendations were accepted and that corrective actions to improve the procedures and internal controls exercised over contract compliance and the expenditure process will be implemented. Following the Auditee's responses are Internal Audit's comments relative to them for additional clarification.

A follow-up audit will be scheduled within three months of the issue date of this report to review and evaluate the corrective actions implemented.

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T. Paul Wise, Jr., CIA, CISA  
Internal Auditor

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Maryanne Morse  
Clerk of the Circuit Court  
County Auditor

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Julie K. Watermolen, CPA, CFE  
Internal Auditor

### **Internal Audit's Comments**

The audit findings disclosed in our report are based on factual evidence and were determined in an objective manner. Therefore, our audit report is accurate as presented. While the details of why the discrepancies occurred can be argued on both sides, the overall issue deals with the need for appropriate checks and balances, as well as financial and administrative controls to improve the accountability and internal control over expenditures of Tourism Development Tax revenues and ensure compliance with state statutes, local ordinances, and County policies. We believe that the positive acceptance of our audit recommendations and their implementation by the Tourism Development Department will provide the necessary improvements to sufficiently address the accountability and internal control weaknesses identified in the audit.

The following comments are presented to clarify several issues raised as a result of our review of the auditee's responses.

#### **Budget Process vs. Expenditure Process**

The budgeting process provides the means whereby Seminole County's Board of County Commissioners (BCC) allocates anticipated revenues (i.e., resources) to the various departments by operational budget categories for the coming fiscal year. The expenditure process is the method by which these resources are actually disbursed, within the framework of the BCC approved budget. The BCC's approval of a department's budget does authorize County Finance to expend funds without the subsequent approval of the BCC for those expenditures subject to the checks and balances of the County's purchasing and accounts payable systems. This includes the Tourism Development Department as well. However, budget approval by the BCC does not pre-authorize any expenditures, per County policy, are subject to review by the County Attorney for legal implications and compliance with state statutes and county ordinances, and subsequent approval by the BCC.

Approximately one-third of the Tourism Development Department's budget (\$300,000) is expended on promotional activities and sponsorship agreements (i.e., monetary grants and contractual obligations). For the 1993-94 fiscal year, the Promotional Activities category of the Tourism Development budget includes \$183,000 for "Other TDC Initiatives" not specifically defined. If budget approval by the BCC was all that was required, it would, in County Government without any financial or legal checks and balances. Certainly there needs to be some mechanism for unanticipated promotional opportunities and situations which require fast action, but these occurrences can be minimized through sound planning and follow-through.

Accordingly, the County must balance the need for flexibility with the necessity for adequate control, accountability, and legal scrutiny of promotional activities and sponsorships when considering expenditure policies and procedures for the Tourism Development Department.

### **Internal Controls and Accountability**

Internal Audit's goal is to identify opportunities to improve accountability and internal control within County operations, ensure that the County is in compliance with state statutes and local ordinances, and to assist County Management in discharging their administrative and financial responsibilities. We believe that all County departments can and will benefit from our audits because we bring a new perspective relative to these issues.

### **Documentary Evidence of Approval**

The Director, in his responses, indicated that he gave his approval verbally in some instances where his approval was required. We reiterate that verbal approval that is not supported by documentary evidence is not sufficient proof of approval and does not provide an adequate audit trail for expenditure transactions.