

**SEMINOLE COUNTY
LEISURE SERVICES DEPARTMENT**

**SPECIAL REVIEW OF
DIVISIONAL EXPENSES
OF THE
TOURISM DIVISION**

REPORT NO. 052813

MAY 2013

Prepared by:
The Office of the
Clerk of the Circuit Court

May 28, 2013

The Honorable Bob Dallari,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached Special Review of Divisional Expenses of the Tourism Division.

Management has provided written responses to this report and are in the process of implementing corrective actions.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this review. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

cc: Ms. Brenda Carey
Mr. Lee Constantine
Mr. Carlton Henley
Mr. John Horan
BCC Records

DISTRIBUTION LIST

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**SEMINOLE COUNTY
OFFICE OF THE CLERK OF THE CIRCUIT COURT**

**SPECIAL REVIEW OF
DIVISIONAL EXPENSES**

TOURISM DIVISION

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Seminole County

**Special Review of
Divisional Expenses**

Tourism Division

The Office of the Clerk of the Circuit Court has completed this special review of the Tourist Development Division's expenses.

PURPOSE

The review was performed to determine if the administrative controls over expenses are adequate; operating as intended, and fully in compliance with applicable laws, regulations and other Seminole County policies and procedures.

BACKGROUND

Florida Statute 125.0104 allows each county the option of collecting tourist taxes at the local level, in lieu of having those taxes collected by the State of Florida. On May 25, 1993 the Board of County Commissioners enacted Ordinance No. 93-7 authorizing the tax collector to collect the tax in accordance with the guidelines of Florida Statute 125.0104.

The division is funded by a 3% tourist development tax and a 2% sports franchise tax. These two taxes are hotel taxes. The division has four employees and has an operating budget for fiscal year 2013 of about \$1.3 million.

By statute and by ordinance these funds are to be used to market and promote the image and awareness of Seminole County to potential visitors as a unique destination, attracting significant numbers of new and repeat visitors and creating a positive economic impact on our community. The Tourist Development Council (TDC) is required to submit a promotional plan to the BCC on an annual basis.

This review focused on the Tourism Division's divisional expenses and compliance with county policies and procedures.

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SCOPE OF WORK

The scope was limited to the Tourism Division for the period October 2010 to January 2013. The procedures and controls associated with these expenditures and the process for ensuring compliance with county policy were subject to our review.

The review included:

- Applicable policies, procedures, statutes and county ordinances;
- Internal administrative controls;
- Expense reports, P-Cards; vouchers; and,
- Other related materials as considered necessary in the circumstances.

The audit was conducted by the Office of the Clerk of the Circuit Court.

OVERALL EVALUATION

In our opinion, there is a need for more management over-sight and monitoring of contract performance and compliance. We noted instances of the county being billed for airport advertising costs that had not been executed by the consultants. Also, performance reporting by consultants is often vague and ineffective and does not provide an adequate accounting of fees assessed.

The following conditions require management attention:

- Travel by staff is not always the most cost effective;
- County policy does not define rules for hotel service charges;
- Non-compliance with terms of Central Florida Sports Commission (CFSC) and Paradise contracts;
- No financial policy on TDC recognition banquets; and,
- Non-compliance with Airport Advertisement Agreement.

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FINDING NO. 1*Travel is not always the most cost effective.*

The Administrative Code does not adequately address personal vehicle travel. It does not address employees consolidating trips and/or using direct routes to lessen travel expenses.

We found examples of trip reports where the travelers were: (1) not traveling direct routes to their destination; or (2) not managing their travel by consolidating trips to various locations. The reports clearly indicate that time and money is being wasted.

Here are just a few examples:

- On September 6th, 2012, a traveler went from 1000 AAA Dr, Lake Mary to 6677 Harbor Dr, Orlando for a meeting from 8:00 am to 5:00 pm. After the meeting, went back to 1000 AAA Dr, Lake Mary and then to the Cooperative Extension Service Building on 17-92 for a 6:00 pm meeting. Because of travel times involved this might not be an efficient use of time.
- On July 10th, 2012, a traveler went from 1000 AAA Dr, Lake Mary to the County Services Bldg on 1st Street Sanford for a meeting that went from 2:00 to 3:00 pm. Then, he/she traveled back to 1000 AAA Dr, Lake Mary at 3:00 pm and then traveled back to the Sanford Chamber of Commerce (also on 1st St) for a 4:00-6:00 pm meeting.
- On June 12th, 2012, a traveler went from 1000 AAA Dr, Lake Mary to Orlando International Airport for a meeting from 11:00 am to 1:00 pm, then back to 1000 AAA Dr, Lake Mary then to Sanford/Orlando Airport then back to 1000 AAA Dr, Lake Mary then back to Orlando International Airport then back to 1000 AAA Dr, Lake Mary. The total mileage claimed for all of this travel is 162 miles.
- On April 26th, 2012, a traveler went from 1000 AAA Dr, Lake Mary to County Services Building (1st St Sanford) for a meeting from 3:00-5:00 pm, then back to 1000 AAA Dr, Lake Mary and then returned back to Sanford Chamber of Commerce on 400 E. 1st St for a 5:30-8:00 pm meeting. So, if one travels back to Tourism at 5:00 they would have to leave at the latest 5:15 to make a 5:30 pm meeting.

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We have five other examples of this type of travel. It is a management's privilege to schedule meetings as needed; and, we are not questioning whether these meetings are necessary. However, it does appear there is opportunity to improve time and expense management.

Travel that can be avoided results in savings to the taxpayers.

Recommendation

1. County Manager's Office should update the Administrative Code to provide sufficient detail to address travel by employees.
2. Leisure Services Director should re-review the expense reports and re-submit either corrected reports or provide a written explanation on the issues addressed in this report.
3. County Finance should review all expense reports for reasonableness and review the times, dates, and routes taken by employees. Abuses should immediately be reported to the Office of the Clerk of Court for review and the County Manager's Office for appropriate disciplinary actions.

Management Response

To: Recommendation 1.

Management concurs with this finding. The Administrative Code is currently under review, therefore, the Leisure Services Department Director will work with the Human Resources Office for the consideration and any updates to the Administrative Code as identified.

To: Recommendation 2.

Management concurs with this finding. The Leisure Services Department Director will review expense reports as identified in the recommendation. Since the Manager of this Davison is no longer in the employment of the County, more specific details would need to be provided to the Director's office for further consideration in each of the items identified in the special review draft report to adequately re-submit or provide further explanation on the issues addressed.

Therefore, it is difficult to determine whether all of the incidents were for lack of preparing for the day's activities, or whether there may have been a need for such travel due to unforeseen circumstances that may have led to the additional travel. If additional staff were accompanying the traveler identified and did not need to attend the second leg of the trip, then either additional planning or other accommodations may have been necessary to cause the County from having to pay two separate travel expenses for additional travelers to the same meeting.

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Further, in reviewing the information provided in the special review draft, management will provide direction to all staff to be more cognizant of travel to utilize shortest routes and best time management to dis-allow the appearance of County wasted time and money.

To: Recommendation 3.

Management concurs with this finding, no additional comments.

FINDING NO. 2

County policy does not define rules for hotel service charges.

Per County Manager Policy 75-D:

"Tips are reimbursable for meals at 15% or 20% if added to a bill by a restaurant. Tips are also reimbursable for taxis at 15%. Tips for portage are generally not reimbursable except in cases where an employee is carrying County equipment or work related items that are cumbersome. Tips in extraordinary case would be reimbursable such as an individual with physical limitations, or in hotels where porters are expected to assist guests."

Occasionally an employee may have room service and the hotel may or may not add a service charge to the bill. There are varying views as to whether the service charge should be considered part of the allowed tip or this would be considered an additional reimbursed cost.

For example, on September 25th, 2011 an employee ordered room service. The hotel added 16% onto the bill and then the employee added an additional gratuity of 14% or a total additional charge of 30% which exceeds the 20% maximum defined in the policy.

One argument for not allowing the service charge as a reimbursable expense is that it is for the convenience of the employee. The other is that it might give an employee additional time to prepare for a meeting or conference. Either way, it is an issue that should be reviewed by management for proper guidance.

This is a management decision but from an audit perspective there needs to be a consistent policy. By having a policy there is no questions about management's directives.

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Recommendation

Update travel policy to define the rules for hotel service charges.

Management Response

Management concurs with this finding. The Administrative Code is currently under review therefore, Leisure Services Department Director will work with the Human Resources Office for the consideration and any updates to the Administrative Code as identified.

FINDING NO. 3

Non-compliance with terms of both the Central Florida Sports Commission (CFSC) and Paradise contracts.

Invoices submitted by CFSC and Paradise in 2012 were not in sufficient detail to identify the exact nature of the work performed. CFSC submitted a total of \$101,000 in invoices submitted during this period and Paradise has submitted \$527,205.61.

CFSC

Section 3 of the CFSC contract states:

- (a.) CFSC shall render to County at the close of each six (6) month period, beginning October 1st, 2012 a properly dated and itemized invoice including, but not limited to, the following information:
 - 1) The name and address of CFSC;
 - 2) A complete and accurate record of services performed by CFSC for all services performed by CFSC during that month and for which COUNTY is being billed;
 - 3) A description of the services rendered in (3) above with sufficient detail to identify the exact nature of the work performed; and
 - 4) Such other information as may be required by this Agreement or requested by COUNTY from time to time.

The contract with the Central Florida Sports Commission (CFSC) requires CFSC to furnish a detailed listing of services provided with each invoice. These detailed listings of services are not being provided to the county.

PARADISE ADVERTISING AND MARKETING INC.

Section 3 of the Paradise contract also states:

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- (a) Consultant shall render to COUNTY at the close of each calendar month a properly dated and itemized invoice including, but not limited to, the following information:
- 1) The name and address of CONSULTANT;
 - 2) Contract Number;
 - 3) A complete and accurate record of services performed by CONSULTANT for all services performed by CONSULTANT during that month and for which COUNTY is being billed;
 - 4) A description of the services rendered in (3) above with sufficient detail to identify the exact nature of the work performed; and
 - 5) Such other information as may be required by this Agreement or requested by COUNTY from time to time.

It also appears from reviewing the monthly "Advertising & Marketing Report" submitted by Paradise to Seminole County the activities month by month are almost identical.

For example, on the November 2012 – December 2012 there are two activities that are identical to the January 2013 report:

November 2012-December 2012

- Continued to execute the 2012/2013 marketing and media plan
- Continued designing new creative for the 2012/2013 marketing and advertising materials.

January 2013

- Continued to execute the 2013 marketing and media plan
- Continued designing new creative for the 2013 marketing and advertising materials

There are no specific guidelines in the contract as to how Paradise is to provide performance reports from month to month. We reviewed the monthly reports from October 2010 to September 2012 and we found many inconsistencies of how performance is reported by Paradise. It is very difficult to evaluate contract performance.

By submitting invoices without proper support, CFSC and Paradise are in non-compliance with the contract.

Recommendation

1. Require CFSC and Paradise to properly document invoices in accordance with their contracts.
2. In future contracts, establish specific deliverables with assigned completion dates.

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Management Response**Recommendation 1.**

Management concurs with this recommendation and will immediately perform more diligent review of invoices for payments in accordance with the specifics of the Agreements.

Recommendation 2.

With the transition of management of this division, staff and the Director's office is currently working on the procurement process for the marketing and promotions contract agreement that is currently held by Paradise. The current agreement is set to expire in October/November of 2013 and as a new procurement is being processed, staff will work to create specific deliverables and assigned completion dates moving forward with the new agreement.

Staff is also currently working with the Central Florida Sports Commission on addressing specific deliverables and agreement details moving forward in the current agreement as well as setting expectation for future agreements.

FINDING NO. 4***No financial policy on TDC recognition banquets.***

Some participants attending recognition banquets are charged one price, others another price, and some are not charged at all. There is no record of who actually attended the event, and who did not show and if there were any pending cancellation charges for the no-shows.

Participants generally pay a small fee so that the cost of the event is covered without the use of taxpayer dollars. This office is not as concerned with the pricing composition but rather that the files are not documented as to the actions taken by staff. There is no reconciliation between those that attended and those who had paid, those that did not, and any outstanding balances yet to be collected.

As a minor footnote, the Tourism Division submits a check request to County Finance to cover the initial cost of the event to include a room deposit and also to give the caterer an advance payment. This is Tourism money.

Later, payments are collected from participants for the event and then deposited back into the County's BOCC Agency Fund. Although we clearly understand the

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process being used, the money collected from the participants should be re-deposited into the Tourism Fund. This provides for a consistent accounting application.

By not having a written policy the process is not consistent and opportunity exists for recordkeeping errors.

Recommendation

Publish a departmental policy to ensure revenue and expenses are matched and documented completely. Submit policy to the County Manager's Office for approval and implementation.

Management Response

Management concurs with the recommendation as presented and will work with the County Manager's Office for approval and implementation of a policy to ensure revenue and expenses are matched and documented completely in this matter.

Staff will work to provide a more robust and complete listing of policies and procedures for this division in all matters of management and in adapting to best management practices and accreditation efforts for this division over the next twelve months.

FINDING NO. 5

Non-compliance with Airport Advertisement Agreement.

Seminole County signed a ten year contract with Clear Channel on November 23, 2012 to provide advertising at Orlando Sanford Airport (OSA) and other airports throughout the country served by Allegiant Airlines to promote the county. We visited OSA on March 28th and April 10th, 2013 to inspect the advertisements and found none.

The contract requires Clear Channel to provide:

- *Advertising that promotes Seminole County in the baggage claim area of the airport. In particular, the county pays for three 6 foot by 2 foot signs on the bag belts, as well as other advertising in and outside the terminal building. We saw no signs for Seminole County in the baggage claim area.*

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- *The county also contributes to the costs of two information booths at the airport. The purpose of these booths is to assist travelers and to promote Sanford and Seminole County. These booths had a number of brochures on display, only a few of which pertained to Sanford or Seminole County. Many promoted businesses or attractions in other counties.*

Based on the results of our visual inspections, we requested explanations from Tourism as to why the ads were not in place. Tourism then requested a response from Paradise Advertising. Following are excerpts from an email response from Paradise Advertising explaining the non-compliance.

This is the verbiage from the email dated April 5, 2013:

In late October of last year, Sharon asked us to develop creative and coordinate production for the Clear Channel media placement she secured. She informed us that the CVB would pay for the production.

In late November, all assets were finalized. Per Clear Channel, specific production vendors were required for this project. We solicited production quotes and provided them to Rosangela on November 27 so that she could get the county to approve each vendor. Rosangela probably knows much more on this, but my understanding is that the county had some issues with Clear Channel's invoices and needed to clear them up before the production vendors could be approved. This took some time.

In late March, Rosangela informed us that the vendors had been approved. In the four months that it took the county to approve the vendors, we had finalized a new campaign creative direction and with Sharon's approval, elected to update the Clear Channel ads with the new look. The changes were minimal and were finalized in a just a matter of days. Clear Channel informed us that they needed to review and approve the updates before we submitted for production, which is where we currently stand.

Once Clear Channel approves the updated materials, we will submit for production asap. I'll be sure to inform you both when that happens.

In other words, the county has received no advertising. The cost of this advertisement contract, since November 2012, is approximately \$1,205 per month or \$14,460 annually at OSA. This is just one of many agreements the county has with Clear Channel at airports throughout the country and it should not be overlooked by management. For all of the airports with similar advertising agreements we estimated it has cost about \$7,000 per month for this arrangement. With a monthly cost of \$7,000 per month the cumulative cost has

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been about \$42,000 since November 2012; the taxpayers are really getting short changed on this issue.

It was Seminole County Tourism's responsibility to make certain that Paradise Advertising and Clear Channel were fully ready to execute the contract and taxpayers would receive full value of the costs being expended before the contract was signed. The Clear Channel contract clearly defines the responsibility for making sure the ads and graphic displays are ready to be installed. Case in point, under the section of the contract that defines Conditions of Agreement Section 3 Monthly Fees, here is a quote from this section:

The applicable monthly fee (pro-rated for any partial month) and Security Deposit shall be paid prior to the Commencement Date and thereafter the applicable monthly fee shall be paid on a monthly, quarterly or annual basis, due the first day of each calendar month, quarter or year, as stated on the front page of the Agreement regardless of whether Advertiser timely provide to CC , the graphics or other display case/area contents for which Advertiser is responsible ("Advertisement (9s).

By not having information about Seminole County prominently displayed the county misses out on potential tourist spending. In addition the county is paying for advertising not in place.

Current Status

In a telephone conference with the Interim Executive Director of Tourism, parties involved with this project are working diligently to have these displays up and running in two weeks.

Recommendation

1. Tourism staff should regularly inspect advertising and promotional displays in the county to ensure contracts compliance, and to assess the effectiveness of displays.
2. Clear Channel should clearly indicate on their invoices to the county, the cities and physical locations of promotional displays; also, send pictures to Tourism as proof of contract compliance.

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Management Response

Recommendation 1.

Management concurs with this finding and will set in place policies and procedures to administer inspection and measurement of effectiveness of such advertising and promotion to be completed within the next sixty days, and within immediate inspections of all current and contracted promotional displays.

Recommendation 2.

Management concurs with this finding and will set in place policies and procedures to administer appropriate compliance with this and any similar contract with the next sixty days.

In summary, this office would like to thank the Clerk's Office for performing this special review of division expenses of the Tourism Division. In the wake of the departure of the division manager this report has provided solid insight to matters that need better oversight and management by both the division staff and department management team.

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