

SEMINOLE COUNTY

**AUDIT OF
TOURIST DEVELOPMENT DIVISION
TRAVEL, ENTERTAINMENT,
AND PROMOTIONAL EXPENSES**

REPORT NO. 031907

MARCH 2007

Prepared by: Internal Audit Division Clerk of the Circuit Court
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MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

March 21, 2007

The Honorable Carlton Henley
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 Audit of Tourist Development Division.

The audit found conditions that warrant management's attention. These conditions and management's corrective action plans are included in the report that follows.

I would like to thank management staff for their cooperation and assistance throughout the course of this audit. Their assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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**Seminole County
Audit of Tourist Development Division
Travel, Entertainment, and Promotional Expenses**

The Internal Audit Division of the Office of the Clerk of the Circuit Court has completed an audit of the Tourist Development Division's travel, entertainment, and promotional expenses.

PURPOSE

The audit was conducted in order to determine if controls over travel, entertainment and promotional expenditures 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.

Each person who collects taxes from tourists must register with the county's tax collector and remit each month those taxes to the county. The tax collector is responsible for overseeing collections and enforcing payment of the tourist development taxes.

The Board of County Commissioners must approve all expenditures of tourist development tax funds. 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.

The TDC is made up of nine (9) members; one (1) member is designated as chairman of the TDC and is required to be the chairman of the BCC; two (2) members are elected city councilmen or commissioners; three (3) members are

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general managers or owners of tourism accommodations; and three (3) are lay appointees.

Seminole County Administrative Code Section, 4.45 states:

“Seminole County Tourist Development Council (TDC) shall prepare and submit a plan to BCC for tourist development. Such plan shall set forth anticipated net tourist development tax revenue and a list of the proposed uses of said tax revenue by specific project or special use and the approximate cost of allocation for each project or special use. The TDC shall prepare and submit a plan for tourist development to the BCC no later than the beginning of each fiscal year along with recommendations for the effective operations of special projects or uses of the tourist development tax revenue. The TDC shall review expenditures of revenues from the Tourist Development Trust Fund and shall receive, at least quarterly, expenditure reports from the county governing board or its designees.”

SCOPE OF WORK

The scope of the audit was limited to travel, entertainment and promotional expenditures of the TDC; the procedures and controls associated with these expenditures and the process for measuring the financial benefits of the program. TDC activities between November 2004 to November 2006 were subject to our review.

The audit included:

- Review of applicable policies, procedures, statutes and county ordinances;
- Review of internal administrative controls;
- Review of travel, entertainment and promotional expenditures; and,
- Review of other related materials as considered necessary in the circumstances.

The audit was conducted by Gail Joubran and Bill Carroll.

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OVERALL EVALUATION

Although there are policies, ordinances, administrative codes and written procedures in existence, these documents serve **no real value** since staff does not comply with them; directives do not agree with each other and/or staff does not understand what is required. We found numerous instances of non-compliance with county policy.

The following conditions require management's immediate attention:

- Entertainment expenses are not always authorized, appropriate, or adequately accounted for;
- Travel Authorization Request Forms are not always submitted to County Finance;
- Policies, procedures, and ordinances are obsolete, incoherent, and/or not being followed;
- No evidence exists of a marketing plan being presented and approved by the BCC;
- Travel cards are being used to "over tip"; and,
- Travel card statements are at times incomplete and/or not adequately supported.

FINDING NO. 1

Entertainment expenses are not always authorized, appropriate, or adequately accounted for.

Florida Statute 125.0104(9)(a) states:

"...entertainment expenses shall be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry."

This provision is designed to limit the individuals that can be entertained with tourism dollars. The Seminole Administrative Code and/or the published ordinances are silent on the procedures that ensure compliance with this statute. As a result, receipts submitted by county staff for payment are not always properly annotated to provide for a necessary audit trail. ***Receipts do not always show who was entertained; their title, or the purpose for the entertainment.***

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On August 10, 2004, a lunch receipt submitted to County Finance for reimbursement simply stated 9 people (travel agents). The cost of the lunch was \$238.00, an average of \$26.44 per person. No names, companies, nor justification for the expense was included. Also on August 10, 2004, a \$90.00 receipt was submitted with no names, titles of attendees, and no purpose; yet another submitted on September 29, 2004 for four people for lunch provided no documentation as to whom and for what purpose.

On March 10, 2005, the TDC director and three county commissioners hosted a dinner for 17 individuals totaling \$1,262.70 (an average cost of \$74.28 per attendee). We noted that the receipt identified the attendees by name, but did not explain or list who they were or the justification for their attendance at dinner. Some of the guests clearly were not affiliated with the tourism industry. In fact, three of the "guests" were actually spouses of county commissioners; one was the guest of the TDC chairman.

By using the county travel card to pay for dinner, these "guests" are in essence being advanced money for dinner on the county's credit line. The county commissioners did reimburse the taxpayers a total of \$176.53 or \$44.13 per person. More specifically, one commissioner paid the county \$30.48, another \$48.26, another \$59.69 and the fourth guest paid \$38.10. The money reimbursed for the four amounted to \$176.53; or an average of \$44.13 per person. The remaining amount of the bill, \$1,086.17 (\$1,262.70 minus \$176.53) was paid for by the taxpayers of Seminole County; the average cost of \$83.55 per attendee.

It is our recommendation that spouses and guests should reimburse the county fairly.

If spouses and/or *guests-not-engaged-in-the-tourism-industry* are invited to attend a TDC-sponsored function, their reimbursement should equal a pro rata share of the entire bill. For example, in this case, the bill totaled \$1,262.70. Seventeen individuals attended the event. The pro rata share to be reimbursed per guest or spouse should be \$74.28; or \$1,262.70 divided by 17.

Complete documentation provides not only an audit trail but ensures compliance with Florida statutes and county policy.

Recommendation

1. Establish policy that stipulates if spouses or other non-tourism guests are included at a lunch or dinner the total amount of the bill should be divided by the number of people attending to equal a per person cost. Remittance to the county should be on the per person cost;

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2. County Finance should monitor reimbursements to ensure that the county is paid for the cost of non-tourism (i.e. spouses) lunch and dinner costs;
3. Provide training to department personnel on the documentation requirements;
4. Establish a written procedure within County Finance to notify the Clerk of the Circuit Court of all non-compliance issues for proper disposition. In addition, it is recommended that County Finance establish a "tracking system" so that all non compliance issues can be followed up on.

Management Response

We concur that receipts for reimbursement should be further supported with documentation of who was hosted, title and purpose to ensure documented compliance with regard to the use of Tourism funding. Additionally, we concur that the County should be reimbursed for spouses or guests of County Officials attending TDC – sponsored functions and will evaluate further an appropriate method to be followed in doing so.

FINDING NO. 2

Travel Authorization Request forms are not always submitted to County Finance.

On some occasions travel authorization request forms are submitted to County Finance; other times they are not. Internal Audit reviewed a total of \$51,790.19 in travel card statements, of which we found 15 individual instances where the travel authorization form was not attached to the travel expenditure documentation submitted to County Finance.

All travel must be authorized and approved by the appropriate agency head and funds must be available in the budget. The travel authorization form is a tool used by staff to provide a description of the travel involved, an estimate of the expenditures to be incurred and travel dates. The employee completes the form making a commitment on when they anticipate traveling and how much they intend to spend. A department manager signs off agreeing to the proposal.

From an internal audit perspective, we would expect that a copy of these forms be submitted to County Finance so that staff there can validate that the expenses and dates of travel are in agreement with the dates on the form. We were informed that some accounting clerks did not believe they were required to ask for the travel authorization forms; others thought they were.

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We found nothing in the administrative code, county ordinances, or the county manager's internal policy and procedures manual that require this form to be submitted to County Finance. However, by not submitting travel authorization forms to County Finance there is no independent examination nor assurance that the expenses incurred are in line with what was actually approved.

Recommendation

1. Update policy and procedures manual to include a written guideline as to what employees are to do with the travel authorizations forms after approval.
2. Policy should establish that County Finance must receive the original travel authorization form to facilitate an examination that expenses incurred were in line with what was actually approved.

Management Response

Management staff is in the process of updating the Travel Policy included in the Administrative Code for consideration by the Board of County Commissioners. The update includes the proposed use of one form as established by the County Manager to capture both authorization and the expenditure of the related event for submission to County Finance for payment.

FINDING NO. 3

Policies, procedures, and ordinances are obsolete, incoherent and/or not being followed.

Policies are not up to date to ensure uniform enforcement. For instance, Administrative Code No 5.3 (A) (6), dated July 22, 1997 states:

"Meals shall be reimbursed as provided by County Ordinance. Dollar limits exclude alcohol but may include tips up to 15% if not included in the bill or a maximum of 20% if the bill includes a calculated tip. **Receipts are required for reimbursements exceeding the statutory allowances of breakfast, \$3.00; lunch \$6.00; dinner, \$12.00"**

Moreover, Seminole County Ordinance No. 97-31, Section 1, dated July 22, 1997 states:

"Meal allowances shall be generally as set forth in Florida Statutes, provided however, that meals shall be reimburse at actual cost not to exceed FIFTY AND NO/100 DOLLARS (\$50.00) a day if accompanied by original receipts for said expenditures and travel is

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outside of Seminole County and begins before 6:00 am and extends beyond 8:00 pm. Allowances for partial day travel under the same circumstances shall be: Breakfast \$10.00, Lunch \$13.00, Dinner \$27.00.”

Furthermore, county manager’s memorandum, dated June 4, 1999 states:

“The travel policy specifies that meals are reimbursable if accompanied by an **original** receipt.”

The original receipt requirement noted in the manager’s memorandum is in conflict with the per diem allowances that do not require original receipts. If it is the intent of the policy to require original receipts, consideration should be given to incorporating this requirement into a uniform policy.

Also, the Florida statutes has been up dated with new rates of \$6.00 for breakfast, \$11.00 for lunch, and \$19.00 for dinner.

The following illustrates the inconsistencies in handling meal reimbursements. One employee attended a conference and was given a per diem allowance of \$6.00 for lunch. Another employee attended a conference and received \$11.00. The policy also states that had these employees furnished receipts they would have been reimbursed up to \$13.00 for lunch.

Not having a consistent policy for staff to adhere to creates inequities in the way meals are reimbursed.

Recommendation

Update policies for uniform enforcement.

Management Response

Management staff is in the process of updating the Travel Policy included in the Administrative Code for consideration by the Board of County Commissioners. The update proposes that the County provide for meal reimbursement based on a per diem basis as established by the United States General Services Administration (GSA) for reimbursement of meals and incidental expenses without receipts based upon the destination location. However, the policy still allows for reimbursement under Economic Development and Tourism on an actual basis to allow for the reimbursement of hosted meals and events that are germane to their mission.

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FINDING NO. 4

*No evidence exists of a marketing plan being presented
and approved by the BCC.*

Per Seminole County Administrative Code 4.45:

“The Seminole County Tourist Development Council (“TDC”) shall prepare and submit a plan to BCC for tourist development. Such a plan shall set forth anticipated net tourist development tax revenue and a list of proposed uses of said tax revenue by specific project or special use and the approximate cost of allocation for each project or special use.

The TDC shall prepare and submit a plan for tourist development to the BCC no later than the beginning of each fiscal year along with recommendations for the effective operations of special projects or uses of the tourist development tax revenue. The TDC shall review expenditures of revenues from the Tourist Development Trust Fund and shall receive at least quarterly, expenditure reports from the County governing board or its designees”

Internal Audit requested Commission Records to perform a search for the submittal of the annual sales report to the BCC. It found no record of such a submittal. We were also informed by the tourism director that each commissioner was briefed individually and no formal submittal has been made.

Submitting a formal plan to the BCC ensures a record of such a report and provides an opportunity for public discussion and forum with both the commissioners and the public.

Recommendation

TDC should submit a plan to the BCC no later than the beginning of each fiscal year as directed in the Seminole County Administrative Code.

Management Response

Although this has not been done in a formal fashion, beginning in fiscal year 07-08 the tourism staff, working with the TDC, will submit a formal plan for tourism development in conjunction with the development of the budget.

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FINDING NO. 5

Travel cards are being used to pay for over-tipping.

Administrative Code No. 5.3 (A) (6) states:

“Meals shall be reimbursed as provided by County Ordinance. Dollars limits exclude alcohol but may include tips up to 15 % if not included in the bill or a maximum of 20% if the bill includes a calculated tip.”

Staff routinely tips more than allowed by policy. On a regular basis, County Finance notifies staff that it tips in excess of 15 percent. We noted five examples of over tipping. More concerning is the fact that although there is a well defined policy regarding tips, the policy is ignored, which then causes County Finance to notify the employee, department manager, and the purchasing card administrator of the exception. Presumably then, the offending employee would reimburse County Finance back for the overage and a clerk within the department needs to deposit the money into the bank account. There is an administrative cost associated with the added work of staff not simply complying with the policy. Quite frankly, if staff wants to tip more than the policy permits, they should pay with their own personal funds. It is not the role of government to loan money to employees.

Another example, on May 20, 2005 an employee on travel had three telephone calls with no justification; one cost \$4.18, another \$7.21, and one for \$3.75. Administrative Code No 5.3(A)(7) states:

“Business telephone calls or on-line access charges for use of computer or fax receipt or documentation required as well as justification.”

Some requests by County Finance are responded to and corrected while others receive **no response** at all, according to staff.

Not complying with policy is unacceptable and ultimately costs the taxpayers an administrative cost.

Recommendation

A letter should be sent out to all county staff reminding them of the policy and notifying them of the consequences of not complying with policy.

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Management Response

Management staff is in the process of updating the Travel Policy included in the Administrative Code for consideration by the Board of County Commissioners. The update proposes tipping of up to 20% in cases where actual reimbursement occurs within policy guidelines; all other reimbursement is made on a state per diem basis inclusive of tip.

FINDING NO. 6

*Travel card statements are at times incomplete
and/or not adequately supported.*

Six of 70 travel card statements selected for audit were incomplete and/or not adequately supported with backup documentation such as itemized receipts.

Seminole County Administrative Code 22.242 (d) Travel Cards states:

“Purchasing procedures require that users of a Travel Card follow purchasing card procedures, including obtaining the signature of the approving official which attests to approval of the items on the travel card statement as County business. Cardholders must submit original itemized receipts with the monthly Travel Card statements.”

Not complying with policy results in added administrative costs to the taxpayer.

Recommendation

A management letter should be sent to division management reinforcing the requirements of county policy.

Management Response

We concur that receipts for reimbursement are imperative to support proper expenditure of public funds. County staff will work with County Finance as necessary to ensure proper actions are taken regarding omission of original itemized receipts as set forth in Board of County Commissioners Administrative Code section 22.241 (5) Purchasing Card Program Internal Controls.

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