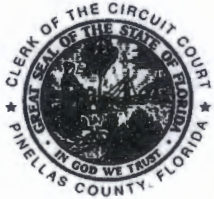


2. REPORTS TO BE RECEIVED FOR FILING

- a. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, 2013 Annual Audit Plan dated January 7, 2013.
- b. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2013-01 dated January 10, 2013 – Audit of Convention & Visitors Bureau – Operations/Controls.
- c. Pinellas Planning Council Basic Financial Statements and Regulatory Reports dated September 30, 2012.
- d. Dock Fee Report for the month of December 2012.
- e. Quarterly Report of Routine Dock Permits issued from October 1, 2012 to December 31, 2012.



Ken Burke, CPA


CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

Clerk of the County Court
Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
Custodian of County Funds
County Auditor

***Division of Inspector General**

510 Bay Avenue
Clearwater, FL 33756
Telephone: (727) 464-8371
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Clerk's website: www.mypinellasclerk.org

TO: The Honorable Chairman and Members
of the Board of County Commissioners

FROM:  Ken Burke, CPA
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor

SUBJECT: Audit of Convention & Visitors Bureau – Operations/Controls

DATE: January 10, 2013

For your review and filing in the Official Records, I am enclosing a copy of the report dated January 10, 2013 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Maureen Freaney, Assistant County Administrator
D.T. Minich, Executive Director, Convention & Visitors Bureau
Teri Tuxhorn, Administrative Director, Convention & Visitors Bureau
Jim Bennett, County Attorney
Claretha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young



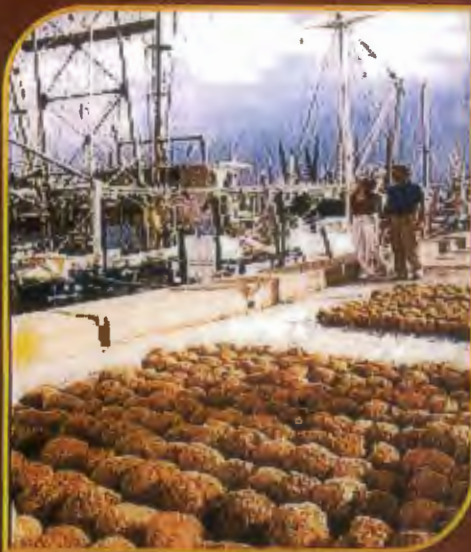


DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA**

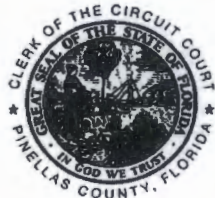
AUDIT OF CONVENTION & VISITORS BUREAU - OPERATIONS/CONTROLS



**Hector Collazo, Jr., Director
Inspector General/Chief Audit Executive**

**Audit Team
Ken Green, CIGA – Senior Inspector General Auditor
Debbie Weiss, CIGA, CIGI – Inspector General Auditor II**

**JANUARY 10, 2013
REPORT NO. 2013-01**



Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

Clerk of the County Court
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January 10, 2013

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted an audit of the Convention & Visitors Bureau (CVB) – Operations and Internal Controls. Our audit objectives were to:

- Determine if bed taxes are spent in conformity with county policies, regulations, and/or laws.
- Determine the adequacy of the controls of the contract process, contract and grant compliance, and contract invoice payment process.
- Determine the adequacy of controls over potential CVB staff conflicts of interest with vendors and/or Tourist Development Council (TDC) members.
- Determine if purchasing card transactions' controls are adequate and in conformity with county policies and procedures.
- Determine the adequacy of controls for CVB invoicing and cash receipts.

We conclude that the Convention & Visitors Bureau is complying with applicable laws and county policies related to tourist tax revenue allocations and expenditures of those revenues. Internal controls are adequate to ensure that contract processes and payments, purchasing card transactions, cash receipts, and grant processes comply with county policies and procedures. Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff of the Convention & Visitors Bureau during the course of this review. We commend management for their positive responses to our audit and recommendations, and the implementation of our recommendations prior to the issuance of this report.

Respectfully Submitted,

Hector Collazo, Jr., Director
Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor
*Regulated by the State of Florida



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INTRODUCTION

Synopsis

Our review of the processes used to monitor the allocation of tourist tax revenues that fund the Convention & Visitors Bureau (CVB) indicates that the CVB is complying with Florida laws and County Codes. Controls for monitoring expenditures of contract payments and purchasing card transactions is adequate to ensure compliance with County policies and procedures. Grant monies and account receivables are adequately monitored; however, controls could be improved on in the CVB invoicing process. The CVB Department does not have a conflict of interest policy specific to the needs of the department to minimize any risks of potential conflicts of interest with various vendors, contractors, and Tourist Development Council (TDC) members.

Scope and Methodology

We conducted an audit of the St. Petersburg/Clearwater Area Convention & Visitors Bureau (CVB) of the Pinellas County Tourist Development Council (TDC). The audit covered tourist tax revenues and expenditures.

The objectives of our audit were to:

- Determine if bed taxes are spent in conformity with county policies, regulations, and/or laws.
- Determine the adequacy of the controls of the contract process, contract and grant compliance, and contract invoice payment process.
- Determine the adequacy of controls over potential CVB staff conflicts of interest with vendors and/or TDC members.
- Determine if purchasing card transactions' controls are adequate and in conformity with county policies and procedures.
- Determine the adequacy of controls for CVB invoicing and cash receipts.

In order to meet the objectives of our audit we:

- Interviewed CVB Management and staff, and the Office of Management and Budget to gain an understanding of the processes used to monitor tourist tax revenue allocations and expenditures of those revenues.
- Tested, on a sample basis, contract compliance and contract payments, and reviewed the controls over the payment process.
- Tested, on a sample basis, grant compliance and the process for recording the receipt of grant funds.

- Interviewed CVB Management regarding the department's conflict of interest policies.
- Tested, on a sample basis, purchasing card transactions, which included travel and entertainment expenditures, to determine compliance with County policies and procedures.
- Reviewed the accounts receivable control processes, which included the procedures used to record new invoices and cash receipts, and monitoring outstanding invoices.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2010 through September 30, 2011. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Our review of the processes used to monitor tourist tax revenue funds and expenditures of those funds indicated that oversight is adequate. Budgeted revenues are carefully monitored to ensure that the funds received from the tourist taxes are allocated in accordance with Florida Statutes and County Codes.

Sample testing of contract payments indicated that controls are adequate for the processes and conform to County policies and procedures. Payments for contracts are properly authorized and monitored to ensure that tourist tax funds are spent appropriately.

Sample testing of grant contracts indicated that controls are adequate for the processes and conform to county policies and procedures. Grants are properly authorized and stipulations are complied with to ensure that the funds are collected on a timely basis and applied accurately.

There is no conflict of interest policy specific to the needs of the department to avoid potential conflicts of interest with various vendors, contractors, and the Tourist Development Council members.

Purchasing card transactions are in compliance with County policies and procedures. Controls are adequate to ensure that transactions are properly authorized and related tourist tax expenditures are spent appropriately.

The segregation of duties for cash related functions is sufficient. Cash receipts are adequately monitored; however, controls over the invoicing process needs improvement to ensure that all invoices are accounted for. As a result of our recommendation, Management has recently implemented new procedures to record and track invoices issued in a uniform manner.

Action Plan

FINDING NO.	FINDING (CAPTION) RECOMMENDATIONS	MANAGEMENT RESPONSES			IMPLEMENTATION STATUS	
		Concur	Partially Concur	Do Not Concur	In Progress	Planned
1	<i>Internal Controls Of CVB Invoicing Need Improvement.</i>					
	We recommend Management improve internal controls over the CVB invoicing process by implementing documented policies and procedures for all departments for their recording and monitoring of invoices. This would include the use of systematic or pre-numbered invoices and accounting for the sequence of all invoices.	✓			✓	
2	<i>The Nature Of The Numerous CVB Activities Lends Itself To An Environment Vulnerable To The Risk Of CVB Staff Conflicts Of Interest With Its Partners.</i>					
	Pinellas County CVB Management and the Tourist Development Council (TDC) should develop and implement a more proactive program to minimize the risks of conflict of interests on the part of the CVB staff. Conflict of interest program elements might include: <ul style="list-style-type: none"> • Requirement that all staff annually attest that they have no conflict of interests. • Annual reviews of the Pinellas County Statement of Ethics. • Annual reviews of the Pinellas County Ethical Procurement Standards. • Invite ethics' speakers to staff meetings. 	✓				✓

Background

The Tourist Development Council (TDC)/Convention & Visitors Bureau are funded by a five percent (5%) tourist tax collected on accommodations rented for less than six months. The TDC's Fiscal Year 2012 budget amounted to approximately \$12.7 million of expenditures for Operating Expenses, of which \$10.8 million was for Promotional Activities. Thirty three (33) permanent positions are budgeted.

The TDC and staff of the St. Petersburg/Clearwater Area Convention & Visitors Bureau (CVB) are responsible for making recommendations to the Board of County Commissioners (BCC) on matters relating to the Tourist Development Tax. This tax is used to strengthen the local economy and increase employment through the ongoing promotion and development of tourism, Pinellas County's major industry.

The St. Petersburg/Clearwater Area Convention & Visitors Bureau is a department of Pinellas County Government and is the official tourism marketing and management organization for the St. Petersburg/ Clearwater Area. The CVB is charged with enhancing the county's economy by increasing direct visitor expenditures and job development, training and retention in the tourism industry.

The organization works domestically and internationally to develop and enhance sustainable tourism for Florida's Beach in both the leisure and meeting markets and targets consumers, travel media, the travel industry, meeting and conference planners, sports promoters and film producers with research driven marketing programs touting beaches, sports, arts and culture and nature-based opportunities. The CVB also leads a community-based team to market the benefits of tourism to local residents while working with varied interests to assist in the development of new attractions and the redevelopment of others.

The CVB departments consist of the following:

- Administration
- Advertising and Internet Marketing
- Education
- Leisure Sales
- Media Services
- Meetings, Conventions and Event Services
- Sports Commission
- Film Commission

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Internal Controls Of CVB Invoicing Need Improvement.

Internal controls of CVB invoicing need improvement. During our review of the CVB invoicing process, we noted there were weak controls of the invoices issued by the various CVB departments.

Some of the invoice numbers were not issued in numerical sequence by some of the CVB departments generating invoices, and there were some gaps in the sequence of numbering. There was no indication on the accounts receivable spreadsheet used by CVB to record their invoices and subsequent receipts if the missing invoice numbers were voided, cancelled, or not used. In some instances, when it was noted that an invoice was cancelled or voided, that same invoice number was being used to generate another new invoice for another customer/client. In addition, some invoice dates were recorded as the same date as receipt of the related payments.

During Fiscal Year 2011, CVB generated 318 invoices, amounting to approximately \$326,000 issued by the CVB departments noted in the table below:

CVB Department Invoices	FY 2011 Totals
Advertising	\$180,750
Meetings and Conventions	\$ 60,466
Travel and Tourism	\$ 27,192
Sports	\$ 25,729
Admin., Education & Other	\$ 31,813
Total CVB FY 2011 Invoices	\$325,950

The CVB has not developed adequate internal controls to ensure all invoices have been properly recorded. This is especially critical because invoicing is generated by many different departments within the CVB.

These invoices serve as notice to the customer that payment is due, and they also represent amounts due the CVB and County. Any uncertainty as to whether or not all the invoices have been properly accounted for increase the risk that all accounts receivable have not been recorded. Accounting for the sequence of invoices in the invoice journal helps assure that all

amounts due were recorded. If invoice sequences are not accounted for, it is possible that unrecorded, voided, cancelled, or duplicated invoices will go undetected.

Internal controls are necessary to assure that all invoices are properly recorded since these amounts represent amounts due the CVB and County.

Management stated that recently a new procedure was implemented, which requires all departments of the CVB to record and track invoices issued in a uniform manner.

We recommend management:

Improve internal controls over the CVB invoicing process by implementing documented policies and procedures for all departments for their recording and monitoring of invoices. This would include the use of systematic or pre-numbered invoices and accounting for the sequence of all invoices.

Management Response:

Thank you for calling attention to the need for improvement to the internal controls of CVB invoicing. As a result of your finding, we have implemented an automated system utilizing the CVB's Customer Relationship Management (CRM) software. The CRM software uses a uniform template and assigns an auto-generated sequential number to all invoices. In addition, the system also provides for any reporting needs.

2. The Nature Of The Numerous CVB Activities Lends Itself To An Environment Vulnerable To The Risk Of Staff Conflicts Of Interest With Its Partners.

The nature of the numerous activities performed by the CVB staff lends itself to an environment that is vulnerable to the risk of staff conflicts of interest with its partners. Our review determined that there was no evidence that any conflicts of interest existed; however, there is the potential risk that CVB staff could have a conflict of interest with:

A. Vendors/Contractors.

Although some County policies and procedures are already in place, some vulnerability risks could still exist with vendors/contractors in the areas of:

- selection of contractors
- pricing of goods or services
- approval of payment for goods and services

B. Members of the TDC that CVB works with while performing their various CVB functions.

Vulnerability risks could exist with members of the TDC in the areas of CVB invoicing:

- generating invoices
- invoice pricing
- recording of invoices issued

Pinellas County CVB Management and the Tourist Development Council (TDC) could have been more proactive to minimize the risks of conflict of interests on the part of the CVB staff. These staff members have a myriad of ongoing working relationships with their various vendors and contractors, as well as with the local members of the TDC.

The TDC Fiscal Year 2012 budget amounted to approximately \$12.7 million of expenditures for Operating Expenses, of which \$10.8 million was for Promotional Activities. These substantial amounts represent the magnitude of risk that could result from potential conflicts of interests on the part of the CVB staff as they perform their various functions in a very non-traditional County department.

A nationally recognized Ethics professional trainer recently wrote that:

"Collusion between employees and vendors is one of the biggest and persistently - fast growing contributors to fraud and abuse in organizations."

CVB staff performing their various functions operates in environments that are very vulnerable to these risks.

We recommend management and the Tourist Development Council (TDC):

Increase their efforts to minimize the risks of conflict of interests on the part of the CVB staff. Conflict of interest program elements might include:

- Requirement that all staff annually attest that they have no conflict of interests.
- Annual reviews by the staff of the Pinellas County Statement of Ethics.
- Annual reviews by the staff of the Pinellas County Ethical Procurement Standards.
- Invite ethics' speakers to staff meetings for short presentations and discussions.

Management Response:

We appreciate the fact that the audit determined the nature of the numerous activities performed by the CVB staff creates an environment that is vulnerable to the risk of staff conflicts of interest with its partners. We resolve to work with the County Attorney's Office to implement a program that includes regular periodic workshops with staff. We believe this will minimize the risk for staff to have conflicts of interest.



DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA**

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