

2. REPORTS TO BE RECEIVED FOR FILING:

- a. Division of Inspector General, Clerk of the Circuit Court and Comptroller, Report No. 2014-18 dated June 25, 2014 – Follow-Up Audit of Convention & Visitors Bureau – Operations/Controls.
- b. City of Dunedin Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2013 (CD).
- c. Eastlake Oaks Community Development District Proposed Operating Budget for Fiscal Year 2015, pursuant to Chapter 190.008(2)(b), Florida Statutes.
- d. Dock Fee Report for the month of May 2014.

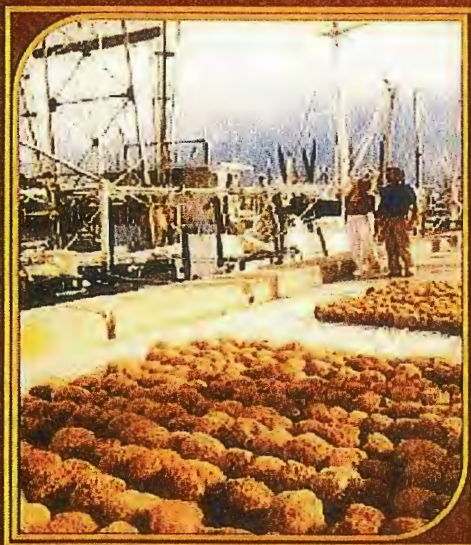


DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

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

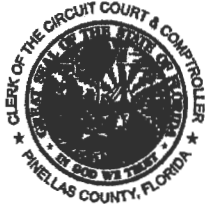
FOLLOW-UP AUDIT OF CONVENTION & VISITORS BUREAU-OPERATIONS/CONTROLS



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June 25, 2014
REPORT NO. 2014-18



Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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June 25, 2014

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted a Follow-Up Audit of Conventions & Visitors Bureau. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the two recommendations contained in the audit report, we determined that one has been implemented and one has been partially implemented. The status of each recommendation is presented in this follow-up review. We continue to encourage management to finish implementing the remaining recommendation.

We appreciate the cooperation shown by the staff of Conventions & Visitors Bureau during the course of this review.

Respectfully Submitted,

Hector Collazo Jr.
Inspector General/Chief Audit Executive
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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TABLE OF CONTENTS

	Page
Introduction	4
Status of Action Plan	5
Status of Recommendations	
1. Internal Controls Of CVB Invoicing Need Improvement.	8
2. 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.	9

INTRODUCTION

Scope and Methodology

We conducted a follow-up audit of the Conventions & Visitors Bureau operations and controls. The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

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

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up 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. Our follow-up testing was performed during the month of October. The original audit period was October 1, 2010 through September 30, 2011. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the two recommendations in the report, we determined that one was implemented, and one was partially implemented. We commend management for implementing our recommendation and continue to encourage management to fully implement the remaining recommendation.

Status

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	Internal Controls Of CVB Invoicing Need Improvement.					
	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:			✓		

Follow – Up Audit of Convention and Visitors Bureau

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	<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 Visit St Petersburg/Clearwater 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

STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the Convention and Visitors Bureau. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

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 Recommended 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.

Status:

Implemented This recommendation was in process at the time the audit report was issued. The CVB's Customer Relationship Management (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. We accepted management's statement of the recommendation status indicating that the new CRM software has been configured properly and provides adequate internal controls.

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 Recommended 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.

Status:

Partially Implemented CVB exempt staff attended a ½-day ethics training class, including a review of the County's Statement of Ethics during a regular Exempt Meeting held on January 9, 2014. Additionally, at the request of the CVB, the County Attorney's Office developed a training class on "Ethics, Conflicts and Tickets" that specifically addresses issues relevant to CVB operations. This training will be mandatory for all CVB staff to attend and may be

Status of Recommendations
Follow – Up Audit of Convention and Visitors Bureau

presented annually as a refresher. The training was previously scheduled for April 21, 2014, but had to be cancelled due to a conflict with the County Attorney's Office. The training is currently in the process of being rescheduled.



DIVISION OF INSPECTOR GENERAL

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