



Angelina "Angel" Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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MEMORANDUM

TO: Elliott Falcione, Executive Director, Bradenton Area Convention and Visitors Bureau

FROM: Angelina "Angel" Colonnese, Clerk of the Circuit Court and Comptroller 

DATE: November 17, 2015

RE: Event Accountability Follow-up Audit #1

The Internal Audit Department has completed a follow-up audit of the Bradenton Area Convention and Visitors Bureau's (BACVB) event accountability practices based on the Clerk of the Circuit Court's Audit Report issued July 3, 2009. This follow-up audit consisted of reviewing and testing the management action plans included in the original report to ensure that corrective actions have been implemented by the BACVB. The scope of the follow-up audit included the six-month period ending June 30, 2014, and the three-month period ending February 28, 2015.

The BACVB is responsible for maintaining, scheduling, and contracting the rental of facilities for events held at the Bradenton Area Convention Center (BACC) and the Powel Crosley Estate (Crosley Estate). The BACVB provides alcoholic beverage service for events and sells minimal nonalcoholic beverages in conjunction with its bar service. Alcoholic and nonalcoholic beverage inventories are maintained at both the BACC and Crosley Estate. Concession and catering food services are contracted with outside third-party vendors.

We are pleased with the corrective actions taken by management since the original audit. The BACVB is now reconciling the event revenues reported in their monthly utilization reports to revenues recorded in the County's accounting system (IFAS). The BACVB is also ensuring that the events reported in the utilization reports agree to information recorded in the BACVB event scheduling system (FASTbook). Although management has addressed several of the areas where improvements were recommended, our testing identified areas which still require management's attention. During the July 2, 2015, exit meeting, your management staff, together with the Internal Audit Department, discussed areas where further attention is needed and agreed on corrective action plans as follows:

EVENT ACCOUNTABILITY

Management has revised and updated the Event Net Revenue Recap form to better analyze event profit or loss. These forms identify all event revenues, as well as utility and labor expenses. However, the forms do not appear to effectively report the profitability of individual events as they do not include all applicable event costs. While the Event Net Revenue Recap form reports the revenue from alcohol and beverage sales, it does not report the cost of the drinks sold.

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Clerk of the Circuit Court – Clerk of Board of County Commissioners – County Comptroller – Auditor and Recorder

In addition, the Event Net Revenue Recap forms do not appear to have been thoroughly reviewed for accuracy upon completion. We tested a sample of 45 events held during the audit period 1/1/14 through 2/28/15 and found the following:

- A formula error was found in 14 of the 33 Event Net Revenue Recap forms in which labor expenses were reported, causing labor expenses to be underreported.
- Event revenue was overstated on the Event Net Revenue Recap forms on 4 of the 20 events in which pricing discounts were reported. The discounts applied were not reflected in the net revenue reported on the Event Net Revenue Recap forms.

Management Action Plan:

- Management is in the process of updating the Event Net Revenue Recap form to include alcoholic and nonalcoholic beverage expenses. Management is also updating all of the utility fees and costs to more accurately reflect expenses. The form will be reviewed and updated at the beginning of each fiscal year.
- Management will review all formulas throughout the Event Net Revenue Recap form to ensure they are accurate. Management will also ensure that all staff members who are responsible for entering the data are aware of how the data is calculated and used. The Operations Manager will review the labor expenses as an additional check for accuracy, and management will perform a final review of the forms to ensure net revenue is reported accurately.

Implementation is anticipated by January 1, 2016.

EVENT DISCOUNTS

Resolution R-10-154 authorizes the BACVB to offer certain event pricing discounts to clients, including discounts for last minute bookings, to resolve customer service issues, and as part of promotional packages such as off-season reduced rate incentives. Additionally, use of the facilities for meetings by the BACVB and the Crosley Foundation are authorized at no charge.

We selected a sample of 45 events held during the audit period 1/1/14 through 2/28/15 and evaluated any discounts provided. The following inconsistencies were noted:

- In addition to allowing free use of the Crosley Estate facility, the BACVB paid an outside caterer to provide meals at two Crosley Foundation annual meetings. Alcohol and a paid bartender were also provided at one of those meetings, at the expense of the BACVB. Resolution R-10-154 does not authorize the BACVB to incur food and alcohol costs on behalf of the Crosley Foundation.
- The BACVB waived the cost of the facility rental charge (\$1,000) for a group who held a social event at the Crosley Estate in December 2014. Documentation in the event file indicates the BACVB had offered to “host” this event as a promotion and waived the rent and equipment charges. A cash bar was provided and the customer paid for catering and bartenders. Resolution R-10-154 does not appear to authorize this waiver of rental fees, as it only authorizes the Director to provide free use of the facility for *meetings* of the BACVB, Manatee Civic Center Authority, and Crosley Estate Foundation and its staff.

- In January 2015, an organization booked a last minute event (banquet) at the Crosley Estate. The BACVB allowed for a 75% discount on the facility rent and a 100% discount on the bartender fees. While Resolution R-10-154 does authorize last minute discounts up to 75% on rent and services, the fee used to calculate the rental discount was not consistent with the Rental and Pricing Schedule (R-10-154, Exhibit C2). The BACVB based the discounted rent on a \$1,000 rental fee; however, according to the Rental Schedule, the Crosley Estate basic rental rate for a Friday rental is \$3,500. In addition, there does not appear to be any authorization for discounting the bartender fees 100%.
- It was also noted that in January 2014, the BACVB hosted a promotional dinner and presentation to international tourists at the Crosley Estate. The guests were provided with a free catered meal and alcohol at a cost of \$687 to the BACVB. While this event was considered a promotional event by the BACVB, and the food and beverage costs appear to have been appropriately recorded and accounted for as a promotional expenditure, proper approval was not obtained from the Board of County Commissioners (BOCC). Resolution R-00-86 requires that promotional activity expenditures in excess of \$500 for a single event be approved by the Authority (BOCC); however, no approval was obtained.

Management Action Plan:

- On August 25, 2015, the Board of County Commissioners approved Resolution R-15-106 which updated the BACVB pricing policies effective October 1, 2015. The Executive Director is now clearly authorized to waive or reduce charges on rent, equipment, and other services on events hosted by or for the BACVB for the purpose of planning, promoting, and conducting daily business. These discounts may be authorized by memo, email, or use of an internal form. In addition, the Director may also authorize expenditures for meals and/or alcohol provided at events hosted by or for the Crosley Estate Foundation. However, entertainment expenditures related to promotional activities still require BOCC approval if they are in excess of \$500 for a single event. Management will pursue amending Resolution R-15-106, Exhibit B to accommodate entertainment expenditures above \$500.

Implementation is anticipated by February 1, 2016.

EVENT INVOICING

At the conclusion of each event, the Event Manager prepares an invoice summarizing all of the related event charges. Before the invoice is provided to the client, the invoice formulas, prices, and discounts are reviewed by the Business Office; however, the Business Office is not required to verify the completeness of the invoice by ensuring that all billable products and services have been included. We tested a sample of 45 events held during the audit period 1/1/14 through 2/28/15 and found three instances where a product or service was not billed to a client.

Management Action Plan:

- Management will implement an additional step in the invoice review process where the Operations Manager will review invoices with Event Managers to ensure accuracy and completeness prior to their submission to the Business Office. Management also anticipates more fully utilizing the FASTbook software which will ensure better tracking of invoicing for equipment and services.

Implementation is anticipated by March 31, 2016.

INVENTORY CONTROLS

Since the prior audit report, the BACVB no longer maintains any food inventory as it now exclusively uses outside third-party vendors for concession and catering services. Those vendors pay a percentage of the revenue earned from each event to the BACVB. The BACVB has continued alcoholic and nonalcoholic beverage sales as part of its bar service and maintains inventories at both the BACC and Crosley Estate. Currently, alcohol inventory is tracked through a perpetual inventory system, where inventory purchases and usage are documented through Excel spreadsheets. We selected a sample of 45 events held during the audit period 1/1/14 through 2/28/15 and found that 23 of those events involved alcohol sales. We also reviewed monthly inventory records and quarterly inventory reports for the periods 1/1/14 through 6/30/14 and 12/1/14 through 2/28/15. Our testing identified the following:

1. Each month, the BACVB performs a physical count of alcoholic beverage inventories and compares that to the predicted inventory quantities identified in the perpetual inventory system. According to management, any variances are reviewed; however, no documentation is maintained to support that discrepancies were researched and resolved.
2. Not all alcohol items offered by the BACVB have been included on the inventory tracking spreadsheets. The unlisted items appeared to be primarily newer offerings that have not yet been added to the inventory spreadsheets.
3. Nonalcoholic inventories, including drink mixers and garnishes, are not recorded in inventory or tracked.
4. The BACVB is unable to reconcile the amount of alcohol sold during an event to the amount of alcohol used/consumed. For event reporting purposes, alcohol usage is calculated by finding the difference between the quantity of alcohol removed from storage before and during an event, and the quantity which was returned at the end of the event. This calculation would not account for any alcohol which could have been stolen or miscounted, and does not enable management to identify losses due to waste, errors, or theft.
5. An adequate segregation of duties does not exist over the alcohol inventory. A key internal control concept is that no one individual should have access to more than one of the following responsibilities: authority, custody, and accounting. We noted that one BACVB employee is involved in all three of these responsibilities as it relates to the alcohol inventory process, increasing the risk of theft or loss of inventory.
6. Errors were identified on the inventory tracking spreadsheets and quarterly inventory reports. We noted negative predicted inventory values as well as purchases and sales that were entered incorrectly. We found instances where the physical inventory quantities for several items, as reported in the variance analysis for the BACC, did not agree to what was recorded on the inventory count sheets. In addition, we identified inventory items in the BACC quarterly inventory reports which were listed at the incorrect price.
7. The BACVB can special order alcohol for client events, when requested. These special orders are prepaid by the clients and are nonrefundable. Clients are not permitted to keep any unused alcohol, as the BACVB's liquor license does not allow for alcohol to be removed from the property. According to interviews with BACVB staff, the current practice is to dispose of any unused special order alcohol; however, this practice is not included in the BACVB's policies and procedures, nor is any information being maintained to document the disposal process including how, when, and by whom the alcohol was disposed.

8. According to management, while the BACVB has requested that vendors not provide any free items, occasionally a vendor will still deliver a product at no cost. There do not appear to be any policies or procedures in place to provide guidance on how these free items should be accounted for, including tracking the items in the alcohol inventory. We noted the receipt of one free alcohol sample received from a vendor during the audit period; that item was not recorded in inventory or tracked.

Management Action Plan:

- Management is in the process of updating all alcohol policies and procedures to include guidelines for researching and documenting inventory variances.
- A new policy will be written to address the handling of special order alcohol and free items that would include a separate inventory of these items and allow management discretion to use these items for BACVB hosted events.
- Management will begin tracking nonalcoholic inventory items through its perpetual inventory system.
- Management will review and update all prices included on the BACC quarterly inventory report. These prices will be reviewed each time the quarterly report is created to ensure it accurately reflects all costs including any that may have changed over the reviewed time period.
- Management is in the process of developing a system to better track beverage consumption during events. A new register system is being considered to aid in this process.
- Management is reassigning the duties regarding the alcohol ordering, inventory, and reporting to include other managers and limit each individual's responsibility in the inventory process to ensure a proper segregation of duties.

Implementation is anticipated by January 1, 2016.

We would like to thank you and your staff for the attention given to the audit findings and the cooperation given to the Internal Audit staff. Another follow-up audit will be scheduled after implementation of the management action plans.

AMC/LJS/JEB

cc: Board of County Commissioners
Ed Hunzeker, County Administrator
Dan Schlandt, Deputy County Administrator
Karen Windon, Deputy County Administrator
Mitchell Palmer, County Attorney
Dan Wolfson, Finance Director, Clerk of the Circuit Court