



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

1115 Manatee Avenue West, Bradenton, Florida 34205 - Phone (941) 749-1800 – Fax (941) 741-4082  
P.O. Box 25400, Bradenton, Florida 34206 - www.manateeclerk.com

## MEMORANDUM

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

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

DATE: July 17, 2018

RE: Event Accountability Follow-up Audit #2

The Internal Audit Department has completed a second 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 Follow-up Audit Memorandum issued November 17, 2015, and the original Audit Report issued July 3, 2009. This follow-up audit consisted of reviewing and testing the management action plans included in the previous follow-up memorandum to ensure that corrective actions have been implemented by the BACVB. The scope of the follow-up audit included the six-month period ending August 31, 2017.

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 catered food services are contracted with outside third-party vendors.

We are pleased with the corrective actions taken by management since the prior follow-up audit. The BACVB has now included nonalcoholic beverages in its inventory tracking spreadsheets and has implemented an adequate segregation of duties over its alcohol inventory process. Additionally, the BACVB obtained authority through Resolution R-15-106 to waive costs for events hosted by the BACVB, and to incur event food and alcohol costs on behalf of the Crosley Estate Foundation. However, our testing has identified several areas that still require management’s attention. During the April 3, 2018, exit meeting and subsequent discussions through June 2018, your management staff, together with the Internal Audit Department, discussed the areas where further attention is needed and agreed on the following corrective action plans:

### EVENT ACCOUNTABILITY

Management utilizes the Event Net Revenue Recap form to analyze the profitability of individual events. The form includes all event revenues, as well as utility and labor costs. It has been updated to also include alcohol expenses; however, the form still does not include the cost of any nonalcoholic drinks sold.

“Pride in Service with a Vision to the Future”

Through our follow-up testing, we also found that the Event Net Revenue Recap forms were not always accurate. We tested a sample of 30 events held during the six-month audit period and found the following:

- The Crosley Estate Event Net Revenue Recap form included a formula error which caused labor expenses to be underreported.
- Event revenues were reported incorrectly for 13 out of 30 events tested. Instances were noted where revenues were excluded, reported in the incorrect amount, or listed without related discounts.
- Alcohol costs were reported as 20% of alcohol revenues; however, the BACVB did not have any documentation to support the 20% cost estimate.
- The cost of alcohol which was special ordered for certain events was underreported. The same cost estimate of “20% of alcohol revenue” was used, rather than the actual cost of the alcohol ordered, as the form requires.

#### **Management Action Plan**

- Management will correct the errors in the Crosley Estate Event Net Revenue Recap form and lock the formulas to eliminate inadvertent changes being made to the form. The form will be reviewed annually to ensure its accuracy.
- The Post Event File Checklist, reviewed by management and the Senior Fiscal Analyst to ensure that events are properly reported, documented, and invoiced, will be updated to include a step to check the accuracy of the Event Net Revenue Recap form. This will also include verifying that special order alcohol is reported at its actual cost.
- The Senior Fiscal Services Manager will review and provide supporting documentation for the alcohol and non-alcohol cost estimates used on the Event Net Revenue Recap form.

The expected date of implementation is August 1, 2018.

#### **EVENT DISCOUNTS**

Resolution R-15-106 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, the Crosley Estate Foundation, and BACVB hosted events are authorized at no charge.

We selected a sample of 30 events held during the six-month audit period and found that 18 had pricing discounts. The discounts were reviewed to ensure compliance with the provisions of Resolution R-15-106. We noted the following:

- Although some discounts appeared to be allowable, per resolution R-15-106, justification for the discounts was not properly documented. (10 of 18 events)
- Evidence of management approval of a discount was not available. (2 of 18 events)
- The discount amounts were incorrectly reported on the BACVB's internal monthly Event Revenue and Utilization Reports. (4 of 18 events)
- The final discount given was calculated incorrectly and was greater than the amount authorized. (1 of 18 events)

### **Management Action Plan**

The BACVB Executive Director will create an internal memo designating who is authorized to approve contract discounts. The Post Event File Checklist will include the amount and justification for all discounts given.

The expected date of implementation is September 1, 2018.

### **EVENT INVOICING**

At the conclusion of each event, the Event Supervisor 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. We reviewed invoices for a sample of 30 events held during the six-month audit period. While all of the invoices appeared to be complete, we did note the following exceptions relating to the accuracy of the charges and pricing:

- Two clients appeared to be overcharged for alcohol service. One was charged an additional \$136 for too many drinks (0.8% of the client's invoice), and the other was billed an additional \$78 for beverages that had also been paid for by guests at a cash bar (1.8% of the client's invoice).
- The BACVB has not properly notified all customers that its alcoholic drink prices include tax, as per Florida Administrative Code (FAC) § 12A-15.012. All drink prices at the BACVB, whether a cash or hosted bar, include sales tax. When the events have concluded, the tax is subtracted from total sales and remitted to the Department of Revenue (DOR). According to the FAC, when sales taxes are included in the drink prices, the public must be notified, otherwise the prices will be considered pre-tax, and sales tax would need to be added to the prices. While the price menus available for cash bars do indicate that sales tax is included in the prices, the hosted bar price menus do not make any reference to sales tax. According to BACVB management, sales tax is discussed verbally with hosted bar clients during contract negotiations; however, it has not been documented in writing.

- Two nonprofit, tax-exempt clients were charged the standard hosted bar drink prices at their events. As noted above, these prices are inclusive of sales tax; however, for these events, the sales tax was not subtracted and remitted to the DOR. While these clients were not required to pay taxes, according to DOR rules, if sales tax is collected from a tax-exempt entity, it must be remitted to the DOR or returned to the client. The total amount of sales tax collected from these clients was \$922.35.
- The BACVB has been remitting sales taxes on bottled water sales. As per Florida Statutes § 212.08, water is a tax-exempt purchase for all consumers.

### **Management Action Plan**

- Management will refund the overbilled alcohol to the respective clients.
- The Post Event File Checklist review will be used to better manage the event file by agreeing all costs to the respective client invoices.
- Management will update the hosted bar price menus with the notice that sales taxes are included in the total drink charge and notify clients accordingly.
- Management will consult with the Department of Revenue and/or the County Attorney's Office to determine the appropriate action to be taken regarding the sales tax that was charged to tax-exempt clients.
- Invoices will no longer include sales tax on bottled water.

The expected date of implementation is November 1, 2018.

### **INVENTORY CONTROLS**

Alcohol inventory is currently tracked through a perpetual inventory system, whereby inventory purchases and usage are recorded through Excel spreadsheets. We selected a sample of 30 events held during the audit period and tested alcohol sales, which occurred in 19 of these events. We also reviewed monthly inventory reports for a sample of three months from the audit period and tested the recording of inventory purchases. Our testing identified the following:

#### **Inventory Accuracy**

During our review of the monthly inventory reports and inventory records supporting purchases, sales, and costs, we noted the following:

- The predicted inventory values in the BACC and Crosley Estate inventory tracking spreadsheets, used to compare to the physical counts, were incorrect due to formula errors.

- The physical inventory counts of several inventory products listed on both the BACC and the Crosley Estate count sheets were not accurately recorded on the inventory tracking spreadsheets.
- Quantities listed in the inventory tracking spreadsheets were not always updated to reflect inventory purchases of alcoholic, non-alcoholic, and special order products. In addition, we noted several alcohol products at the Crosley Estate that were handwritten on the inventory count sheets, as they had never been recorded on the inventory tracking spreadsheets.
- The BACVB has not been recording unused special order alcohol (prepaid by clients and nonrefundable), or free products provided by vendors, in the inventory tracking spreadsheets. According to management, these products are stored separately by the BACVB and utilized for in-house, hosted events. However, the BACVB has not been tracking the receipt or use of these items in the inventory records.
- Not all inventory sales were recorded accurately in the inventory tracking spreadsheets. We found instances where deductions from inventory for sales were recorded for the incorrect amount, recorded under the incorrect product, or not recorded at all. We also found instances where disposed products were not recorded and removed from the inventory records.
- The BACVB's procedures state that inventory costs listed on the inventory tracking spreadsheets will be updated quarterly. However, they were not updated during the six-month audit period; they were only updated at year-end. Additionally, the procedures do not specify the method BACVB staff should use to value the inventory. (Ex. average cost, last cost)

#### **Management Action Plan**

- A new full-time staff member has been assigned and trained on the alcohol inventory procedures and will oversee the process.
- Management has reviewed the alcohol inventory procedure and will update the inventory spreadsheets with the inventory stock, as needed.
- Management will track the free and special order alcohol in the same manner as the purchased items but will store these items in a location separate from the purchased inventory. The Executive Director will approve which events can utilize the free and special order alcohol inventory on the in-house use form.
- Inventory staff will update the inventory costs quarterly per the inventory procedure to identify the most recent cost for the inventory tracking spreadsheet.

The expected date of implementation is October 1, 2018.

### Inventory Variance Analysis

The BACVB's alcohol inventory procedures state that monthly, quarterly, and yearly alcohol inventory reports will be completed by supervisors as assigned by management. A word document is to be added to each monthly inventory and given to the Operations Manager for review, with the reasons for any noted variances. We found that these monthly variance documents were not being completed.

### Management Action Plan

- A new full-time staff member has been assigned and trained on the alcohol inventory process and will be responsible for following all alcohol inventory procedures including the documentation of all variances. An additional part-time staff member has been assigned to provide assistance in this process.
- The Operations Manager will sign the inventory discrepancies each month.

The expected date of implementation is October 1, 2018

### Inventory Sales Reconciliation

Since the prior follow-up audit, the BACVB has implemented new cash registers to assist with calculating the number of beverages sold during events. This new procedure allows the BACVB to reconcile the amount of alcohol used during an event to the amount of alcohol sold. Per interviews, these reconciliations are being performed by the Event Supervisors; however, there was no documentation to support that the reconciliations had been done.

### Management Action Plan

Documentation will be maintained to support that reconciliations of alcohol usage are being completed. Event Supervisors will research discrepancies in the amount of alcohol inventory used for events to the amount of alcohol sold. Any significant variances will be documented on the monthly inventory variance document and submitted for the Operations Manager for signature.

The expected date of implementation is October 1, 2018.

### Employee Vending Machine

During an unannounced cash count performed on June 20, 2016, Internal Audit noted that the BACVB held cash from a vending machine located in the employee break room. The vending machine was accessible to employees only.

BACVB staff was interviewed and it was learned that the machine was stocked with expired soft drinks which had been removed from the BACVB's event inventory. The 20 ounce bottles were being sold to employees at a price of \$1 each, inclusive of sales tax. We verified that the vending machine revenue was deposited into the proper revenue account, and sales tax was remitted to the state. However, the selling price of \$1 per 20 ounce bottle is less than the cost that the BACVB paid for the drinks (average \$1.10 each), and is significantly less than what the public pays through the BACVB's bar service (\$2 per 8-12 ounce glass).

We also found that when the expired drinks were removed from BACVB's inventory and placed in the vending machine, they were not deducted from the inventory tracking spreadsheets. This caused variances in the monthly inventory analysis.

It was also noted that the BACVB had been calculating sales tax on the employee vending machine sales at the effective concession rate rather than the effective vending machine rate. This resulted in a higher sales tax payment than what was required.

#### **Management Action Plan**

Management will remove the employee soda vending machine.

The expected date of implementation is July 1, 2018.

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  
Cheri Coryea, Deputy County Administrator  
Dan Schlandt, Deputy County Administrator  
Mitchell Palmer, County Attorney  
Dan Wolfson, Chief Financial Officer, Clerk of the Circuit Court