



Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

Internal Audit Department

Audit Report

Public Works Department

Anna Maria Island Chamber Trolley Agreement Audit

As of March 31, 2016

July 20, 2016

Audit No. 21610300

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

PUBLIC WORKS DEPARTMENT
ANNA MARIA ISLAND CHAMBER TROLLEY AGREEMENT AUDIT
AS OF MARCH 31, 2106

A U D I T R E P O R T

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A U D I T R E P O R T

The Internal Audit Department conducted an audit of the Agreement for Advertising for Beach Trolley Service between Manatee County and the Anna Maria Island Chamber of Commerce for the period October 1, 2014, through March 31, 2016. The audit was performed in accordance with generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, and the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

BACKGROUND

The Manatee County Public Works Department Transit Division operates a trolley service on Anna Maria Island which provides free transportation for residents and visitors of the island communities. To help support the operation of the trolley service and to promote tourism, Manatee County entered into an agreement with the Anna Maria Island Chamber of Commerce (AMI Chamber) in May 2011, which authorized the AMI Chamber to administer an advertising program for the sale or lease of advertising space on the trolleys. The original Agreement for Advertising for Beach Trolley Service (the agreement) was renewed in 2013, and the current agreement, executed on August 11, 2015, is effective until September 30, 2017.

Under the current agreement, the AMI Chamber is responsible for paying Manatee County \$60,000 each fiscal year from the advertising sales revenue collected. After the County's portion is paid, the AMI Chamber may retain a portion (14.7%) of sales revenues to cover its costs of administering the program, and may maintain up to \$40,000 as working capital. Any additional surplus sales revenues are to be maintained in a separate account to be used by the AMI Chamber to make charitable contributions to non-profit organizations for the betterment of the community on Anna Maria Island. The AMI Chamber is responsible for maintaining supporting documentation related to the operation of the program. Oversight for the agreement is provided by the County's Public Works Department Transit Division.

PURPOSE/OBJECTIVES

The audit objectives included the following:

- Determining whether the AMI Chamber is in compliance with selected terms of the agreement relating to compensation, surplus revenues, and reporting, including, but not limited to, Section 2: Sales Revenues, and Section 3: Administration.
- Verifying that proper documentation exists to support the advertising sales revenues received, as well as the use and distribution of those revenues.

SCOPE

The scope of the audit included verifying compliance with the compensation, surplus revenue, and related reporting requirements included in the agreements with the AMI Chamber for the period October 1, 2014, through March 31, 2016.

METHODOLOGY

Tests of compliance were accomplished through discussions with management and staff, as well as substantive testing. Risk analysis was used to establish the priorities of the audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS

No indications of irregularities, abuse, or illegal acts were discovered during the audit of the AMI Chamber Trolley Agreements for the period ending March 31, 2016.

TEST OF COMPLIANCE

Internal Audit tested compliance with certain requirements of the Agreement for Advertising for Beach Trolley Service. Tests performed were limited to the specific areas included in the Purpose/Objectives section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. The results of these tests are included in this audit report.

STATEMENT ON INTERNAL CONTROL STRUCTURE

In planning and performing the audit of the AMI Chamber Trolley Agreement for the period ending March 31, 2016, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we did not note any matters involving significant internal control weaknesses.

AUDIT RESULTS

Overall, it appears the AMI Chamber is staffed with personnel who understand sound financial practices and take pride in their work. The AMI Chamber has been submitting quarterly financial reports to the County which provide information on the revenues, expenses, and charitable contributions for the trolley advertising program, as required by the agreement. According to these reports, the AMI Chamber collected \$119,250 in trolley advertising sales for the period October 1, 2014, through September 30, 2015; and \$63,150 for the period October 1, 2015, through March 31, 2016. A review of these reports found that the information being provided is accurate and agrees with supporting documentation. However, we noted the following areas where compliance with the agreement could be improved.

Timeliness of Quarterly Payments

The AMI Chamber is required to pay \$60,000 to the County each fiscal year in \$15,000 quarterly installments. According to the agreement, these payments are due "no later than the last day of each calendar quarter...for the subsequent calendar quarter." While the AMI Chamber has made all of the required payments for the period October 1, 2014, through March 31, 2016, not all of these payments were made by the due date. While not required in the agreement, the Public Works Department has been invoicing the AMI Chamber for the quarterly payments, and the AMI Chamber has been making payments after receiving those invoices. Our testing found the AMI Chamber was not always invoiced before the due date.

Recommendation: We concur with the Public Works Department's intent to invoice the AMI Chamber at least 15 days prior to each due date to ensure timely payment. The AMI Chamber management should continue its efforts to remit the quarterly payments to the County by the due dates.

Charitable Contribution Recipients

As stipulated in the agreement, surplus sales revenues are to be maintained by the AMI Chamber in a separate account and used "to make charitable contributions to non-profit organizations for the betterment of the community on Anna Maria Island." According to AMI Chamber management, the charitable contributions are determined through a grant application process. Completed applications are reviewed by a committee of AMI Chamber staff and board personnel. For the 2015 fiscal year, the AMI Chamber contributed \$30,030 in surplus trolley advertising revenues to 19 non-profit organizations. Each of these followed the AMI Chamber's standard application, review, and approval process; however, two of the contributions did not appear to meet the criteria that they be given to organizations for the betterment of the community *on* Anna Maria Island. In both instances, the organizations, and the projects, were located in the neighboring community of Cortez, and not on Anna Maria Island. In total, these two organizations were given \$3,907.50, or 13.01% of the total funds distributed for the fiscal year. According to AMI Chamber management, approval was obtained from County Administration to allow these two organizations to participate; however, the approval was verbal, and not formally documented.

Recommendation: We recommend the AMI Chamber management, in conjunction with County Administration and Public Works management, determine whether communities outside of Anna Maria Island should be allowed to participate as recipients of the charitable contributions. If so, consideration should be given to formally amending the language in the agreement and obtaining approval from the Manatee County Board of County Commissioners.

While not directly related to the requirements in the agreement with Manatee County, our audit identified two other areas where the AMI Chamber could improve its procedures for administering the trolley advertising program.

Contract Cancellations

Businesses that choose to advertise on the AMI trolleys enter contracts with the AMI Chamber. These contracts are typically for two years and run from October 1st to September 30th. During the period tested, we identified three advertising contracts that appeared to have been canceled early, as payments were no longer being made to the AMI Chamber; however, we did not see any provision in the contracts which allow for early termination. In addition, there was no formal documentation to support that the contracts had been cancelled. According to AMI Chamber management, the cancellations were done verbally. There also did not appear to be any formal procedures in place to ensure that advertising for cancelled contracts is removed from the trolley(s).

Recommendation: We recommend the AMI Chamber management ensure that the advertising contracts include language regarding contract cancellations. We recommend policies and procedures be developed and implemented which address cancelled contracts, including requirements for written documentation and approval of any cancellations, and procedures for the removal of advertising from the trolleys.

Contract Payments

During a review of the advertising contract payments to the AMI Chamber it was noted that payments from two advertisers for the July-September 2015 quarter, totaling \$600, were not collected. According to the AMI Chamber management, advertising businesses are invoiced on a quarterly basis for the advertising fees; however, due to a documentation error made by the previous administration, these businesses were never invoiced. Manual ledgers used in prior years had incorrectly indicated that both businesses had paid the last (final) quarterly payments of their two-year agreements as part of their initial contract deposits, which required first and last quarter payments. Upon further review, it was discovered that these payments had not been made as part of the initial deposits. The AMI Chamber has indicated it does not intend to collect on these payments. While these uncollected payments did not affect the amount that was owed and paid to Manatee County, as the entire contracted amount of \$60,000 was remitted, the AMI Chamber's surplus revenues for 2015 were \$600 less than they should have been.

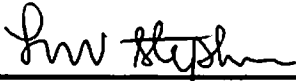
The AMI Chamber now uses QuickBooks electronic accounting software to invoice and track all advertising revenue and transactions. Additionally, management is reconciling reports from QuickBooks to the bank statements on a regular basis, which should help prevent further bookkeeping errors.

Recommendation: We support the AMI Chamber's use of QuickBooks electronic accounting software and the periodic reconciliation of advertising revenues. We recommend the AMI Chamber management consider collecting the two outstanding quarterly advertising payments.

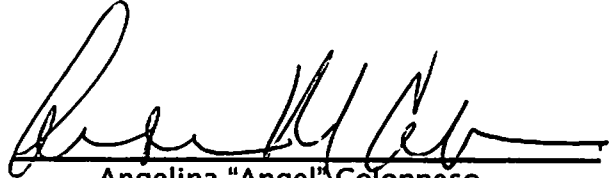
We would like to thank AMI Chamber and Public Works Department management and staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and seeking solutions to these matters.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:



Lori Stephens, CPA, CFE
Director of Internal Audit



Angelina "Angel" Colonnese
Clerk of the Circuit Court & Comptroller