



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: Lori Stephens, Inspector General *Lori Stephens*

DATE: August 31, 2020

RE: Event Accountability Follow-up Audit #3

The Division of Inspector General has completed a third 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 Memoranda issued July 17, 2018, and 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 audit memorandum to ensure that corrective actions have been implemented. The scope of the follow-up audit included the period October 1, 2019, through December 31, 2019.

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). Catered food services for events are contracted with outside third-party vendors. Since the prior follow-up audit, the BACVB has also outsourced a majority of its beverage service to third-party caterers. Additionally, all beverage inventory previously held at the Crosley Estate has been transferred to the BACC. During the audit period, the BACVB sold \$10,743 of alcoholic beverages and \$437 of non-alcoholic beverages at events. The BACVB analyzes the profitability of events by recording event revenues and expenses on Event Net Revenue Recap forms.

We are pleased with the corrective actions taken by management since the prior follow-up audit. The BACVB improved the accuracy of the Event Net Revenue Recap forms by including the cost of all beverages sold, reporting the actual cost of special order alcohol, and correcting a labor expense formula error. The BACVB also properly calculated, approved, and documented event discounts. The BACVB resolved prior sales tax and billing concerns by refunding overpayments to affected clients, adding a sales tax notice to drink menus, and charging tax-exempt clients the pre-tax beverage price. Additionally, the BACVB reconciled the amount of alcohol sold to the amount of alcohol used at events and removed an employee vending machine that was stocked with soft drinks from its event inventory. However, our testing has identified several areas that still require management’s attention. During the July 9, 2020, exit meeting, your management staff, together with the Division of Inspector General, discussed the areas where further attention is needed and agreed on the following corrective action plans:

“Pride in Service with a Vision to the Future”

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

EVENT ACCOUNTABILITY

Management utilizes the Event Net Revenue Recap form to analyze the profitability of individual events. The form details all event revenues, expenses, and the event net profit or loss. We tested the accuracy of the Event Net Revenue Recap forms for a sample of 13 events held during the three-month audit period. We found that the BACVB did not report labor expenses for 9 out of the 13 events.

The Event Net Revenue Recap forms calculate event alcohol costs as 20% of beverage sales. During the prior follow-up audit, we reported that the BACVB did not have documentation to support this cost estimate. During the current audit, the BACVB provided supporting calculations which showed that average alcohol costs are 27-28% of alcohol sales; however, the lower 20% cost estimate was used for the events tested.

Management Action Plan

According to management, the BACVB is now including event labor expenses in the Event Net Revenue Recap forms. The Senior Fiscal Services Manager will recalculate the alcohol cost estimate at the end of fiscal year 2020 and update the estimate to the correct percentage for events in fiscal year 2021.

The expected implementation date is October 1, 2020.

INVENTORY CONTROLS

Alcohol inventory is currently tracked through a perpetual inventory system, whereby inventory purchases and usage are recorded through Excel spreadsheets. Staff perform monthly inventory counts under dual control. The physical counts are compared to the quantities tracked in the Excel spreadsheets on a monthly basis. Inventory tracking spreadsheets are only maintained for the BACC because all inventory previously held at the Crosley Estate was transferred to the BACC. We reviewed the monthly BACC inventory tracking spreadsheets and tested all inventory purchases and sales from the audit period. Our testing identified the following:

- The predicted inventory values in the inventory tracking spreadsheets, used to compare to the physical counts, were incorrect due to formula errors. The formulas were corrected after our audit testing.
- The physical inventory quantities, obtained from the monthly inventory counts, were not accurately recorded in the inventory tracking spreadsheets.
- Quantities listed in the inventory tracking spreadsheets were not updated to reflect purchases made on purchasing cards. In addition, we noted several products whose sales were not deducted from inventory or that were handwritten on the inventory count sheets because they had never been recorded in the inventory tracking spreadsheets.

- 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. We also found instances where disposed products were not recorded and removed from the inventory records.
- The BACVB's procedure is to update per-unit inventory costs at the end of each month for products that were purchased during the month. However, our testing found that inventory costs were not updated consistently.
- Leftover special order alcohol is prepaid by clients and is nonrefundable. The BACVB stores these products in its alcohol inventory and uses them for in-house, hosted events. Since the prior follow-up audit, the BACVB began tracking leftover special order inventory in its inventory tracking spreadsheets. However, the system does not clearly show the balance of each type of special order inventory product or when it was used. Additionally, the BACVB does not compare the monthly physical inventory count to the tracked special order inventory. The tracking spreadsheets were not complete because only leftover inventory was tracked in the spreadsheets; the spreadsheets excluded the initial inventory purchases and sales. Additionally, we noted leftover special order products that were in the BACVB's physical inventory during the audit period but were not included in the spreadsheets.

Management Action Plan

The following management action plans will be effective immediately:

- *The Operations Manager will review and sign off on the accuracy of the inventory tracking spreadsheets each month.*
- *Staff will record purchases made on purchasing cards in the inventory tracking spreadsheets.*
- *The BACVB will no longer special order alcohol for clients.*
- *Management has documented and will follow a procedure for pricing inventory in the inventory tracking spreadsheets.*

We appreciate the attention you and your staff have given to resolving the prior audit findings and the assistance given to the Division of Inspector General staff. Another follow-up audit will be scheduled after implementation of the management action plans.

LJS/BJW/JEB

cc: Angelina "Angel" Colonnese, Clerk of the Circuit Court and Comptroller
Board of County Commissioners
Cheri Coryea, County Administrator
John Osborne, Deputy County Administrator
Karen Stewart, Deputy County Administrator
Mitchell Palmer, County Attorney
Kathy Cremaschi, Finance Director, Clerk of the Circuit Court