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CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

Division of Inspector General

Audit Report

Port Manatee Travel and Promotional Expenditure Audit

As of February 3, 2020

May 7, 2021

Audit No. 21910600

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
DIVISION OF INSPECTOR GENERAL

PORT MANATEE
TRAVEL AND PROMOTIONAL EXPENDITURE AUDIT

A U D I T R E P O R T

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MANATEE COUNTY CLERK OF THE CIRCUIT COURT
DIVISION OF INSPECTOR GENERAL

PORT MANATEE TRAVEL AND PROMOTIONAL EXPENDITURE AUDIT

A U D I T R E P O R T

The Division of Inspector General conducted an audit of Port Manatee's travel and promotional expenditures for the period February 8, 2018, through February 3, 2020. 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

Port Manatee (Port) operates a deep water seaport on Tampa Bay in Manatee County. The Manatee County Port Authority, a dependent special district, is a legally separate entity but shares the same governing board as Manatee County, and a specific benefit or burden relationship exists between them. The Port does not receive ad-valorem tax support; however, it does receive the County's portion of the State's pari-mutuel funds (racetrack funds) of \$446,500 annually.

Port employees travel to attend training, conferences, meetings, and to develop and maintain Port business. The Port also expends funds for promotional activities to encourage and develop the flow of commerce through the Port to stimulate local and regional economic growth. The expenditures incurred are processed by the Finance Department of the Clerk of the Circuit Court's Office. Common expenditures include airfare, lodging, mileage, meals, sponsorships, and promotional items. The expenditures incurred are typically reimbursed to the employee and/or paid directly with a purchasing card (P-Card). Port Manatee's procedures, Chapter 10 (Travel) and Chapter 6 (Proprietary Activities), provide guidance and rules for approval, reporting, and reimbursement.

PURPOSE/OBJECTIVES

The objective of the audit was to determine whether the Port's travel and promotional expenditures were appropriate, properly supported with adequate documentation, properly approved, and in compliance with applicable laws, regulations, and related policies and procedures.

SCOPE

The scope of the audit included travel and promotional expenditures paid during the twenty month period May 1, 2018, through December 31, 2019. Other travel expenditures related to the same trips selected in the sample were also included in testing. This expanded the testing scope to include the period February 8, 2018, through February 3, 2020.

METHODOLOGY

To meet the objectives of the audit, we obtained an understanding of the travel and promotional expenditure process by reviewing the related policies and procedures and interviewing Port staff and the Clerk's Office Accounts Payable (A/P) personnel. Various sampling techniques were used to perform the substantive testing on the expenditures. Supporting documentation was obtained and reviewed for the items tested. If other related expenditures were identified for the same trip they were incorporated in the testing, including registration fees. Interviews with Port employees were conducted, as necessary.

STATEMENT ON INTERNAL CONTROL STRUCTURE

In planning and performing the Port Travel and Promotional Expenditure Audit for the period ending February 3, 2020, 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 organization'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.

MANAGEMENT TEAM AND ACTION PLAN

A Management Action Plan has been provided for each Area of Improvement identified. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Port's management team and the Division of Inspector General. The management team included Carlos Buqueras, Executive Director, Dave Sanford, Deputy Executive Director, and Denise Stufflebeam, Director of Business Administration and Finance.

MANAGEMENT SUMMARY

The following tables show the trends in Port travel costs over the last five fiscal years:

Table 1 below indicates an increase in overall Port travel costs by approximately \$14,160 (25.2%) in FY 17 and an additional \$27,867 (39.6%) in FY18. During FY 20, travel costs were limited due to COVID-19.

Port Travel by Department (Table 1)					
Port Department	FY 16	FY 17	FY 18	FY 19	FY 20
Administration	\$ 25,744	\$ 39,379	\$ 68,382	\$ 68,231	\$ 31,633
Communications	-	263	318	1,574	2,505
Engineering	2,204	2,605	3,336	1,698	228
Sales & Marketing	24,393	23,577	18,987	18,395	7,462
Operations	3,712	4,126	7,056	8,110	1,645
Maintenance	-	263	-	6	1,333
	<u>\$ 56,053</u>	<u>\$ 70,213</u>	<u>\$ 98,080</u>	<u>\$ 98,014</u>	<u>\$ 44,808</u>

Table 2 below indicates the average cost of each trip has increased by approximately \$3,300 (87.5%) from FY 16 to FY 19. This appears to be directly related to a policy change in FY 18 that allows for "business class travel" instead of the most economical fares on foreign flights having a duration of seven hours or more. The Port Director's international travel is to mainly secure new business for the Port; we noted over 90% of the meetings on these trips were with potential new customers. While Port revenue has increased over the past five fiscal years, according to the Senior Director of Business Administration, this is more related to the growth of existing Port customers, instead of the cultivation of new customers. One new significant customer was identified during this period. The Port

Director has stated that it is necessary to remain in front of these potential customers so that when they are ready for a new business relationship, Port Manatee will be at the top of their list.

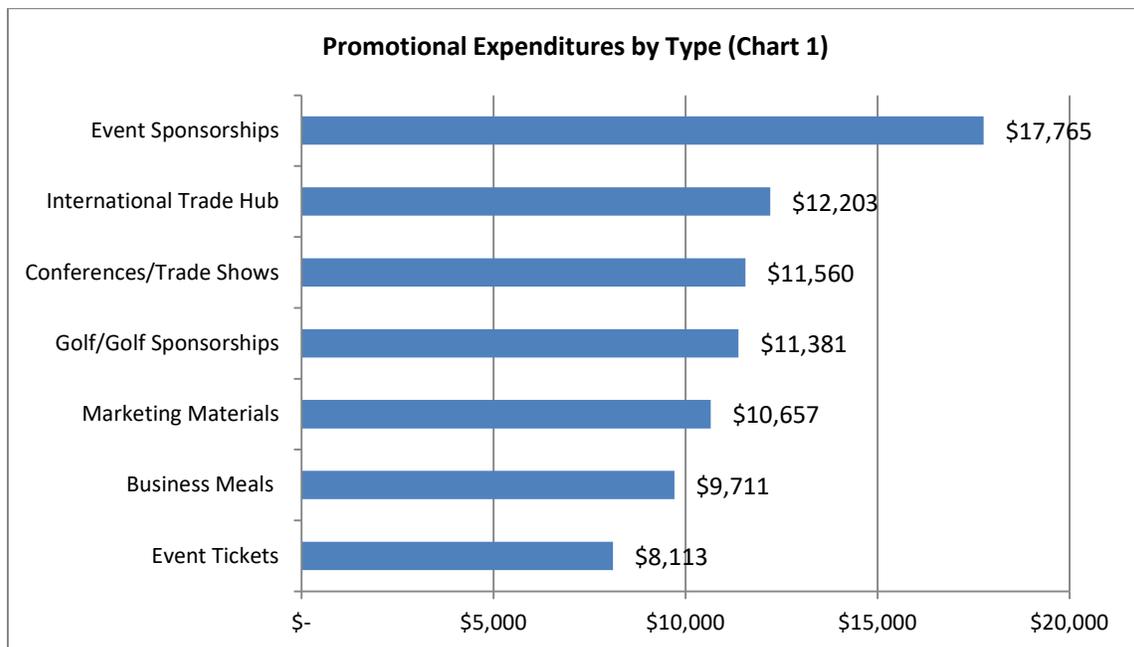
<u>Year</u>	<u>Number of Trips</u>	<u>Total Cost</u>	<u>Average Cost</u>	<u>Average Flight Cost</u>	<u>% Increase In Avg Cost</u>
2016	4	\$ 15,398	\$ 3,849	\$ 952	
2017	10	37,214	3,721	1,632	-3%
2018*	7	48,835	6,976	4,637	87%
2019	10	72,196	7,220	5,148	3%
2020	4	29,617	7,404	5,759	3%

* Policy change to allow business class travel on foreign flights

The following table (Table 3) shows the trend in Port promotional expenditures for the last five fiscal years:

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Promotional activities	\$ 41,241	\$ 36,509	\$ 55,137	\$ 55,526	\$ 30,222

Additionally, we analyzed the promotional expenditures by type for the period 5/1/18-12/31/19 (Chart 1) to gain an understanding of the purpose of these expenditures.



Overall, we found the travel expenditures to be appropriate and properly approved; however, we did find instances where expenditures were not always adequately documented to support the Port purpose and/or compliance with travel policies and procedures.

We identified a total of 587 travel expenditures from the Port's financial records during the twenty month audit period. We obtained supporting documentation to test 100% of these expenditures, which represented 107 different trips, totaling over \$240,000 of travel and related expenditures. In addition, all seven in-county mileage reimbursements paid during the audit period were selected and tested. Based on our test work, we identified the following areas where improvements could be made:

Travel expenditures, totaling approximately \$110,000, were not always documented with adequate support. According to Port Senior Management, this was due to the sensitive nature of certain business development transactions. Exceptions included:

- The benefit of travel was not adequately documented on the travel voucher.
- Details of business meetings were not documented, including the times and names of the persons met with.
- Some days of travel had no activity documented for a day or contained no justification for a layover day.

(See Area for Improvement #1, page 6)

Overall, we found the promotional expenditures to be appropriate, properly approved, and adequately documented; however, we did note a significant amount of promotional expenditures were spent on the International Trade Hub (ITH).

We identified a total of 320 promotional expenditures from the Port's financial records during the twenty month audit period. We obtained the supporting documentation to test 100% of these expenditures, which represented over \$80,000. We identified the following areas where improvements relating to the ITH could be made:

- There is no written agreement with the ITH coordinator.
- There are no formal performance metrics to evaluate the cost/benefit of the ITH.

(See Area for Improvement #2, page 6)

During test work and through various cost analyses, areas were identified where the Port's policies and procedures are vague and/or could be improved.

Travel by Port employees is governed by the Port's Travel Policy and Proprietary Activities Policy. Documentation supporting the travel and promotional expenditures selected were reviewed to ensure compliance with the policies. We identified the following areas where improvements to policies and procedures could be made:

- Promotional policies do not include guidance on who can attend Port sponsored events, at the Port's expense; nor do they address promotional expenditures related to golfing events.
- Travel policies do not include standards on airport parking or domestic flight seat upgrades. Also, guidance is lacking on personal vehicle mileage calculations.

(See Area for Improvement #3, page 8)

Other minor audit findings, not included in this report, have been communicated to management or corrected during the audit. Ineligible expenditures totaling \$473 have been reimbursed to the Port by the employees. We would like to thank Port 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, CIG
Inspector General



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

AREA FOR IMPROVEMENT #1Missing Documentation/Support

For 36 of the 107 Port travel trips tested (34%), the benefit of travel was not adequately documented on the travel voucher. The benefit section was either not completed or completed with a generic phrase such as "Trade Development," "Business Development," or "Networking, information gathering." To ensure time and resources spent on business travel is efficient and provides a benefit to the Port, detailed records of the activity should be maintained describing the business purpose or expected benefit to be gained as well as the business relationship of the client visited (current or potential customer, business partner, etc.)

In addition, other instances were noted where details of business meetings on trips were not completely documented including the times of the meetings and the person(s) met with. Also, some days of travel had no activity documented for a day or contained no justification for a layover day. While the expenditures incurred on these trips were adequately supported with receipts, and in most instances the Port was able to provide an oral explanation and/or was able to show an entry on a calendar or an email for an event, these records did not sufficiently document the activity of who, what, when, where, and why. Due to this lack of documentation, there were three trips in which the Port Director was unable to recall the name of the person he met with at a meeting.

In total, approximately \$110,000 of travel costs incurred during the 20 month audit period were found to not be adequately documented. For these items we had to obtain additional information and/or an oral explanation from the traveler to justify the trip, see Exhibit 1, page 10.

Management Action Plan

Port staff who process travel will be reminded of the documentation requirements and a second review of travel documents will be implemented immediately to ensure forms are fully completed and adequately documented.

The Port Director will meet with the Port Authority Board to update the travel policy in regards to documentation of travel meetings with prospective customers. Any updates must comply with the Clerk of the Circuit Court's standard procedures for processing the payments, including all of the required supporting documentation.

The expected implementation date June 30, 2021.

AREA FOR IMPROVEMENT #2International Trade Hub

The Port operates an International Trade Hub (ITH) from the Port Manatee Intermodal Center located on Port property. According to the ITH website, the ITH is a business incubator for foreign companies to get established in Southwest Florida. While the Port leases some of the space in the building to regular tenants, it offers the ITH businesses free office and meeting space and a virtual office presence. In addition, the ITH hosts promotional events showcasing foreign trade commissioners and businesses to the local market. It also serves as a promotional and marketing tool for the Port and Manatee County.

The ITH is currently operated by Port personnel Carlos Buqueras and Roxana Santoyo, and coordinator Ivan Mutis of the consulting firm Gooljar Mutis & Lombana LLC (GM&L), a Florida for-profit Limited Liability Company. Mr. Mutis coordinates trade hub events, communicates with the foreign trade commissioners and helps the companies get started in Manatee and surrounding counties. The Port does not pay Mr. Mutis for his services; he is instead

compensated in-kind by providing him free office space. Through this arrangement he has the opportunity to further sell his consulting services to the participating companies. His consulting services typically include market surveys, studies, and identifying business strategies.

Our testing found that during the 20 month audit period, more than \$12,000 (15%) of the Port's promotional expenditures were spent on the International Trade Hub, and approximately \$112,000 was spent on its operations. See the below table of expenditures by type:

International Trade Hub Expenditures	
Business Meals	\$ 5,408
Hotels for Guests	2,133
Event Tickets	540
Marketing Materials	1,872
Consulting (media & web)	7,269
Phone/Internet	8,136
Travel	19,566
Operating Supplies	5,127
Salary and Benefits	61,804
Total	<u>\$ 111,855</u>

Based on our review of ITH expenditures and interviews with ITH personnel, the following areas for improvement relating to the ITH were identified:

o **No Written Agreement with the ITH Coordinator**

The Port does not have a written agreement with Mr. Mutis defining this arrangement. A written agreement would provide accountability by documenting the terms of his in-kind compensation and what services and deliverables Mr. Mutis is to provide to the ITH. For example, the Port has a written agreement with a non-profit entity to lease office space and a license for use of Port lands, and in return, the entity provides environmental benefits to the Port.

o **The ITH does not have Performance Measures**

The ITH appears to be an entity more related to international economic development than typical Port operations. Currently, the performance is being measured by the number of events held each year; however, there are not any formal metrics or statistics to evaluate its success, such as economic impact or jobs created. In addition, expenditures of the ITH are not being captured separately and evaluated for a cost/benefit to the Port.

Management Action Plan

Port management will consult with its attorney regarding leasing property to for-profit businesses and will draft appropriate agreements for in-kind services.

Key statistics of the ITH will be identified and tracked for performance measures as well as developing an annual summary of activity. The Port will contact the Clerk's Director of Finance about setting up a separate account key for ITH expenditures.

The expected implementation date June 30, 2021.

AREA FOR IMPROVEMENT #3Policies and Procedures

Travel by Port employees is governed by the Port's Travel Policy and Proprietary Activities Policy. Documentation supporting the travel and promotional expenditures selected were reviewed to ensure compliance with the policies. Through the test work and various cost analyses performed, we identified the following areas where the Port's Policies and Procedures are vague and/or could be improved:

○ **Golf and Sponsorship Events**

As noted in Chart 1 on page 3, the Port spent approximately \$11,400 (14%) on golf related activities during the 20 month audit period. The Port does not have written policies on golf but pays for employees to play golf when offered at conferences to network and promote the Port. In addition, the Port sponsors local golf tournaments which, through their sponsorship, usually includes a certain number of players that can play in the event. These are typically employees or customers.

While the policies and procedures authorize entertainment expenditures for the purpose of promoting the business of the Port, golf is not included in the definition of entertainment expenses, nor is it specified which employees are able to participate in these activities and under what circumstances.

Also, three instances were noted where the spouse of a Port Authority member/employee attended a promotional Port event with the employee. In these cases, the Port sponsored the event and in turn received a certain number of tickets/seats to the event which were used by the employees, their spouses, and customers. Use of the tickets by employees' spouses could potentially violate Florida Statute §112.313(6), using the employee's public position to secure a special privilege or benefit for another. The total cost/value of the tickets has been paid back by the employees.

○ **Airport Parking – Not always using the most economical option**

Employees traveling out of Tampa International Airport (TPA) did not use the most economical parking option. Travelers parked at TPA 30 times during the 20 month audit period totaling \$2,064 in parking charges. In all instances the employees parked in either the Short or Long Term Terminal Garage where rates are \$22 and \$18 maximum per day, respectively, and \$2 for each additional 20 minutes. However, TPA provides another convenient option, an on-site Economy Garage that is connected to the Main Terminal via a train. The rates at the Economy Garage are \$10 maximum per day, or \$1 per 20 minutes. Had these employees parked in the Economy Garage it would have saved the Port approximately \$935 in parking charges over this period.

The Port's travel policies and procedures do not stipulate what type of airport parking is the most economical and to be used by employees when traveling.

○ **Seats on Domestic Flights**

The Port's travel policies and procedures do not describe when seat upgrades are appropriate for travelers on domestic flights and how they are to be documented. Two of 54 (3.7%) airfares purchased were noted where additional fees were paid on domestic flights for seat upgrades. In both instances the travelers stated that the economy seats were likely sold out on these flights, however, this was not documented on the travel paperwork.

- **Personal Vehicle Mileage**

Port policy does not address when it is appropriate to calculate mileage from the traveler's home or the Port when using a personal vehicle for travel. In addition, the Port considers any destination less than 60 miles from the Port "in-county." This determines which form is to be used to calculate mileage reimbursements: the local mileage form, or the travel voucher. This is not defined in the Port's policies and procedures.

Management Action Plan

Port personnel are currently working on an update of its policies and procedures and will consider each of these areas. They will also consult Manatee County's travel policies and procedures for guidance on these topics as well.

Port personnel are aware that if they bring a spouse as a guest to an event they will have to pay back the cost of the ticket. The statute will be reviewed with the Port's attorney for clarification and the policy updated as necessary.

The expected implementation date June 30, 2021.

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Instances of trips with inadequate documentation in the travel packet (Exhibit 1)					
<u>Traveler</u>	<u>Date</u>	<u>Location</u>	<u>Activity</u>	<u>Amount</u>	<u>Additional verification needed to support trip</u>
Appice	9/5-9/9/18	Montreal, CAN	Sales/Networking	\$ 1,306.36	Had to obtain calendar and oral explanation
Appice	12/5-12/8/18	Montreal, CAN	Sales/Networking	1,570.92	Had to obtain calendar and oral explanation
Buqueras	4/19-4/22/18	Miami, FL	Trade Development	1,025.09	Had to obtain calendar and oral explanation, one day had no activity on calendar but a meeting was reported
Buqueras	5/9-5/13/18	Newark, NJ	Business Development	1,813.25	Had to obtain calendar and oral explanation, calendar did not list times of meetings
Buqueras	6/1-6/9/18	Barcelona, Spain	Conference, Trade Dev	1,783.09	Conference 6/5-6/7, had to obtain calendar and oral explanation, one day had no activity but a meeting was reported
Buqueras	7/8-7/13/18	Rio, Brazil	Trade Development	7,094.70	Had to obtain calendar and oral explanation
Buqueras	8/5-8/10/18	Buenos Aires, ARG	Trade Development	7,079.34	Had to obtain calendar and oral explanation, does not recall the name of person met with at one meeting
Buqueras	8/23-8/24/18	Plantation, FL	Bus Dev/Conference	220.77	Conference 8/24, traveler reports picking up a participant for a trade hub event on 8/23 but does not recall the name of the person
Buqueras	9/9-9/14/18	Rio, Brazil	Trade Development	5,866.97	Had to obtain calendar and oral explanation, does not recall the name of person met with at one meeting
Buqueras	10/21-10/26/18	Santiago, Chile	Business Development	6,499.29	Had to obtain calendar and oral explanation
Buqueras	11/4-11/9/18	Buenos Aires, ARG	Business Development	7,312.92	Had to obtain calendar and oral explanation, one day had no activity on calendar but a meeting was reported
Buqueras	12/7-12/16/18	Barcelona, Spain	Business Development	7,621.31	Had to obtain calendar and oral explanation, one day had no activity 12/9 (Sun), a layover day was reported
Buqueras	1/27-2/1/19	Rio, Brazil	Business Development	5,426.62	Had to obtain calendar and oral explanation
Buqueras	2/17-2/21/19	Buenos Aires, ARG	Business Development	6,999.98	Had to obtain calendar and oral explanation
Buqueras	4/7-4/12/19	Santiago, Chile	Business Development	7,572.21	Had to obtain calendar and oral explanation
Buqueras	5/5-5/10/19	Rio, Brazil	Business Development	6,451.32	Had to obtain calendar and oral explanation
Buqueras	6/23-6/30/19	Barcelona, Spain	Conference, Bus Dev	1,337.88	Conference 6/26-6/28, had to obtain calendar and oral explanation to support other days
Edwards	5/2-5/6/18	Harlingen, TX	Meeting, Sales Calls	1,066.68	Had to obtain oral explanation on sales calls
Moravchik	6/14-6/15/18	Jacksonville, FL	Meeting	189.00	Had to obtain email explanation for meeting
Santoyo	4/11-4/13/18	Miami, FL	Business Development	703.27	Had to obtain oral explanation for meetings
St. Pierre	6/14-6/15/18	Jacksonville, FL	Meeting	242.00	Benefit of travel not documented on voucher, obtained email explanation
Buqueras	7/14-7/19/19	Santiago, Chile	Business Development	7,409.29	Had to obtain calendar and oral explanation, traveler states 2-3 other meetings were held but not shown
Buqueras	8/11-8/16/19	Rio, Brazil	Business Development	7,637.30	Had to obtain calendar and oral explanation
Buqueras	11/10-11/15/19	Buenos Aires, ARG	Business Development	7,795.33	Had to obtain calendar and oral explanation
Buqueras	12/9-12/14/19	Rio, Brazil	Business Development	7,592.32	Had to obtain calendar and oral explanation
			Total	<u>\$ 109,617.21</u>	

As noted on pg 6, receipts were provided for these expenditures, however, the purpose or other details were not adequately documented.