



**Internal Audit Committee
of
Brevard County, Florida**

Internal Audit Review of

Tourism Development Office

**Prepared By:
Internal Auditors of Brevard County
November 7, 2002**

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November 7, 2002

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the approved 2001/2002 internal audit plan, we hereby submit our internal audit report covering Tourism Development Office (“TDO”). We will be presenting this report to the Audit committee at the next scheduled meeting on January 29, 2003.

Our report is organized in the following sections:

Background	This provides an overview of TDO and the related issues.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues and Recommended Action	This section gives a description of the issues, the impact and recommended action. Management’s response and action plan has been incorporated into this section as well.

The follow-up process for the issues identified in this report will consist of the following:

- ❑ County Management will follow-up with responsible personnel and report to the audit committee on a quarterly basis using the approved format.
- ❑ The Internal Auditors will conduct a formal follow-up review within six months of the issued report and report back to the audit committee at the regularly scheduled meeting.

We would like to thank all those involved in assisting the Internal Auditors in connection with their review of TDO.

Respectfully Submitted,

INTERNAL AUDITORS

Background

Background

What is TDO?

Tourism Development Council (“TDC”) was established in 1986 under Brevard County Ordinance 86-25 in accordance with Florida Statute 125.0104, the local Option Tourist Development Act. Accordingly, the TDO was established at the County to work with the TDC. The TDC is an advisory council which shall make recommendations to the Board of County Commissioners (“Board”) for the effective operation of the special projects or for uses of the tourist development tax revenue and perform such other duties as may be prescribed by ordinance or resolution of the Board.

TDC is funded by a 4% Tourist Development Tax levied on any rental or lease of six months or less for accommodation in hotels, motels or other temporary living quarters. The tax consisting of an initial 2% tax was authorized and implemented in December 1986. A third cent was effective in December 1989 (allocations of the third cent was amended in May 2001) and the fourth cent was added in March 1994.

The 4% Tourist Development Tax is allocated into specific tourist-related expenditure categories as determined by Brevard County Ordinances as follows:

	<u>Allocated Percent</u>	<u>2001 Tax Dollars</u>
First Two Cents:		
Promotion/Advertising	45.0%	\$1,233,866
Beach Improvement	35.0%	\$ 959,674
Capital Facilities	7.5%	\$ 205,644
Visitor Information Centers	7.5%	\$ 205,644
Cultural Events	5.0%	\$ 137,096
Third Cent:		
Promotion/Advertising	55.0%	\$ 706,181
Beach Improvement	25.0%	\$ 342,741
Brevard Zoo	15.0%	\$ 301,340
Cultural Events	5.0%	\$ 20,700
Fourth Cent:		
Baseball Stadium	100%	<u>\$1,370,962</u>
Total 2001 Tax Dollars		<u><u>\$5,483,848</u></u>

Tax Collections for the Past Five Years

<u>Fiscal Year</u>	<u>Tax Revenue</u>
1996/1997	\$4,263,300
1997/1998	\$4,394,299
1998/1999	\$4,802,575
1999/2000	\$5,096,378
2000/2001	\$5,483,848
2001/2002	(Unaudited)

Background - continued

Tourism Development Council and Committees

Per Florida Statute 125.0104 and Brevard County Ordinance 86-25, the Council is composed of nine (9) members who are appointed by the Board and are electors of Brevard County, Florida. The nine members of the Council meet at least once a month, or no less than ten times per year and are comprised of the following:

- ❑ One Brevard County Commissioner.
- ❑ Two elected municipal officers of a municipality within Brevard County, one of whom is from the most populous municipality in Brevard County.
- ❑ Three owners or operators of hotels, motels, recreational vehicle parks, or other tourist accommodations of Brevard County which would be subject to tax.
- ❑ Three persons who are involved in the tourist industry and who have demonstrated an interest in tourist development, but are who are not owners or operators of hotels, motels, recreational vehicle parks, or other tourist accommodations of Brevard County which would be subject to tax.

TDC established five (5) standing committees that act as an advisory board to the Council on expenditures of the allocations of the 4% tax revenue. TDC can establish other special committees and subcommittees as necessary. The subcommittees make recommendations to the Standing Committee to which they are assigned.

The committees established are as follows:

Marketing	This committee is responsible for assisting TDC in advertising and promoting Brevard County. TDC retains an advertising agency and a public relations firm. Some of the responsibilities include: Developing and monitoring a marketing budget; presenting recommendations to TDC on proposed marketing objectives and strategies; recommending marketing priorities; review and comment on the marketing plan, strategies and media schedules; review the annual Category A Promotion and Advertising Grants applicants and make recommendations as necessary.
Beach Improvement	The primary responsibility of this committee is assisting TDC in monitoring and maintaining the Space Coast area Beaches. Some of the responsibilities include: Presenting a detailed plan and budget to TDC relating to improvements to existing beach property, renourishment of eroded beaches and beach erosion control; working with the Brevard County Natural Resources Management Division staff as a source for erosion prevention and Beach Renourishment; review the annual Category B Grant applicants and make recommendations as necessary.
Capital Facilities	The committee is responsible for assisting TDC in capital improvements within the County and review Category C Grants applicants and make recommendations as necessary.
Space Coast Film Commissions	This committee is responsible for assisting TDC in making recommendations as to the programs and policies that will promote and attract the Motion Picture, Video, Television and Print Industry to the County.
Sports Commissions	The focus of this committee is to assist TDC in promoting and developing sporting events in the County. They also recommend and oversee the sports budget, bid feel pool and a sports contracted agency with the County. The commission works with the contracted agency to seek individuals and facilities to manage and host sporting events.

In addition, the Brevard Cultural Alliance was selected by the TDC to serve as the advisory committee. TDC provides Grants to local non-profit organizations upon review and recommendation from the committees. TDC has written Grant Applicant Handbooks for the different Grant Categories and are approved by the County Commissioners annually. A written Grant Program Agreement is established with all grantees prior to releasing funds for programs.

Background - continued

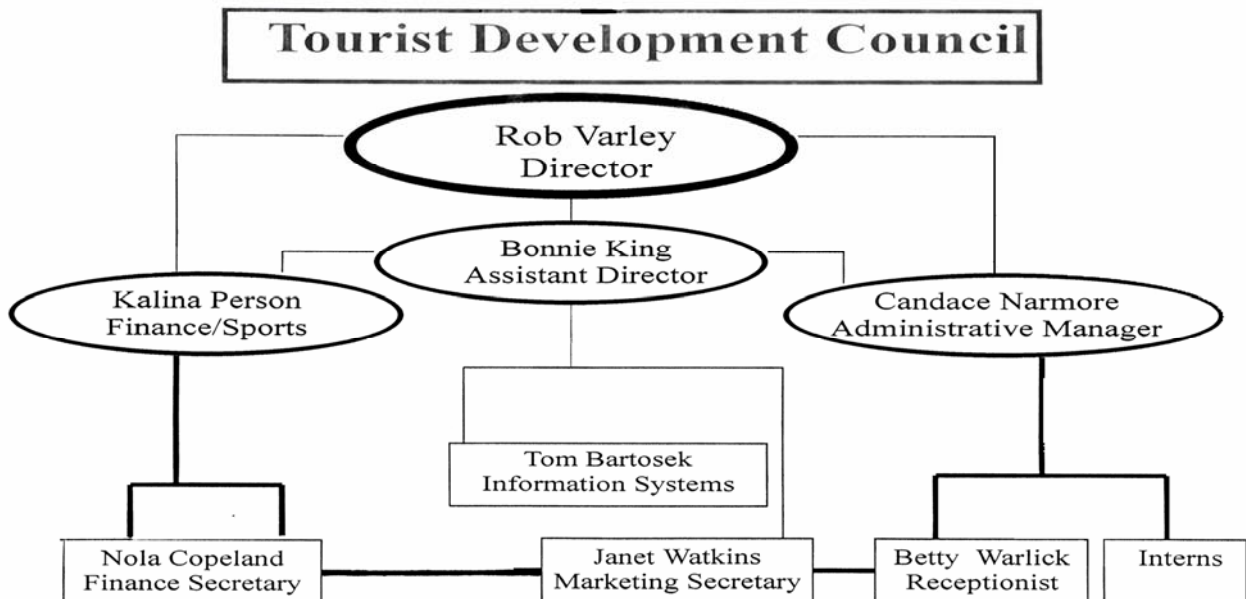
The Mission of TDC

Tourism is Florida's number one industry, providing both jobs and new revenue for the State's economy. While providing service and information to visitors, Brevard's tourism industry, through its related programs, enhances local infrastructure by providing funding for capital facilities and beach improvements, as well as information on arts and cultural activities.

The TDC has established a variety of programs that try to reflect the best that Brevard County has to offer in tourism development. These programs are created by the professional staff and volunteers, who include, TDC members and the members of the five standing committees that have been created by TDC. The main mission of the TDC is to:

“Promote growth, development and quality of tourism in the County; to encourage participation by both visitors and residents in tourism related activities; and to act as the primary body to determine the direction, goals and policy for use of the tourism tax.”

Organizational Structure



Objectives and Approach

Objectives and Approach

Objectives

Objectives of the audit of TDO include the following:

<input type="checkbox"/> Validate that the tourist development taxes are utilized in accordance with Florida Statutes, Brevard County policies and administrative orders.
<input type="checkbox"/> Determine that the records and documentation are sufficient to establish an audit trail for all transactions associated with Grants.
<input type="checkbox"/> Validate that controls over cash disbursements include procedures and documents that assure the data used to generate disbursements are adequate and that cash disbursements are properly recorded.
<input type="checkbox"/> Identify and assess the effectiveness and administrative controls over travel and entertainment expenditures.
<input type="checkbox"/> Determine that policies and procedures are effective, documented and in place.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During phase one, we interviewed the Assistant County Manager, Executive Director and other personnel at the TDO to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We reviewed other documents including budgets of TDO, Operating Procedures Manual and mission statement of TDC. Additionally, we reviewed Florida Statutes, County Ordinances, Administrative Orders and County Policies applicable to this audit.

Objectives and Approach - continued

Detailed Testing

The purpose of this phase was the development of applicable detail tests to meet our objectives as follows:

We tested compliance with:

- Florida Statutes
- County Ordinances
- Administrative Orders
- Board of County Commissioners Policies
- TDO Policies
- The TDO Operating Procedures Manual

We reviewed the grants written by TDO and tested compliance as follows:

- Reviewed requirements of the contract
- Allowable costs/approvals
- Program verification
- Funding Verification
- Budgetary compliance
- Financial reporting
- Program reporting

We reviewed and tested the following as it relates to administrative controls:

- Detailed budgets of TDO
- Travel and Entertainment expenditures
- Cash disbursements including approval, invoice support, etc.
- Purchasing and American Express Corporate Cards
- Contracts
- Tax Collection Allocation

Reporting

At the conclusion of our audit, we documented our understanding of the process surrounding TDO based on our interviews at the TDO and summarized our findings. We conducted an exit conference with management at TDO, the Assistant County Manager Community Development Group and County Manager. We have incorporated management's response into our report.

Issues and Recommended Action

Issue # 1	Formalized Planning
	<p><u>Short-term Planning</u></p> <p>Each year the TDO does the following planning initiatives:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Establishes goals, objectives and performance measures which are outlined in the Brevard County budget book. <input type="checkbox"/> Retain an advertising agency which designs an advertising plan. <input type="checkbox"/> Contract with a company to promote sporting events. <input type="checkbox"/> Plan which trade shows and events they are going to attend. <input type="checkbox"/> Budget revenues and expense through the normal County budgeting process. <p>Although we can clearly tell planning is taking place, there is not a formalized process. In other words there are many pieces of the plan being completed; however there is not a single document which links the actions with the goals and objectives of the TDO.</p> <p><u>Long-term Planning</u></p> <p>TDC has an established “mission statement” as detailed in the background section of this report. However, TDO does not have a formalized strategic plan.</p> <p><i>Impact</i></p> <p>Without clearly defined short and long-term plans, actions and/or expenditures may not be consistent with goals, objectives and future needs of the County. A formal “written” plan presents a good image of the entity showing that it is serious about its mission and that it has realistic and sound goals.</p> <p><i>Recommended Action</i></p> <p>We recommend that the TDO formalize their planning process to include the following phases:</p> <p><u>Mission statement</u> - The TDC has an established mission statement. However, this statement should be reviewed periodically to ensure that it is up-to-date with the County’s purpose, basic intent and wants.</p> <p><u>Goals and Objectives</u> - These are statements of what is to be accomplished during the period to achieve various aspects of the TDC’s basic purpose. These goals should be classified as short-term and long-term. The TDO currently has goals and objectives, which are included in the budgeting process; however these goals should be reviewed to make sure they are specific and actionable.</p>

Issue # 1	Formalized Planning (continued)
	<p data-bbox="513 226 1036 260"><i>Recommended Action (continued)</i></p> <p data-bbox="513 306 1331 634"><u>Long-term plan</u>- In its broadest sense, a long-term plan is a statement of a company’s goals or objectives and the course of action it intends to follow to accomplish them. A long-term plan is often called a “strategic plan”. The term “strategic plan” often creates a mental picture of a voluminous formal report designed for a company like General Motors. In other words, many associate a “strategic plan” with something a big company needs, but not a helpful tool for a smaller entity. However, that notion of a plan is far from the truth. Therefore, we recommend that the TDO develop a long-term plan, “strategic plan”, which would answer the following questions: where are we now, where do we want to go, how do we get there, and are we making progress.</p> <p data-bbox="513 667 1331 844"><u>Current year implementation plan</u> – We recommend the TDO adopt a sound and practical implementation plan annually. This plan should give TDO a concrete way to attain its goals. The implementation plan should consist of a series of actions to be undertaken to accomplish the goals. The implementation plan should be written and should include the following for each action required to accomplish a goal:</p> <ul data-bbox="545 882 805 970" style="list-style-type: none"> <input type="checkbox"/> Person responsible <input type="checkbox"/> Time table <input type="checkbox"/> Resources required <p data-bbox="513 1003 1331 1087"><u>Monitoring plan</u> – Achievement of goals depend not only on a good implementation strategy but also on a system to monitor whether actions are successfully completed. Monitoring includes:</p> <ul data-bbox="545 1125 1331 1306" style="list-style-type: none"> <input type="checkbox"/> Checking on the progress of individuals who have been assigned tasks. <input type="checkbox"/> Comparing actual results to those expected. <input type="checkbox"/> Following up on inadequate performance. <input type="checkbox"/> Revising the plan if necessary based on new information or changed circumstances. <p data-bbox="513 1339 1331 1423">This planning process will help TDO determine what tradeshow, conference, or other tourist related function they want to pursue in order to stay focused and reach their ultimate goals.</p>

<i>Issue # 1</i>	<i>Formalized Planning (continued)</i>
	<i>Management Response</i>
Response	<p>The TDC mission statement will be reviewed by the TDC to ensure that it reflects the current intent and purpose of the TDC and the County. In the future, the mission statement will be reviewed periodically or at least once every two years.</p> <p>A formal, written comprehensive strategic plan which incorporates the mission statement, long and short term goals and objectives will be developed by the TCO and presented to the TDC for recommendations and approval.</p> <p>A current year implementation plan will further be developed annually, with the goals and objectives monitored on a quarterly basis by the Executive Director.</p> <p>An annual timetable will be established which outlines the dates for plan submittal, monitoring and review to the TDC.</p>
Time Frame	<p>Update mission statement and goals approved by the TDC: June 2003 Formal strategic plan approved by the TDC: September 2003 Implementation plan approved by the TDC: September 2003 Monitoring plan approved by the TDC: September 2003</p>
Person Responsible	<p>Bonnie King, Assistant Director Rob Varley, Executive Director</p>

Issue # 2	Event Effectiveness
	<p><u>Approval</u></p> <p>Per our review of the minutes we noted little documented analysis of the proposed functions, events, trade shows and other planned actions prior to approval by the Council.</p> <p><u>Ongoing Maintenance</u></p> <p>We noted during our compliance testing of travel expenditures a file is set-up for each trade show, event etc. However, these files are not organized in a consistent manner, are not comprehensive and there is no policy in place to specify what data should be included. For example, we noted a trip was taken by one of the employees to a trade show; however, no documentation on the trip was included in the file. Although, we were able to substantiate the trip through other source data, (expense report, agendas, etc.) the file documentation was not adequate.</p> <p><u>Follow-up and Analysis</u></p> <p>We found there was no formal process for tracking the effectiveness of each event attended.</p> <p>Impact</p> <p><u>Approval</u></p> <p>Without appropriate analysis and approval upfront, funds could be spent on events that are not aligned with the goals of the TDC.</p> <p><u>Ongoing Maintenance</u></p> <p>Inconsistencies with data maintained in travel files does not allow TDO to have vital information necessary to conduct a cost/benefit analysis of each trip. Complete and accurate files will aid in evaluating the success and future benefits of tradeshow attendance.</p> <p><u>Follow-up and Analysis</u></p> <p>Follow-up is critical to determine if the TDO has met their goals and if they should attend the event again. Without a follow-up process the TDO could make inappropriate or uninformed decisions about future events.</p> <p>Recommended Action</p> <p><u>Approval</u></p> <p>We recommend an overall analysis be conducted and presented by staff to the Council during the budgeting process which should include how each of the events fit the mission and goals of the TDC. Prior to the event, a detailed budget, specific goals and outcomes should be approved by TDC.</p>

Issue # 2	Event Effectiveness (continued)
	<p><i>Recommended Action (continued)</i></p> <p><u>Ongoing Maintenance</u></p> <p>We recommend TDO develop and maintain a formal process related to event attendance and follow-up. A checklist that requires pertinent information related to the event should be developed and included in each file. This information will be helpful in determining the future benefit of attending the same and/or similar events in the future. A designated person should review and analyze the file to ensure that checklists are maintained and files are complete and accurate. The files and analysis should include at a minimum:</p> <ul style="list-style-type: none"> <input type="checkbox"/> TDC approval from the minutes. <input type="checkbox"/> Goals related to the show or event. <input type="checkbox"/> Initial approved budget and actual to budget comparison. <input type="checkbox"/> All information relating to the tradeshow. <input type="checkbox"/> Contact names. <input type="checkbox"/> Expense reports. <input type="checkbox"/> Follow-up documentation. <input type="checkbox"/> Status of goals. <input type="checkbox"/> Other documentation as necessary to support the goals of the trip. <p><u>Follow-up and Analysis</u></p> <p>Upon conclusion of the event, staff should present to the TDC a summary of potential leads, a follow-up plan and a comparison of expenditures to budget.</p>
	<i>Management Response</i>
Response	<p>A summary analysis of the annual shows will be developed that tie the shows in with the goals and objectives of the TDC. This report will be presented to the TDC during the annual budgeting process.</p> <p>We have started submitting written post travel show reports to the TDC. The reports include a description and analysis of the show, including goals, objectives and outcomes, the comparison of actual expenses against the budget. A pre-show report form has also been developed for sales shows which outlines goals and objectives such as the estimated number of leads to be generated or the number of collateral pieces to be distributed. Written and verbal post travel trade show analysis reports have been presented to the TDC for several years, however not on a consistent basis.</p> <p>Several separate trade show files are maintained on the same show by the office manager, the staff person attending the show, and often by the staff responsible for the show's follow-up. A comprehensive file system is being developed with a detailed checklist for each show which will include all approvals, travel documentation, reports and leads if applicable. The office manager will be responsible for maintaining the file system.</p>

<i>Issue # 2</i>	<i>Event Effectiveness (continued)</i>
Time Frame	<p>Overall analysis to be approved for the budgeting process by TDC: September 2003.</p> <p>Individual event approval process and implementation: March 2003</p> <p>Process related to event attendance and follow-up including a travel show checklist to be implemented by March 2003.</p> <p>Follow-up and analysis: March 2003</p>
Person Responsible	Candace Narmore, Office Manager

<i>Issue # 3</i>	<i>Expenditures</i>
	<p>Florida Statute 125.0104 requires that the Council continuously review expenditures and receive at least quarterly expenditure reports from the County governing board or its designee. During our testing, we noted that the Council approves the budget at the beginning of the fiscal year and periodically approves events and sponsorships. However, the Council does not receive expenditure reports from the County governing board or its designee on a quarterly basis as required by Florida Statute.</p> <p><i>Impact</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> The County is not in compliance with Florida Statute. <input type="checkbox"/> Without current financial information the Council may not be fully informed when serving in its capacity as an advisor to staff and the County Commission. <p><i>Recommended Action</i></p> <p>We recommend the County provide the Council with a financial report, which includes a list of expenditures at least quarterly.</p>
	<i>Management Response</i>
Response	The TDO will compile expenditures and present a detailed report to the TDC on a quarterly basis.
Time Frame	First quarter expenditure report to be provided to the TDC at their February 2003 meeting.
Person Responsible	Kalina Person, Staff Specialist IV, Office of Tourism Development

Issue # 4

Travel Expenditures and Policy

During our audit we tested travel expenditures and the current Brevard County travel policy for out-of-county tourism travel and entertainment. We noted several inconsistencies with the supporting documentation and travel expense report process. Examples include:

- ❑ For meals and entertainment detailed receipts were not consistently included with the summary receipt as support.
- ❑ Three out of the fifteen expense reports did not have the fund, account and/or cost code entered.
- ❑ Per diem meals were entered as meals on four expense reports, as incidental expenses on two expense reports and as both (breakfast as meals, dinner as incidental) on one. They were recorded consistently in the general ledger.
- ❑ Itemized corporate card activity was not attached on six of the seven expense report that included corporate card receipts.
- ❑ Travel reports by multiple people from TDO, including Council members and contractors, to the same trade show, conference, etc. are not reviewed together. Therefore, it is difficult to monitor travel reimbursements for duplication of expenses or irregularities.
- ❑ Florida Statute 125.0104 states “entertainment expenses shall be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry.” Per our review of the expense reports, we found that entertainment expense did not always clearly document the title or position of the person that staff was entertaining.

Additionally, we noted that the current out-of-county tourism guidelines utilized by TDO could be enhanced as follows:

- ❑ Reimbursement for travel expenses based on a per diem, which was approved by the Board of County Commissions. The per diem rates were initially established based on a Sales & Marketing Management publication which was published in 1993. These rates have been adjusted each year based on the Consumer Price Index. Due to the age of this study the per diem rates may not represent current market conditions.
- ❑ The current County travel policy defines “business clients and guests” expenditures. It includes prospective purchasers of Brevard County products as well as travel agents, tour brokers and other related parties. However, the policy does not specify the position or decision making ability of those being entertained.
- ❑ The policy does not give guidelines related to air travel i.e. preferred carriers, class of service, time windows and connecting flight rules to obtain lowest logical fare, use of non-refundable fares, and methodology for booking (travel agent, on-line, etc.).

Issue # 4	<i>Travel Expenditures and Policy (continued)</i>
	<ul style="list-style-type: none"> ❑ The policy does not specify when a rental car, taxi or limousine should be utilized. It also does not specify preferred providers, or whether car rental insurance should be accepted. ❑ The policy does not go into specific detail on options that are authorized for travel which may be less expensive for the County, i.e., weekend travel before or after a business trip, traveling on a holiday, travel the day of the event or the night before, etc. ❑ The policy does not provide a guideline or reference for lodging limits or preferences. For example if there is a conference should you stay at the conference site or elsewhere, etc. <p><i>Impact</i></p> <p>Clear, concise and standardized processes and procedures help minimize inconsistencies, misunderstandings and inadvertent misappropriations.</p> <p><i>Recommended Action</i></p> <p>We recommend TDO enhance their existing policy for out-of-county tourism travel and entertainment policy utilized by the TDO. This travel policy should be reviewed on a regular basis. We recommend the policy address and include at a minimum, the following:</p> <ul style="list-style-type: none"> ❑ The policy should be clear on questions such as: “What level of ‘business client’ should I spend dollars on to entertain?” or “When should I rent a car?” ❑ Purpose of the travel – Travel should be pre-approved based on the business purpose and the overall organizations objectives for the year. The purpose should be included as an attachment to the expense report. ❑ Required levels of approval – Identify what level of management is required to pre-approve and approve travel expenditures. ❑ Establish spending limits or guidelines – TDO should not reimburse amounts in excess of spending limits unless the amount can be reasonably justified. <ul style="list-style-type: none"> • Spending limits are the maximum travel expense amounts TDC will reimburse. • Spending guidelines are predetermined amounts that are considered “reasonable” limits. ❑ Specific guidelines should be established related to travel timing, for example weekend stay before or after a business trip, etc. ❑ Guidelines related to lodging should be established to include limits surrounding hotel selection and answer questions like “When is it appropriate to stay at the conference site?”, etc.

Issue # 4	<i>Travel Expenditures and Policy (continued)</i>
	<p><i>Recommended Action (continued)</i></p> <ul style="list-style-type: none"> ❑ Specific guidelines related to car rental which should address items like when and what type of car insurance should be obtained, when it is justified, what size, etc. ❑ Detailed guidelines related to air travel should include preferred carriers, class of service, time windows and connecting flight rules to obtain lowest logical fare, use of non-refundable fares, etc. ❑ Guidelines should include the approved methodology for booking travel, i.e. use of a travel agent, on-line, etc. ❑ Detailed support should be attached to the expense report. This should include: agendas, credit card statements, name and title of all individuals who are provided entertainment meals, TDC authorization, budget and any other information relating to the travel. ❑ All expense reports for travel to the same trade show, conference, etc. should be submitted to the authorized representative as one package. This will allow the approver to review all the expenditures related to the travel and determine the validity of the expenses. ❑ Post travel evaluation – Much of the TDO’s travel is to trade shows and conventions which can be subjected to intense scrutiny. To help alleviate uncertainties surrounding these trips and determine whether the trip was cost/beneficial, TDC should request employees to list how many leads were collected at the show or event, what follow-up was done and what kind of business impact could result from the show or event (see Event Effectiveness Issue #2). ❑ Obtain an updated study or publication to utilize for per diem rates. <p>At all times the approver of the expense report should reject the expenses and send it back to the traveler if the expense report is not completed correctly or in its entirety, does not include the required support or is outside the policy.</p>

<i>Issue # 4</i>	<i>Travel Expenditures and Policy (continued)</i>
	<i>Management Response</i>
Response	The TDO will review the Operating Procedures and TDO Travel Policies and Procedures Manuals to detail and expand the current travel and entertainment policies to ensure compliance with FS 1250.0104 and to ensure consistencies in documentation and reporting. Recommended actions will be included in the updated procedures. A survey of other Florida TDC's travel guidelines may be completed to assist in developing policies. The OPM and travel procedures manual will be reviewed annually by the TDC.
Time Frame	Revised OPM and TDO Travel Policies and Procedures Manual to be presented to the TDC at the June 2003 meeting. TDC recommendation will be presented to the Board in July 2003.
Person Responsible	Kalina Person, Staff Specialist IV Rob Varley, Executive Director

Issue # 5

Monitoring Grant & Contract Compliance

Grant Compliance

TDC establishes a written grant program agreement with all grantees prior to releasing funds for programs authorized by Florida Statute 125.0104. During our detailed testing, we noted the following requirements were not in compliance with the agreement.

- ❑ The agreement requires that an uncertified audit be submitted within 60 days of completion of the project. However, on two out of the three grants reviewed, the audits were received late (68 and 77 days).
- ❑ Bids forms were not always submitted by the grantee to the TDO on purchases of services over \$500.
- ❑ Not all grantees submitted year-end financial statements.

Contract Compliance

The TDO contracts with the Buchanan Company to provide Sports Promotion for the County. The contract requires that a minimum number of room nights be generated for each fiscal year. The company provides a year-end report to the TDC identifying the total number of room nights generated throughout the year. However, there is no formal monitoring process throughout the year and no process has been established to verify that the room nights were actually generated.

We understand that the TDC receives a status report at each meeting that addresses the sporting events and that there is a verbal presentation to the TDC identifying the number of rooms nights sold for each event. However, the report that is submitted to the TDC does not include room nights.

Impact

Grant Compliance

Without receipt of financial statements and bid forms, control over evaluating and monitoring the grantees performance is decreased.

Contract Compliance

The contract defines outcome criteria. Without an established monitoring process TDC is not able to:

- Track results on a timely basis.
- Re-evaluate tasks and goals based on changing economic situations.
- Ensure that the Buchanan Company is performing in accordance with the specified directives of the contract.

Issue # 5	Monitoring Grant & Contract Compliance (continued)
	<p>Recommended Action</p> <p><u>Grant Compliance</u></p> <p>We recommend a monitoring and reporting process be established between TDO and the grantees which would at a minimum address the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Compliance with the agreement. <input type="checkbox"/> Timing of reporting. <input type="checkbox"/> Content of reports. <input type="checkbox"/> Action to be taken upon determination that a requirement may not be complied with. (i.e. amend the agreement). <p><u>Contract Compliance</u></p> <p>We recommend a monitoring process be established between TDO and the Buchanan Company similar to that outlined above. This should address monitoring the progress towards the contract measurables throughout the year and verification that the total hotel room nights reported were generated for the year.</p>
	Management Response
Response	<p>Grant Compliance. Grant award letters are sent to the grant recipients informing them of their award and outlining all reporting deadline dates and grant requirements. These are furthermore detailed in several sections of their grant agreements.</p> <p>As part of a formal written process, a separate checklist will be developed that details all forms that are required to be submitted and associated deadline dates. The checklist will be provided to the grantee as well as maintained in their file. The checklist will be monitored regularly to ensure compliance with agreements. If grantee is found to be in noncompliance, the appropriate action will be taken in accordance with their agreement.</p> <p>During the annual review and update of the TDC grant applications and handbooks, staff will recommend to the appropriate standing committees that part of the application or evaluation process address the grantee's timely submission and content of reports for past or current grants, which may affect their eligibility and/or application evaluation scores.</p> <p>Contract Compliance. A formal monitoring process to define responsibilities and provide a methodology to track room nights is being developed and will be presented to the TDC. The process may include a requirement that The Buchanan Company submit documentation originating from the local hotels and motels that lists the sports event(s), dates and room nights generated to verify the minimum room night count.</p>

<i>Issue # 5</i>	<i>Monitoring Grant & Contract Compliance (continued)</i>
Time Frame	<p>Grant Compliance: Process and checklist to be developed and implemented by March 2003.</p> <p>Contract Compliance: Monitoring and reporting process to be developed and implemented by March 2003.</p>
Person Responsible	Kalina Person, Staff Specialist IV

Issue # 6

Cash Disbursements

During our sample testing of cash disbursements, we noted the following exceptions to the Administrative Order 33 "Prompt Payment of Invoices":

- Three out of forty invoices sampled were not date stamped as received by TDO.
- Twenty-four out of forty invoices sampled were not provided to County Finance within five days after receipt.
- On twenty-nine out of forty invoices sampled the purchase order/contract numbers were not included on the invoice from the vendor.
- Four out of forty invoices sampled did not have an invoice date.
- Sixteen out of forty invoices sampled did not include the delivery date or date of service on the invoice.

We also noted that an invoice scanned into the Brevard County FYI system was not readable. The document was too dark to review and no other copy was maintained in accounts payable. According to the Accounts Payable Supervisor, invoices are discarded a short time after being scanned into the FYI system.

Impact

- TDO is not always in conformance with Administrative Order 33.
- Without the complete information on vendor invoices, there could be a delay in paying the invoices or an inadvertent mispayment. If invoices are not paid in accordance with Florida Statutes 218.74 "Procedures for calculation of payment due dates", then the County is responsible to pay interest for unpaid invoices.

Recommended Action

We recommend the following:

- Ensure that vendor invoices conform to the requirements established in Administrative Order 33.
- Notify the vendor within 10 days after the improper invoice is first received (AO 33) and inform them what is needed in order for their invoice to be considered proper for payment.
- Scanned invoices should be reviewed by County Finance to verify that they are readable prior to discarding.

<i>Issue # 6</i>	<i>Cash Disbursements (continued)</i>
	<i>Management Response</i>
Response	The TDO will ensure compliance with Administrative Order 33 by providing copies of, reviewing with and educating staff on the policies regarding vendor invoices and prompt payment of the invoices. The TDO will further develop a methodology to document time, dates and all communication with the vendor when notifying them of improper or insufficient invoices.
Time Frame	Implementation by March 2003
Person Responsible	Kalina Person, Staff Specialist IV

Issue # 7	Purchasing Card
	<p>We noted the following during our sample testing with respect to the purchasing card:</p> <ul style="list-style-type: none"> ❑ Administrative Order 41 “Purchasing Cards” requires that cardholders submit a “Purchase Order Quote Log” along with the statement for items that must be quoted. However, we noted that the “Purchase Order Quote Log” was not submitted on a purchase that required a bid. ❑ Administrative Order 41 “Purchasing Cards” requires that cardholders write account numbers for each item on the “Monthly Reconciliation Form” that is attached to the statement and submitted to County Finance. However, we noted that account numbers were not assigned for twelve of seventeen items sampled on four different “Monthly Reconciliation Forms”. <p>Impact</p> <ul style="list-style-type: none"> ❑ TDO is not in conformance with Administrative Order 41. ❑ Without properly identifying the general ledger account on the Reconciliation Form, the expenses could be misposted, thus causing the financial statements to be incorrect. <p>Recommended Action</p> <p>We recommend that a monitoring process be established that ensures that purchasing card requirements (AO 41) are complied with. A clerical level could monitor the requirements, however ultimate review and responsibility is with the Department/Office Representative.</p>
Management Response	
Response	The TDO will develop a monitoring system that assigns one staff member the responsibility of ensuring the requirements of AO 41 are met.
Time Frame	Implementation in February 2003
Person Responsible	Nola Copeland, Accounting Clerk II Kalina Person, Staff Specialist IV

Issue # 8	Monitoring Performance Measurements
	<p>TDO has performance measurements which are outlined in the annual Brevard County budget book. We noted an evaluation of the Director is done on an annual basis which includes reporting of certain goals. The summary report did not include a comparison of actual against the stated goals and was not comprehensive to include all performance measurements.</p> <p>Impact</p> <p>Without on-going monitoring against performance measures the County may not have the ability to re-evaluate and modify plans and/or tasks accordingly.</p> <p>Recommended Action</p> <p>We recommend the monitoring and reporting process be enhanced between County Management and TDO which would, at a minimum, address the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Timing of reporting. We recommend a minimum of quarterly. <input type="checkbox"/> Content of reports. <input type="checkbox"/> Action to be taken upon determination that a particular goal may not be reached. (i.e., development of a formal improvement or action plan).
Management Response	
Response	<p>The Executive Director will review the current annual performance review report submitted to the TDC. A methodology will be developed to establish quarterly benchmarks, to track quarterly results, and to allow for adjustments as necessary. A revised performance review report will include a comparison of goals, objectives and outcomes and presented to the TDC annually. The Director will schedule quarterly meetings with the Assistant County Manager to review the quarterly reports.</p>
Time Frame	<p>Establish methodology for monitoring and reporting by April 2003. Quarterly meetings with Assistant County Manager will begin June 2003.</p>
Person Responsible	<p>Rob Varley, Executive Director</p>

Issue # 9	Corporate Credit Card Reconciliation
	<p>We noted the following with regards to the corporate credit card:</p> <ul style="list-style-type: none"> <input type="checkbox"/> No written policy exists regarding usage of the corporate credit card and reconciliation process. <input type="checkbox"/> We found that the process for submitting the corporate card for payment does not include a reconciliation. We reviewed the corporate cards from July 2001 through April 2002 and found that credits were not always taken. An overpayment built up over the months however was not resolved due to the lack of reconciliation and the delay in payments. This resulted in a net overpayment on the April 2002 statement of \$3,015.73. At this point all payments were current and the net balance due was paid. We were told that staff attempted to determine the variance, however were unable to resolve. Although there was a memorandum attached to the corporate card which listed charges and credits it did not reconcile to the amount due per the credit card. In addition, the “memorandum” was completed inconsistently. Sometimes it included general ledger code and other times it did not. <input type="checkbox"/> As stated in the issue related to travel and entertainment policy, the corporate credit card is not attached to the expense reports. Therefore, the expenses being reimbursed to the employee are not compared to those charged to the corporate card to ensure there was no duplication of expenses. <p>Impact</p> <p>Written procedures and in ensuring that credit card usage is appropriate, the corporate credit card not used for personal use, payment and general ledger recording is appropriate and all expenses are approved and in accordance with County policy.</p>

Issue # 9	Corporate Credit Card Reconciliation (continued)
	<p>Recommended Action</p> <p>We recommend TDO develop a formal, written policies and procedures regarding the use of the American Express Corporate credit card. The policy should include at a minimum:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Require a reconciliation be done on a monthly basis that included the following: <ul style="list-style-type: none"> <input type="checkbox"/> Total charges coded to the appropriate general ledger account <input type="checkbox"/> List of credits coded to the appropriate general ledger account <input type="checkbox"/> A reconciliation to the net payment and the net amount due. <input type="checkbox"/> Require the use of the corporate card when possible. <input type="checkbox"/> Prohibit use of the corporate card for personal expenses. <input type="checkbox"/> Require the senior employee to pay for expenses when traveling in groups. <input type="checkbox"/> State who is responsible for delinquency charges. <input type="checkbox"/> State who is awarded membership rewards (employee or County). <input type="checkbox"/> Outline security measures for the credit card.
	Management Response
Response	<p>The TDO has met with County Finance on several occasions to determine eligible uses of the American Express Corporate credit card and the methodology to ensure that monthly payments are processed in a timely manner with the appropriate documentation attached. A formal policy was not established and staff changes in both departments have led to new interpretations.</p> <p>The TDO will develop formal written policies and procedures regarding the use of the American Express Corporate card (including corporate card reconciliation) and provide County Finance with the document for their input and recommendations.</p>
Time Frame	Draft policies to be provided to County Finance by March 2003; Implementation by April 2003.
Person Responsible	Kalina Person, Staff Specialist IV