

# CONTRACT CLOSE-OUT REVIEW OF THE CONVENTION CENTER AND VISITOR'S BUREAU: REIMBURSEMENTS ARE NEEDED FROM VARIOUS FUNDING SOURCES

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**TAP**International

## Audit Objectives

Determine whether the City funds were properly spent and accounted for by the Contractor in accordance with requirements specified in the 2017 Agreement.

## Contract Close-Out

Reimbursement Amounts by Funding Source



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## Key Findings

**Finding 1: Contractor Likely Owes the City \$448,068 in Unspent Public Funds Through FY 2016-17**

Results of Revenue Versus Expenditure Analysis

	FY 13-14	FY 14-15	FY 15-16	FY 16-17
TOTAL NET ASSETS (CVB RESERVES - CUMULATIVE)	(\$28,124)	(\$68,980)	\$297,369	\$448,068

**Recommendation:** The City should consider whether it wants to pursue \$448,068 in cumulative CVB reserves retained by the Contractor through Fiscal Year (FY) 2016-17.

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## Key Findings

### Finding 2: Amounts Charged Differ for Shared General Overhead Expenses

#### Contractor Allocation Method

	Net Expense Amount Overcharged to the Contractor
Total	\$10,552

#### Standard Allocation Method

	Net Expense Amount Overcharged to the CVB
Total	\$60,819

Recommendation: The City should seek reimbursement from the Contractor for shared operating costs of \$50,267 (\$60,819 less \$10,552).

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## Key Findings

### Finding 3: Contractor Owes \$704 to the CVB in Additional Revenue from the Sale of Tickets to Area Attractions

#### Revenue Allocation Between CVB and the Contractor, FY 13-14 to FY 17-18

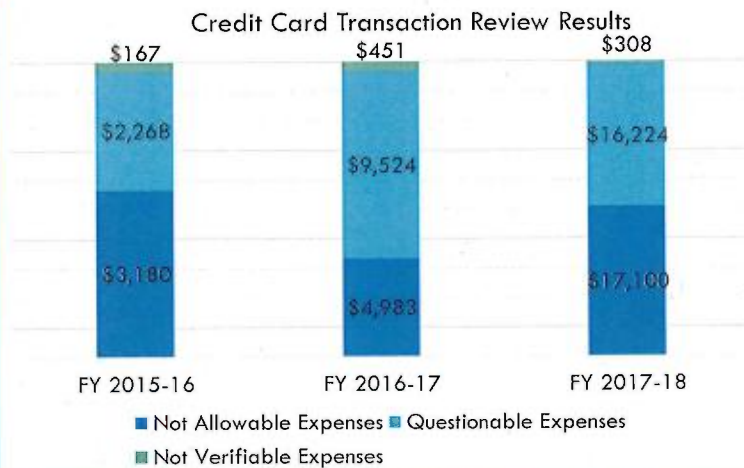
Fiscal Year	Total Revenue Received from Ticket Sales	Amount the Contract or Allocated to the CVB	Amount That Should Have Been Allocated to the CVB	Amount Under Allocated to the CVB	Amount Under Allocated to the Contractor
Total	\$22,637	\$16,530	\$17,234	\$1,096	\$392
Net Amount Under Allocated to the CVB				\$704	

Recommendation: The City should seek reimbursement of \$704 for its portion of the revenue generated from the sale of tickets for area attractions.

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## Key Findings

### Finding 4: Contractor Overcharged the City \$52,940 for Credit Card Purchases



Recommendation: The City should seek reimbursement of \$52,940 in net credit card expenses that were identified as "not allowable", "questionable" or "not verifiable." (This amount includes a reduction of the value of the purchased gift cards returned to the City by the Contractor of \$1,265.)

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## Key Findings

### Finding 4 (con't.): Not Allowable Expenses \$25,263

#### Examples:

- Repeated repair of personal cell phone glass covers
- Purchase of an Apple Watch®
- Cell phone supplies, such as repeated purchases of cell phone chargers
- Dinners, administrative lunch and dinner meetings with other CVB staff and TID participating hotels.
- Contractor-related expenses that were paid for by CVB funds
- Gift cards and gift related expenses

Recommendation: The City should seek a refund from merchants for the purchased gift cards in its possession that were returned from the Contractor.

Recommendation: The City should conduct further review for any potential violation of laws for the use of public funds to support Contractor member recruiting and Contractor use of gift cards.

## Key Findings

### Finding 5: Review of Contractor's Monthly Invoices Identified \$201 in Overbilling

#### Review of Four Monthly Invoices Submitted to the City

	Total Invoice Amount Submitted to the City by the Contractor	Total Amount that Should have been Billed to the City
Total	\$395,907	\$395,706
Net Amount Overcharged to the City. Difference of \$201 is including in Finding 6.		\$0

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## Key Findings

### Finding 6: The CVB Spent \$57,885 More than it Received in Funding from the City for FY 17-18

- When the Contractor opted to terminate the CVB employees, it led to one-time payments for unused vacation time for CVB employees at fiscal year-end and contributed to nearly all of the \$57,885 in cost overruns for FY 2017-18.

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## Key Findings

### Finding 7: Contractor Incurred Another \$158,079 in Allowable CVB Expenses from July to August 2018

- The Contractor reported spending \$158,079 on CVB payroll activities between July and August 2018, which exceeded the City's \$80,000 payment by \$78,079, and were considered allowable.
- The Contractor provided other documentation for \$20,242 in new expenses (Management fees, accounting/auditing expenses, and technical upgrades that are not allowed under the terms of the supplemental payment.

**Recommendation:** The City should determine whether it wants to allow the Contractor to use the CVB reserves for operating expenses incurred in FY 2017-18 and 2018-19 that exceeded the contract's "not to exceed" amounts of \$57,885 and \$78,079, respectively.

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## Key Findings

### Finding 8: The Contractor Has Not Provided Sufficient Documentation to Support Payment by the City of \$63,464 in Other TID Expenses Submitted for Reimbursement

Invoice Date	Invoice Amount	Description	Allowable Expenses	Unable to Support
TOTAL	\$68,457	Credit card charges, TID accrued vacation payouts, TID payroll expenses, TID bonus payouts, employee expense Reimbursements	\$4,993	\$63,464

**Recommendation:** The City should release \$4,993 from the held TID funds to reimburse expenses on the outstanding TID invoices submitted by the Contractor.

**Recommendation:** Because the Contractor could not provide documentation to support its claim that TID-funded Contractor employees were actively engaged in TID activities between July and August 2018, the City should withhold reimbursement to the Contractor for \$61,092 in TID expenditures for employee salary, benefits, taxes, bonuses, vacation payouts and payroll processing fees incurred during this period. The City should also not reimburse \$2,372 in other credit card and employee expense reimbursement requests.

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