

FOLLOW-UP OF CONTRACT No. 2018-260 VISIT SARASOTA COUNTY

May 2025

Original audit report issued April 2020

Karen E. Rushing
Clerk of the Circuit Court and
County Comptroller
Office of the Inspector General
Sarasota County, Florida



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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent follow-up audit of the Agreement for Services between the County and Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County (VSC). The purpose of the audit was to evaluate the steps taken to address the observations reported in the original audit report. The original report identified seven (7) Opportunities for Improvement, with the Parks, Recreation and Natural Resources (PRNR) leadership fully correcting four (4), exhibiting considerable improvement in their management of this Agreement.

The original audit detected non-compliance with stipulations mandated in the Agreement for Services relating to:

- Oversight of the Administrative Agent
- Management Service Fees
- Quarterly Reporting
- Procurement of Contracts and Sub-Contractors
- Supporting Documentation
- Authorization of Travel or Events
- Non-reimbursable Expenses

The Agreement is renewed each fiscal year, and for the Fiscal Year of October 1, 2023, through September 30, 2024, the Agreement is formally designated as Contract No. 2023-428. The PRNR Department refined their internal processes by implementing stronger review methods, utilizing a more organized system for tracking procurements, and assuring the inclusion of all necessary supporting documentation for reimbursements. While these enhanced applications appear to have improved the overall process of review, there are still detected issues with the timeliness of delivered reports and reimbursements, which could result in potential non-compliance with the Agreement.



SUMMARY AND RESULTS

The Clerk of the Circuit Court and County Comptroller’s *Internal Audit Department and Office of the Inspector General* have completed a follow-up audit of Contract No. 2018-260, Visit Sarasota County. The follow-up audit was planned and conducted in conformance with the *Global Internal Audit Standards*. These standards require that we plan and perform the follow-up audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our follow-up audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on the follow-up audit objectives.

Background

The purpose of the May 2025 Follow-up Audit of Contract No. 2018-260, Visit Sarasota County was to determine if the internal controls, specifically related to processes used by the County to monitor compliance with terms of the Agreement for Services, were operating effectively. The scope of the audit included an assessment and evaluation of whether management actions have been effectively implemented to address the Opportunities for Improvement listed in the original audit.

VSC is the official destination marketing organization for Sarasota County, Florida, dedicated to promoting the region as a premier tourist destination. VSC consists of 13 employees, with expertise in areas such as marketing, community relations, and data coordination. In FY 2024, VSC entered into an Agreement for Services (Contract 2023-428) with Sarasota County, formalizing the allocation of funds from the Tourist Development Tax to support marketing and promotional activities aimed at attracting visitors. The PRNR Department is responsible for overseeing and ensuring compliance with the terms of this contract.

Established Under Sarasota County’s Tourist Development Ordinance No. 87-134, as codified in Article III, Chapter 114 of the Sarasota County Code, the Tourist Development Tax is levied to fund activities and events that market and promote tourism within the County. The Tourist Development Council (TDC) advises the County Commission on tourism policies and oversees the expenditure of these tax revenues, ensuring alignment with the County’s strategic goals for tourism development.

The original audit report concluded that VSC was actively engaged in efforts, such as promoting tourism and managing advertising initiatives; however, some terms of the contract required additional controls to enhance overall compliance.

Objectives

The objective of this follow-up audit was to evaluate the observations reported in the Contract No. 2018-160 Visit Sarasota County audit report, dated April 2020, and subsequent corrective actions taken by responsible management. This was achieved by providing independent, objective analysis as well as reasonable assurance that the previous concerns have been addressed and appropriate corrective measures implemented.

To meet the objective(s) of the follow-up audit, the following procedures were performed:

- Performed inquiries of management of the PRNR Department, including the Administrative Agent and their designee(s),
- Obtained an understanding of changes made to the Agreement for Services since the original audit report date,
- Reviewed applicable County policies and legislation related to the audit scope, such as the Sarasota County Procurement Manual and the Sarasota County Code of Ordinances, Chapter 114, Article III. Tourist Development Tax,
- Examined a sample of 27 Reimbursement Packets exclusively for management service fees, representing 100% of the total population of management services for the period of October 1, 2023 through September 30, 2024,
- Assessed whether the contractually required quarterly reports to the County and TDC were submitted within 45 days (previously 30 days in the original audit) at the end of each quarter,
- Examined a sample of 14 procurements, representing the total population of procurements of October 1, 2023, through September 30, 2024,
- Reviewed the Smartsheet created by PRNR to view how procurements are tracked and monitored for compliance,
- Examined a random sample of VSC Reimbursement Packets for the period of October 1, 2023, through September 30, 2024. Of a total of 138, a sample of 102, or 74%, were selected and tested,
- Reviewed 86 unique Travel and Entertainment Authorizations that were located within the random sample of the above VSC Reimbursement Packets, and
- Identified the current status of the original Opportunities for Improvement to determine compliance.

Overall Results

Based on the results of our follow-up audit procedures, VSC and the PRNR Department have addressed the previous concerns and implemented appropriate corrective action on the conditions identified in the original audit report.

Open Conditions and Pending Corrective Action*

3. Quarterly Reporting

Open/Partially Completed Conditions and Pending Corrective Action*

1. Oversight of Administrative Agent

2. Management Service Fees

Closed Conditions and Follow-Up Results*

4. Procurement of Contracts and Sub-Contractors

5. Supporting Documentation

6. Authorization of Travel or Events

7. Non-reimbursable Expenses

**The conditions above are categorized by the current status and are numbered to correlate with the original audit report's Opportunities for Improvement.*

Although 1 *Opportunity for Improvement* remains open, this concludes the follow-up audit process as it relates to Contract No. 2023-428, formerly known as Contract 2018-260.



OPEN CONDITIONS AND PENDING CORRECTIVE ACTION

1 of the 7 conditions identified in the original report remains open and continues to require management attention.

3. Quarterly Reporting

Current Status, Follow-Up Audit dated May 2025:

The Internal Audit Department (IAD) determined that VSC is compliant by submitting its reports within 45 days of the end of each quarter to the County, as required by Contract 2023-428. However, the contract specifies that VSC should provide the reports directly to both the County and the TDC within the 45-day timeframe. The County, through the Office of Financial Management (OFM), has been submitting these reports late to the TDC, with delays of 29, 15, and 6 days. If VSC is to submit the reports to the County instead of directly to the TDC, the contract should be amended to specify that the reports will first be reviewed by the County and then forwarded to the TDC. This delay constitutes non-compliance, and Opportunity for Improvement No.3- Quarterly Reporting, remains **open**.

Quarter	Due Per Agreement	County Received	Date Provided to TDC	Days Over
1 st Quarter	2/14/2024	2/8/2024	2/14/2024	N/A
2 nd Quarter	5/15/2024	5/10/2024	5/30/2024	15
3 rd Quarter	8/14/2024	9/12/2024 ¹	9/12/2024	29
4 th Quarter	11/14/2024	11/7/2024	11/20/2024	6

¹ The County initially received the 3rd Quarter report on 8/14/2024, however, a revision was required due to financial discrepancies, resulting in a 29-day delay before the TDC received the final version.

Original Audit Observation, Report dated April 2020:

Per Section VIII. C. 1 of the contract, "within 30 days of each year quarter, the VSC shall provide a written progress report to the COUNTY'S Administrative Agent and to the TDC concerning the status of the PROJECT, including the progress toward meeting the Goals and Outcomes, referenced under Section VIII, Paragraph A above, along with relevant tourism statistics and a report on sports grants. "

The VSC provides quarterly progress reports to the TDC Support Liaison within the OFM Department within 30 days of each quarter end. Upon receipt of the quarterly reports, the OFM department staff reviews the reports prior to including them on the upcoming TDC meeting agenda. Approximately a week prior to an upcoming TDC meeting, the members of the TDC are sent an email with the agenda items attached, which includes the VSC quarterly reports. The auditor obtained the quarterly progress reports and emails indicating when the reports were provided related to contract 2018-260. It was determined that although VSC was providing the quarterly reports to the County within 30 days, the Sarasota County Tourist Development Council (TDC) was not being provided the reports within the required time period, per the agreement.

Quarter	Due Per Agreement	County Received	Date Provided to TDC
1 st Quarter	1/31/2019	1/31/2019	4/11/2019
2 nd Quarter	4/30/2019	4/26/2019	5/14/2019
3 rd Quarter	7/31/2019	7/31/2019	9/13/2019
4 th Quarter	10/31/2019	10/25/2019	11/15/2019

Original Recommendations, Report dated April 2020:

To ensure compliance with contract 2018-260, as soon as the administrative agent is provided with a copy of the VSC quarterly report, the report should also immediately be provided to the TDC for their review.

Management Action Plan:

PRNR reviews the progress report for completeness, follows up with VSC if necessary and then provides to the TDC staff liaison within OFM for distribution. Typically, the liaison would include the report within an email with other information in advance of an upcoming TDC meeting. By doing this, the contractual timeline was not always met. VSC does not provide the report direct to the TDC, it has always been routed through staff. It is important to note that the Q3 progress report financials did not agree with the County’s financial tracking thus a revision was necessary.

PRNR staff recognize an opportunity for improvement by revising the contract language for clarification. Within the FY2026 agreement, Section VIII.C. staff propose the language will be revised to reflect VSC providing a written progress report to the COUNTY’s Administrative Agent within 45 days of the end of each quarter. PRNR staff will submit the progress report to the TDC liaison for distribution to the members of the TDC.



PARTIALLY COMPLETED CONDITIONS AND FOLLOW-UP RESULTS

2 of the 7 conditions identified in the original report were partially completed and require management attention.

1. Oversight of Administrative Agent

Current Status, Follow-Up Audit dated May 2025:

During the review of a random sample of 102 reimbursement packets for the 2024 Fiscal Year, the IAD concluded that VSC and the PRNR Department have improved their review processes. All reimbursement packets were signed by the VSC President and a PRNR Administrative Agent, and each packet contained the necessary forms dictated in the Agreement. However, while the Auditee(s) have made considerable progress in regards to this Opportunity for Improvement, a majority of the VSC Reimbursement Packets are not being delivered to the County on the contracted "biweekly" basis.

The first delivery of the VSC Reimbursement Packets, for Fiscal Year 2024, was not until December 2023. Furthermore, only four (4) months had reimbursement requests delivered to the County more than once. For the remaining months, the submissions were either late or consolidated coverage for multiple months, thereby failing to comply with the contract terms. Due to this, Opportunity for Improvement No.1- Oversight of Administrative Agent, is considered **partially completed**.

Original Audit Observation, Report dated April 2020:

Per the contract, Section IV, Subsection A, states that the "VSC shall submit to the COUNTY, on a weekly basis, an invoice for that portion of the PROJECT completed. ... Supporting documentation for PROJECT expenditures, such as invoices, bills, receipts and vouchers, must be attached to the weekly invoice submittal."

Per the contract, Section XII, Subsection A, states that "The COUNTY's Administrative Agent is designated by the COUNTY to serve as PROJECT coordinator and to do all things necessary to properly administer the terms and conditions of this Agreement. The responsibility of the COUNTY's Administrative Agent or designee shall include ... Review for approval or rejection all of VSC's documents and payment requests."

The VSC submits requests for reimbursement or for payments directly to vendors on a weekly basis. Office of Financial Management (OFM) staff receives the requests, reviews them for compliance and accuracy with the contract, and then approves them for payment. Through

discussions with PRNR management and OFM staff that handle the review and approval process, the auditor determined that the Administrative Agent is not involved in the review or approval process for payment requests.

Original Recommendations, Report dated April 2020:

To ensure compliance with the contract, the Administrative Agent must have oversight of the review and approval process for all of VSC's submitted documentation and payment requests to ensure all required documentation is present.

Management Action Plan:

Both the PRNR Staff and VSC agree that the contractual language within Section IV.A. should be revised from requiring VSC to submit an "invoice for that portion of the Scope which has been completed no less than once every two weeks" to "VSC shall submit to the County, an invoice for that portion of the Scope which has been completed no less than once monthly." This will be proposed as part of the FY2026 Agreement.

2. Management Service Fees

Current Status, Follow-Up Audit dated May 2025:

The IAD determined that while VSC is complying with its contractual obligation under Contract 2023-428 by attaching supporting documentation with sufficient information to monthly reimbursement requests for Management Service fees (e.g., salaries, benefits, payroll taxes), VSC remains non-compliant with the requirement to submit these requests “not less than monthly.” In FY2024, reimbursement requests for Management Service fees were not submitted for four (4) months—October through December 2023 and April 2024. As a result, the IAD considers Opportunity for Improvement No.2- Management Service Fees, as **partially completed**.

Original Audit Observation, Report dated April 2020:

State Per Section IV. A. 6. i of the contract, "For purposes of this Agreement: "Management Services" shall mean VSC personnel costs including salaries, benefits, payroll taxes that the organization is required to pay as they relate to employment and contractual labor costs incurred for the PROJECT. The following applicable employee benefits are allowable for reimbursement in proportion to the percentage of time or effort employees devote to the PROJECT:

- a) Payroll taxes including Federal Insurance Contributions Act (FICA), unemployment and worker's compensation;
- b) Medical/Prescription insurance premiums - limited to 85% of employee plan cost plus 55%of dependent plan cost;
- c) Dental insurance premiums - limited to 100% of employee-only plan cost up to a maximum annual limit of \$365;
- d) Life insurance premiums - limited to the cost of providing coverage for a benefit equal to the employee's current salary rounded up to the next \$1,000;
- e) Retirement account contributions up to 5% of salary..."

The auditor obtained and reviewed the reimbursement requests for six reimbursements for Management Services between the dates of October 1, 2018 and July 31, 2019. During review of the supporting documentation, it was noted that each monthly invoice included one-twelfth of the total annual budgeted Management Services, but lacked any supporting documentation for the items listed as required within the contract.

The auditor determined that VSC does provide a reconciliation of the management fee reimbursement, but it is on an annualized basis. Additionally, this reconciliation only provides an overview of the cost allocation for how much time each employee was used in relation to the contract.

Original Recommendations, Report dated April 2020:

To ensure compliance with the contract, the County should require that additional documentation be provided by VSC above and beyond a cost allocation report. Additionally, this supporting documentation should be provided for each monthly reimbursement request.

If it is the intent of the County to provide this reimbursement on a one-twelfth basis, the contract should be modified to clearly reflect this requirement.

Management Action Plan:

Both the PRNR staff and VSC agree that the contractual language is within Section IV.A.6. should be revised from requiring VSC to submit to the COUNTY reimbursement requests for Management Services based upon actual expenditures not less than monthly to no later than the 15th of the month for the preceding month's personnel expenses. This will be proposed as part of the FY2026 Agreement.



CLOSED CONDITIONS AND FOLLOW-UP RESULTS

4 of the 7 conditions identified in the original report were closed.

4. Procurement of Contracts and Sub-Contractors

Current Status, Follow-Up Audit dated May 2025:

The IAD determined that a review process for monitoring contract compliance has been implemented and is now being tracked in Smartsheet. Testing of fourteen (14) sampled procurements from Fiscal Year 2024 confirmed that the appropriate quote methods were used based on the required purchasing thresholds and that all County response requirements were met. Additionally, all procurements reviewed were in full compliance with the Sarasota County Procurement Manual and Contract No. 2023-428.

No material issues were identified during the audit process and the IAD considers Opportunity for Improvement No.4- Procurements of Contracts and Sub-Contractors, as **closed**.

Original Audit Observation, Report dated April 2020:

Per Section III. A of the contract states, "procurement of goods and services necessary for the completion of the PROJECT shall be made in accordance with the purchasing requirements set forth in the Sarasota County Procurement Code, Article VI, Chapter 2 of the Sarasota County Code and the Sarasota County Procurement Manual".

Per Section IX. B also states, "the COUNTY reserves the right to accept or reject the use of a sub- contractor selected by the VSC and to inspect all facilities and proposals of any sub-contractors in order to make a determination as to the capability of the sub-contractor to perform properly under this Agreement. The VSC is encouraged to seek local business enterprises for participation in sub-contracting opportunities".

The auditor obtained a list of 51 contracts, of which 5 are considered to be sub-contractors, that were entered into by VSC related to contract no. 2018-260. Of the 51 contracts, the auditor identified that 7 contracts totaled \$2,785,000 that were entered into by VSC with individual contractual not to exceed values of \$50,000 or more. The auditor was unable to obtain any evidence to determine if management reviewed any of these contracts to ensure VSC's compliance with the Sarasota County Procurement Code and Procurement Manual.

During discussions with PRNR and OFM staff, the auditor determined that the County does not have processes to properly document their review and approval of sub-contractors or to monitor for compliance over the procurement process of contracts entered into by VSC.

Original Recommendation, Report dated April 2020:

To ensure compliance with contract no. 2018-260, implement a review process over contracts entered into by VSC to monitor for compliance with the County's procurement code and procurement manual in order to promote competition and securing the best value for products and services. This process should include the County's review for both contractors and sub-contractors.

5. Supporting Documentation

Current Status, Follow-Up Audit dated May 2025:

During the review of a random sample of 102 reimbursement packets for the 2024 Fiscal Year, the IAD determined that the VSC Reimbursement Packets had the proper receipts, and/or attestation of work performed, provided with each invoice. There was a single occurrence of an invoice within a packet that did not have the proper supporting documentation attached, but the IAD was able to receive and match the appropriate supporting documentation to the invoice. This process by VSC and PRNR has been improved considerably.

No material issues were identified during the audit process and the IAD considers Opportunity for Improvement No.5- Supporting Documentation, as **closed**.

Original Observation, Report dated April 2020:

Per Section IV. A. of the contract states, "The VSC shall submit to the COUNTY, on a weekly basis, an invoice for that portion of the PROJECT completed." and that "Supporting documentation for PROJECT expenditures, such as invoices, bills, receipts and vouchers, must be attached to the weekly invoice submittal".

The auditor selected a statistical sample of 117 weekly invoice reimbursements, which included 877 transactions, obtained from a population of 168 weekly invoice reimbursements associated with the contract. During review of the transactions, the auditor noted that 39 of the 877 transactions (4.4%), either lacked required supporting documentation, or the documentation provided was not detailed enough to ensure compliance. Of the 39 transactions lacking supporting documentation, with some transactions having more than one issue of non-compliance:

- 15 were for the rebate program and the documentation did not clearly define the location of the hotels, and/or the number of hotel nights stayed,
- 13 were for sole source vendors and the Competitive Procurement Exemption Request forms were not included,
- 10 failed to include required documentation (i.e. Travel/Entertainment Authorization form, Hospitality Authorization form, or missing receipt),
- 5 were due to the check request/purchase approval not being signed.

Original Recommendation, Report dated April 2020:

To ensure the County monitor's for compliance with contract no. 2018-260, the County should ensure all required documents are provided to support the reimbursement request.

6. Authorization of Travel or Events

Current Status, Follow-Up Audit dated May 2025:

The IAD examined a total of 86 unique Travel/Entertainment Authorizations, located within the random sample of VSC Reimbursement Packets, and has determined that VSC is in compliance with the requirements in the Agreement regarding the request and approval of travel/entertainment. While there was a sole instance of a Travel/Entertainment Authorization form being signed on the day of travel, VSC has sufficiently improved their processes.

No material issues were identified during the audit process and the IAD considers Opportunity for Improvement No.6- Authorization of Travel or Events, as **closed**.

Original Audit Observation, Report dated April 2020:

Per Section IV. A. 1. c. of the contract states, "Entertainment and travel expense reimbursements for hosting tourist industry representatives, i.e., travel writers and tour brokers, must be accompanied by an approved Travel/Entertainment Authorization Request form, attached hereto as Exhibit D and incorporated herein. Reimbursements supported by an approved Travel/Entertainment Authorization Request form, Exhibit D, are excused from purchasing requirements set forth in Section III of this Agreement".

The auditor selected a statistical sample of 117 weekly invoice reimbursements, which included 877 transactions, obtained from a population of 168 weekly invoice reimbursements associated with the contract. During review of the transactions, the auditor noted that 9 of the 877 transactions (1%), included Travel/Entertainment Authorization Request forms that were submitted and approved after the fact.

Original Recommendations, Report dated April 2020:

To ensure the County monitor's for compliance with contract no. 2018-260, the County should require that all travel for VSC are to be approved by VSC prior to travel.

7. Non-reimbursable Expenses

Current Status, Follow-Up Audit dated May 2025:

During the review of a random sample of 102 reimbursement packets for the 2024 Fiscal Year, the IAD determined that no non-reimbursable expenses were reimbursed by the County. While there were a few instances of non-reimbursable items being attached on receipts/ for reimbursement (alcoholic beverages, a donation, etc.) these items were caught in the review processes and were either not included in the final reimbursement or taken off of the reimbursement packet completely.

No material issues were identified during the audit process and the IAD considers Opportunity for Improvement No.7- Non-reimbursable Expenses, as **closed**.

Original Audit Observation, Report dated April 2020:

Per Section IV. A. 2. of the contract outlines non-reimbursable expenses, which includes:

- Alcoholic beverages,
- Entertainment (except for approved Travel/Entertainment Authorization Request, Exhibit D, applicable to tourism industry meetings),
- Refreshments associated with VSC internal routine/recurring activities,
- VSC employee gifts or mementos,
- External individual gifts or mementos costing more than \$100.00, and
- Any costs that are not PROJECT-related.

The auditor selected a statistical sample of 117 weekly invoice reimbursements, which included 877 transactions, obtained from a population of 168 weekly invoice reimbursements associated with the contract. During review of the transactions, the auditor noted that 3 of the 877 transactions (0.34%) were for non-reimbursable expenses that included the following:

- 2 were for entertainment purchases, and
- 1 was to obtain TSA Pre-Check for an individual employee.

Original Recommendations, Report dated April 2020:

To ensure the County monitor's for compliance with contract no. 2018-260, the County should review all transactions to ensure they are allowed to be reimbursed per the contract.



APPENDIX A

Following is the original *Audit of Contract No. 2018-260 Visit Sarasota County*, dated April 2020.



AUDIT OF CONTRACT No. 2018-260 VISIT SARASOTA COUNTY

April 2020



Karen E. Rushing
Clerk of the Circuit Court and County Comptroller
Office of the Inspector General
Sarasota County, Florida



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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of Contract No. 2018-260 Sarasota Convention & Visitors Bureau, Inc. d/b/a Visit Sarasota County. The purpose of the audit was to evaluate the effectiveness of processes used by the Parks, Recreation and Natural Resources (PRNR) Department to monitor for compliance with the terms of the contract.

The audit detected non-compliance with the following contractual stipulations:

- Oversight of the Administrative Agent,
- Management Service Fees,
- Quarterly Reporting requirements,
- Procurement of Contracts and Sub-Contractors,
- Proper Authorization and Supporting Documentation, and
- Non-reimbursable Expenses.

Lack of monitoring to ensure compliance with contractually mandated oversight and monitoring, management service fees, quarterly reporting requirements and procurement of contractors and sub-contractors could result in a higher level of reputational and public relations risk. Additionally, non-compliance with the contractual stipulations for non-reimbursable expenses, proper authorization, and lack of supporting documentation could result in the County paying higher costs for products or services that are either not allowable or may not have been authorized.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of Contract No. 2018-260 Sarasota Convention & Visitors Bureau, Inc. d/b/a Visit Sarasota County. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to determine compliance with the terms of the contract.

Background

Sarasota Convention Center and Visitors Bureau, Inc. was incorporated on July 6, 1982 under the laws of the State of Florida as a not-for-profit organization to advance and develop tourism within Sarasota County. The d/b/a Visit Sarasota County (VSC) was registered with the State of Florida effective April 19, 2012. As provided for within Chapter 125 of Florida Statutes and 114 of the Sarasota County Code, VSC is the official marketing organization for Sarasota County.

Through annual agreements between Sarasota County and VSC, which includes Contract No. 2018-260 for Fiscal Year 2019, the primary responsibility of VSC is to manage and administer the Sarasota County Tourism Business Plan funded by the Tourist Development Tax Proceeds. VSC acts as an agent between Sarasota County and vendors that provide tourist related goods or services. VSC will either pay the vendors directly and submit documentation in order to receive reimbursement from the County, or they will provide documentation for the County to pay vendors directly.

VSC operates a visitors' center and has corporate office space in Sarasota, FL. As part of the annual agreement, VSC is required to obtain private sector funding, which comes in the form of membership dues, revenues from selling advertising space within the visitor guides, cooperative advertising efforts, and retail sales at the visitors' center.

Objectives, Scope and Methodology

The objectives of this audit was to determine that policies and procedures are in place and documentation is available to support the effective and efficient administration of the Agreement. The scope of the audit included the time period October 1, 2018 through September 30, 2019.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Obtained an understanding of Contract No. 2018-260.
- Performed inquiries of responsible personnel.
- Evaluated documentation for compliance with provisions of the Agreement.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Ensuring effective organization performance management and accountability,
- (Standard 2120.A1) Effectiveness and efficiency of operations and programs, and
- (Standard 2130.A1) Effectiveness of controls, particularly compliance with laws, regulations, and contracts. As well as, compliance with policies and procedures and the reliability and integrity of financial and operational information.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were seven *Opportunities for Improvement* identified as a result of the audit:

1. **Oversight of the Administrative Agent**
2. **Management Service Fees**
3. **Quarterly Reporting**
4. **Procurement of Contracts and Sub-Contractors**
5. **Supporting Documentation**
6. **Authorization of Travel or Events**
7. **Non-reimbursable Expenses**

1. Oversight of the Administrative Agent.

Observation

Per the contract, Section IV, Subsection A, states that the *“VSC shall submit to the COUNTY, on a weekly basis, an invoice for that portion of the PROJECT completed. ... Supporting documentation for PROJECT expenditures, such as invoices, bills, receipts and vouchers, must be attached to the weekly invoice submittal.”*

Per the contract, Section XII, Subsection A, states that *“The COUNTY's Administrative Agent is designated by the COUNTY to serve as PROJECT coordinator and to do all things necessary to properly administer the terms and conditions of this Agreement. The responsibility of the COUNTY's Administrative Agent or designee shall include ... Review for approval or rejection all of VSC's documents and payment requests.”*

The VSC submits requests for reimbursement or for payments directly to vendors on a weekly basis. Office of Financial Management (OFM) staff receives the requests, reviews them for compliance and accuracy with the contract, and then approves them for payment. Through discussions with PRNR management and OFM staff that handle the review and approval process, the auditor determined that the Administrative Agent is not involved in the review or approval process for payment requests.

Recommendation

To ensure compliance with the contract, the Administrative Agent must have oversight of the review and approval process for all of VSC's submitted documentation and payment requests to ensure all required documentation is present.

Management Response

The payment request approval process was updated and implemented in early 2020 to include review and signature approval by the Administrative Agent. VSC will continue submitting requests for reimbursement or for payments direct to vendors on a weekly basis to the Office of Financial Management (OFM) for processing. OFM completes the review, fills out the reimbursement request, logs tracking information, and delivers packet to Parks, Recreation and Natural Resources for additional review and signature by the Administrative Agent.

2. Management Service Fees.

Observation

Per Section IV. A. 6. i of the contract, *"For purposes of this Agreement: "Management Services" shall mean VSC personnel costs including salaries, benefits, payroll taxes that the organization is required to pay as they relate to employment and contractual labor costs incurred for the PROJECT. The following applicable employee benefits are allowable for reimbursement in proportion to the percentage of time or effort employees devote to the PROJECT:*

a. Payroll taxes including Federal Insurance Contributions Act (FICA), unemployment and worker's compensation;

b. Medical/Prescription insurance premiums - limited to 85% of employee plan cost plus 55% of dependent plan cost;

c. Dental insurance premiums - limited to 100% of employee-only plan cost up to a maximum annual limit of \$365;

d. Life insurance premiums - limited to the cost of providing coverage for a benefit equal to the employee's current salary rounded up to the next \$1,000;

e. Retirement account contributions up to 5% of salary..."

The auditor obtained and reviewed the reimbursement requests for six reimbursements for Management Services between the dates of October 1, 2018 and July 31, 2019. During review of the supporting documentation, it was noted that each monthly invoice included one-twelfth of the total annual budgeted Management Services, but lacked any supporting documentation for the items listed as required within the contract.

The auditor determined that VSC does provide a reconciliation of the management fee reimbursement, but it is on an annualized basis. Additionally, this reconciliation only provides an overview of the cost allocation for how much time each employee was used in relation to the contract.

Recommendation

To ensure compliance with the contract, the County should require that additional documentation be provided by VSC above and beyond a cost allocation report. Additionally, this supporting documentation should be provided for each monthly reimbursement request.

If it is the intent of the County to provide this reimbursement on a one-twelfth basis, the contract should be modified to clearly reflect this requirement.

Management Response

In April 2020, the Administrative Agent and staff within Parks, Recreation and Natural Resources discussed with the President of VSC the need to begin reimbursing Management Services according to actuals within Contract No. 2019-278, Section IV Compensation and Method of Payment A. 6. Beginning with April 2020 Management Fee reimbursement requests, VSC will submit a reconciliation to date and proof of actuals for reimbursement of Management Fees going forward.

3. Quarterly Reporting.

Observation

Per Section VIII. C. 1 of the contract, *"within 30 days of each year quarter, the VSC shall provide a written progress report to the COUNTY'S Administrative Agent and to the TDC concerning the status of the PROJECT, including the progress toward meeting the Goals and Outcomes, referenced under Section VIII, Paragraph A above, along with relevant tourism statistics and a report on sports grants."*

The VSC provides quarterly progress reports to the TDC Support Liaison within the OFM Department within 30 days of each quarter end. Upon receipt of the quarterly reports, the OFM department staff reviews the reports prior to including them on the upcoming TDC meeting agenda. Approximately a week prior to an upcoming TDC meeting, the members of the TDC are sent an email with the agenda items attached, which includes the VSC quarterly reports.

The auditor obtained the quarterly progress reports and emails indicating when the reports were provided related to contract 2018-260. It was determined that although VSC was providing the quarterly reports to the County within 30 days, the Sarasota County Tourist Development Council (TDC) was not being provided the reports within the required time period, per the agreement.

Quarter	Due Per Agreement	County Received	Date Provided to TDC
1 st Quarter	1/31/2019	1/31/2019	4/11/2019
2 nd Quarter	4/30/2019	4/26/2019	5/14/2019
3 rd Quarter	7/31/2019	7/31/2019	9/13/2019
4 th Quarter	10/31/2019	10/25/2019	11/15/2019

Recommendation

To ensure compliance with contract 2018-260, as soon as the administrative agent is provided with a copy of the VSC quarterly report, the report should also immediately be provided to the TDC for their review.

Management Response

VSC shall submit their quarterly report within 30 days of each year quarter to the assigned OFM staff and Administrative Agent. Upon receipt of the quarterly report, assigned OFM staff will forward the report to the TDC within the expected time frame as outlined in the current contract. In addition, county staff will be proposing a change to the VSC FY21 contract which will allow for quarterly reports to be submitted by VSC within 45 days of each year quarter. This will allow for better reporting of numbers for the past quarter, which at times are lagging due to timing.

4. Procurement of Contracts and Sub-Contractors.

Observation

Per Section III. A of the contract states, "*procurement of goods and services necessary for the completion of the PROJECT shall be made in accordance with the purchasing requirements set forth in the Sarasota County Procurement Code, Article VI, Chapter 2 of the Sarasota County Code and the Sarasota County Procurement Manual*".

Per Section IX. B also states, "*the COUNTY reserves the right to accept or reject the use of a sub-contractor selected by the VSC and to inspect all facilities and proposals of any sub-contractors in order to make a determination as to the capability of the sub-contractor to perform properly under this Agreement. The VSC is encouraged to seek local business enterprises for participation in sub-contracting opportunities*".

The auditor obtained a list of 51 contracts, of which 5 are considered to be sub-contractors, that were entered into by VSC related to contract no. 2018-260. Of the 51 contracts, the auditor identified that 7 contracts totaled \$2,785,000 that were entered into by VSC with individual contractual not to exceed values of \$50,000 or more. The auditor was unable to obtain any evidence to determine if management reviewed any of these contracts to ensure VSC's compliance with the Sarasota County Procurement Code and Procurement Manual.

During discussions with PRNR and OFM staff, the auditor determined that the County does not have processes to properly document their review and approval of sub-contractors or to monitor for compliance over the procurement process of contracts entered into by VSC.

Recommendation

To ensure compliance with contract no. 2018-260, implement a review process over contracts entered into by VSC to monitor for compliance with the County's procurement code and procurement manual in order to promote competition and securing the best value for products and services. This process should include the County's review for both contractors and sub-contractors.

Management Response

The County will review competitive procurement requirements with VSC on an annual basis and provide written guidelines related to procurement thresholds and competitive requirements. All procurements in excess of \$25,000 will be reviewed by the County's Administrative Agent or designee prior to award of a contract to ensure compliance with the written procurement guidelines. Staff will evaluate to determine if any changes need to be made to clarify and improve procurement requirements in future VSC Contracts.

5. Supporting Documentation.

Observation

Per Section IV. A. of the contract states, *"The VSC shall submit to the COUNTY, on a weekly basis, an invoice for that portion of the PROJECT completed."* and that *"Supporting documentation for PROJECT expenditures, such as invoices, bills, receipts and vouchers, must be attached to the weekly invoice submittal"*.

The auditor selected a statistical sample of 117 weekly invoice reimbursements, which included 877 transactions, obtained from a population of 168 weekly invoice reimbursements associated with the contract. During review of the transactions, the auditor noted that 39 of the 877 transactions (4.4%), either lacked required supporting documentation, or the documentation provided was not detailed enough to ensure compliance. Of the 39 transactions lacking supporting documentation, with some transactions having more than one issue of non-compliance:

- 15 were for the rebate program and the documentation did not clearly define the location of the hotels, and/or the number of hotel nights stayed,
- 13 were for sole source vendors and the Competitive Procurement Exemption Request forms were not included,
- 10 failed to include required documentation (i.e. Travel/Entertainment Authorization form, Hospitality Authorization form, or missing receipt),
- 5 were due to the check request/purchase approval not being signed.

Recommendation

To ensure the County monitor's for compliance with contract no. 2018-260, the County should ensure all required documents are provided to support the reimbursement request.

Management Response

A form will be developed to assist assigned OFM staff and the Administrative Agent with the review and approval of payment reimbursement requests. This form will assist staff with ensuring the required documentation is included within the reimbursement request. Additionally, staff will require VSC to provide more detailed information regarding Sarasota County hotel rooms utilized within the grant program.

6. Authorization of Travel or Events.

Observation

Per Section IV. A. 1. c. of the contract states, *"Entertainment and travel expense reimbursements for hosting tourist industry representatives, i.e., travel writers and tour brokers, must be accompanied by an approved Travel/Entertainment Authorization Request form, attached hereto as Exhibit D and incorporated herein. Reimbursements supported by an approved Travel/Entertainment Authorization Request form, Exhibit D, are excused from purchasing requirements set forth in Section III of this Agreement"*.

The auditor selected a statistical sample of 117 weekly invoice reimbursements, which included 877 transactions, obtained from a population of 168 weekly invoice reimbursements associated with the contract. During review of the transactions, the auditor noted that 9 of the 877 transactions (1%), included Travel/Entertainment Authorization Request forms that were submitted and approved after the fact.

Recommendation

To ensure the County monitor's for compliance with contract no. 2018-260, the County should require that all travel for VSC are to be approved by VSC prior to travel.

Management Response

A form will be developed to assist assigned OFM staff and the Administrative Agent with the review and approval of payment reimbursement requests. This form will assist staff with ensuring the required documentation is included within the reimbursement request. Staff will follow up with VSC regarding their internal controls and segregation of duties. County staff will review all request for eligibility for reimbursement of travel, however, authorization to travel still resides with VSC and their internal travel policies.

7. Non-reimbursable Expenses.

Observation

Per Section IV. A. 2. of the contract outlines non-reimbursable expenses, which includes:

- Alcoholic beverages,
- Entertainment (except for approved Travel/Entertainment Authorization Request, Exhibit D, applicable to tourism industry meetings),
- Refreshments associated with VSC internal routine/recurring activities,
- VSC employee gifts or mementos,
- External individual gifts or mementos costing more than \$100.00, and
- Any costs that are not PROJECT-related.

The auditor selected a statistical sample of 117 weekly invoice reimbursements, which included 877 transactions, obtained from a population of 168 weekly invoice reimbursements associated with the contract. During review of the transactions, the auditor noted that 3 of the 877 transactions (0.34%) were for non-reimbursable expenses that included the following:

- 2 were for entertainment purchases, and
- 1 was to obtain TSA Pre-Check for an individual employee.

Recommendation

To ensure the County monitor's for compliance with contract no. 2018-260, the County should review all transactions to ensure they are allowed to be reimbursed per the contract.

Management Response

A form will be developed to assist assigned OFM staff and the Administrative Agent with the review and approval of payment reimbursement requests. This form will assist staff with ensuring the required documentation is included within the reimbursement request. Staff will review the intended use of the Travel/Entertainment Authorization Request, and the Recognition, Hospitality and Special Events Authorization Request forms with VSC.

