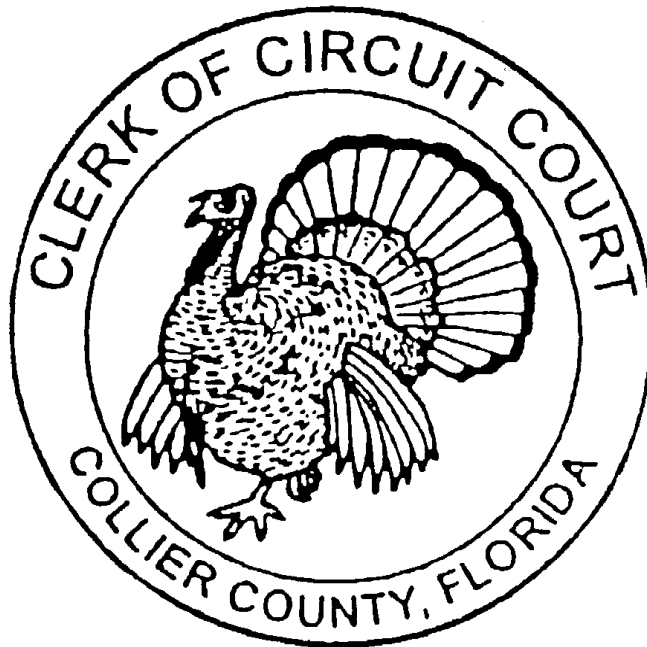


Collier County Clerk of the Circuit Court
Internal Audit Department

Audit Report 2001 - 3

Audit of Tourism Alliance of Collier County
Contract – FY2000





**County of Collier
CLERK OF THE CIRCUIT COURT**

COURT PLAZA III
2671 AIRPORT ROAD, SOUTH
NAPLES, FL 34101-3044

Dwight E. Brock
Clerk

INTERNAL AUDIT

July 13, 2001

Honorable James D. Carter, Ph.D., Chairman
And Members of the Board of County Commissioners
3301 Tamiami Trail East
Naples, Florida 34112

**Re: Audit of Tourism Alliance of Collier County Contract – FY2000
(Audit Report No. 2001-3)**

Chairman:

The Internal Audit Department has completed an audit of the FY2000 contract with the Tourism Alliance of Collier County having an objective to insure that appropriate procedures and controls were in place to assure compliance with the contract and applicable laws. The enclosed audit report discusses the findings of this audit and includes recommendations to address the findings.

We thank the Tourism Alliance and HUI Department staff for their cooperation in the performance of this audit and receptiveness in implementing the recommendations. If you have any questions about this report, please feel free to telephone me at 732-2745 or Robert Byrne, Internal Audit Director, at 774-8075.

Sincerely,

Dwight E. Brock
Clerk of the Circuit Court

Enclosure

cc: Thomas Olliff, County Manager
John Dunnuck, Interim Administrator, Community Development & Environmental Services
Greg Mihalic, HUI Director

Court Plaza III
2671 Airport Road South, Suite 102
Naples, FL 34112
Telephone (941) 774-8075
Fax (941) 775-5861

**Collier County
Clerk of the Circuit Court
Internal Audit Department**

Memo

To: The Honorable Dwight E. Brock, Clerk of the Circuit Court
From: Robert W. Byrne, CMA, Internal Audit Director
Date: 7/13/2001
Re: Audit Report 2001 – 3, Audit of Tourism Alliance Contract



Attached you will find Audit Report 2001 – 3, "Audit of Tourism Alliance of Collier County Contract – FY2000." We concluded that is a need for specific performance measures to be established to judge the effectiveness and efficiency of the advertising and promotion program. Additionally, we suggested that consideration be given to modifying the relationship between the County, TACC, and service providers to streamline the administrative and financial management processes.

I would like to thank the TACC and the HUI Department for their cooperation throughout this audit. I would especially like to recognize them for the efforts made to implement our recommendations, as they have already implemented, or are in the process of implementing, all of the recommendations made in this audit report.

If you have any questions regarding this report, please telephone me at 774-8075.

Collier County Clerk of the Circuit Court
Internal Audit Department

Phone (941) 774 8075
Fax (941) 775 5861
2671 Airport Road S., Suite 102
Naples, FL 34112

Audit Report 2001 - 3

Audit of Tourism Alliance of Collier
County Contract – FY2000

Audit Report 2001 - 3

Audit of Tourism Alliance of Collier County Contract – FY2000

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Section
1

Audit of Tourism Alliance of Collier County Contract – FY2000

Background Information

Audit Purpose, Objectives, & Scope

The purpose of this audit was to review for compliance the provisions of the contract between Collier County and the Tourism Alliance of Collier County (TACC). The Internal Audit Department's objective was to insure that appropriate procedures and controls were in place to assure compliance with the contract and applicable laws. The scope of this audit was limited to payments made by Collier County under the TACC agreement for the 1999 – 2000 fiscal year.

Audit Methodology & Procedures

This audit was performed in accordance with generally accepted government auditing standards. The auditor, in preparation for this audit, reviewed the contract as well as applicable statutes and ordinances. Additionally, the Tourist Development Coordinator, as well as other staff in the Housing and Urban Improvement Department of the Community Development and Environmental Services Division responsible for processing TACC contract payments, was interviewed. The Contract Specialist in the Clerk of Courts Finance Department was interviewed regarding the payment process within that office.

Background

Collier County collects a 3% Tourist Development Tax (TDT) on hotel, apartment, and condominium rentals of 6 months or less. The proceeds of this tax are permitted to be used for: A) financing beach park facility improvements, B) promoting and advertising county tourism, C) funding county owned museums, and D) operating and maintaining a publicly owned and operated fishing pier.

The Collier County Board of County Commissioners contracted with the Tourism Alliance of Collier County (TACC) to promote and advertise the county using moneys received from the Tourist Development Tax. The TACC is the successor to Visit Naples and the Marco Island and Everglades Convention and Visitors Bureau, which represents the

interests of the Collier County tourism industry and has a vested interest in building tourism in the county. The TACC proposed to spend the contract funds for various forms of advertisement to increase national and international awareness of Collier County. Services to be provided by TACC include advertising, public relations, fulfillment (provides 24 hour per day/7 day per week telemarketing services), market research, and special events.

The Tourism Alliance of Collier County applied for and received \$1,350,000 to promote Collier County. The contract was amended four times and finally totaled \$1,463,626.75. This was broken down as follows: Advertising \$820,000, Public Relations \$240,000, Travel Industry Liaison \$35,000, Fulfillment \$180,000, Administration \$75,000, Collier County Film Office \$40,271.75, and Collier County Airport Authority \$77,855. The TACC has the flexibility under the agreement to increase or decrease specific budget line items by up to 10%, as long as the total contract amount is unchanged. The County Administrator or his designee must approve increases exceeding the 10% threshold. However, the agreement does not specify what expenses are included in the individual budget line items.

Selection of vendors or subcontractors to provide services is the sole responsibility of the TACC. As such, the Tourism Alliance contracted with Tamera Le Marketing to perform all management duties associated with the promotion and advertising program. This contract totaled \$132,250, consisting of Tamera Le Marketing's fee of \$97,450.00 and expenses of \$34,800. Additionally, the TACC contracted with an advertising agent and a public relations firm to provide their respective services in implementing the advertising and promotion program.

The TDC Coordinator within the Housing and Urban Improvement (HUI) department is responsible for administering the contract for the county. The TACC is responsible for the receipt of goods and services and then submits invoices to the County. Each invoice must be itemized and supported by copies of corresponding vendor invoices and proof that the goods or services were received. The approved invoice packages are then delivered to the Clerk of Courts' Finance Department where the Contract Technician pre-audits the invoices and makes the appropriate payment.

The Board of County Commissioners requested this audit.

Section 2

Audit of Tourism Alliance of Collier County Contract – FY2000

Findings

Additional Administrative Expenses Incurred Due To Undefined Budget Line Items

As detailed previously, the budgeted line items are Advertising, Public Relations, Travel Industry Liaison, Fulfillment, and Administration. Because there is no detailed description in the contract as to what expenses each line item includes or does not include, expenses that reasonably would be considered “administrative” in nature were charged to the various other budgets. The "Budget Control" sheet, attached to each TACC invoice, is relied upon to charge the expenses to the various categories. However, without defined expense categories, the sole control on expenditures is, in essence, the total contracted budget.

Generally expenses were charged to what would be the reasonable category, however, the TACC billings requesting reimbursement for the services of Tamera Le Marketing were split between the various line items even though they would reasonably be considered administrative expenses. The contract between the Tourism Alliance and Tamera Le Marketing specifically states that "*Tamera Le Marketing shall perform all management duties ...*" With few exceptions, management functions are considered “administrative.” As such, all of Tamera Le Marketing's invoices, totaling \$132,250, should have been charged to the Administration line item. This amount, on its own, exceeds the administrative budget of \$75,000, but was not the only administrative expense incurred. Accounting fees of \$18,000 were also incurred, and when added to the Tamera Le Marketing management expenses, a total of \$150,250 in administrative expenses was incurred. This is more than twice the budgeted amount of \$75,000 specified in the TACC contract. Furthermore, the allocation process avoided the need for approval required in the contract for budget line item changes in excess of 10%.

Additionally, the Internal Audit Department discovered that three different, executed versions of the Tamera Le Marketing contract exist. Each contract totals \$132,250 but the wording of each is not identical. Following is a summary of the differences between the three versions and which parties held the different versions:

- HUI Department (TDC Coordinator) version - " *The fee to be paid to Tamera Le Marketing shall be \$97,450...Expenses will be billed in equal semi-monthly increments of \$1,450.00 per month, as part of the fee...*" Further down, in the same paragraph, it continues with the contradictory statement: "*Expenses, not included in the fee, will be billed monthly...*" This contradiction

raises the question as to whether the contract total is \$97,450 or \$132,250 (The billings and payments totaled \$132,250).

- TACC and Finance Department version - This version stated: " *The fee to be paid to Tamera Le Marketing shall be \$97,450...Expenses not included in the fee...will be billed in twelve monthly increments of \$2,900.*" (The sum of the fee and expenses totals \$132,250.)
- Tamera Le Marketing version - "*The fee to be paid to Tamera Le Marketing LLC shall be \$132,250... expenses will be included in the fee.*"

The existence of three different versions of the same contract is troubling and could have had disastrous consequences if they were markedly different.

Tourism Alliance Response:

A new contract with a new president has been incorporated that addresses the administrative expenses incurred. The TDC coordinator as well as the auditors have a copy of said contract.

Insufficient documentation of subcontractor payment certification

The TACC is required to certify that payment has been made to subcontractors and vendors from previous county payments prior to receiving any subsequent payments by the county. Presumably this certification is to accompany the TACC's invoice. The Internal Audit Department reviewed the 23 invoices submitted during the contract period and found that in 12 cases the next payment was released prior to receipt of payment verification, as determined by the Finance Department received date stamp. Upon further investigation, it was found that the certifications had actually been faxed to the Finance Department prior to payment, but that the fax copies had been discarded once the original certification was received by mail. By discarding the faxed copy, it was not possible to verify that the receipt date of the certification was prior to the subsequent payment. Additionally, the certifications were filed separately in the Finance Department, apart from the invoices. This came about because the certifications were not attached to the submitted invoice and received separately. The file was set up to organize the certifications for later filing with the invoices. This, however, was not done on a regular basis. It was also noted that the Finance Department was not able to produce from its files the required certification of subcontractor payment in one instance, which was subsequently obtained during the course of this audit.

Contract lacks clearly defined goals and performance measures

The contract between the TACC and the County is general and lacks specifically defined goals or measures to assess the effectiveness of the advertising and promotion program. Therefore, it is not apparent what the goal of the moneys spent with the TACC is and whether it is being accomplished. While the contract has a reporting requirement, reports received by the county are subjective in nature, recapping what was done as opposed to objective measures of results.

Web Site Missing Required Notation

The TACC contract states: *“all promotional literature and media advertising must prominently list Collier County as one of the sponsors”*. However, it is noted that Collier County is not listed as a sponsor on the TACC’s internet web site, *www.visit-naples.com*, even though County funds are used to pay the site’s monthly fee. It was also noted that some links are not in working order (error messages encountered).

Section
3

Audit of Tourism Alliance of Collier County Contract – FY2000

Recommendations & Conclusion

Add budget line item definitions to contract

It is difficult to retain control over expenditures without specifications as to what the expenditures are to include. All contract terms, including budget line items, should be clearly defined in order to be able to determine their intent and assure compliance with the contract. An administrative/management sub-contract should clearly identify its costs and how they relate to the overall contract budget. Cost allocation methods should also be clearly defined.

Tourism Alliance Response:

An explanation of specific budget line items – advertising, public relations, travel industry liaison, fulfillment and administration – are contained within the contracts of each vendor contracted to perform such duties. Here is a brief explanation of each category. Please refer to individual vendor contracts for completeness.

- a. Advertising includes all print, broadcast and Internet advertising, media relations, placement, and production.
- b. Public Relations includes all professional public relations time, events, FAMs and expenses.
- c. Travel Industry liaison includes all travel related activities to trade shows, special events, professional conferences, trade convention, travel agent FAMs and travel.
- d. Fulfillment includes all 800# and Internet requests for information as well as market research.
- e. Administration includes all accounting, insurance and administration professional time and expenses.

Include original certification of subcontractor payment with invoice

To avoid the problems described previously, invoices submitted by the TACC without corresponding backup and or payment verification should be rejected and returned to the TACC by the TDC coordinator. This will eliminate any confusion as to the status of the invoice package in addition to being more efficient for all involved parties and preventing subsequent payments being made by the County to the TACC without the corresponding subcontractor payments being made by the TACC.

Tourism Alliance Response:

The Tourism Alliance and the TDC coordinator have implemented a verification procedure that insures that all invoices include corresponding backup and corresponding subcontractor payments have been made prior to the disbursement of additional monies. A verification letter of disbursements is included in each new packet of submitted invoices.

Include specific goals and performance measures in contract

It is vital that a contract be clear and explicit as to what the expected outcomes are and the duties of each party. While certain aspects of the advertising and promotion program are spelled out, there is no clear way of determining if the program is working. To determine if the program is successful, the TACC contract should specify the goals of the advertising and promotion program and include quantifiable measures to determine the successfulness of the program. Only with established goals and measurement criteria will the Collier County taxpayers know if this program is achieving the desired results.

Tourism Alliance Response:

Qualitative and quantitative public relations analysis on effectiveness using industry standards has been implemented. The Tourism Alliance will also include marketing research conducted by Research Data Services, Inc. as a measure of the advertising's effectiveness, as well as lead and call reports from the fulfillment house (Phase V). Currently, performance is measured by the increase in bed tax revenues on a year-to-year basis, with particular emphasis on the months May through November. Additionally, economic impact – both direct and indirect – analyzed annually through the increase in sales tax figures and employment statistics are current performance measures.

Include, in all media, advertising sponsorship notation

As stated previously, the TACC contract requires all media advertising to list Collier County as one of the sponsors. Clearly the Internet has become one of the more important media used by individuals to gather information on travel destinations and the TACC web site was established to exploit this fact. The County reimburses the monthly

web site hosting fee and should therefore be listed as a sponsor on the web site to be in compliance with the contract. Furthermore, the use of a web site is of particular importance in today's international market, as many travel decisions are made through the information on the web. Therefore the web site, and all links, should be fully functional.

Tourism Alliance Response:

The new website www.classicflorida.com contains the required phrase that Collier County is a sponsor of the site. This information is available on the site's home page.

Conclusion

The problems described in the findings section of this report arise from the unique structure used in Collier County to manage the expenditure of Tourist Development Tax dollars. Collier County has contracted with The Tourism Alliance of Collier County that, in turn, contracts with third-party vendors who provide the services required for the advertising and promotion program. This "pass-through" arrangement is inefficient administratively and adds additional cost and complexity to the process of obtaining advertising and promotion services. Consideration should be given to eliminating the pass-through relationship between the TACC and the BCC in an effort to improve efficiency, decrease cost, and insure compliance with adopted policies and procedures. Discussions between the TACC, the Finance Department, and County staff have been held regarding the current arrangement, and the need to improve the financial management and administrative aspects of the arrangement, however no changes have yet been implemented as a result of these meetings. The Internal Audit Department strongly suggests that a new arrangement be developed to avoid the inherent problems of the current contractual relationships.

The TACC and the HUI Department have cooperated throughout this audit and have already implemented, or are in the process of implementing, all of the recommendations in this report. Key to the future success of the advertising and promotion program will be the implementation of performance measures that allow the County, the Tourism Alliance, and the public to see how effective their money has been in bringing additional tourists to Collier County.

Audit of Tourism Alliance of Collier County Contract – FY2000

Attachments

Attachment A: Tourism Alliance of Collier County Response

June 8, 2001

Ms. Jane E. Eichhorn
TDC Coordinator

Mr. Greg Mihalic
Housing & Urban Improvement
Collier County Government
3030 N. Horseshoe Drive, #145
Naples, FL 34104

Dear Jane and Greg:

As per our meeting with County auditors Ilonka Washburn and Robert W. Byrne and Tourism Alliance of Collier County Chairman George Percel on Thursday, May 31, 2001, following is the Tourism Alliance's response to the preliminary findings of the audit of the Tourism Alliance of Collier County Contract FY2000.

1. A new contract with a new president has been incorporated that addresses the administrative expenses incurred. The TDC coordinator as well as the auditors have a copy of said contract.
2. An explanation of specific budget line items – advertising, public relations, travel industry liaison, fulfillment and administration – are contained within the contracts of each vendor contracted to perform such duties. Here is a brief explanation of each category. Please refer to individual vendor contracts for completeness.
 - a. Advertising includes all print, broadcast and Internet advertising, media relations, placement, and production.
 - b. Public Relations includes all professional public relations time, events, FAMs and expenses.
 - c. Travel Industry liaison includes all travel related activities to trade shows, special events, professional conferences, trade convention, travel agent FAMs and travel.
 - d. Fulfillment includes all 800# and Internet requests for information as well as market research.

- e. Administration includes all accounting, insurance and administration professional time and expenses.
- 3. The Tourism Alliance and the TDC coordinator have implemented a verification procedure that insures that all invoices include corresponding backup and corresponding subcontractor payments have been made prior to the disbursement of additional monies. A verification letter of disbursements is included in each new packet of submitted invoices.
- 4. Qualitative and quantitative public relations analysis on effectiveness using industry standards has been implemented. The Tourism Alliance will also include marketing research conducted by Research Data Services, Inc. as a measure of the advertising's effectiveness, as well as lead and call reports from the fulfillment house (Phase V). Currently, performance is measured by the increase in bed tax revenues on a year-to-year basis, with particular emphasis on the months May through November. Additionally, economic impact – both direct and indirect – analyzed annually through the increase in sales tax figures and employment statistics are current performance measures.
- 5. The new website www.classicflorida.com contains the required phrase that Collier County is a sponsor of the site. This information is available on the site's home page.

Please include our response in the final audit findings. Should you have any questions, please do not hesitate to call me.

Cordially,

Kathleen G. Prutos
President
Tourism Alliance of Collier County

Cc: Dwight Brock, Clerk of the Court
Tourism Alliance Board of Directors

Ilonka Washburn
Robert W. Byrne



COLLIER COUNTY GOVERNMENT
COMMUNITY DEVELOPMENT AND ENVIRONMENTAL SERVICES DIVISION

Housing and Urban Improvement Department
Greg Mihalic, HUI Director
3050 North Horseshoe Drive, Suite 145
Naples, Florida 34104

June 20, 2001

Mr. Robert Byrne
Director of Internal Audit
Clerk of the Circuit Court
3301 Tamiami Trail East
Naples, Florida 34101

Re: Internal Audit Report - Tourist Development Tax Program

Dear Mr. Byrne:

We received your copy of the audit on the Tourist Development Tax Program.

We are please to see that most of the findings and concerns raised in your report have been rectified. The recommendations that you raise in your audit are well thought out and have already been implemented.

The assistance of the Internal Audit Department in identifying control reports and check lists that should be developed has been extremely helpful in organizing the information that is necessary for tracking.

The Community Development and Environmental Services Division and the Housing and Urban Improvement Department want to thank you and your staff for all the assistance that you provided. We would appreciate your continued assistance with organizing the documentation for auditable grant distributions for any evaluations done in the future.

Thank you again for you help and assistance with this matter.

Respectfully,

Greg Mihalic
Housing and Urban Improvement Director

c: John Dunnuck, Interim CDES Administrator
Jane E. Eichhorn, TDC Coordinator
Jacqueline Hubbard Robinson, Assistant County Attorney

PHONE (941) 403-2333

FAX (941) 403-2331

GregMihalic@colliergov.net