



Brevard County, Florida - Internal Audit of Tourism Development Office

July 26, 2019

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TRANSMITTAL LETTER



July 26, 2019

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Pursuant to the internal audit plan for fiscal year ("FY") 2018-2019 for Brevard County ("County"), approved by the Board of County Commissioners ("BoCC"), we hereby present the internal audit of the Tourism Development Office ("TDO"). We will be presenting this report to the Audit Committee at the next scheduled meeting on August 21, 2019.

Our report is organized into the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit of the County's Tourism Development Office.
Background	This provides an overview of the Tourism Development Office, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management's response including responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

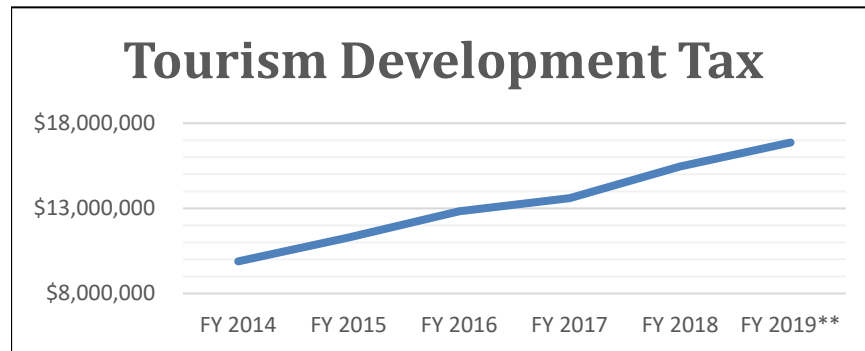
Respectfully Submitted,

Internal Auditors

EXECUTIVE SUMMARY

Background

The objectives of the Tourism Development Office are to promote growth, development and quality of tourism in Brevard County, and encourage participation by both visitors and residents in tourism related activities. The TDO's programs and services are funded by the Tourist Development Tax ("TDT"). The TDT currently adds a 5% tax to short-term rentals. Any person in the County who rents or leases space for purposes of overnight stays for six months or less is responsible for collecting and remitting the tax revenue to the Brevard County Tax Collector. The tax was approved by the voters of Brevard County in November, 1986 which originally added 2% to the tax bill paid by tourists for overnight accommodations. The tax rate was subsequently raised an additional 1% effective December 1989, March 1994 and July 2005, for a total tax of 5%. The money is collected and deposited into a tourism development tax trust fund for purposes of increasing tourism in Brevard County. The BoCC adopted Ordinance No. 17-24 on October 10, 2017, which identifies the current allocation of the Tourist Development Tax Budget Plan. The **projections for FY 2019 approximately \$16 million.



A Tourism Development Council ("TDC") was established in 1986 under County Ordinance in accordance with Florida Statute. The TDO prepares and presents proposals and considerations to the nine member TDC for purposes of the Tourist Development Plan. The TDC reviews these proposals and makes recommendations to the BoCC for the effective operation and use of TDT revenue.

TDO does not receive any general fund revenues or transfers.

Objective and Scope

The objectives of the internal audit of the TDO included the following:

- Evaluate TDC governance process for compliance with applicable Florida Statutes and County Ordinances;
- Evaluate TDC conflicts of interest process, disclosure, and monitoring;
- Evaluate for compliance with County Purchasing Administrative Orders including Purchase Card;
- Determine adequacy of key TDO internal policies and procedures;

Our scope period was October 1, 2016 through April 3, 2019. Fieldwork was performed from April through June 2019. Our approach included interviewing key members of the TDO and TDC. We reviewed applicable Florida Statutes, County Ordinances, Administrative Orders, and internal policies. We also reviewed budgets, meeting minutes, vendor agreements, invoices and additional supporting documentation as deemed necessary.

At the conclusion of this audit, we summarized our findings into this report. We have reviewed the results with the appropriate persons in Management, and have incorporated Management's response into report.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and / or compliance, as well as public perception or 'brand' risk.

Summary of Observation Ratings

	High	Moderate	Low
Internal Audit of Tourism Development Office	5	3	-

EXECUTIVE SUMMARY – CONTINUED

Observations Summary

There were eight observations that were identified during this internal audit. Below includes a listing of the observations that were identified. Detailed observations are included in the observations matrix section of the report.

Summary of Observations	
Observations	Rating
1. Compliance with County Procurement Procedures	High
2. Purchasing Card Compliance	High
3. Conflicts of Interest	High
4. TDO Fiduciary Responsibility	High
5. Expense Coding	High
6. TDC Compliance with Florida Statute and Ordinance	Moderate
7. Operating Procedures Manuals	Moderate
8. Non-County Personnel	Moderate

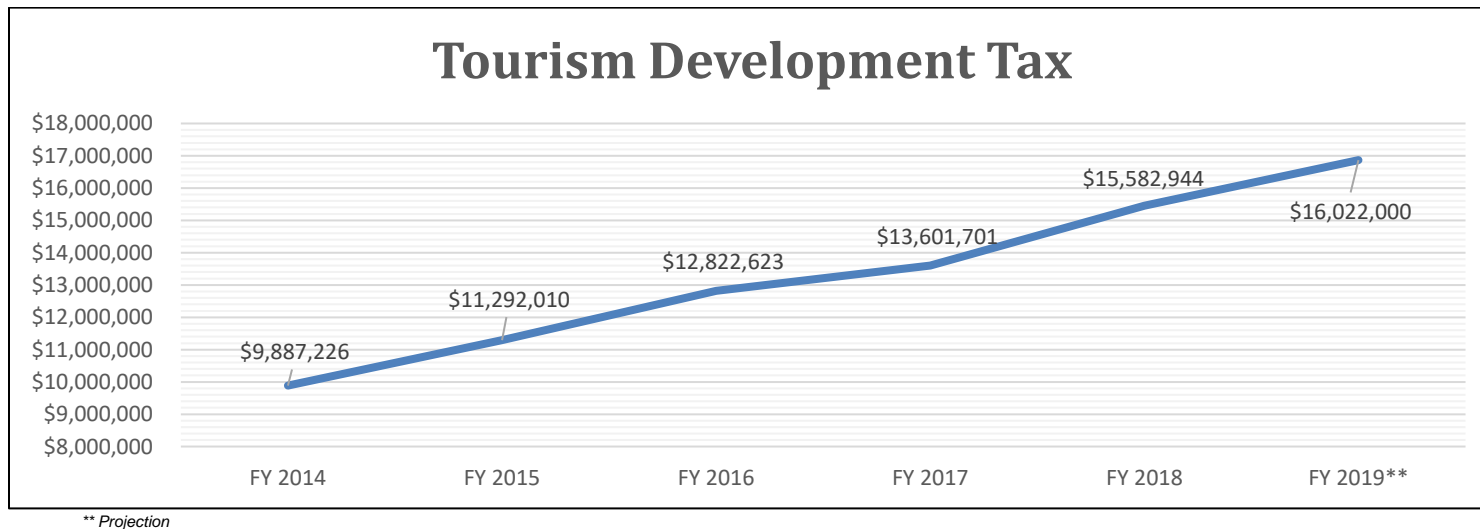
BACKGROUND

Tourism Development Tax

The Tourist Development Tax currently adds a 5% tax to short-term rentals (six months or less) of hotels, motels, apartment hotels, rooming houses, RV parks, and condominiums in Brevard County. This tax is collected by the Brevard County Tax Collector pursuant to Brevard County Code, Chapter 102, "Taxation," Article III, as authorized by Florida Statute 125.0104. The tax is in addition to the 7% State of Florida Sales and Use Tax remitted to the Florida Department of Revenue. Any person who rents or leases space for purposes of overnight stays for six months or less is responsible for collecting and remitting the tax revenue to the Brevard County Tax Collector. The tax was approved by the voters of Brevard County in November, 1986 which originally added 2% to the tax bill paid by tourists for overnight accommodations. The tax rate was subsequently raised an additional 1% effective December 1989, March 1994 and July 2005, for a total tax of 5%. The money is collected and deposited into a tourism development tax trust fund for purposes of increasing tourism in Brevard County.

Five Year Revenue Trend

The tourist development tax is restricted for specific uses by Florida Statute and County Ordinance. As such, funds cannot be transferred within the County for other uses. The below chart illustrates the increasing trend in actual tax collections over a five year period. Since FY 2014, collections have increased by approximately \$6 million, or 62%. The County is experiencing an increase in hotel demand and development from effects like the expansion of Port Canaveral ship terminals, USSSA Stadium operations, new attractions at Central Florida theme parks, and the expansion of commercial space launches.



BACKGROUND – CONTINUED

Ordinance No. 17-24

The BoCC adopted Ordinance No. 17-24 on October 10, 2017, which identifies the current allocation of the Tourist Development Tax Budget Plan, Sec. 102-119, Brevard County Code. The BoCC cannot use the tax revenue for purposes outside of these approved allocations without a formally proposed revision and an affirmative vote of a majority plus one additional member of the BoCC.

	<u>Allocated %</u>
2% Tax (First Two Cents):	
Promotion/Advertising	25.00%
Beach Improvement	30.00%
Capital Facilities	35.00%
Cultural Events	10.00%
1% Tax (Third Cent):	
Beach Improvement	65.00%
Brevard Zoo	25.00%
Visitor Info Center	10.00%
1% Tax (Fourth Cent):	
Promotion/Advertising	At least \$350,000
Capital Facilities	Up to \$500,000
1% Tax (Fifth Cent):	
Promotion/Advertising	100%

The ordinance states an annual amount is to be established by the BoCC for administrative and overhead expenses of the TDO and council, which is to be expended in order to carry out the tourist development plan. An administrative amount is established for the first two (2) cents, the third (3rd) one-cent, and the (5th) one-cent. The Clerk to the BoCC was directed to deposit the collections received from the tax collector in a tourist development trust fund.

BACKGROUND – CONTINUED

Tourism Development Council

The TDC is an appointed advisory council to the BoCC. The TDC was established in 1986 under Brevard County Ordinance 86-25 in accordance with Florida Statute 125.0104, the Local Option Tourist Development Act. The TDC makes recommendations to the BoCC for the effective operation of the special projects or for uses of the revenue raised from the 5% tax on hotel rooms and short-term rentals. The TDC may perform other duties as prescribed by ordinance or resolution of the Board. The Council consists of nine (9) members pursuant to state statute serving a staggered term of four years. Members may be reappointed if eligible. Florida Statute 125.0104 states the following:

- The Chair of the BoCC or any other member of the governing board as designated by the Chair shall serve on the Council.
- Two members of the council shall be elected municipal officials, at least one of whom shall be from the most populous municipality in the county or subcounty special taxing district in which the tax is levied.
- Six members of the council shall be persons who are involved in the tourist industry and who have demonstrated an interest in tourist development, of which members, not less than three nor more than four shall be owners or operators of motels, hotels, recreational vehicle parks, or other tourist accommodations in the county and subject to the tax.

Each of the five county commissioners is responsible for appointing a member of the TDC as members terms expire. The County Commission chair appoints four additional members. The four members appointed by the County Commission chair include:

- One County Commissioner;
- An at large member;
- An elected member from the County's most populous municipality;
- And an elected official from one of the other municipalities.

The core objective of the TDC is to act as an advisory board to the BoCC in reference to tourism funds and generating more tourism, because of the industry's economic impact on the local economy. As noted above, six (6) of the nine (9) member TDC includes persons and organizations that are directly impacted by the tourism development tax and its potential uses. As a result, there is an inherent conflict of interest in any of the activities recommended by the TDC. Florida Statute 112.3143 requires members to abstain from voting on any agenda item that contain a conflict of interest. In addition, the statute requires disclosure as a public record and a memorandum be filed with the person responsible for taking the meeting minutes. If the disclosure cannot be completed and included with the meeting prior to the vote, the memorandum must be filed within 15 days after the vote occurs. TDC members are asked to disclose any conflict of interest related to any meeting agenda items at the beginning of each meeting. Conflicts are to be disclosed and documented on a Form 8B (Memorandum of Voting Conflict) and filed with the Director's Assistant. A waiver may be granted to an individual with a properly disclosed conflict at the BoCC discretion. If a waiver is granted, the individual is permitted to participate in discussions of votes related to the conflict, but must abstain from voting.

BACKGROUND – CONTINUED

Advisory Committees

There are five (5) standing committees that serve in an advisory capacity to the TDC on expenditures of the allocations of the 5% tax revenue. Each committee includes one (1) TDC Board Member who serves as the Chair with the remaining committee members selected by TDC appointment. The table below lists each committee name, function and the related source of funds.

Committee Name	Fund Name	Committee Function
Marketing Committee	Fund 1441 - Promotion / Advertising	This committee makes recommendations to the TDC and oversees the promotion and advertising funds budgeted and disbursed to promote and advertise activities, services, and events in the County that promotes tourism in the state, nationally and internationally.
Beach Improvement	Fund 1442 - Beach Improvement	This committee makes recommendations to the TDC and oversees the beach improvement funds budgeted and disbursed for beach park facilities, beach improvement, maintenance, re-nourishment and erosion control including shoreline protection, enhancement, cleanup or restoration of inland lakes and rivers to which there is public access.
Capital Facilities	Fund 1443 – Capital Facilities	This committee makes recommendations to the TDC and oversees the capital facilities funds budgeted and disbursed to acquire, construct, extend, enlarge, remodel, repair, improve, maintain, operate, or promote one or more publicly owned and operated convention centers, sports stadiums, sports arenas, coliseums, or auditoriums within the County. Other facilities might include museums, zoological parks, aquariums, fishing piers, or nature centers open to the public and owned and operated publicly or by a not-for-profit organization.
Cultural Committee	Fund 1446 – Cultural Marketing	This committee makes recommendations to the TDC and oversees the cultural marketing funds budgeted and disbursed to promote tourism for tourist-oriented cultural and special events such as festivals, theater, and concerts.
Sports Committee	Fund 1441 – Promotion / Advertising	This committee is responsible for assisting TDC in promoting and developing sports events in the County.

The 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 report monthly to the TDC and make recommendations for approval as needed. Meeting minutes are kept for each standing committee and sub-committee.

BACKGROUND – CONTINUED

Tourism Development Office

The TDO was established to collaborate with and present to the TDC proposals and recommendations for accomplishing the purposes of the tourism development plan. The TDO consists of employees led by a Director that reports directly to the County Manager and/or designee. The Director is charged with management and supervision pursuant to County policies and procedures. He / She also works with the TDC to support goals and policies of the TDC. The TDO's mission statement reads as follows: *To promote growth, development and quality of tourism in Brevard County, encourage participation by both visitors and residents in tourism related activities, and to act as the primary body to determine direction, goals and policy for the use of the tourism development tax.* The TDO's programs and services include the following based on the FY 2018-19 Budget Message and Summary.

- Advertise and promote tourism to Brevard County in Florida, nationally and internationally.
- Finance beach improvement including funding the local share of the Brevard County Beach Restoration Project and countywide beach clean-up.
- Provide financial support for capital facilities projects projected to positively impact tourism and the community in Brevard County.
- Provide visitor information programs including the operation of visitor information centers, gateway signs and structures, information kiosks and tourist information content.
- Fund advertising assistance for tourist-oriented cultural and special events.
- Promote participation by tourists in local arts and culture events and programs.
- Provide funds for the financing of the Brevard Zoo Capital Improvement Plan.
- Provide and manage reserve funds for capital repairs and maintenance of the Space Coast Stadium complex.

Turnover Timeline

The previous Director announced his resignation in July 2018 and an Interim Director was assigned upon his departure. Since that time, there has been significant leadership and staff turnover within the TDO due to retirements and resignations as illustrated in the table, below. The Director and Finance Manager positions were filled in March 2019 and April 2019, respectively. The new leadership is actively working to fill the vacant positions and to create new positions (Public Relations Manager & Industry Relations Manager).

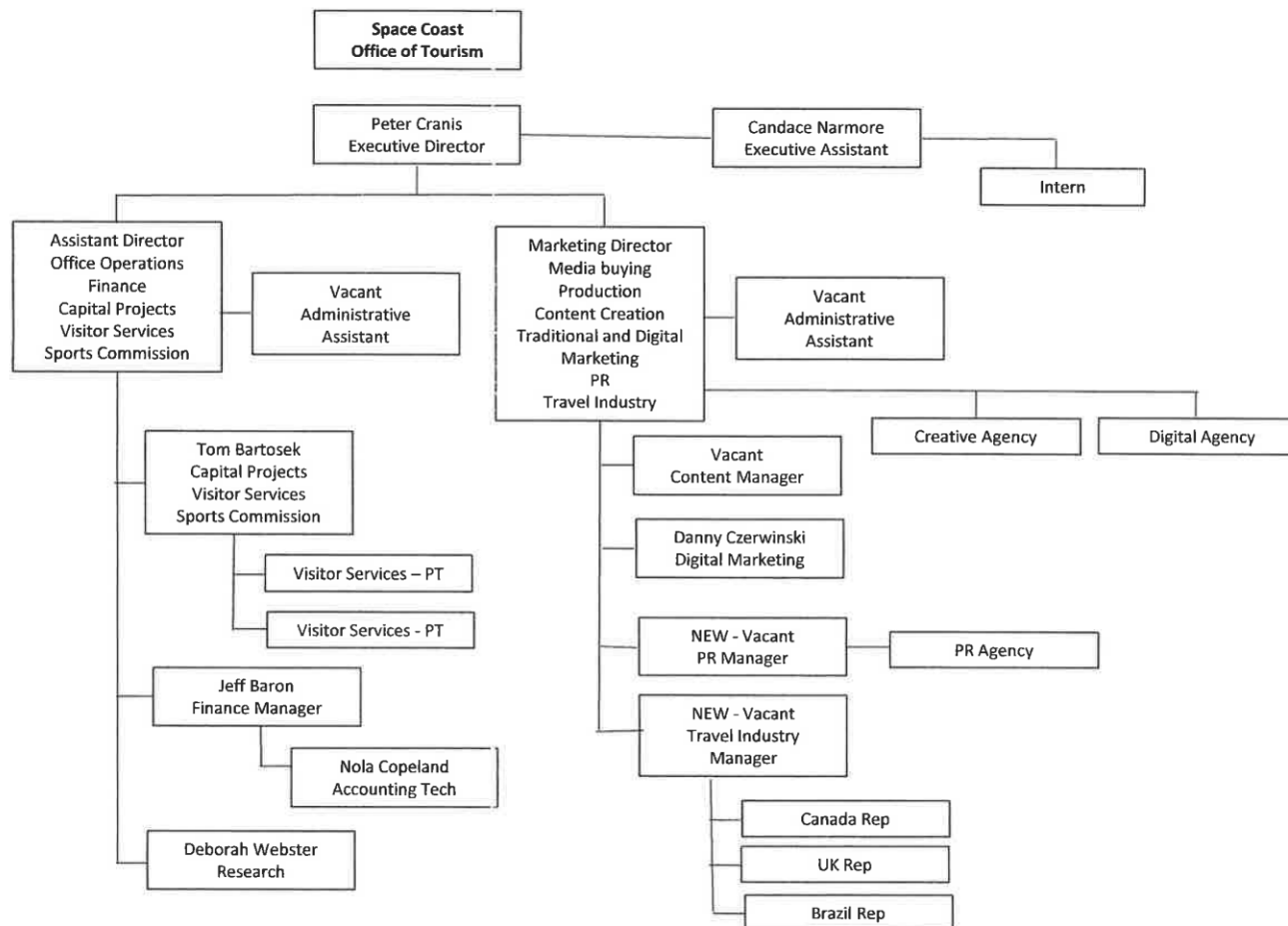
Staff Person / Position	Departure Date	New Position / Position	Start Date
Director	July 2018	New Director	March 2019
Tourism Information Assistant	December 2018	Vacant	N/A
Administrative Assistant	December 2018	Vacant	N/A
Finance Manager	November 2018	New Finance Manager	April 2019
Marketing Director	April 2019	Vacant	N/A
Content Manager*	May 2019	Vacant	N/A
Deputy Director	June 2019	Vacant	N/A
Digital Media Manager**	July 2019	Vacant	N/A

* The Content Manager is under contract for 5-10 hours per week through 9/30/2019

** The Digital Media Manager is under contract for 25 hours per week through 9/30/2019

BACKGROUND – CONTINUED

Organizational Chart Effective August 2019



OBJECTIVES AND APPROACH

Objectives

The objectives of the internal audit of the TDO included the following:

- Evaluate TDC governance process for compliance with applicable Florida Statutes and County Ordinances;
- Evaluate TDC conflicts of interest process, disclosure, and monitoring;
- Evaluate for compliance with County Purchasing Administrative Orders including Purchasing Card;
- Determine adequacy of key TDO internal policies and procedures;

Approach

Our audit approach consisted of the following three phases:

Gaining an Understanding

The first phase of this audit consisted primarily of inquiry, in an effort to obtain an understanding of the key personnel, risks, processes, and controls relevant to the objectives outlined above. The following procedures were completed as a part of this phase:

- We interviewed all current staff members at the TDO during fieldwork;
- We interviewed members of the TDC;
- We reviewed applicable Florida Statutes, County Ordinances, Administrative Orders and TDO policies and procedures;
- We reviewed TDO budgets, vendor agreements, purchase orders, invoices, meeting minutes and additional supporting documentation as necessary;

Detailed Testing

The purpose of this phase was to conduct analysis and perform appropriate testing, in order to validate that processes are operating as intended and data used in reporting was accurate. We tested a sample 57 of general expenditures and Purchase Card transactions across various funds from October 2016 through April 2019. Testing attributes included proper documentation, compliance with vendor agreements, proper review and approvals of supporting documentation, coding to applicable account numbers, proper solicitation of bids, and compliance with Statute and County requirements.

Reporting

At the conclusion of this audit, we summarized our observations into this report. We have reviewed the results with the appropriate persons in Management, and have incorporated Management's response the report.

OBJECTIVES AND APPROACH – CONTINUED

Provided below is the observation risk rating definitions for the detailed observations starting on the following page.

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.

OBSERVATIONS MATRIX

Observation	1. Compliance with County Procurement Procedures
High	<p>The procurement of goods and services and payment of expenditures related to the tourism development plan is governed by County Ordinances, Administrative Orders, and the County Purchasing Policy Procedures manual. During the entrance conference for this audit, it was brought to our attention by the Interim Director and Assistant County Manager that they had identified several invoices that did not include appropriate documentation for payment. We tested a sample of forty-four (44) general expenditures from October 2016 – April 2019 for compliance with State Statutes and County requirements. The results of testing are summarized, below.</p> <ul style="list-style-type: none"> We were unable to obtain and inspect a written agreement for nine (9) expenditures for which a written agreement should have been obtained. Section 4.3 of the TDO OPM requires all expenditures for operating expenses and capital items are to be made in conformity with established County procedures. Standard procurement and purchasing procedures are outlined in the County's Purchasing Procedures Manual. Formal written agreements are critical for outlining expectations, terms and conditions, and eliminating confusion between the TDO and its vendors. Due to turnover in key positions, members of TDO and County leadership identified issues with vendor contracts prior to our audit, and addressed several of these issues, including withholding payment to 'vendors' without agreements. Six (6) of the undisputed vendor invoices were not provided to County Finance within ten (10) days after the receipt date as required by County Accounts Payable policies and Administrative Order AO-33. In addition, we were unable to read the date stamp on seventeen (17) of the vendor invoices provided to determine if they were provided to County Finance within ten days after receipt. Timely submission to County Finance and proper audit documentation of invoices is critical for prompt payments to vendors and for establishing a transparent audit trail with evidence that operations are conducted appropriately and in accordance with expectations.
Recommendation	<p>We recommend that the TDO follow County Procurement policy including entering into formal written agreements with vendors for services, utilizing risk management as well as legal review of contracts and agreements. The TDO should submit all vendor invoices to County Finance within ten (10) days if undisputed as required by Administrative Order No. AO-33 without exception. In addition, stamps, signatures, notes, and tickmarks made on audit documentation (i.e. invoice) should be legible for clarity and transparency.</p> <p>We reviewed the TDO's draft policy as of July 19, 2019 noting written procedures related to contracting, invoice processing, expense review, coding and monitoring of project budgets. Once approved and implemented, we will perform follow-up procedures to determine the new controls are working effectively.</p>
Management's Action Plan	<p>Response: An operating procedure has been created for all procurement and contracting requirements including guidelines for when contracts need to be created. RSM has reviewed and approved the procedure and will test in 6 months. All County procurement policies will be followed. Both Purchasing and County Finance have been requested to provide compliance oversight. The Tourism Development Office is working closely with the County Attorney's Office to develop template contracts for all grant programs and other marketing programs and will ensure that all parties are incorporated into those contracts going forward. The County's Risk Management Office will also review all contracts. Also, new larger black ink date stamps have been ordered and will be used for all financial documents.</p> <p>Responsible Party: Tourism Development Office (Peter Cranis, Director) and (Jeff Baron, Finance Manager)</p> <p>Estimated Completion Date: Immediately (August 1, 2019)</p>

OBSERVATIONS MATRIX - CONTINUED

Observation	2. Purchasing Card Compliance
<p>High</p>	<p>A Purchasing Card is a credit card that serves as a mechanism to control purchases while reducing administrative costs. The County's Purchasing Manual and Administrative Order 41 ("AO-41") primarily govern purchases made using a Purchasing Card. We selected a sample of thirteen (13) expenditures from October 2016 through April 2019 and tested for compliance with applicable policies and ordinances. While performing our procedures, we noted the following:</p> <ul style="list-style-type: none"> • Purchase order quote logs and/or informal quotes/approvals (expenditures greater than \$1,000) were not available for two (2) of the thirteen (13) Purchasing Card expenditures. • Four (4) out of thirteen (13) Purchasing Card expenditures are prohibited per policy (payment to non-County employees). Two (2) of these were for intercept surveys. See observation #8. • Four (4) out of thirteen (13) Purchasing Card reconciliations were not provided to County Finance within ten (10) business days from the receipt of the bank statement. • Three (3) out of thirteen (13) Purchasing Card expenditures did not have a supporting agreement (cannot verify appropriateness of purchase). These purchases were made via Pay Pal. • One (1) out of thirteen (13) Purchasing Card bank statements were not date stamped as received by the cardholder. • The fund and cost center codes on the Purchasing Card reconciliation did not tie to the general ledger for one (1) out of thirteen (13) reconciliations. <p>There is increased risk that unauthorized, unbudgeted or unallowable purchases will occur when cardholders do not comply with internal controls and policies / procedures.</p>
<p>Recommendation</p>	<p>We recommend following the County Purchasing Manual and Purchasing Card Manual (AO-41) without exception. In addition, we recommend providing training to all cardholders on the proper use, responsibilities, and safeguarding of Purchasing Cards. Training should cover the following, at a minimum:</p> <ul style="list-style-type: none"> • Authorized uses; • Single and monthly transaction limits including split purchases; • Monthly reconciliation procedures; • Appropriate purchase documentation and support; and • Review and approval processes. <p>Violations of the Purchasing Card requirements should follow a formal notification and discipline process, including an elevated communication plan for cardholders with frequent violations. Repeat instances of non-compliance should result in removal of Purchasing Card privileges.</p>

OBSERVATIONS MATRIX – CONTINUED

Observation	2. Purchasing Card Compliance
Management's Action Plan	<p>Response: An operating procedure has been created for all procurement and purchasing card requirements. RSM has reviewed and approved the procedure and will test in 6 months. All County procurement policies will be adhered to. Both Purchasing and County Finance have been requested to provide compliance oversight. No PayPal accounts will be followed to make payments. The Tourism Development Office will institute RSM's recommendation to have a disciplinary response to violation of the purchasing card policy. All Tourism Development Office staff will be required to adhere to policies and purchasing card training will be conducted on the proper use and reconciliation of the card for all staff by County Finance.</p> <p>Responsible Party: Tourism Development Office (Peter Cranis, Director) and (Jeff Baron, Finance Manager)</p> <p>Estimated Completion Date: Policy in effect immediately (August 1, 2019); Training to be conducted by October 15, 2019.</p>

OBSERVATIONS MATRIX - CONTINUED

Observation	3. Conflicts of Interest
<p>High</p>	<p>The makeup of the TDC is governed by Florida Statutes and its appointed members include local hoteliers, community, and business leaders. There are inherent conflicts of interest driven by the makeup related to the use of tourist tax and support of specific events and activities within Brevard County. These conflicts could result in direct or indirect benefits to the Council and standing committee members.</p> <p>Under current practice, members of the TDC should disclose any conflict of interest at the beginning of each TDC meeting. This is a standing agenda item. Conflicts should be disclosed and documented on a Form 8B (Memorandum of Voting Conflict form) and filed with the Director's Assistant. A waiver may be granted to an individual with a properly disclosed conflict if approved by the BoCC. If a waiver is granted, the individual is permitted to participate in discussions related to the conflict, but must abstain from voting.</p> <p>We reviewed TDC meeting minutes, Memorandum of Voting Conflict forms, and TDO policies and procedures and noted the following:</p> <ul style="list-style-type: none"> - There is no formal documented TDC conflict of interest policy or procedure that memorializes the current practice. Formalized written policies and procedures are critical to provide clarity, continuity and consistency of operations. - Current practice does not require TDC members to disclose all potential conflicts at the time of initial appointment, and on an annual basis thereafter. Reactive disclosure and transparency, or disclosing conflicts only after they appear on a meeting agenda, increase the risk of situations or transactions occurring that can create a negative public perception of the TDC. <p>There is an increased risk that members of the TDC, standing committees, and sub-committees vote on issues that pose a private or business conflict of interest. In addition, there is an increased risk of negative public perception in the absence of a formalized policy.</p>
<p>Recommendation</p>	<p>We recommend the TDC adopt and implement a formal transparent conflict of interest policy, which would include standing committees and sub-committees. This policy should be approved by the BoCC. This policy should -</p> <ul style="list-style-type: none"> • Document the process for disclosing conflicts of interest at each meeting, including utilization of Form 8B; • Document the process for obtaining a waiver from the BoCC to participate in discussion related to the conflict; • Require all TDC members to submit an annual Conflict of Interest statement. The statement should be submitted upon appointment and annually thereafter by the members and include a statement that they have completed ethics training. A list of disclosed conflicts should also be reviewed at each meeting by a designated individual to identify relevant real and perceived conflicts on the upcoming votes. <p>The BoCC should consider avoiding conflicts of interest within the TDC. Thus, while on the TDC, members should not receive direct financial benefit from the TDO.</p>

OBSERVATIONS MATRIX – CONTINUED

Observation	3. Conflicts of Interest
Management's Action Plan	<p>Response: An ethics training session was conducted in April, 2019 and another will be conducted at the January, 2020 TDC meeting by the County Attorney's Office so that both current and newly appointed TDC members will be present. The TDO will work with the County Attorney's Office to draft a Conflict of Interest disclosure form to be included in an orientation packet for the TDC. The disclosure form will ask all TDC members and members of Committees to list any potential conflicts and would be reviewed by the County Attorney's Office. If conflicts warranted a waiver or other action, that information would be provided by the County Attorney's Office to the County Commissioner that appointed the TDC member or to the TDC member that appointed the Committee member.</p> <p>Responsible Party: Tourism Development Office (Peter Cranis, Director) and County Attorney's Office</p> <p>Estimated Completion Date: Form drafted and approved by new TDC year (November 1, 2019).</p>

OBSERVATIONS MATRIX - CONTINUED

Observation	4. TDO Fiduciary Responsibility
High	During our review of the events related to the 2019 Florida Pro Surf Competition, we noted the TDO's Director at the time served as a full voting seat on the event committee, providing oversight and financial management of the event. The TDO provided approximately \$80,000 in sponsor fees for this event. Thus the Director had the authority to expend funds from the TDO as well as solicit funds as a member of the event committee. It should be noted the TDO Director resigned during the planning phase of the event. Per the County's Conflict of Interest Policy BCC-003, this created a conflict of interest in fiduciary responsibility, both in appearance and in fact, by sitting in an oversight position for both parties.
Recommendation	The TDO should follow the County's Conflict of Interest Policy without exception. We recommend re-circulating the policy to TDO staff. The policy prohibits TDO staff from participating in oversight/management roles related to events which are also sponsored by the TDO. Staff could participate in an advisory capacity but should not solicit funds directly. These efforts will avoid conflicts of interest and potentially ethically compromising situations.
Management's Action Plan	<p>Response: The Tourism Development Office is a County agency and is therefore subject to the County's Code of Ethics policy which will be reviewed with all members of TDO staff. Also, a letter will be drafted by the Assistant County Manager to all staff that will reiterate the Ethics policy of the County and that no staff member shall serve as a voting member on a board of any organization receiving support from the TDC or Tourism Development Office.</p> <p>Responsible Party: Assistant County Manager (Jim Liesenfelt).</p> <p>Estimated Completion Date: September 1, 2019</p>

OBSERVATIONS MATRIX – CONTINUED

Observation	5. Expense Coding
High	The TDO utilizes project order numbers to track and monitor individual events. During the testing of the 2019 Florida Pro Surf Competition, we noted approximately \$269k of unrelated marketing and digital advertising invoices were miscoded to the event project number which exceeded the \$160k approved by the TDC for the event. We verified the miscoded invoices were corrected with an adjusting journal entry on 4/24/2019. Misclassification errors increase the risk of distorted expenditure reporting, additional costs incurred for corrections, negative perception risk, and risks to vendor relationships.
Recommendation	We reviewed the TDO's draft policy as of July 19, 2019 noting written procedures related to contracting, invoice processing, expense review, coding and monitoring of project budgets. Once approved and implemented, we will perform follow-up procedures to determine the new controls are working effectively.
Management's Action Plan	<p>Response: The Tourism Development Office has drafted a policy that addresses the proper way to code purchasing and financial transactions. This has been reviewed by RSM and will go into effect immediately.</p> <p>Responsible Party: Director (Peter Cranis)</p> <p>Estimated Completion Date: Immediately, August 1, 2019</p>

OBSERVATIONS MATRIX – CONTINUED

Observation	6. TDC Compliance with Florida Statute and Ordinance																		
Moderate	<p>The composition and makeup of the TDC is governed by Florida Statute 125.0104. According to the Statute, the “<i>council shall be established by ordinance (Ordinance 86-25) and composed of nine members who shall be appointed by the governing board. The chair of the governing board of the county or any other member of the governing board as designated by the chair shall serve on the council. Two members of the council shall be elected municipal officials, at least one of whom shall be from the most populous municipality in the county or subcounty special taxing district in which the tax is levied. Six members of the council shall be persons who are involved in the tourist industry and who have demonstrated an interest in tourist development, of which members, not less than three nor more than four shall be owners or operators of motels, hotels, recreational vehicle parks, or other tourist accommodations in the county and subject to the tax. The members of the council shall serve for staggered terms of 4 years.</i>”</p> <p>In early 2019, it was determined that certain members of the TDC were not in compliance with the term limit of 4 years. Action was taken by the BoCC and 4 new TDC members were appointed. This change creates a challenge for the TDC to have ‘staggered’ terms as noted in the chart below (3 out of 9 TDC members will turn over in 2019 and 5 out of 9 TDC members will turn over in 2022).</p> <table border="1"> <tbody> <tr> <td>Tourist Industry</td><td>11-30-2019</td></tr> <tr> <td>Tourist Industry</td><td>12-31-2019</td></tr> <tr> <td>County Commissioner</td><td>12-31-2019</td></tr> <tr> <td>Elected Municipal 1</td><td>12-31-2022*</td></tr> <tr> <td>Elected Municipal 2</td><td>12-31-2022*</td></tr> <tr> <td>Hotelier 1</td><td>12-31-2021</td></tr> <tr> <td>Hotelier 2</td><td>12-31-2022</td></tr> <tr> <td>Hotelier 3</td><td>12-31-2022</td></tr> <tr> <td>Tourist Industry</td><td>12-31-2022</td></tr> </tbody> </table> <p>* Appointment based on term</p> <p>There is inconsistent monitoring and/or oversight of TDC membership for compliance with the Statute and Ordinance, including the eligibility and appropriateness of the TDC membership, term limits, etc. Thus, there is risk that the composition of the TDC as a whole, and/or the eligibility of its individual members, are not in compliance with the Statute and Ordinance. This increases the risk of disruption of the Council, and could lead to negative public perception of the TDC and brings into question the appropriate use of tourism tax dollars as permitted under the provisions of County Ordinance 17-24.</p>	Tourist Industry	11-30-2019	Tourist Industry	12-31-2019	County Commissioner	12-31-2019	Elected Municipal 1	12-31-2022*	Elected Municipal 2	12-31-2022*	Hotelier 1	12-31-2021	Hotelier 2	12-31-2022	Hotelier 3	12-31-2022	Tourist Industry	12-31-2022
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Hotelier 3	12-31-2022																		
Tourist Industry	12-31-2022																		

OBSERVATIONS MATRIX – CONTINUED

Observation	6. TDC Compliance with Florida Statute and Ordinance - Continued
Recommendation	We recommend the County Attorney incorporate into the TDC annual workshop an overview of the relevant Florida Statutes and Brevard County Ordinance governing TDC membership. The County Managers Office should communicate with the BoCC if there are openings and seek BoCC direction.
Management's Action Plan	<p>Response: When TDC members' terms are expiring, the County Manager's Office will communicate with the Commissioner that appointed them and provide them the timing and any criteria that might be required for selecting a new member (for instance, if the position requires a hotelier or a person working within the tourism industry).</p> <p>Responsible Party: County Manager's Office (Jim Liesenfelt, ACM)</p> <p>Estimated Completion Date: For notification of expiring terms, there are two TDC members with terms expiring November 30, 2019 and December 31, 2019 respectively. The Commissioners that appointed those positions will be notified at least 60 days prior to the expiration so they can bring their new appointments forward at a County Commission meeting for a vote. Additionally, ethics training will be conducted by the County Attorney's Office at the January, 2020 TDC meeting when the new members are present.</p>

OBSERVATIONS MATRIX – CONTINUED

Observation	7. Operating Procedures Manuals
Moderate	We obtained and reviewed the TDO and TDC Operating Procedures Manuals (“OPM”) , which were designed in accordance with applicable State Statutes, and County Ordinances and Resolutions as established by the BoCC. During our review of the OPMs we noted that the OPMs are outdated with the last amendment occurring in April of 2008 for the TDO OPM and July 2004 for the TDC OPM.
	Lack of regularly updated OPMs increase the risk that TDO/TDC operations are not in compliance with current State and County regulations. This could create inconsistency in operational practices, legal ramifications as a result of noncompliance, and poor public perception. Furthermore, there are items in the OPMs which may no longer reflect how the TDO/TDC wish to operate and are potentially outdated:
Recommendation	We noted in our review of the January 23, 2019 TDC meeting minutes, a request was made for the TDC to work with the Assistant County Attorney to review the TDC OPM to identify the changes and revisions needed. We encourage the TDC to continue to work with the Assistant County Attorney in updating the OPMs. On a periodic basis (i.e. annually), the TDO/TDC should review their individual manuals and assess whether revisions, updates, and changes are necessary. OPMs should be distributed and available to all TDC members and TDO staff, and should be referred to, utilized, and relied upon as an authoritative guide for tourism operations.
Management’s Action Plan	<p>Response: The staff of the Tourism Development Office will work to provide the Tourist Development Council an updated Operating Procedures Manual for their review and to vote on any changes. Furthermore, a committee of staff members will be created to review the Operating Procedures Manual for the office and will make any recommended updates to the Director.</p> <p>Responsible Party: Tourism Development Office (Peter Cranis, Director), County Attorney’s Office, Tourist Development Council, and assigned Tourism Development Office staff.</p> <p>Estimated Completion Date: December 31, 2019 for both Operating Procedures Manuals</p>

OBSERVATIONS MATRIX – CONTINUED

Observation	8. Non-County Personnel
Moderate	<p>We noted through testing and discussions with management that students were paid by the TDO to conduct research through intercept surveys. The students conducted these surveys periodically from July 2016 through March 2018. Intercept surveys were used to gain an understanding about where the interviewee lived and how much they spend in the County while visiting.</p> <p>The TDO OPM specifically states the following:</p> <p><i>All staff personnel hired to support TDO activities will be employees of the County and report to the Director and the Director shall report to the County Manager or designee. Such personnel will receive all standard County benefits and be subject to all County requirements regarding personnel. Such personnel shall support the activities of the TDC.</i></p> <p>Thus, paying students to conduct surveys was not compliant with the TDO OPM because they were not County employees hired through the County's Human Resources ("HR") HR Department. However, the ability to use temporary services may be operationally beneficial to the TDO.</p>
Recommendation	We recommend the TDO follow the approved OPM and other authoritative guidance without exception.
Management's Action Plan	<p>Response: The Tourism Development Office will only work through the County's Human Resources Department or procurement through a County designated contract labor company to hire any part-time help. This will be written into the Tourism Development Office Operating Procedures Manual as well.</p> <p>Responsible Party: Director (Peter Cranis)</p> <p>Estimated Completion Date: Immediately, August 1, 2019</p>



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