

**Audit of Visit Orlando's
Compliance With the 2007
Tourism Promotion
Agreement**



**Phil Diamond, CPA
County Comptroller
Orange County, Florida**

www.occompt.com



**Report 477
July 2019**

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Orange County Comptroller's Office

Mission

The mission of the Orange County Comptroller's Office is to serve the citizens of Orange County and our customers by providing responsive, ethical, effective, and efficient protection and management of public funds, assets, and documents, as specified in the Florida Constitution and Florida Statutes.

Vision

The vision of the Orange County Comptroller's Office is to be recognized as a highly competent, cohesive team leading the quest for continuing excellence in the effective safeguarding and ethical management of public funds, assets, and documents.



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OFFICE OF THE COMPTROLLER

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July 10, 2019

George Aguel, President,
And
Board of Directors, Orlando/Orange County Convention & Visitors Bureau, Inc.

We have conducted an audit of the Orlando/Orange County Convention & Visitors Bureau, Inc. (Visit Orlando). The audit was limited to a review of its compliance with the 2007 Tourism Promotion Agreement, as amended. The period audited was January 2017 through December 2017.

We conducted this audit in accordance with generally accepted government 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from Visit Orlando's Chief Operating Officer and are incorporated herein.

We appreciate the cooperation of Visit Orlando personnel during the course of the audit.

Phil Diamond, CPA
County Comptroller

c: Larry Henrichs, Chief Operating Officer, Visit Orlando
Board of County Commissioners
Byron Brooks, County Administrator
Randy Singh, Deputy County Administrator

Why This Audit Is Important

Over 75 million visitors traveled to the Orlando area in 2018 making it the most visited destination in the United States. In fiscal years 2017 and 2018, the County provided \$121 million of Tourist Development Taxes to Visit Orlando in accordance with the 2007 Promotion Agreement. Visit Orlando used the funding to globally advertise and promote the attractions, accommodations, and amenities within Orange County.

The Objective of Our Audit

The audit objective was to determine if Visit Orlando's procurement of promotional, marketing, and advertising services complied with the Promotion Agreement, as amended.

What We Found

The TDT Disbursement Listings Provided to the Comptroller's Office by Visit Orlando Were Incomplete (Page 7)

Eighteen transactions totaling over \$1.4 million were missing from the 2017 TDT disbursement listings provided to the Comptroller's Office. In addition, two transactions totaling \$107,000 were duplicated on two different monthly disbursement listings. Although one set of transactions was voided, the voids were not reported to the Comptroller's Office.

The Promotion Agreement Does Not Include Sufficient Transparency Requirements (Page 8)

Visit Orlando has provided monthly TDT disbursement listings to the Comptroller's Office. In 2018, Visit Orlando began providing the Comptroller's Office with copies of contracts and invoices that utilized TDT funds. However, the Promotion Agreement does not address either of these disclosures to ensure Visit Orlando continues to report disbursements of TDT funds. In

addition, Visit Orlando was using generic descriptions rather than payee names to report some disbursements.

A Check Distribution Control Was Overridden (Page 9)

Eight checks were not directly mailed or electronically sent to payees. Instead, the checks were given to the requesting individual to be hand delivered or sent by express mail. Although it did not occur here, this increases the risk of misappropriation.

Reimbursements for Cooperative Advertising Expenses Paid With TDT Funds Were Recorded as Non-TDT Revenue (Page 10)

Participating member organizations reimbursed approximately \$2.8 million of TDT funds for cooperative advertising campaigns. The reimbursements were recorded as Non-TDT revenue although the total purchase amount was recorded as TDT. As a result, the reimbursements were not subject to TDT spending criteria and disclosure.

Overall Evaluation (Page 6)

Based on the results of our testing, Visit Orlando's procurement of promotional, marketing, and advertising services complied with the Promotion Agreement.



INTRODUCTION

Background

Orlando/Orange County Convention & Visitors Bureau, Inc., (Visit Orlando) a Florida not-for-profit corporation was established under Chapter 617, Florida Statutes. It is recognized as a tax-exempt trade organization under Internal Revenue Code Section 501(c)(6). Visit Orlando is classified under Section 288.923(2)(c), Florida Statutes as a "County Destination Marketing Organization" which is defined as follows:

A public or private agency that is funded by local option tourist development tax revenues under s. 125.0104, or local option convention development tax revenues under s. 212.0305, and is officially designated by a county commission to market and promote the area for tourism or convention business or, in any county that has not levied such taxes, a public or private agency that is officially designated by the county commission to market and promote the area for tourism or convention business.

Visit Orlando works with Orange County, other governmental agencies, business partners, and related travel industries to promote tourism and hospitality in the County. Visit Orlando is recognized by the County as the official tourism sales and marketing organization for the Orlando and Orange County region. Visit Orlando reported that the Orlando area had 75 million visitors in 2018 and is considered the number one family travel destination in the world.

The County has provided Visit Orlando with a portion of Tourist Development Taxes collected¹ since Visit Orlando's inception in 1983. The County provided \$58.2 million and \$63.4 million in fiscal years 2017 and 2018, respectively. In 2007, the County and Visit Orlando entered into a long-term agreement to continue providing funding to Visit Orlando. In exchange, the 2007 Tourism Promotion Agreement (Promotion Agreement), requires that Visit Orlando:

¹ Section 125.0104(4)(d), Florida Statutes requires the Board of County Commissioners to adopt a plan for use of collected TDT funds. The County's Tourist Development Plan (Plan) is codified in Section 25-140, Orange County Code. The Plan establishes spending priorities for the TDT collected, including funding for Visit Orlando.



INTRODUCTION

...use its best commercially reasonable efforts to advertise, promote, and market the tourism attractions, accommodations and amenities in Orange County, including but not limited to the Convention Center, in order to maintain and increase the numbers and quality of visitors, conventions, trade shows and meetings in Orange County throughout the term of this Agreement. The services to be provided will cover a broad range of sales and marketing programs, including those that are standard for visitors' bureaus.

In 2009, the Promotion Agreement was amended to include additional requirements to enhance accountability. Since 2009, additional amendments have increased Visit Orlando's funding and extended the agreement's term through September 30, 2019.

Audit Scope

The audit scope was limited to Visit Orlando's disbursements for promotional, marketing, and advertising expenses pursuant to the Promotion Agreement. The audit period was the 2017 calendar year.

Audit Objective

The audit objective was to determine if Visit Orlando's procurement of promotional, marketing, and advertising services complied with the Promotion Agreement, as amended.

Audit Methodology

We reviewed Visit Orlando's written purchasing policy and procedures and interviewed employees to gain an understanding of the purchasing process.



INTRODUCTION

Visit Orlando provided a complete listing of disbursements during the audit period. We identified 14 vendors² that Visit Orlando paid more than \$250,000 in the audit period for goods or services related to promotional, marketing, and advertising expenses. From these vendors, we selected a sample of 30 disbursements, totaling \$8 million, and determined whether:

- The supporting invoices detailed services/products provided;
- The billed services/products were identified in the vendor contracts;
- The disbursements were made in accordance with the vendor contracts;
- The invoiced amounts support the amounts paid;
- There was evidence of the receipt of the contracted goods/services;
- The requests for payment were properly approved and authorized; and,
- There was sufficient evidence of vendors' receipts of payment.

We also reviewed all convention sales incentive payments made during the audit period to determine if the payments were properly approved and the associated events occurred.

Additionally, we selected a sample of the 39 employees with expenses greater than \$2,500 for airfare, lodging, and meals. We reviewed their expense reports and receipts for compliance with Visit Orlando's travel policy.

We also selected a sample of 30 transactions from purchasing card statements. We traced each transaction to an expense report to test whether any purchase transactions were omitted from employee expense reports.

Overall Evaluation

Based on the results of our testing, Visit Orlando's procurement of promotional, marketing, and advertising services complied with the Promotion Agreement.

² \$28 million was paid to these 14 vendors during the audit period

1. TDT Disbursement Listings Provided by Visit Orlando Should Include All Transactions

Visit Orlando provides the Comptroller's Office a monthly report of disbursements from Tourist Development Tax (TDT) funds. These reports are published on the Comptroller's website so that information can be easily accessed by the public and provide more transparency showing how tax dollars are spent.

We compared the 2017 TDT disbursement listings provided by Visit Orlando to Visit Orlando's 2017 banking transactions. As a result, we noted the following:

- A) Several disbursements had not been included on the reports provided to the Comptroller's Office. Sixteen payments relating to employee benefit transactions totaling approximately \$477,500 were omitted. In addition, two payments, totaling just under \$1 million, to a foreign bank account used for overseas marketing promotions in Great Britain were also not included in the reports. Our review of these transactions noted that the disbursements appeared to be appropriate and consistent with the Promotion Agreement.
- B) Two identical expenditures totaling \$107,745 were reported to the Comptroller in both the August and September disbursement listings. The August disbursements were subsequently voided although the voids were not reported to the Comptroller's Office.

In January 2019, a corrected listing that included these transactions, along with similar unreported 2018 transactions, was provided to the Comptroller's Office and published on the Comptroller's website.

Recommendation No 1:

Visit Orlando should implement procedures to ensure monthly TDT disbursement listings provided for public disclosure are complete and accurate.

Management's Response:

Concur. See [Appendix](#) for full response.

2. The Promotion Agreement Should Document Transparency Requirements

The disbursement listing for 2017 provided by Visit Orlando did not provide vendor names for eight payments totaling \$925,000. These payments were classified under generic titles such as event payment, media/marketing collaboration, and sporting event/media sport on the disbursement listing.

This practice was discontinued by Visit Orlando. Vendor names were included with all transactions on the TDT disbursement listing for the 2018 calendar year data.

As noted above, Visit Orlando provides monthly TDT disbursement listings to the Comptroller's Office. After discussions with County Administration, Visit Orlando committed to additional transparency measures effective January 1, 2018. Those measures included:

- Copies of all Visit Orlando contracts utilizing TDT funds will be provided to the Comptroller at the end of each year;
- Copies of invoices or insertion orders for all agency media advertising buys will be provided to the Comptroller at the end of each year;
- A listing of all disbursements of TDT funds, including payee names, will continue to be provided to the Comptroller each month; and,
- Visit Orlando has agreed not to enter into new contracts using TDT funds that include confidentiality covenants. Visit Orlando will also restructure existing TDT funded agreements to delete any confidentiality covenants.

In accordance with these commitments, Visit Orlando provided copies of TDT funded contracts signed during 2018 and the invoices relating to media advertising buys to the Comptroller's Office in January 2019. However, the Promotion Agreement does not require Visit Orlando to provide this information to the Comptroller's Office.

These disclosure requirements enhance TDT spending transparency. Therefore, the Promotion Agreement should document the standards that Visit Orlando has agreed to comply with.

Recommendation No 2:

The next Promotion Agreement should document Visit Orlando's commitment to provide monthly TDT disbursement listings, including vendor names. In addition, the Agreement should require Visit Orlando to provide copies of all contracts using TDT funds, and invoices related to media advertising buys to the Comptroller's Office.

Management's Response:

Concur. See [Appendix](#) for full response.

3. Visit Orlando Should Modify Check Distribution Procedures

We identified eight checks³ that were not mailed or sent electronically (EFT) from Visit Orlando's finance office to the payee. Instead, the eight checks were given to the requesting individual before being sent via express mail or hand delivered to the appropriate vendor. Good internal control procedures require a person independent of the requesting and approval process to mail the checks or authorize the funds transfer via EFT.

Management informed us that this process was occasionally used to allow senior management to enhance customer relations by sending a check via overnight mail or hand delivery. However, allowing the check requestor or approver to receive the check increases the risk of misappropriation. Without this essential control, an

³ Six of the 16 incentive payments Visit Orlando made during the audit period and two of the 30 vendor disbursements sampled.

individual could authorize a fraudulent payment to a vendor, intercept the check before it is mailed, and convert the monies to personal use.

Recommendation No 3:

Visit Orlando should institute a policy that prevents checks from being provided to the person who requested or authorized payments for vendors.

Management's Response:

Concur. See [Appendix](#) for full response.

4. Reimbursed Cooperative Advertising Expenses Paid With Tourist Development Taxes Should Not Be Classified as Non-TDT Funds

Visit Orlando uses TDT Funds to pay for cooperative marketing opportunities (Co-ops). According to Visit Orlando, this process allows for cohesive Orlando branding and leverages TDT funding. Visit Orlando members who participate in these Co-ops represent various attractions, resorts, restaurants, and other tourism interests. Co-op partners receive specific mention in advertising campaigns.

In some instances, Visit Orlando prepays the entire advertising cost of the Co-op marketing. In those cases, the cost is reported as a TDT expenditure. When the participating member organizations reimburse Visit Orlando for their agreed share, the revenues received are recorded as Non-TDT Funds in Visit Orlando's financial records. Approximately \$2.8 million of TDT funds spent pursuant to the Promotion Agreement were reimbursed by Co-op advertisers and reclassified as Non-TDT Funds in calendar year 2017.

Since a portion of these payments were reimbursed by Co-op partners, reporting the entire advertising expenditures as TDT disbursements overstates the amount of total TDT disbursements. Additionally, monies classified as Non-TDT Funds could be spent on classifications not allowed for TDT funds under the Promotion Agreement.

Recommendation No 4:

Visit Orlando should record Co-op participants' cost reimbursements as reductions of TDT expenditures.

Management's Response:

Concur. See [Appendix](#) for full response.



ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT'S RESPONSE		
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR
1.	Visit Orlando should implement procedures to ensure monthly TDT disbursement listings provided for public disclosure are complete and accurate.	✓		
2.	The next Promotion Agreement should document Visit Orlando's commitment to provide monthly TDT disbursement listings, including vendor names. In addition, the Agreement should require Visit Orlando to provide copies of all contracts using TDT funds, and invoices related to media advertising buys to the Comptroller's Office.	✓		
3.	Visit Orlando should institute a policy that prevents checks from being provided to the person who requested or authorized payments for vendors.	✓		
4.	Visit Orlando should record Co-op participants' cost reimbursements as reductions of TDT expenditures.	✓		



July 8, 2019

The Honorable Phil Diamond
Orange County Comptroller
P.O. Box 38
Orlando, FL 32802-0038

Dear Comptroller Diamond:

I wanted to start by thanking your staff for a thorough and balanced audit. The Visit Orlando team was treated professionally by your staff. In return, I believe your team found Visit Orlando to be helpful and transparent, providing access to every aspect of our operation that your team requested.

We are proud that the overall evaluation of the Orange County Comptroller's audit found that Visit Orlando complied with the Promotion Agreement. In addition, we concur with the recommendations in the audit report.

Additional information can provide perspective on the circumstances surrounding the items discussed in the report and we have provided some of this information below:

Recommendation No 1 comments:

We want to ensure that it is clear that Visit Orlando's use of tourist development tax (TDT) has consistently been accurately reported, on a timely basis, in the financial statements provided to Orange County and made available to the public. In addition to these financial statements, over ten years ago Visit Orlando began to voluntarily provide TDT disbursement lists to Orange County each month even though the lists were not required by our contract. For 2017, the Orange County audit team identified two categories of transactions that were not being included in the reports generated from our accounting system used to compile these lists:

- A) System-generated disbursement reports did not capture some bank-originated transactions, such as employee insurance payments, that were being properly recorded later in the monthly accounting process. Checks voided after month end were also not captured in these reports but were also properly recorded later in the monthly accounting process.
- B) To mitigate the risk of budget variances caused by the extreme currency volatility related to the "Brexit" vote in 2017, we were able to lock in an exchange rate through a purchase of British pounds when we made our budgeted 2017 UK media commitment. This was a unique, one-time currency purchase and our system-generated disbursement reports did not capture the items directly disbursed from this separate British pounds account.

We have since enacted procedures that require further review to manually add similar transactions to the disbursement lists voluntarily provided to Orange County.

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The Honorable Phil Diamond
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Recommendation No 2 comments:

In isolated instances, marketing partners and other parties, such as major Orange County Convention Center clients, required confidentiality for their competitive reasons. For eight out of over 2,400 disbursements in 2017, we used descriptive terms on our voluntary TDT disbursement lists versus the actual payee name in order to comply with contractual terms. Background information on such items was always provided to Orange County upon request. For the last two years, we have striven to avoid such confidentiality restrictions and have included all payee names in the lists provided.

Recommendation No 3 comments:


On rare occasions, a check generated by our accounting department was provided to members of management to deliver to the payee. Effective in 2019, we have directed the accounting staff to distribute all checks directly to the payees.

Recommendation No 4 comments:

As is common in our industry, Visit Orlando regularly endeavors to leverage our media buys and expand our advertising reach by gaining financial participation from local hotels and theme parks through cooperative marketing agreements. Starting in 2018, funds received from such agreements have been accounted for as non-TDT funds but reflected in our Orange County reporting to show that they are being reinvested in TDT-related marketing spending.

As an independently-incorporated, not-for-profit trade association under contract with Orange County, we are pleased with the favorable evaluation that we complied with our funding agreement. We respect the findings of the audit, and, as noted above, we have taken steps to address the areas noted.

Sincerely,


Larry Henrichs
COO/CFO