



# CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Cynthia D. Miller, Audit Director

September 24, 2004

Honorable Pam Iorio  
Mayor, City of Tampa  
1 City Hall Plaza  
Tampa, Florida

RE: Convention Center and Tourism, Administrative and Fiscal Division, Audit 04-12

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Convention Center and Tourism, Administrative and Fiscal Division.

The Administrative and Fiscal Manager has already taken positive actions in response to our recommendations. We thank the management and staff of the Convention Center and Tourism Department for their cooperation and assistance during this audit.

Sincerely,

Cynthia D. Miller  
Director of Internal Audit

cc: Darrell Smith, Chief of Staff  
Bonnie Wise, Revenue and Finance Director  
Mark Huey, Administrator, Economic Development  
John Moors, Director, Convention Center and Tourism Director

**CONVENTION CENTER AND TOURISM  
ADMINISTRATIVE AND FISCAL DIVISION  
AUDIT 04-12  
SEPTEMBER 24, 2004**

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Auditor

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Audit Supervisor

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Audit Director

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**INTRODUCTION**

Physical Overview

The Tampa Convention Center (TCC) is located on 13 acres adjacent to Tampa Bay. It consists of 4 ballrooms, 36 breakout rooms, a 200,000 square foot exhibition hall and a 72,000 square foot lobby.

On the first level of the TCC, the 4 ballrooms can be combined into a 36,000 square foot area, making it one of the largest in the Southeastern United States. A 200,000 square foot exhibition hall and 72,000 square foot lobby are on the second level. Event Services, Marketing and the Administrative and Fiscal Divisions are also located on this level. TCC's third level houses the administrative offices and additional breakout rooms.

Mission Statement

The mission of the Tampa Convention Center is to generate economic impact for the city of Tampa and Hillsborough County by promoting mutually beneficial partnerships, providing outstanding guest service, demonstrating good stewardship in the managing of the asset, and achieving financial expectations.

Administrative and Fiscal Division

The Administrative and Fiscal Division consists of an Accounting, Computer Operations, Payroll/Personnel and Contract Sections. Their Operations Manual highlights the various roles and responsibilities of the sections and places the responsibility for all of their actions with the Manager of the Division.

The Accounting Section is responsible for deposits, accounts receivable, accounts payable, procurement and reconciliations of several revenue streams, such as contractor commissions. Computer Operations personnel maintain ConCentRICs (**Convention Center Resource Information and Control system**), perform DSL line installations and advise and consult on a wide variety of other activities. The Payroll/Personnel Section handles all personnel and human resource related matters. The Contract Section reviews license agreements for accuracy and completeness, verifies that insurance requirements are met and ensures that only authorized vendors provide services in the facility.

## **STATISTICS**

	FY2002	FY2003	FY2004
Local Option-Resort Tax	\$1,445,062	\$1,675,396	\$1,345,152
Rental Revenues	<u>5,601,813</u>	<u>5,644,655</u>	<u>4,985,119</u>
Revenue Total	\$7,046,875	\$7,320,051	\$6,330,271
Personal Services	\$2,887,593	\$3,123,843	\$2,744,898
Operating Expenses	3,650,010	3,142,458	2,642,845
Other Grants	<u>230,000</u>	<u>265,000</u>	<u>290,344</u>
Total Operating Expenses	<u>\$6,767,603</u>	<u>\$6,531,301</u>	<u>\$5,678,087</u>
Revenue less Expenditures	<u>\$279,272</u>	<u>\$788,750</u>	<u>\$652,184</u>
Depreciation	\$3,034,785	\$3,046,002	\$2,378,838
Capital Expenditures	\$1,433,684	\$326,048	\$336,363

Source: FAML6450, FY 2004 figures as of July 31, 2004.

## **STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Department's FY04 Audit Agenda. The objectives of this audit were to ensure:

1. Compliance with the policies and procedures of the License Contract Process;
2. Employees were granted appropriate levels of access to ConCentRIC's modules in order for them to perform their duties and responsibilities; and
3. Event and account receivable write-offs and adjustments are reasonable and properly authorized.

## **STATEMENT OF SCOPE**

The audit period covered TCC event activity that occurred from January 1, 2003, to April 30, 2004. Source documentation was obtained from the Administrative and Fiscal, TCC Marketing and TCC Operation Divisions files. Original records as well as copies were used as evidence and verified through physical examination.

## **STATEMENT OF METHODOLOGY**

The sample size and selection were statistically generated using a desired confidence level of 90%, expected error rate of 5% and a desired precision of +/- 5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the ConCentRICs database maintained by the Tampa Convention Center. We assessed the reliability of the data contained in the database including relevant general and application controls and found them to be adequate. We also conducted sufficient tests of the data. Based on these tests and assessments, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

## **AUDIT CONCLUSIONS**

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Except for the need to improve verification of insurance requirements and a misinterpretation of the variance provisions of the License Fee Schedule, TCC personnel complied with the policies and procedures of the License Contract Process;
2. Employees were granted appropriate levels of access to ConCentRICs' modules in order for them to perform their duties and responsibilities; and
3. Event and account receivable write-offs and adjustments were reasonable and properly authorized.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Tampa Convention Center, they do present risks that can be more effectively controlled. Before we completed our audit, the Administrative and Fiscal Manager implemented some of the Internal Audit Department's recommendations.

## **LICENSE CONTRACT PROCESS**

### **Insurance Requirements**

According to the TCC Procedures and Standards, Policy Number ADM-3002, the “Licensee shall procure and maintain, during the license term, Commercial General Liability Insurance with a limit of not less than \$1,000,000 bodily injury and property damage combined single limit each occurrence.” Additional insurance may be required depending on the planned event and certain events are exempt from the insurance requirements. The City of Tampa must be named as additional insured on all policies.

Insurance requirements are also described in TCC’s General Building Policies, which is provided to each Licensee. The Licensee is supposed to provide applicable insurance coverage on the approved Certificate of Insurance Form at least 45 days prior to occupancy.

A total of 285 events were held during the audit period. A statistical sample of 44 events was selected for testing. While the insurance for a number of events was obtained after the deadline, the insurance for three events (6.8%) was not obtained or verified prior to occupancy. The City of Tampa may become liable to an injured party due to the lack of the Licensee obtaining the required insurance coverage.

Prior to the completion of fieldwork, the Administrative and Fiscal Manager drafted procedures, which should help ensure insurance is obtained and verified prior to occupancy. The procedures describe actions to be taken at different points in the License Contract Process in the event that insurance is not obtained, up to and including sending a certified event cancellation letter as the occupancy date draws near. It requires the Administrative and Fiscal Manager and the Convention Services Director to monitor the activity.

### **License Fee Variances**

The License Fee Schedule, approved and adopted by City Council, allows for several variances to the published rental fees. A Licensee holding an event that meets certain justification criteria may be offered a “preferred rental package.” For example, when negotiating variances to established fees, consideration may be given to the overall value of an event, which includes utilization of TCC space, projected room nights, competition with other facilities for a particular event, multiple year events, economic impact, time of year, marketing value, overall benefit to the City of Tampa, total revenue generated and the history of the event. TCC uses a variety of ways to document and approve the justification(s) for using the variances to the established License Fee Schedule.

One of the variance provisions provides that “the TCC Administrator may, with the written approval of the City of Tampa’s Director of Revenue and Finance, offer a preferred client a rental package that is below 50% of the published rate schedule, based upon overall revenues to TCC and/or economic impact/room nights projected to be generated by the event.” All of the 285 events that occurred during the audit period were tested for rental adjustments. Only one rental package included fee adjustments that exceeded 50% of the published fee

schedule. TCC management's interpretation of the variance provisions was that more than 50% of the established rates could be waived, without the Director of Revenue and Finance's approval, as long as one of the other variance provisions could be applied.

The TCC Administrator and the Director of Revenue and Finance agreed that the TCC has many ways to be flexible with rental incentives, but when those incentives exceed 50% of the published rate schedule, the Director of Revenue and Finance's approval would be obtained. They also agreed that improved documentation in the event files is warranted.

### **RECOMMENDATION 1**

The Administrative and Fiscal Division should implement the procedures and controls developed to ensure required insurance is obtained and verified prior to occupancy.

### **AUDITEE RESPONSE**

The Convention Center has taken the recommendations under advisement and will be implementing a new policy that will ensure a more effective means of receiving the insurance certificate prior to the event opening. This new policy will be effective September 17, 2004.

### **RECOMMENDATION 2**

To help ensure compliance with the License Fee Schedule, documentation supporting variances and approvals to the License Fee Schedule should be more formalized. The documentation should state the variance criteria met, disclose the total amount of any waived fees and compare the negotiated license fee to the full, published license fee (sum of minimum guarantee rate and additional move in/out days). When the percentage of waived fees exceeds 50% of the published rate, the Director of Revenue and Finance's approval should be obtained.

### **AUDITEE RESPONSE**

The Convention Center concurs with the recommendation and has addressed this issue with the executive team. A form to address the area noted will be developed and implemented effective October 1, 2004.

## **SAFE ACCESS CONTROLS**

During the preliminary survey, a surprise cash count of the funds maintained in Administrative Office's safe was conducted. The safe has a dual access feature that employs a key and combination locks. The dual access feature was not being utilized, as only the safe's combination was needed to gain access. The safe's reported balance could not be reconciled to the cash on hand because documentation supporting cash shortages were not enclosed in the safe.

At the end of the audit's fieldwork stage, another surprise review was conducted. The Administrative and Fiscal Manager implemented the dual access control. One member of his staff was in possession of the key to the safe and he and another staff member had the combination. Documentation supporting the cash shortages was contained in the safe.

As the Administrative and Fiscal Manager implemented the dual control over access to the safe and documentation contained in the safe allowed a reconciliation to the safe's reported balance, recommendations on these issues are not necessary.