CITY OF SAN ANTONIO

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September 29, 2015

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SUBJECT: Audit Report of Audit of Convention & Visitors Bureau Hosting Obligations

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Convention & Visitors Bureau Hosting Obligations. This audit began in June 2015 and concluded in August 2015. Management's acknowledgement of the results of the audit is included in Appendix B of the report. The Convention & Visitors Bureau management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Convention and Visitors Bureau

Hosting Obligations

Project No. AU15-005

September 29, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Convention & Visitors Bureau (CVB) hosting obligations. The audit objectives, conclusions, and recommendations follow:

Are hosting obligations adequately managed and properly supported?

Yes, hosting obligations are managed well and properly supported.

The CVB has an approval process in place to ensure that hosting obligations are given to event hosts only when warranted and are approved prior to the event. Additionally, actual expenditures and/or credits were properly supported by invoices, conference room rental records, food and beverage revenues reported by the contractors of the Convention & Sports Facilities Department, hotel night rented statistics, and other key documentation that ensured event hosts met the requirements to receive the City's hosting obligations.

We make no recommendations to the CVB; consequently, no management responses are required. Management's acknowledgement of these results is in Appendix B on page 6.

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Background

The Convention & Visitors Bureau's (CVB) mission is to promote, market and assist in developing San Antonio as a premier leisure visitor and convention and meeting destination for the purpose of positively affecting the City's economy and enhancing citizen's quality of life. The CVB works with industry partners, stakeholders, and the Convention & Visitors Commission (CVC) to execute the CVB mission by having a strategic media/advertising and communications landscape. Client support and service programs are offered to maximize and enhance the San Antonio visitor experience. In addition, the CVB negotiates with various national associations and organizations to influence the selection of San Antonio as the destination for their annual meetings, conventions, and/or special events. The primary operational areas of CVB are Convention and Leisure Sales & Services, Marketing and Communications, and Finance & Administration.

The Convention & Sports Facilities Department (CSF) works closely with CVB to host events and oversees the operation and management of the Henry B. Gonzalez Convention Center, the Lila Cockrell Theatre, the Alamodome (including the Illusions Theatre), and the Carver Community Cultural Center. These multi-purpose facilities are used for conventions, sporting events, corporate meetings, trade shows, consumer shows, performing arts events, and a variety of civic, religious, and private functions.

A hosting obligation is a contractual obligation the CVB negotiates with the event holder for choosing San Antonio as the host city for its convention, meeting or special event. Generally, they are offered based on the competitive environment to fill need dates, because the convention has synergies with primary economic drivers of the San Antonio area, or because they will produce a significant visitor related economic impact which benefits the San Antonio economy. There are two types of hosting obligations: rental discounts and other expenditures.

Rental discounts are often on a sliding scale (based on square footage rented, attendance, room nights booked, catering purchases, or food and beverage sales, etc.). In the case of rental discounts, no cash is provided to the event holder or any other party – it is merely revenue not received. The CVB transfers the amount of the rental discount from its budget to the CSF's budget, so that CSF is made whole. These funds are appropriated within the hotel occupancy tax (HOT) fund and managed by the CVB. Once transferred, the CSF department records the transfer as a revenue source within the HOT fund, so the budgetary transfer is a wash to the fund. In a few cases, CSF does provide some of the rental discount itself. Rental obligations are the largest category of hosting obligations and were equal to a little more than $1 million of the hosting obligations in FY 2014.

Direct expenditures can occur for items negotiated with the event holder. They might include items like pole banners advertising the event, transportation costs, or the cost of a dinner for a board of the event holder. These are paid either to vendors or to the event holder. In FY 2014, the total amount paid for these obligations was $343,128. These payments are also made from the HOT fund.

Audit Scope and Methodology

The audit scope included hosting obligations paid and rental credits given between October 1, 2013 and March 31, 2015.

We interviewed staff and tested supporting documentation for rental credits given and hosting obligations expended. Testing criteria included 1) the hosting obligation was pre-approved by the appropriate supervisory level; 2) the event holder met the criteria outlined in the agreement to receive the obligation; 3) the hosting obligation paid or credit given matched the agreement with the event holder; 4) supporting documentation was available for the hosting obligation credit/expenditure; and 5) the obligation was correctly entered into the accounting system.

We relied on computer-processed data in the City's accounting system (SAP) to validate the expenditures and rental credits associated with hosting obligations. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included ensuring the amount entered into SAP was supported by appropriate documentation, such as invoices. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance 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.

Audit Results and Recommendations

Hosting obligations are managed well and properly supported. The CVB has an approval process in place to ensure that hosting obligations are given to event hosts only when warranted and are approved prior to the event. Additionally, the actual expenditures and/or credits are properly supported by invoices, rental records from CSF, food and beverage revenues reported by the convention center's authorized catering vendor, actual hotel nights rented, and other key documentation that ensured event hosts met the requirements to receive the City's hosting obligations.

We tested 8 rental discounts and the entire population of cash expenditures for the scope period. Combined, this represents 57 percent of the population of hosting obligations for the scope period, as shown in the following table:

Hosting Obligations		FY 2014	Oct. 1, 2014 – March 2015	Total
Rental Discount	Number of Events	33	7	40
	Events Sampled	7	1	8
	Total Rental Discounts	$1,042,040	$310,022	$1,352,062
	Discounts Sampled	$371,239	$210,305	$581,544
Cash Expenditures	Number of Events	7	3	10
	Events Sampled	7	3	10
	Dollars Expended	$343,128	$87,290	$430,418
	Dollars Sampled	$343,128	$87,290	$430,418
Total Dollars in Population		$1,385,168	$397,312	$1,782,480
Total Dollars Sampled		$714,367	$297,595	$1,011,962
Percent of Hosting Obligation Dollars Tested (Rental Discount + Cash Expenditures)		52%	75%	57%

We found no errors. Consequently, we make no recommendations to the CVB.

Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Susan Van Hoozer, CIA, CISA, Auditor in Charge
Daniel Kuntzelman, Auditor

Appendix B – Management Acknowledgement

CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

September 03, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of the Audit of Convention and Visitors Bureau – Hosting Obligations

The Convention and Visitors Bureau has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Convention & Visitors Bureau:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

Casandra Matej — 9-3-15
Casandra Matej
Director
Convention & Visitors Bureau
Date

9-3-15
Lori Houston
Assistant City Manager
City Manager's Office
Date