



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

April 23, 2014

Julián Castro
Mayor

Diego M. Bernal
Councilman, District 1

Ivy R. Taylor
Councilwoman, District 2

Rebecca J. Viagran
Councilwoman, District 3

Rey Saldaña
Councilman, District 4

Shirley Gonzales
Councilwoman, District 5

Ray Lopez
Councilman, District 6

Cris Medina
Councilman, District 7

Ron Nirenberg
Councilman, District 8

Joe Krier
Councilman, District 9

Mike Gallagher
Councilman, District 10

SUBJECT: Audit Report of Convention and Visitors Bureau Sales Incentive Program

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Convention and Visitors Bureau Sales Incentive Program. This audit began in October 2013 and concluded with an exit meeting with department management in March 2014. Management's verbatim response is included in Appendix B of the report. The Convention and 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

Distribution:

Sheryl L. Sculley, City Manager

Edward Belmares, Assistant City Manager

Ben Gorzell, Chief Financial Officer

Casandra Matej, Convention and Visitors Bureau Director

Robert F. Greenblum, City Attorney

Leticia M. Vacek, City Clerk

Jaime Castillo, Interim Chief of Staff, Office of the Mayor

Sarah McLornan, Assistant Communications Director, Office of the Mayor

Frances A. Gonzalez, Assistant to the Mayor, Office of the Mayor

Edward Benavides, Chief of Staff, Office of the City Manager

Donald Crews, Audit Committee Member

Stephen S. Penley, Audit Committee Member

CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Convention and Visitors Bureau

Sales Incentive Program

Project No. AU14-009

April 23, 2014

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 and Visitors Bureau (CVB) Sales Incentive Program. The audit objectives, conclusions, and recommendations follow:

Is the Sales Incentive Program properly managed?

Yes, key management controls are in place and operating as intended to ensure the accurate calculation of incentive payments and overall administration of the program. Overall, CVB management is doing a good job of ensuring that program goals are communicated to sales personnel and that specified criteria is being met for incentive payments.

However, we identified the following areas with opportunities for improvement:

- CVB has a policy in place that outlines the parameters and components of the CVB performance sales incentive program. We noted that some of the requirements used to qualify the validity of a meeting/booking were missing from the current documented sales incentive program policy.
- The CVB sales incentive payout that was paid in November 2012 utilizing FY13 funding was incorrectly recorded in both the government-wide financial statement and the fund financial statements because the accounting methods used were not in accordance with GASB or City policy.

We recommend that the Convention and Visitors Bureau Director:

- Update the current sales incentive policy to include all pertinent criteria and procedures required to appropriately process sales incentive program bonus payouts. Ensure that the policy is reviewed annually by management and that modifications to the program are reflected. Additionally, modifications should be communicated to all affected staff to include Fiscal.
- Continue to work with the Finance Department to ensure future sales incentive program disbursements are appropriately recorded in the City's financial statements per GASB standards and City policy.

Convention and Visitors Bureau Management's verbatim response is in Appendix B on page 5.

Table of Contents

Executive Summary	i
Background.....	1
Audit Scope and Methodology	1
Audit Results and Recommendations	2
A. Sales Incentive Program Policy is Incomplete.....	2
B. Inappropriate Financial Statement Reporting of Sales Incentive Disbursements	2
Appendix A – Staff Acknowledgement	4
Appendix B – Management Response.....	5

Background

The Convention and Visitors Bureau (CVB) promotes and markets San Antonio as a leisure visitor, convention and meeting, and special events destination. This is accomplished through partnerships with the private sector, client support and service programs as well as other marketing efforts.

The CVB department initiated a performance based sales incentive program designed with multiple objectives: generate economic impact for San Antonio, retain high performing staff and create a competitive environment for the CVB to attract professional and experienced personnel in the hospitality industry.

The overall objective of the program is to reward sales staff with assigned room night goals with a competitive performance based compensation package that is commensurate with individual performance and results.

CVB is funded through a special revenue fund supported by the City's collection of Hotel Occupancy Tax (HOT) revenues. For the past two years a total of \$274,701 for FY2012 and \$310,025 for FY2013 was paid out in incentive bonuses to staff for achieving specified sales goals.

Audit Scope and Methodology

The audit scope was for the period of FY2012. We interviewed staff, verified sales incentive bonus disbursements, as well as reviewed internal controls associated with the execution and monitoring of the sales incentive program. Testing criteria included city policies, government accounting standards, the performance base sales incentive program policy and contract activity.

We relied on computer-processed data in the EBMS system to validate the data utilized in the calculation of bonus payments to sales staff. Our reliance was based on performing direct tests on the data and system user access controls. Our direct testing included obtaining all lead and room night booking data from the EBMS system and compared to the bonus calculation. We also reviewed all sales staff user access and compared to job function to determine if sales staff that are eligible to receive a sales incentive bonus payouts had inappropriate user access privileges.

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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Sales Incentive Program Policy is Incomplete

CVB established a policy to outline the parameters and components of the CVB performance sales incentive program. Its purpose is to provide an understanding of how the program works and to appropriately define the program to include the criteria used for the incentive payment payouts. According to the guidelines, modifications should be communicated to any affected staff as far in advance as possible.

We noted the following requirements that are used to qualify the validity of a booking were missing from the current documented sales incentive program policy:

- Room night cancellations
- Delay between a lead and the confirmation of a booking
- The list of hotels identified in the lead documentation must match the final room night booking reservation.

Since the policy is used as guidance for what qualifies as a booking, it is essential that all pertinent criteria be included in the policy as to avoid any miscalculations of incentive payments. Without clear and documented criteria and standard operating procedures, errors could occur.

Recommendation

The CVB Director should update the current sales incentive policy to include all pertinent criteria and procedures required to appropriately process sales incentive program bonus payouts. Ensure that the policy is reviewed annually by management and that modifications to the program are reflected. Additionally, modifications should be communicated to all affected staff to include Fiscal.

B. Inappropriate Financial Statement Reporting of Sales Incentive Disbursements

The CVB sales incentive payout that was paid in November 2012 utilizing FY13 funding was incorrectly recorded in the government-wide financial statement and the fund financial statements. The GASB accounting methods traditionally used by the City were not followed.

The Sales Incentive program (SIP) is funded by Hotel Occupancy Taxes, which is generally considered a special revenue fund and may be accounted for by the traditional generally accepted accounting accrual method: matching of funds to

expenditures within the same FY or the modified accrual basis: accounting revenues and expenditures do not have to be matched in the same period. (*GASB Statement 34*¹)

The City reports its financial activities using the accrual method in the government-wide financial statements and the modified accrual method for transactions reported in the government-fund financial statements.

Finance plans to correct this issue going forward by being more consistent with SIP payments ensuring they are processed after December 1st of each year which will bring the payment schedule back into compliance with government accounting standards and City policy.

Recommendation

The CVB Director should continue to work with the Finance Department to ensure future sales incentive program disbursements are appropriately recorded in the City's financial statements and are in accordance with applicable GASB standards and City policy.

¹ According to GASB Statement 34, liabilities may be paid with current revenues if processed within 60 days of the close of the fiscal year. In addition, modified accrual as sanctioned by GASB Statement No. 34 allows governments to base accounting practices on operating budgets as long as this process is consistent from year to year and recorded within the financial notes of the CAFR.

Appendix A – Staff Acknowledgement

Sandy Paiz, CFE, Audit Manager

Kimberly Weber, CIA, CFE, CGAP, CRMA, Auditor in Charge

Michelle Garcia, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

April 10, 2014

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

RE: Management's Corrective Action Plan for AU14-009 CVB Sales Incentive Program

Convention and Visitors Bureau has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

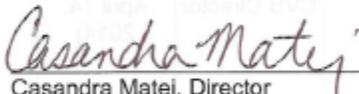
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>A. Sales Incentive Program Policy is Incomplete</p> <p>The CVB Director should:</p> <ul style="list-style-type: none"> Update the current sales incentive policy to include all pertinent criteria and procedures required to appropriately process sales incentive program bonus payouts. Ensure that the policy is reviewed annually by management and that modifications to the program are reflected. Additionally, modifications should be communicated to all affected staff to include Fiscal. 	2	Accept	<p>(Primary) Steve Clanton, VP Sales & Services</p> <p>(Secondary) Steve DeLaHaya, Assistant CVB Director</p>	<p>Updated Policy Completed April 10, 2014 (see attached)</p> <p>Provided to Staff for signature (week of April 14, 2014)</p>

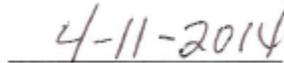
Audit of Convention and Visitors Bureau Sales Incentive Program

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>Action plan:</p> <ul style="list-style-type: none"> A revised Sales Incentive Policy has been completed incorporating key topics including clarification of leads, group cancellations, and other process enhancements CVB Leadership is committed to reviewing the Policy annually to determine if any amendments are necessary or recommended CVB Leadership will ensure that any amendments/changes to program are communicated as soon as possible to all impacted staff to include an annual signatory on the plan and/or any mid-year adjustments 				
2	<p>B. Inappropriate Financial Statement Reporting of Sales Incentive Disbursements</p> <p>The CVB Director should continue to work with the Finance Department to ensure future sales incentive program disbursements are appropriately recorded in the City's financial statements and are in accordance with applicable GASB standards and City policy.</p>	2	Accept	(Primary) Monica Ramos, Department Fiscal Administrator (Secondary) Steve DeLaHaya, Assistant CVB Director	(Completed) Confirmed with Finance Department Nov. 2013 and incorporated into Updated Policy April 10, 2014
2	<p>Action plan:</p> <p>The CVB has confirmed with the City Finance Department that all payouts associated to this plan for a given fiscal year will take place no earlier than December 1 following the close of the fiscal year. The "goal" will be for payouts to occur during the month of December. This will allow for consistent and accurate accounting of payout information and is in accordance with GASB. In addition, the reference to timing of a December payout will be included within the CVB's Performance Base Sales Incentive Program.</p>				

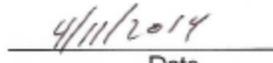
We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,


 Casandra Matej, Director
 Convention and Visitors Bureau Department


 Date


 Edward Belmares, Assistant City Manager
 City Manager's Office


 Date