



**Clerk of the Circuit Court  
Board of County Commissioners  
Marion County**



**Internal Audit Division**

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**MEMORANDUM**

TO: Lee A. Niblock, County Administrator

FROM: David R. Ellspermann, Clerk of the Circuit Court

DATE: March 2, 2009

RE: **FOLLOW-UP REVIEW: OCALA-MARION COUNTY VISITORS AND CONVENTION BUREAU**

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The Internal Audit Division has performed a follow-up review of the Ocala-Marion County Visitors and Convention Bureau (VCB) Audit (Report No. 2008-01, dated July 17, 2008) to report on the status of recommendations contained therein. This review was conducted in accordance with Division Policy and Procedure #3.5 to "determine the extent of actions subsequently taken by County management in response to the findings and recommendations included in the report."

The follow-up review procedures principally consisted on management inquiries, review of written documentation and on-site observations. This report addresses the specific recommendations in the grant process and management responses contained within the original report. There have also been some significant operational changes which we address.

As disclosed in the following "**Status of Recommendations**" report section, there were three general recommendations in the original report to enhance the grant process. We determined that these three were fully implemented.

There has been actions taken since the audit was completed. VCB staff have performed extensive research identifying procedures used by other counties which they believe could have a positive impact on operations. They have also enhanced the organization and completeness of the grantee files. VCB management and staff should be commended for their prompt actions.

We further noted certain significant issues and events that update information included in the original report. These are included in the following "**Additional Discussion**" report section.

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We also noted that Tourist Development Tax revenues have been decreasing over the last several months as an apparent result of the present economic downturn and its effect on tourism. The TDC and VCB staff are monitoring this situation and have been reducing or considering reducing expenditures in response to the decrease in revenues.

This review was conducted by Wallace Watford and Darla Smith. We would like to express our appreciation to the VCB management and staff for their assistance and cooperation during this follow-up review.

c: Jo Salyers, TDC Chair  
Ann Sternal, VCB Executive Director  
John W. Garri, Finance Director  
George Albright, Marion County Tax Collector

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**Status of Recommendations included in Report # 2008-01**

<u>Audit Recommendations</u>	<u>Management Responses</u>	<u>Current Status</u>	<u>Auditor Comments</u>
1. The TDC should consider the eleven identified grant suggestions and implement those with which it agrees.	Concur	Implemented	The TDC and VCB considered and implemented most of the 11 recommended enhancements by the conclusion of the original audit. See <b>Attachment A</b> for detailed assessment.
2. Each grantee should be required to include a summary of the individual surveys, and this survey should be shared with the Marketing Committee.	Concur	Implemented	This requirement has been added to the revised Grant Application dated 7/1/08.
3. The VCB should research what the other counties are doing with grants and provide this information to the TDC.	Concur	Implemented	VCB staff have performed extensive research using websites and personal contacts. They have downloaded and reviewed grant applications, procedures and requirements of other VCBs. They have reviewed other VCB budgets and marketing plans and have identified areas which they believe would have a positive impact on their operations. The TDC recently developed and submitted an amended Tourist Development Plan to the BCC requesting adoption. This amended plan could allow the TDC to bring group and sporting events to Ocala/Marion County. A public hearing on the amended ordinance will be held on 3/17/09.

## Additional Discussion

### Revenues

The TDC has two principal sources of revenues, the most significant of which is the Tourist Development Tax (TDT). The other source is interest earned on unexpended funds as calculated by Marion County.

We have prepared an updated analysis of revenues (see **Attachment B**) based on month collected and month distributed to County for different comparison purposes. We analyzed monthly tax collections from the implementation of the TDT effective January 1, 2005 through current. Until March 31, 2008, the Florida Department of Revenue (DOR) had been collecting the 2% TDT and directly remitting to the County with no deduction for an allowable administrative fee. Effective April 1, 2008, the TDT has been locally collected through an agreement with the Tax Collector, who directly remits the tax to the County after deducting a 3% administrative fee. The total administrative fees paid for the first nine months was \$18,850. We also analyzed the difference in the number of days for processing and receiving the tax and found that self-administering resulted in an average of 15-16 days faster collection of revenues than provided by DOR.

### Expenditures

VCB moved its headquarters to downtown Ocala in September 2008, which is estimated to provide an annual \$12,000 reduction in rent expense. The relocation allowed VCB staff to provide tourism services at their location that previously had been provided by the Ocala/Marion County Chamber of Commerce. The Chamber's services had cost \$30,000 annually; VCB management estimates that this will result in annual savings of approximately \$29,000, after offsetting related expenditures.

There was also a significant change in staffing since our report. The unfilled and open position of Tourism Coordinator was reclassified to the Sales Manager position to accomplish the shift in focus to sports marketing. The Sales Manager was hired in September 2008.

### Marketing/Promotional Activities

The principal marketing efforts are provided by Gold & Associates, Inc. (Gold). The Gold contract was renewed in August 2008 (expires October 1, 2011) and resulted in significantly reduced annual expenditures to reflect the budgeted revenue projections. The renewed agreement allows for an amount not to exceed \$444,000 for promotional activities, which includes a monthly retainer fee of \$8,510. The prior contract was not to exceed \$900,000 for promotional activities, including Gold's monthly retainer fee of \$17,250. This represents a maximum annual reduction of \$456,000, including \$104,880 in monthly retainer fees. (Note: the original Gold contract was significantly funded by Revenue Carry Forwards since the implementation of the TDT. These carry forwards have now been expended.)

### Grant Awards

BCC approved \$103,766 in grant awards for FY2008-09, which represents a reduction of \$146,935 from the prior year. The prior years grants had been significantly funded by Revenue Carry Forwards that now have been expended. It has recently been brought to our attention that economic conditions will prohibit some of the events. VCB should closely monitor these events to ensure unused grant funds are returned as quickly as possible.

**ATTACHMENT A**

**Summary of Specific Grant Suggestions**

<u>Recommendations</u>	<u>Comments</u>
I.A. Require grantee to return any unused funds and/or any funds used for expenditures not authorized by TDC.	The revised Grant Application reflects this change with the notification to grantees that “Failure to comply may jeopardize current and future funding.”
I.B. Insert a “right to audit” clause in the grant application.	The revised Grant Application includes a “right to audit” clause.
I.C.1. Amend the grant application to state that failure to submit all documentation within 30 days after the event has ended will jeopardize payment of the 50% of the awarded grant.	The revised Grant Application reflects this change.
I.C.2. Consider more stringent enforcement in the terms of requiring documentation to be submitted within 30 days after the event has ended.	Recommendation was considered and no action was taken.
I.D. Revise Section 3.2 of the Grant Agreement to make the survey requirement more equitable for the small events.	The revised Grant Application reflects this change.
I.E. Put the grant application on their website to make the process easier for potential applicants.	The Grant Application is now available on the VCB website.
II.A. Define in the grant application each specific grading criteria used in the grant evaluation process.	The revised Grant Application now contains the criteria used to rank the grant application process and the total possible points assigned to each criteria.
II.B. Create a consolidated form that meets the requirements of a legal contract. The document should be titled “Grant Agreement” and replace the current “grant request documentation” form.	The recommended Grant Agreement form has been created and utilized by the TDC.

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<p style="text-align: center;"><u>Attachment A (Continued)</u></p> <p style="text-align: center;"><u>Recommendations</u></p>	<p style="text-align: center;"><u>Comments</u></p>
<p>III.A. Implement a policy requiring grantees who return a significant portion of unused funds to pay interest. This could be limited to only certain amounts returned based on percentages.</p>	<p>TDC considered, but has not yet taken action. This may be a moot issue since TDC is presently considering changing grants to a reimbursement basis.</p>
<p>III.B. Consider changing grants to be a on reimbursement basis.</p>	<p>TDC is considering changing grant awards to a reimbursement basis. VCB staff indicate this will require an amendment to the Tourist Development Plan in the ordinance. There will be a public hearing on the amended ordinance on 3/17/09.</p>
<p>III.C. Establish a general policy that the initial funding check would be paid a certain number of months before the event instead of shortly after BCC approval.</p>	<p>TDC is instead considering changing grant awards to a reimbursement basis. (See above comment.) If TDC implements this action, this recommendation would no longer be applicable.</p>
<p><b>Note:</b> Recommendation numbers above denote relevant sections of "Attachment B" in the original audit report.</p>	

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**ATTACHMENT B**

**TAX REVENUES RECEIVED**

The following are tax revenues received by month the tax was collected by the dealers (hotels, motels, lessors). At present, the dealers are required to remit the tax collections to the Tax Collector by the 20<sup>th</sup> day of the following month. The Tax Collector thereafter remits to the County by mid-month of the month following remittances from the dealers. Therefore, County receives the taxes in the second month following month of collections by dealers.

<u>Based on Month Collected by Dealer</u>				
<u>Month</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Jan	76,076	117,771	101,649	104,293
Feb	123,815	139,194	130,604	133,029
Mar	127,725	129,100	146,491	130,113
Apr	127,665	98,138	98,037 **	75,803
May	86,179	86,478	83,658	81,702
June	62,855	90,340	80,220	69,518
July	70,322	80,603	63,959	68,476
Aug	81,701	69,860	66,322	61,208
Sept	72,087	80,044	71,643	67,557
Oct	91,238	89,480	81,015	68,911
Nov	95,264	106,077	86,318	64,150
Dec	82,041	73,091	78,800	62,134
	<b>1,096,967</b>	<b>1,160,176</b>	<b>1,088,717</b>	<b>986,894</b>

\*\* Effective April 1, 2008, Marion County Tax Collector collected from dealers and distributed to County. This had been performed by the Florida Department of Revenue from January 1, 2005 through March 31, 2008 at no fee. These amounts are net of the 3% administrative fee. Total collection fees to date were \$18,850, as shown following.

<u>2008</u>	<u>Amount</u>
Apr	\$ 2,344
May	2,527
June	2,150
July	2,118
Aug	1,893
Sept	1,781
Oct	2,131
Nov	1,984
Dec	<u>1,922</u>
Total	<u>\$18,850</u>