



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

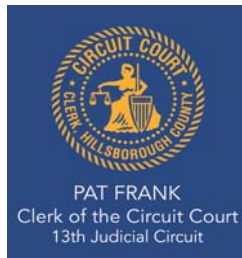
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

TOURIST DEVELOPMENT TAX EXPENDITURES

REPORT # 316

NOVEMBER 15, 2016



November 15, 2016

The Honorable Lesley “Les” Miller, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Sandra L. Murman
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of the Tourist Development Tax Expenditures (Audit Report # 316, dated November 15, 2016.)

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Economic Development Department during this audit.

Sincerely,

Steve Hooper, CIA, CGAP, CCSA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Ron Barton, Assistant County Administrator, Economic Prosperity
Lindsey Kimball, Director, Economic Development Department
Kevin Brickey, Management & Budget Office
Pat Frank, Clerk of the Circuit Court
Dan Klein, Chief of Staff, Clerk of the Circuit Court
Rick VanArsdall, Chief Deputy, Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

In 1978, the Hillsborough County Board of County Commissioners (BOCC) adopted an ordinance to levy a local Tourist Development Tax, sometimes referred to as a "room, or bed, tax" on the rental of hotel/motel accommodations within the County, in compliance with Chapter 125.0104 of the Florida Statutes. Hillsborough County Ordinance Number 78-10, as amended, permits Hillsborough County to impose and levy a five percent (5%) Tourist Development Tax (Tax) throughout Hillsborough County. The tax applies to the rental of accommodations in a hotel, apartment hotel, motel, resort motel, apartment, rooming house, mobile home park, recreational vehicle park or condominium, if rented or leased for six months or less.

The main purpose of the tax is to create a funding source that supports the growth of tourism and visitors to the area. Currently, the Tax is 5% of each dollar, with the first 3% available to the Tampa Bay Convention and Visitor's Bureau, the Tampa Convention Center, and other organizations that compete for funding every two years. The remaining 2% is used for the payment of debt service on bonds issued to finance improvements to the Tampa Convention Center and construction and/or improvements to the area's professional sports franchise facilities.

Hillsborough County's Economic Development Department (EDD), through its Tourist Development section, provides day-to-day program support to the organizations that receive TDT funded awards. The EDD acts as a liaison between the Hillsborough County Tax Collector's Office and the Clerk of the Circuit Court for the collection and disbursement of the tax proceeds. The Department also provides administrative support to the Tourist Development Council.

The following nine agencies were awarded tourist development funds during the 2013-2015 Tourist Development Tax funding cycle:

RECIPIENT AGENCY	FY 2014 AMOUNT AWARDED	FY 2015 AMOUNT AWARDED
Tampa Bay Convention & Visitors Bureau: <ul style="list-style-type: none"> • Operations • Cooperative Marketing Initiative 	\$8,450,000 \$250,000	\$8,703,500 \$250,000
City of Tampa - Tampa Convention Center capital improvements	\$1,100,000	\$1,100,000
Tampa Bay Performing Arts Center	\$470,000	\$470,000
Plant City Chamber of Commerce	\$54,000	\$55,000
Ybor City Chamber of Commerce	\$70,000	\$70,000
Florida Aquarium - administrator for the Tampa Trio	\$250,000	\$260,000
Tampa Bay Sports Commission	\$600,000	\$600,000
The Children's Museum of Tampa, Inc. d/b/a Glazer's Children's Museum	\$20,000	\$20,000
Friends of the Riverwalk, Inc.	\$20,000	\$20,000

OBJECTIVE

The objective of the audit was to assess whether or not the procedures and controls exercised over the expenditure of tourist development tax revenues are:

- appropriate and adequate;
- provide a satisfactory level of financial and administrative control and accountability; and
- ensure compliance with applicable Florida Statutes, Ordinances, and other guiding principles.

The objective focused only on the first three percent of the tax.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The audit procedures focused on the records, documents, and controls that existed during the Fiscal Year (FY) 2013-15 funding cycle. Expenditure testing was limited to the expenditures incurred in and/or reported in FY 2015.

OVERALL EVALUATION

The employees of EDD were responsive to the Audit Team's inquiries and provided information requested in a timely and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Procedures and controls over the expenditure of tourist development tax revenues are appropriate and adequate.	4

OPINION

The control environment relative to the management and oversight of the tourist development tax funding to the various recipient agencies is at the formal (defined) maturity level. EDD management has developed processes and controls which reasonably ensure that tax expenditures are appropriate and allowable.

The exit conference was held on November 8, 2016.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Steve Hooper, CIA, CGAP, CCSA, CFE, Director of County Audit

Margaret Brown, CIA, Audit Manager

Lovonia Scott, CGAP, Auditor II

Linsey Brewer, Auditor II

AUDIT COMMENT & RECOMMENDATIONS

AUDIT COMMENT

Procedures and controls over the expenditure of tourist development tax revenues are appropriate and adequate.

The objective was to determine whether or not appropriate and adequate controls were established to ensure that expenditures of tourist development tax revenues comply with the Florida Statutes (Chapter 125.0104), County Ordinances (Ordinance Number 78-10, as amended), recipient funding agreements, and other guiding principles.

The Audit Team identified the expenditure life cycle work flow (manual and electronic) and obtained applicable guiding principles. The Audit Team assessed the design of the internal control environment (i.e., good business practices, efficiency, effectiveness, accountability, computer access, separation of duties, and compliance, as applicable.)

On a sample basis, the Audit Team performed an analytical review of FY 2015 expenditures made from the Tourist Development Tax Fund. The audit work included assessing whether reasonable controls were present to provide assurance that disbursements were adequately recorded, reported, and in compliance with applicable Florida Statutes, ordinances, policies, and other applicable guiding principles.

The results of the Audit Team's review of FY 2015 Tourist Development Tax (TDT) funds is as follows:

- Tax funds were dispersed to the recipient agencies timely.
- Payments made to the agencies were in accordance with their established agreement.
- Quarterly reports submitted by the recipient agencies to EDD were complete and accurate.
- EDD reviewed and approved the quarterly reports submitted by the recipient agencies.
- Expenditures listed on the quarterly reports selected for testing were for authorized uses/eligible activities.
- Documentation submitted by the recipient agencies adequately and sufficiently supported the reported expenditures on the quarterly report tested.

The Audit Team also reviewed the monitoring activities performed by EDD for sufficiency and adequacy. Documentation reviewed and examined related to the department's on-site visits to the recipient agencies, and any subsequent follow-ups performed, was both adequate and sufficient.

RECOMMENDATION

The audit test results did not identify any material concerns that require management's corrective actions.