

**BROOME COUNTY
DEPARTMENT OF AUDIT AND CONTROL**

**GREATER BINGHAMTON
CONVENTION AND VISITORS BUREAU**

AUGUST 2014

Alex J. McLaughlin, Comptroller



Broome County Department of Audit and Control

Alex J. McLaughlin, Comptroller . Jerry F. Marinich, Chairman of the Legislature

August 5, 2014

Mr. Lou Santoni
President & CEO
Greater Binghamton Convention & Visitors Bureau
49 Court Street
Binghamton, NY 13902

Dear Mr. Santoni:

The Department of Audit and Control has completed an audit of the Greater Binghamton Convention & Visitors Bureau. The principal objective was to ascertain how County funds provided to the Greater Binghamton Convention & Visitors Bureau are used.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, we have developed a schedule, included in this report, describing how County funds provided to the Greater Binghamton Convention & Visitors Bureau are used. Our report also contains comments regarding the status of internal controls at the Bureau and comparative information regarding how a selection of peer New York State counties engage the promotion of travel and tourism.

Sincerely,

Alex J. McLaughlin
Broome County Comptroller

cc: Jerry F. Marinich, Chairman of the Legislature
Members of the Legislature
Aaron M. Martin, Clerk of the Legislature
Debra A. Preston, County Executive

BACKGROUND INFORMATION

The Greater Binghamton Convention and Visitors Bureau is a unit of the Greater Binghamton Chamber of Commerce. The Bureau's mission is to promote travel and tourism in the greater Binghamton area. Broome County has designated the Bureau as the Tourism Promotion Agency for Broome County.

Annually, Broome County provides funding to the Bureau in two pieces and for two purposes. A base amount of funding (\$313,475 in 2013) that is to be used by the Bureau to support its general efforts to attract convention groups, meeting groups and visitors to Broome County and a supplemental amount (\$59,543 in 2013), to leverage funds made available through New York State's I LOVE NEW YORK marketing program.

Our audit was conducted to determine how funds provided to the Bureau by Broome County were used during 2013. We also surveyed a selection of peer New York State counties to determine how those counties engage the promotion of travel and tourism.

Our efforts included numerous site visits to the Bureau to examine financial records and underlying support materials. Bureau staff were very helpful and cooperative. We thank them very much for their assistance.

AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES

FINDING 1: NO WRITTEN POLICIES AND PROCEDURES

The Greater Binghamton Convention and Visitors Bureau does not maintain written policies and procedures.

Written policies and procedures provide the guidelines necessary to ensure that various functions are being performed by the appropriate personnel and in the proper manner.

Written policies and procedures inform employees of their duties and responsibilities. Written policies and procedures can also serve as a training resource when employees change jobs or retire.

RECOMMENDATION:

We recommend that the Bureau develop and implement written policies and procedures related to all business processes. Going forward, the policies and procedures should be maintained and updated as required.

MANAGEMENT RESPONSE:

The Bureau is developing written policies and procedures related to all business processes. The initial phase, currently in process, involves contacting other Chambers to gather information regarding their written policies and procedures. The second phase will involve analyzing and modifying those policies and procedures to align with the Chamber's current practices. The final phase of the development of policies and procedures will entail review and possible modifications by the staff and parties involved with the processes.

The final version of all written policies will be dated and, if modified, the dates will be changed to document that the policies and procedures are being updated as required.

FINDING 2: SEGREGATION OF DUTIES

The Greater Binghamton Convention and Visitors Bureau has a very small staff. As a result, there is an inherent lack of ability to segregate incompatible duties.

Segregation of duties is one of the most important features of a strong system of internal controls. Ideally, custody of assets, recording of transactions, authorization to execute transactions and periodic reviews and reconciliations should be performed by different people.

Segregation of duties increases the likelihood that innocent errors will be found and corrected. Additionally, proper segregation of duties reduces the risk of fraud, as it would require collusion by two or more individuals.

The Bureau has developed adequate mitigating controls and procedures as described below, but we were not able to observe evidence to ensure that all processes are being executed as described.

Following, is the information regarding the current checks and balances the Bureau has:

Deposits: Receptionist opens all mail and receives all incoming checks and credit cards. She then creates a deposit register for both the checks and credit cards and forwards it to the Director of Finance and the Administrative Assistant. The Director of Finance compiles the cash/check deposit and verifies it against the register; the deposit is then given to the Administrative Assistant and she re-verifies it and takes it to the bank. After the deposit is made, the deposit slip is given to the Director of Finance and the deposit is entered into QuickBooks. The credit cards are automatically processed to the bank each evening; the credit card detail report is compared to the register and if in agreement, is entered into QuickBooks.

Bank Reconciliations: All bank reconciliations are prepared by the Director of Finance and reviewed and signed off on by the Administrative Assistant.

Payroll: The Director of Finance creates a spreadsheet bi-weekly showing the payroll to be processed; this spreadsheet is forwarded to the President & CEO for approval. After it is approved it is processed through PayCo. Upon receipt of the payroll from PayCo, it is given unopened directly to the President & CEO. The President then reviews it to ensure that it agrees with the pre-approved payroll spreadsheet and sees that everything looks in order. After his review, the payroll is given to the Director of Finance for distribution and recording.

Vendor Payments: When a bill is received, it is reviewed for accuracy and authorized by the employee who had requested the service. The invoice is then given to the Director of Finance for processing. The checks are written and both the checks and the invoices are given to the President & CEO for review and signature. After they are signed they are given to the administrative Assistant for review and mailing. The Administrative Assistant reviews the payments for accuracy and records the check numbers, if a check number is out of sequence, she

will question where it is. This can happen due to a voided check. She then mails out the checks and gives the invoices and check stubs back to the Director of Finance for filing.

We were able to verify that the controls described with regard to bank reconciliations, vendor payments and some aspects of deposits and payroll were functioning as described. Some of the other processes described as pertaining to deposits and payroll may well be occurring, but they are not adequately documented.

RECOMMENDATION:

We recommend that the Bureau take steps to improve documentation that demonstrates that controls are being executed as described.

MANAGEMENT RESPONSE:

The other processes not verified regarding deposits and payrolls that are occurring, but are not adequately documented, will be documented in the future by each party in the process initialing documentation stating the process has occurred. For example, the President of the Chamber will send an additional email stating he has compared the reports from PayCo to the preliminary payroll submitted to him. The preliminary email and the subsequent email will be filed with the appropriate payroll reports as additional verification of the process in place. In regards to the deposit processes, all documentation will be initiated by the employees involved in each phase of the deposit process.

PEER COUNTY COMPARISON

For benchmarking and/or comparative analyses, the Department of Audit and Control has identified four New York State counties that are similar enough to Broome, demographically, geographically and in terms of size and cost of government to be considered peers. Those Counties are: Niagara; Oneida; Rensselaer; Ulster.

Niagara County contracts with a private not-for-profit entity that it has designated as the Tourism Promotion Agency. All Niagara County bed tax money goes directly to the Niagara Tourism Convention Corporation, for their use in the promotion of travel and tourism. The agency reports annually to the Legislature regarding the use of the funds.

Oneida County directs all bed tax receipts to the Tourism Bureau, which is a separate stand-alone from the Chamber of Commerce. That agency is charged with the promotion of tourism for Oneida County. Annually, a plan for how the funds will be spent is provided to the County Legislature.

Rensselaer County handles the promotion of travel and tourism in-house, contracting out for advertising services and promotional materials.

Ulster County also handles the promotion of travel and tourism in-house, contracting out for advertising services and promotional materials.

USE OF FUNDS

2013

Compensation and Related Taxes	:	\$265,104
Office Space Rental	:	\$ 12,000
Miscellaneous Office Expenses	:	\$ 5,227
Professional Association Dues	:	\$ 3,045
Telephone Expense	:	\$ 3,310
Computers/Supplies	:	\$ 8,064
Travel/Hotels/Meals	:	\$ 10,393
Advertising/Promotional Materials	:	\$124,375
Website	:	\$ 8,070
Trade Shows	:	<u>\$ 6,356</u>
Total Spending	:	\$445,944
County Support	:	\$373,018
New York State	:	\$ 59,583
Charges/Fees	:	<u>\$ 17,520</u>
Total Income	:	\$450,121