

# **AUDIT OF VISITDALLAS**

## **Report No. A19-006**

### **UPDATE ON CORRECTIVE ACTIONS**

**City Council Briefing**  
**May 15, 2019**

**City of Dallas**  
**Rosa Fleming – Director**  
**Convention & Event Services**

**Courtney Pogue – Director**  
**Office of Economic Development**

**VisitDallas**  
**Joyce Williams – Board Chair-Elect**  
**Tony Vedda, CCE, IOM – Chair**  
**Governance Committee**  
**Sam Coats – Interim President/CEO**



# Overview

- Background
- Purpose
- Corrective Action Plan Process
- Corrective Action Plan Update
- Next Steps
- Appendix



# Background

The Office of the City Auditor (AUD) released the *Audit of VisitDallas Report No. A19-006* on January 4, 2019. The overall objective of the audit was to evaluate the effectiveness of services provided by VisitDallas between FY 2016 and FY 2017, by testing the reliability and reporting of performance measures and the usage of Hotel Occupancy Tax (HOT) and Dallas Tourism Public Improvement District (DTPID) funds. AUD provided 18 recommendations.

Convention and Event Services (CES), the Office of Economic Development (ECO) and VisitDallas briefed the Government Performance and Financial Management (GPFM) Committee on February 19, 2019. CES and ECO agreed on 11 recommendations and provided alternate remedies for the remaining recommendations. Following the briefing, GPFM recommended that CES brief the full City Council.

3

# Purpose

Brief City Council about the improvements being implemented by CES and ECO based on the corrective actions presented to the GPFM Committee on February 19, 2019, in response to the *Audit of VisitDallas Report No. A19-006*

CES and ECO continue to focus on transparency, accuracy and accountability by:

- Improving contract monitoring
- Engaging independent third parties
- Working toward the execution of an amended and restated contract

4

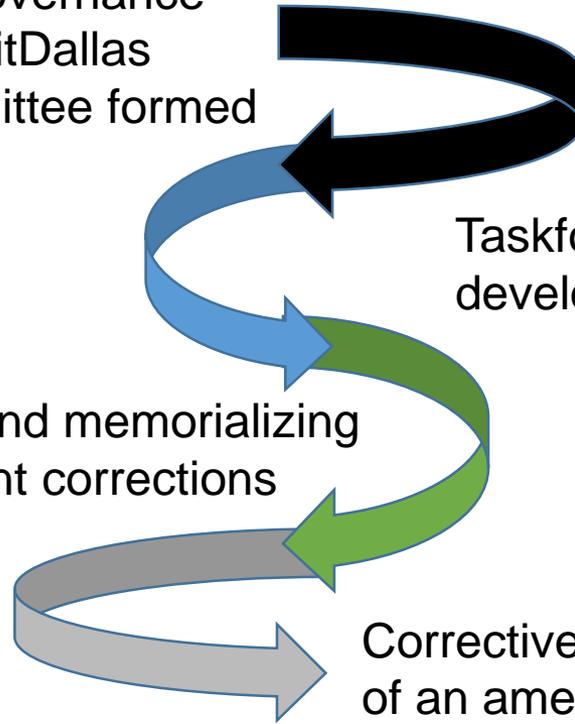
# Corrective Action Plan Process

VisitDallas Audit/Governance  
Task Force and VisitDallas  
Governance Committee formed

Taskforce met with CES/ECO to  
develop an interim remediation plan

CES/ECO verifying and memorializing  
interim and permanent corrections

Corrective action plan testing and execution  
of an amended and restated contract



# Corrective Action Plan Process (cont.)

CES, ECO, VisitDallas staff and VisitDallas Audit/Governance Task Force have met continuously since the February 19<sup>th</sup> briefing to develop a corrective action plan and meet deliverable deadlines:

MEETING DATE	ATTENDEES	SCOPE
March 5	<ul style="list-style-type: none"> <li>• CES</li> <li>• VisitDallas Staff</li> <li>• VisitDallas Audit/Governance Task Force</li> </ul>	Review initial audit deliverables
March 12	<ul style="list-style-type: none"> <li>• CES</li> <li>• ECO</li> <li>• VisitDallas Audit/Governance Task Force</li> </ul>	Discussion about engagement of two separate third parties to review goals/metrics and policies/procedures
April 2	<ul style="list-style-type: none"> <li>• CES</li> <li>• VisitDallas Staff</li> </ul>	Review of revised financial format draft
April 9	<ul style="list-style-type: none"> <li>• CES</li> <li>• VisitDallas Staff</li> </ul>	Review of edits to financial format and customer relationship management system reporting data
April 12	<ul style="list-style-type: none"> <li>• CES</li> <li>• ECO</li> <li>• VisitDallas Audit/Governance Task Force</li> </ul>	Discussion of industry standard formula for ROI on citywides and outstanding VisitDallas Staff deliverables / Pre-bid presentations from the third party that will review VisitDallas' policies and procedures
April 18	<ul style="list-style-type: none"> <li>• CES</li> <li>• VisitDallas Staff</li> </ul>	Review of VisitDallas' marketing proposal for current FY and recommendations for FY20

# Corrective Action Plan Process (cont.)

VisitDallas Audit/Governance Task Force received proposals and selected third parties to help them remedy several recommendations outlined in the audit:

SELECTION DATE	ATTENDEES	SCOPE
March 29	<ul style="list-style-type: none"><li>VisitDallas Audit/Governance Task Force</li></ul>	NAVEX Global Inc. was selected as the ethics hotline vendor / Set-up and installation has begun
April 25	<ul style="list-style-type: none"><li>VisitDallas Audit/Governance Task Force</li></ul>	BDO USA, LLP was selected to review VisitDallas' policies and procedures / Contract signed May 3

# Corrective Action Plan Update

## CORRECTIVE ACTION 1

City improves monitoring of expense, audit, reporting and invoicing data received from VisitDallas

**AUDIT RECOMMENDATIONS (R) IMPACTED: 1, 2, 3, 4, 6, 7, 15, 17, 18**

Description	Frequency	FY19 Sampling/Testing
R1: Document and adopt formal procedures for documenting VisitDallas expenses	Monthly	Sep-30
R1: Obtain and review VisitDallas Form 990	Annually	Feb-15
R2 and R3: Ensure CES timely invoices VisitDallas for the annual capital contribution and ensure ECO timely invoices VisitDallas for annual Creative Industries commitment	Annually	Sep-15 Dec-15
R4: ECO Director requests monthly financial reports in accordance with the City Service Contract with VisitDallas, in a format that allows Creative Industries to efficiently reconcile direct expenses to program activity	Monthly	Sep-30

# Corrective Action Plan Update

## CORRECTIVE ACTION 1

City improves monitoring of expense, audit, reporting and invoicing data received from VisitDallas

**AUDIT RECOMMENDATIONS (R) IMPACTED: 1, 2, 3, 4, 6, 7, 15, 17, 18**

Description	Frequency	FY19 Sampling/Testing
R6: ECO Director periodically performs compliance reviews as allowed by City contract and monitors DTPID's expenses to ensure compliance	Monthly	Sep-30
R7: ECO Director, in coordination with VisitDallas and in consultation with the City Attorney's Office (CAO) to address the interim adjustments and excess assessments to ensure City has formal authority to accept assessments regarding hotels	Ongoing (until determination made)	Ongoing

# Corrective Action Plan Update (cont.)

## CORRECTIVE ACTION 1

City improves monitoring of expense, audit, reporting and invoicing data received from VisitDallas

**AUDIT RECOMMENDATIONS (R) IMPACTED: 1, 2, 3, 4, 6, 7, 15, 17, 18**

Description	Frequency	FY19 Sampling/Testing
R15: CES Director monitors VisitDallas' expenses to ensure compliance with VisitDallas Policies and Procedures Manual and State of Texas laws for HOT by analyzing, reviewing and documenting expenses on a random sample basis	Monthly	Sep-30
R17: CES Director requests VisitDallas complies with State of Texas law for HOT funds by maintaining a separate bank account for HOT funds	Monthly	Completed
R18: ECO Director requests VisitDallas complies with the DTPID administrative contract by maintaining a separate bank account for DTPID funds	Monthly	Completed

# Corrective Action Plan Update (cont.)

## CORRECTIVE ACTION 2

City hires an independent third party to analyze VisitDallas performance goals and metrics

**AUDIT RECOMMENDATIONS (R) IMPACTED: 1, 9, 10, 11, 13**

Description	Frequency	FY19 Sampling/Testing
R1: Ensure formal City approval of VisitDallas performance goals	Monthly through analysis then annually in future years	May-30
R9: CES Director, in coordination with VisitDallas, provides adequate assurance that key metrics such as economic impact, bookings, and consumed activity are independently validated and documented either by an independent third party or CES, on a periodic basis and relevant supporting historical data is retained	<ul style="list-style-type: none"> <li>Weekly verification with the VisitDallas Sales Team</li> <li>Monthly contract compliance review</li> </ul>	Sep-30
R10: CES Director, in coordination with VisitDallas, works to factor historical results of consumed events when setting Citywide event bookings performance goals	Monthly	Sep-30

# Corrective Action Plan Update (cont.)

## CORRECTIVE ACTION 2

City hires an independent third party to analyze VisitDallas performance goals and metrics

**AUDIT RECOMMENDATIONS (R) IMPACTED: 1, 9, 10, 11, 13**

Description	Frequency	FY19 Sampling/Testing
R11: CES Director develops procedures for data and metrics measuring the success of the Convention Center including retaining proper support documentation / conducts a documented comparative analysis	<ul style="list-style-type: none"><li>Weekly verification with Spectra</li><li>Monthly contract compliance review</li></ul>	Sep-30
R13: CES Director monitors VisitDallas' compensation practices with particular focus on employee incentive compensation adjustments for the actual results or groups	Annually	Aug-30

# Corrective Action Plan Update (cont.)

## CORRECTIVE ACTION 3

VisitDallas, with City input, engages third party to analyze and provide feedback on the reasonableness and sufficiency of VisitDallas policies, procedures and back-up source data

**AUDIT RECOMMENDATIONS (R) IMPACTED: 5, 8, 12, 14 and 16**

Description	Frequency	FY19 Sampling/Testing
R5: ECO Director, as allowed by the City contract with DTPID and VisitDallas, develops a formal contract monitoring procedure, requests and documents timely collection of contract deliverables, and obtains and reviews DTPID's Form 990 annually	Monthly	Sep-30

# Corrective Action Plan Update (cont.)

## CORRECTIVE ACTION 3

VisitDallas, with City input, engages third party to analyze and provide feedback on the reasonableness and sufficiency of VisitDallas policies, procedures and back-up source data

**AUDIT RECOMMENDATIONS (R) IMPACTED: 5, 8, 12, 14 and 16**

Description	Frequency	FY19 Sampling/Testing
R8: CES Director develops policies and procedures that document the methodology, formulas, and associated definitions, used in preparing both the monthly VisitDallas metrics report and the annual Accomplishments and Action Plan report	Monthly	Sep-30
R8: CES Director reviews VisitDallas policies and procedures for completeness and reasonableness and requests VisitDallas amends any insufficient aspects / obtains underlying source documentation used by VisitDallas	Monthly	Sep-30

# Corrective Action Plan Update (cont.)

## CORRECTIVE ACTION 3

VisitDallas, with City input, engages third party to analyze and provide feedback on the reasonableness and sufficiency of VisitDallas policies, procedures and back-up source data

**AUDIT RECOMMENDATIONS (R) IMPACTED: 5, 8, 12, 14 and 16**

Description	Frequency	FY19 Sampling/Testing
R12: CES Director monitors VisitDallas' compensation practices to ensure that paid compensation is properly documented according to VisitDallas policies in order to demonstrate compliance with State laws related to HOT	Monthly	Sep-30
R14: CES Director monitors VisitDallas' practices with particular focus on the basis for CEO's annual compensation goals in order to demonstrate compliance with State laws related to HOT	Monthly	Sep-30
R16: CES Director monitors VisitDallas' policies and procedures to provide adequate guidance on allowable expenses to ensure the City achieves the expected benefit from expenses made from HOT and the DTPID funds	Monthly	Sep-30

# Next Steps

- CES and ECO coordinate with CAO to execute an amended and restated contract by September 30, 2019
- CES and ECO to discuss renewal and procurement options with CAO for ongoing contract

# **AUDIT OF VISITDALLAS**

## **Report No. A19-006**

### **UPDATE ON CORRECTIVE ACTIONS**

**City Council Briefing**  
**May 15, 2019**

**City of Dallas**  
**Rosa Fleming – Director**  
**Convention & Event Services**

**Courtney Pogue – Director**  
**Office of Economic Development**

**VisitDallas**  
**Joyce Williams – Board Chair Elect**  
**Tony Vedda, CCE, IOM – Chair**  
**Governance Committee**  
**Sam Coats – Interim President/CEO**



# Appendix



# **AUDIT OF VISITDALLAS**

## **Report No. A19-006**

### **PROPOSED CORRECTIVE ACTIONS**

**Government Performance and Financial  
Management Committee**  
**February 19, 2019**

**City of Dallas**

**Rosa Fleming – Director (I)  
Convention & Event Services**

**Courtney Pogue – Director  
Office of Economic Development**

**VisitDallas**

**Joyce Williams – Chair Elect  
Phillip Jones – President/CEO**



# Presentation Overview

- Purpose
- Contract History
- Audit Overview
- Corrective Action Plan
- Next Steps



# Purpose

Brief the Government Performance & Financial Management (GPFM) Committee about the planned corrective actions, related to the January 4, 2019 Audit of VisitDallas (Report No. A19-006), to be implemented by Convention and Event Services (CES) and Office of Economic Development (ECO).

Corrective actions outlined in this briefing speak to an overall goal of transparency, accuracy and accountability in how VisitDallas, and similar contracts will be managed by these departments going forward.

# Contract History

Contract	Department	Resolution #	Term
<i>Contract between the City of Dallas and the Dallas Convention and Visitors Bureau for Convention and Public Event Facility Promotion, Advertising and Tourism Development Services</i>	CES	15-1666	FY 2016 – 2020, followed by a 5-year and 3-year renewal option
<i>Supplemental Agreement 1 to Contract between the City of Dallas and the Dallas Convention and Visitors Bureau for Convention and Public Event Facility Promotion, Advertising and Tourism Development Services</i>	CES	16-7122	Same as above
<i>Contract between the Dallas Tourism Public Improvement District (DTPID) Board, the City of Dallas and VisitDallas</i>	ECO	16-1250	FY 2017 – 2029
<i>Dallas Convention &amp; Visitors Bureau (DCVB) &amp; Dallas Tourism Public Improvement District Corporation (DTPIDC)</i>	ECO	N/A	FY 2018 – 2029

# Contract History cont.

## DCVB TIMELINE

Authorized a contract with the Dallas Chamber of Commerce for marketing and general sales of Dallas as a site for tourism, meetings and conventions

1979  
October



1999  
May

Authorized Supplemental Agreement No. 1 removed the cap on HOT allocations decreasing the percentage DCVB received 32.6% and requiring to meet performance measures that prioritized Convention Center

Approved assignment of the contract from the Greater Dallas Chamber of Commerce to a new non-profit corporation, the Dallas Convention & Visitors Bureau (DCVB)

1992  
September



2002  
June

Authorized Supplemental Agreement No. 2 provided additional funding for enhanced marketing and promotion of the Convention Center expansion, required DCVB to establish a reserve account for future revenue shortfalls and required DCVB to provide future capital improvements for WRR Municipal Radio from 2003 – 2007

Authorized a 10-year contract with the DCVB, with 33.57% of the City's 7% HOT receipts with two five-year renewal options

1996  
September



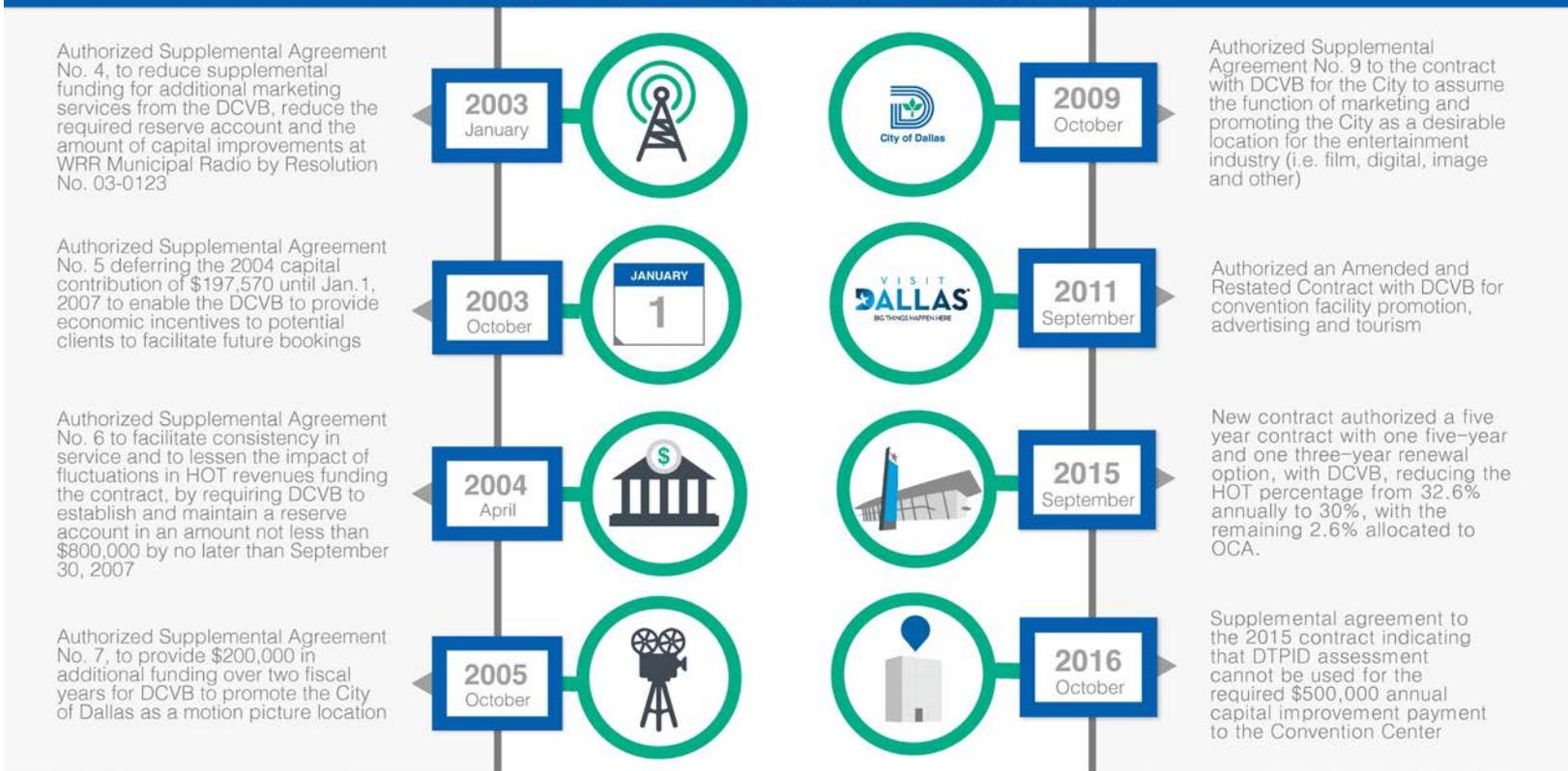
2002  
December

Authorized Supplemental Agreement No. 3, which provided an additional \$30,000 in funding to DCVB to promote the film industry

DCVB = Dallas Convention & Visitors Bureau  
HOT = Hotel Occupancy Tax

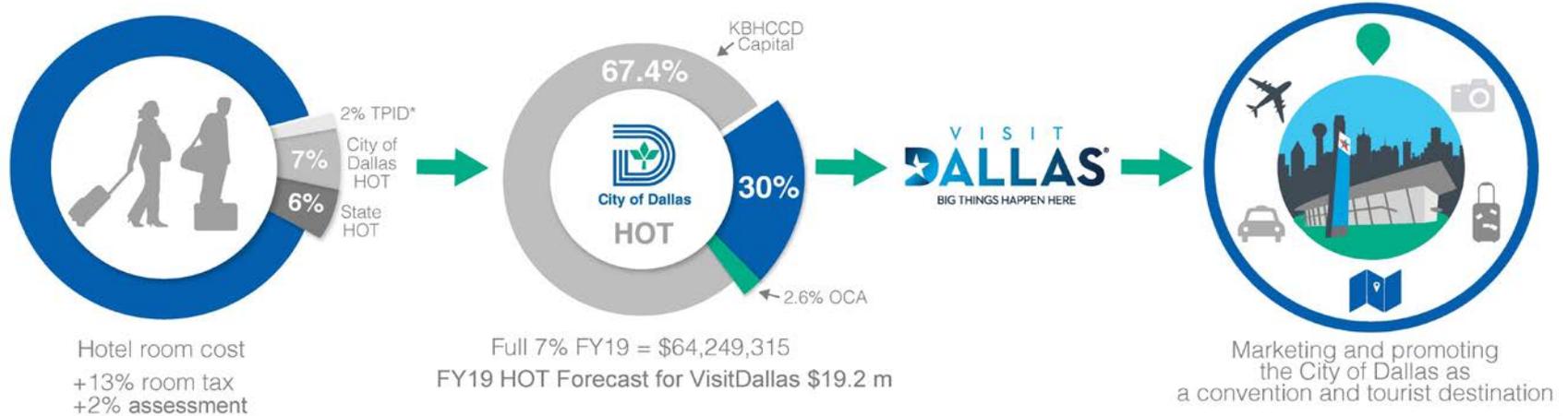
# Contract History cont.

## DCVB TIMELINE



# Contract History cont.

## FUNDING SOURCES BREAKDOWN



HOT = 13%



\*TPID (Tourism Public Improvement District): Hotels with 100 or more rooms within the city limits of Dallas have to pay an additional 2 percent assessment on their occupied rooms "for the purpose of generating funds to market and promote Dallas as a convention and tourism destination."

TPID = 2%



Hotels with 100+ rooms within Dallas City Limits

FY19 TPID Forecast for VisitDallas \$18.2 m

# Contract History cont.

Fiscal Year	HOT Revenue Budgeted*	HOT Revenue Actualized*	VisitDallas Allocation*	HOT %	OCA Allocation*	HOT %	Variance Explanation
2012	\$ 34,600	\$ 37,950	\$ 12,372	32.6%			.
2013	\$ 37,600	\$ 42,133	\$ 13,735	32.6%			.
2014	\$ 40,924	\$ 46,962	\$ 15,310	32.6%			.
2015	\$ 50,263	\$ 50,405	\$ 16,432	32.6%			.
2016	\$ 54,221	\$ 55,278	\$ 16,346	30%	\$ 1,417	2.6%	
2017	\$ 56,262	\$ 55,864	\$ 16,919	30%	\$ 1,462	2.6%	Includes FY2016 (for 2nd & 4th quarters) retainage payment \$166,088
2018	\$ 60,233	\$ 61,153	\$ 18,346	30%	\$ 1,590	2.6%	
2019	\$ 64,249	\$ 13,408	\$ 19,275	30%	\$ 1,670	2.6%	Anticipated actualized revenue

\*\$000 - Inflated

# Audit Overview

The overall objective of the audit was to evaluate the effectiveness of services provided by VisitDallas between FY 2016 and FY 2017

- Office of the City Auditor (AUD) tested the reliability and reporting of performance measures and the usage of HOT and DTPID Incentive funds
- AUD provided 18 recommendations
  - CES and ECO agreed with 11 recommendations
    - Both departments disagreed with solutions presented in 7 of the recommendations but, in the management response, agreed to take other measures to remedy the primary issue
  - CES and ECO are committed to putting solutions into effect expeditiously through:
    - Memoranda of Understanding (MOUs) or supplemental agreements in the interim
    - New contract will provide long-term solutions before the CES contract with VisitDallas expires in September 2020

27

# Audit Overview cont.

## Convention and Event Services & Office of Economic Development

Management agree that oversight and monitoring of these contracts must be improved and these departments have:

- Conducted four meetings with VisitDallas staff and Board of Directors since the Audit's release to review contracts, discuss the AUD recommendations and formulate action plans
- Coordinated with the City Controller's Office (CCO) on a corrective action plan that
  - Enhances VisitDallas' contract monitoring processes
  - Provides proven and documented validity for the performance metrics required of VisitDallas
  - Demonstrates both an immediate and a long-term commitment to transparency in how CES and ECO examine valuable hotel and other revenues or assessment fees contracted to VisitDallas

# Audit Overview cont.

## VisitDallas Staff and Board of Directors

Recognizes the value of the VisitDallas relationship with the City and its stakeholders and is committed to working with CES and ECO to remedy the audit findings. The VisitDallas Board of Directors has:

- Established a *Board Audit/Governance Taskforce* to create interim and long-term solutions to audit recommendations
- Committed to creating a *Board Governance and Ethics Committee* to review and monitor VisitDallas internal controls' framework and expenditure approval processes
- Pledged to pay for a mutually agreed upon independent third party expert to assist the Board and City in building policies and procedures to address the audit

# CES Corrective Action Plan



# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

*Recommendation	Corrective Action
<p><b>Recommendation I:</b></p> <ul style="list-style-type: none"> <li>Review VisitDallas expenses and create a more transparent financial reporting format</li> <li>Review Form 990 annually</li> <li>Ensure formal City approval of VisitDallas performance goals</li> <li>Implement an MOU or supplemental agreement with VisitDallas to stipulate reasonable due dates</li> </ul>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>Provide Form 990 by February 15<sup>th</sup>, unless an extension is requested, and provide data in a transparent GAAP format approved by CES</li> <li>Seek formal City approval of performance goals relevant to the City before Board approval and counter-sign approval letter from CES</li> <li>Provide the City with timely responses for monthly, quarterly, and annual dates as outlined in an MOU or supplemental agreement</li> </ul>
<p><b>Recommendation II:</b></p> <ul style="list-style-type: none"> <li>Invoice VisitDallas timely for annual \$500k capital contribution</li> <li>Consult with City Attorney's Office (CAO) to ensure VisitDallas funding source for capital complies with State law</li> </ul>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>Make annual payments on or before December 15<sup>th</sup> based on a combined invoice from CES and ECO delivered by electronic and certified mail by September 15<sup>th</sup> annually</li> <li>Use private funds for the \$500k annual commitment</li> </ul>

\* Recommendations have been abridged.

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

### Recommendation

### Corrective Action

#### Recommendation VIII:

- Request VisitDallas develops policies and procedures that document the methodology, formulas, and definitions, used in preparing both the monthly metrics report and the annual *Accomplishments and Action Plan Report*
- Review new policies and obtain underlying source documentation and periodically validate accuracy

#### VisitDallas agreed to:

- Develop new policies and procedures, with outside independent assistance, that align with current industry standards
- Amend policies and procedures relating to monthly reports upon City request
- Provide source documentation used for metrics and validate accuracy of all metrics once those metrics are developed by the independent entity and approved by the City

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation XI:</b></p> <ul style="list-style-type: none"><li>• Develop procedures for data and metrics measuring the success of the Convention Center and retaining proper supporting documentation</li><li>• Conduct a documented comparative analysis on a periodic basis of the Convention Center space rental rates</li></ul>	<p><b>CES staff will:</b></p> <ul style="list-style-type: none"><li>• Develop industry standard procedures for data and metrics that measure the success of the Convention Center and retain proper supporting documentation</li><li>• Conduct a documented comparative analysis of Convention Center space rental rates annually</li></ul>
<p><b>Recommendation XIV:</b></p> <p>Monitor VisitDallas' compensation practices with focus on the basis for the CEO's annual compensation goals in order to demonstrate compliance with State law related to HOT</p>	<p><b>VisitDallas agreed to:</b></p> <p>Review VisitDallas compensation practices annually with CES, and before the acceptance of all high-level executive contracts, to ensure compliance with any State law related to HOT and adjust as needed</p>

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation XVI:</b> Requests VisitDallas strengthens policies and procedures to provide adequate guidance on allowable expenses to better ensure the City achieves the expected benefit from expenses made from HOT and DTPID funds</p>	<p><b>VisitDallas agreed to:</b> Engage a mutually agreed upon, independent third-party expert to assist in strengthening and monitoring policies and procedures to provide better guidance to VisitDallas and its Board on allowable expenses, and to better ensure the City achieves the expected benefit from expenditures made from HOT and DTPID funds</p>
<p><b>Recommendation XVII:</b> Requests VisitDallas complies with State law for HOT by maintaining a separate bank account for HOT funds</p>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>★ Established a separate bank account for HOT funds effective December 2018</li> <li>• Will continue to report to the Board and CES regarding ongoing compliance with any and all State laws related to HOT</li> </ul>

★ Denotes completed task that has entered monitoring phase

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (DISAGREED)

Recommendation	Corrective Action
	<p>Although CES initially disagreed with the AUD recommendation, VisitDallas has now identified the following corrective actions:</p>
<p><b>Recommendation IX:</b> Provide adequate assurance that key metrics such as economic impact, bookings and consumed activity are independently validated and documented either by an independent contractor, or CES on a periodic basis and relevant historical data is retained</p>	<ul style="list-style-type: none"> <li>• Hire a mutually agreed upon, independent third-party expert to help establish and validate key agreed upon performance metrics based on current industry standards</li> <li>• Provide supporting data to CES monthly</li> </ul>
<p><b>Recommendation X:</b> Factor in historical results of consumed events when setting Citywide event bookings and performance goals</p>	<p>Work with CES to develop a plan for maintaining historical data in an auditable format consistent with industry standards</p>
<p><b>Recommendation XII:</b> Monitor VisitDallas' compensation to ensure compliance with State law related to HOT</p>	<p>Meet quarterly with CES to ensure paid compensation is properly documented, aligns with VisitDallas policies, and demonstrates compliance with State law related to HOT</p>

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (DISAGREED)

Recommendation	Corrective Action
	<p>Although CES initially disagreed with the AUD recommendation, VisitDallas has now identified the following corrective actions:</p>
<p><b>Recommendation XIII:</b> Monitors VisitDallas’ compensation practices with focus on employee incentive compensation adjustments for the actual results of groups / events</p>	<p>Develop, implement, and continually review compensation practices with focus on employee incentive compensation adjustments for the actual results for groups/events and adjust where needed at the next reasonable opportunity</p>
<p><b>Recommendation XV:</b> Monitors VisitDallas’ expenses in order to ensure compliance with VisitDallas’ policies and procedures to demonstrate compliance with State law related to HOT</p>	<p>Will have a mutually agreed upon CPA periodically review expenses in order to ensure compliance with VisitDallas’ policies and procedures to demonstrate compliance with any State law related to HOT and adjust where needed</p>

# ECO Corrective Action Plan

37



# Corrective Actions – ECO

## SUMMARY ECO RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation III:</b> Invoice VisitDallas timely for annual \$100k funding commitment to ECO and Creative Industries and monitor collection efforts if not received timely</p>	<p><b>VisitDallas agreed to:</b> Make annual payments on or before December 15th based on a combined invoice from CES and ECO delivered by electronic and certified mail by September 15th annually</p>
<p><b>Recommendation IV:</b> Request VisitDallas provide monthly financial reports in a format that allows Creative Industries to efficiently reconcile direct expense payments for program activity to VisitDallas' financial reports</p>	<p><b>VisitDallas agreed to:</b> Coordinate with ECO to develop a detailed, line-itemed, and transparent report for Creative Industries to review and reconcile</p>

# Corrective Actions – ECO

## SUMMARY ECO RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation V:</b> Develop a formal contract monitoring process and request/document timely collection of contract deliverables and obtain/review DPTID’s Form 990 and VisitDallas Form 990</p>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>• Agreed to monthly, quarterly, and annual monitoring visits by ECO and to timely submission of contract deliverables</li> <li>• Receipt of a cure letter if deliverables are not provided</li> <li>• Provide annual Form 990 by February 15<sup>th</sup>, unless an extension is requested</li> </ul>
<p><b>Recommendation XVIII:</b> Requests VisitDallas maintain separate bank account for DTPID funds</p>	<p><b>VisitDallas:</b></p> <ul style="list-style-type: none"> <li>• Established a separate bank account for DTPID funds effective December 2018</li> <li>★ Will continue to report to the Board and ECO regarding ongoing compliance with any and all laws related to DTPID</li> </ul>

★ Denotes completed task that has entered monitoring phase

# Corrective Actions – ECO

## SUMMARY ECO RECOMMENDATIONS (DISAGREED)

Recommendation	Corrective Action
	<p>Although ECO initially disagreed with the AUD recommendation, VisitDallas has now identified the following corrective actions:</p>
<p><b>Recommendation VI:</b> Perform and document monthly, quarterly, or annually detailed compliance reviews of VisitDallas expenses as allowed by the contract and monitor DTPID’s expenses to ensure compliance with the DTPID Board, VisitDallas and State laws for Tourism PIDs</p>	<ul style="list-style-type: none"> <li>• Agreed to high-level expense reviews by ECO at pre-established intervals incorporated into an MOU or supplemental agreement</li> <li>• Engage a mutually agreed upon, independent CPA to conduct detailed and formal review of DTPID expenses for the Board and ECO</li> </ul>
<p><b>Recommendation VII:</b> Consult with CAO to ensure City has authority to formally accept additional hotels into the DTPID</p>	<p>Comply with ECO’s recommendations following any meetings with the CAO</p>

# Corrective Action Plan - Timeline



# Corrective Actions – Timeline

Corrective Action Plan Timeline	
Date	Corrective Actions
January 14, 2019	CES and ECO briefed VisitDallas Finance & Executive Committee about audit recommendations
January 22, 2019	CES met with newly formed VisitDallas Board Audit/Governance Taskforce and later added the entire VisitDallas Board, during a regularly scheduled board meeting
February 1, 2019	ECO met with VisitDallas, with agreement to meet quarterly to discuss reports. VisitDallas confirmed they will pay total annual contribution by December 15th / ECO to schedule meeting with DTPIDC to discuss the audit
April 2019	CES to begin working with CAO and CCO on new contract format with improved metrics and deliverables, definitive timelines, and more City authority on matters related to compensation using HOT funds
May 2019	CES and ECO to brief Council on status of interim MOUs
September 2020	VisitDallas contract with CES expires
Ongoing	Monthly and quarterly VisitDallas contract compliance meetings and financial reviews with CES and ECO, including annual review of Form 990

# Next Steps

- Coordinate with CCO and AUD to ensure that contract compliance and audit measures mitigate future risks
- Accelerate deadlines for reviewing and revising VisitDallas contracts with the goal to have new contracts in place before the end of the fiscal year
- Enact interim contract compliance measures by coordinating with CAO to establish MOUs or supplemental agreements to codify deliverable dates and deadlines

# **AUDIT OF VISITDALLAS**

## **Report No. A19-006**

### **PROPOSED CORRECTIVE ACTIONS**

**Government Performance and Financial  
Management Committee**  
**February 19, 2019**

**Rosa Fleming – Director (I)**  
**Convention & Event Services**

**Courtney Pogue – Director**  
**Office of Economic Development**

**City of Dallas**



# Presentation Overview

- Purpose
- Contract History
- Audit Overview
- Corrective Action Plan
- Next Steps



# Purpose

Brief the Government Performance & Financial Management (GPFM) Committee about the planned corrective actions, related to the January 4, 2019 Audit of VisitDallas (Report No. A19-006), to be implemented by Convention and Event Services (CES) and Office of Economic Development (ECO).

Corrective actions outlined in this briefing speak to an overall goal of transparency, accuracy and accountability in how VisitDallas, and similar contracts will be managed by these departments going forward.

# Contract History

Contract	Department	Resolution #	Term
<i>Contract between the City of Dallas and the Dallas Convention and Visitors Bureau for Convention and Public Event Facility Promotion, Advertising and Tourism Development Services</i>	CES	15-1666	FY 2016 – 2020, followed by a 5-year and 3-year renewal option
<i>Supplemental Agreement 1 to Contract between the City of Dallas and the Dallas Convention and Visitors Bureau for Convention and Public Event Facility Promotion, Advertising and Tourism Development Services</i>	CES	16-7122	Same as above
<i>Contract between the Dallas Tourism Public Improvement District (DTPID) Board, the City of Dallas and VisitDallas</i>	ECO	16-1250	FY 2017 – 2029
<i>Dallas Convention &amp; Visitors Bureau (DCVB) &amp; Dallas Tourism Public Improvement District Corporation (DTPIDC)</i>	ECO	N/A	FY 2018 – 2029

# Contract History cont.

## DCVB TIMELINE

Authorized a contract with the Dallas Chamber of Commerce for marketing and general sales of Dallas as a site for tourism, meetings and conventions

1979  
October



1999  
May

Authorized Supplemental Agreement No. 1 removed the cap on HOT allocations decreasing the percentage DCVB received 32.6% and requiring to meet performance measures that prioritized Convention Center

Approved assignment of the contract from the Greater Dallas Chamber of Commerce to a new non-profit corporation, the Dallas Convention & Visitors Bureau (DCVB)

1992  
September



2002  
June

Authorized Supplemental Agreement No. 2 provided additional funding for enhanced marketing and promotion of the Convention Center expansion, required DCVB to establish a reserve account for future revenue shortfalls and required DCVB to provide future capital improvements for WRR Municipal Radio from 2003 – 2007

Authorized a 10-year contract with the DCVB, with 33.57% of the City's 7% HOT receipts with two five-year renewal options

1996  
September



2002  
December

Authorized Supplemental Agreement No. 3, which provided an additional \$30,000 in funding to DCVB to promote the film industry

DCVB = Dallas Convention & Visitors Bureau  
HOT = Hotel Occupancy Tax

# Contract History cont.

## DCVB TIMELINE

Authorized Supplemental Agreement No. 4, to reduce supplemental funding for additional marketing services from the DCVB, reduce the required reserve account and the amount of capital improvements at WRR Municipal Radio by Resolution No. 03-0123

2003  
January



2009  
October

Authorized Supplemental Agreement No. 9 to the contract with DCVB for the City to assume the function of marketing and promoting the City as a desirable location for the entertainment industry (i.e. film, digital, image and other)

Authorized Supplemental Agreement No. 5 deferring the 2004 capital contribution of \$197,570 until Jan. 1, 2007 to enable the DCVB to provide economic incentives to potential clients to facilitate future bookings

2003  
October



2011  
September

Authorized an Amended and Restated Contract with DCVB for convention facility promotion, advertising and tourism

Authorized Supplemental Agreement No. 6 to facilitate consistency in service and to lessen the impact of fluctuations in HOT revenues funding the contract, by requiring DCVB to establish and maintain a reserve account in an amount not less than \$800,000 by no later than September 30, 2007

2004  
April



2015  
September

New contract authorized a five year contract with one five-year and one three-year renewal option, with DCVB, reducing the HOT percentage from 32.6% annually to 30%, with the remaining 2.6% allocated to OCA.

Authorized Supplemental Agreement No. 7, to provide \$200,000 in additional funding over two fiscal years for DCVB to promote the City of Dallas as a motion picture location

2005  
October

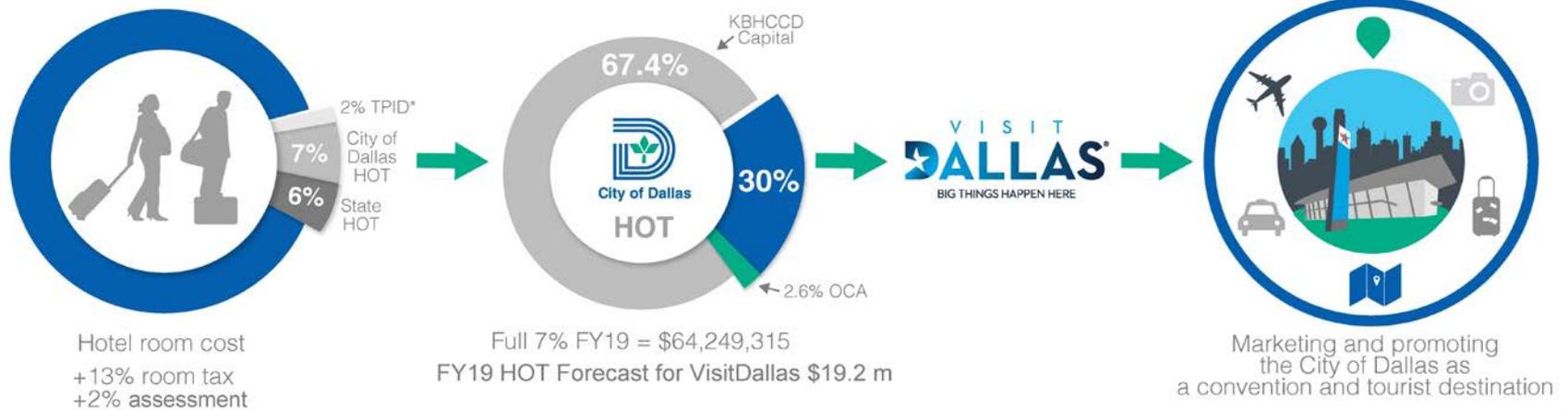


2016  
October

Supplemental agreement to the 2015 contract indicating that DTPID assessment cannot be used for the required \$500,000 annual capital improvement payment to the Convention Center

# Contract History cont.

## FUNDING SOURCES BREAKDOWN



HOT = 13%



\*TPID (Tourism Public Improvement District): Hotels with 100 or more rooms within the city limits of Dallas have to pay an additional 2 percent assessment on their occupied rooms "for the purpose of generating funds to market and promote Dallas as a convention and tourism destination."

TPID = 2%



Hotels with 100+ rooms within Dallas City Limits

FY19 TPID Forecast for VisitDallas \$18.2 m

50

# Contract History cont.

Fiscal Year	HOT Revenue Budgeted*	HOT Revenue Actualized*	VisitDallas Allocation*	HOT %	OCA Allocation*	HOT %	Variance Explanation
2012	\$ 34,600	\$ 37,950	\$ 12,372	32.6%			.
2013	\$ 37,600	\$ 42,133	\$ 13,735	32.6%			.
2014	\$ 40,924	\$ 46,962	\$ 15,310	32.6%			.
2015	\$ 50,263	\$ 50,405	\$ 16,432	32.6%			.
2016	\$ 54,221	\$ 55,278	\$ 16,346	30%	\$ 1,417	2.6%	
2017	\$ 56,262	\$ 55,864	\$ 16,919	30%	\$ 1,462	2.6%	Includes FY2016 (for 2nd & 4th quarters) retainage payment \$166,088
2018	\$ 60,233	\$ 61,153	\$ 18,346	30%	\$ 1,590	2.6%	
2019	\$ 64,249	\$ 13,408	\$ 19,275	30%	\$ 1,670	2.6%	Anticipated actualized revenue

\*\$000 - Inflated

# Audit Overview

The overall objective of the audit was to evaluate the effectiveness of services provided by VisitDallas between FY 2016 and FY 2017

- Office of the City Auditor (AUD) tested the reliability and reporting of performance measures and the usage of HOT and DTPID Incentive funds
- AUD provided 18 recommendations
  - CES and ECO agreed with 11 recommendations
    - Both departments disagreed with solutions presented in 7 of the recommendations but, in the management response, agreed to take other measures to remedy the primary issue
  - CES and ECO are committed to putting solutions into effect expeditiously through:
    - Memoranda of Understanding (MOUs) or supplemental agreements in the interim
    - New contract will provide long-term solutions before the CES contract with VisitDallas expires in September 2020

# Audit Overview cont.

## Convention and Event Services & Office of Economic Development

Management agree that oversight and monitoring of these contracts must be improved and these departments have:

- Conducted four meetings with VisitDallas staff and Board of Directors since the Audit's release to review contracts, discuss the AUD recommendations and formulate action plans
- Coordinated with the City Controller's Office (CCO) on a corrective action plan that
  - Enhances VisitDallas' contract monitoring processes
  - Provides proven and documented validity for the performance metrics required of VisitDallas
  - Demonstrates both an immediate and a long-term commitment to transparency in how CES and ECO examine valuable hotel and other revenues or assessment fees contracted to VisitDallas

# Audit Overview cont.

## VisitDallas Staff and Board of Directors

Recognizes the value of the VisitDallas relationship with the City and its stakeholders and is committed to working with CES and ECO to remedy the audit findings. The VisitDallas Board of Directors has:

- Established a *Board Audit/Governance Taskforce* to create interim and long-term solutions to audit recommendations
- Committed to creating a *Board Governance and Ethics Committee* to review and monitor VisitDallas internal controls' framework and expenditure approval processes
- Pledged to pay for a mutually agreed upon independent third party expert to assist the Board and City in building policies and procedures to address the audit

# CES Corrective Action Plan



# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

*Recommendation	Corrective Action
<p><b>Recommendation I:</b></p> <ul style="list-style-type: none"> <li>Review VisitDallas expenses and create a more transparent financial reporting format</li> <li>Review Form 990 annually</li> <li>Ensure formal City approval of VisitDallas performance goals</li> <li>Implement an MOU or supplemental agreement with VisitDallas to stipulate reasonable due dates</li> </ul>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>Provide Form 990 by February 15<sup>th</sup>, unless an extension is requested, and provide data in a transparent GAAP format approved by CES</li> <li>Seek formal City approval of performance goals relevant to the City before Board approval and counter-sign approval letter from CES</li> <li>Provide the City with timely responses for monthly, quarterly, and annual dates as outlined in an MOU or supplemental agreement</li> </ul>
<p><b>Recommendation II:</b></p> <ul style="list-style-type: none"> <li>Invoice VisitDallas timely for annual \$500k capital contribution</li> <li>Consult with City Attorney's Office (CAO) to ensure VisitDallas funding source for capital complies with State law</li> </ul>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>Make annual payments on or before December 15<sup>th</sup> based on a combined invoice from CES and ECO delivered by electronic and certified mail by September 15<sup>th</sup> annually</li> <li>Use private funds for the \$500k annual commitment</li> </ul>

\* Recommendations have been abridged.

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation VIII:</b></p> <ul style="list-style-type: none"><li>Request VisitDallas develops policies and procedures that document the methodology, formulas, and definitions, used in preparing both the monthly metrics report and the annual <i>Accomplishments and Action Plan Report</i></li><li>Review new policies and obtain underlying source documentation and periodically validate accuracy</li></ul>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"><li>Develop new policies and procedures, with outside independent assistance, that align with current industry standards</li><li>Amend policies and procedures relating to monthly reports upon City request</li><li>Provide source documentation used for metrics and validate accuracy of all metrics once those metrics are developed by the independent entity and approved by the City</li></ul>
<p><b>Recommendation IX:</b></p> <p>Provide adequate assurance that key metrics (economic impact, bookings, consumed activity) are independently validated and documented by an independent contractor, or CES on a periodic basis and relevant historical data retained</p>	<p><b>VisitDallas agreed to:</b></p> <p>Hire a mutually agreed upon, independent third party expert to help establish and validate key, agreed upon, performance metrics on a periodic basis and provide supporting data to CES monthly</p>

57

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation XI:</b></p> <ul style="list-style-type: none"><li>• Develop procedures for data and metrics measuring the success of the Convention Center and retaining proper supporting documentation</li><li>• Conduct a documented comparative analysis on a periodic basis of the Convention Center space rental rates</li></ul>	<p><b>CES staff will:</b></p> <ul style="list-style-type: none"><li>• Develop industry standard procedures for data and metrics that measure the success of the Convention Center and retain proper supporting documentation</li><li>• Conduct a documented comparative analysis of Convention Center space rental rates annually</li></ul>
<p><b>Recommendation XIV:</b></p> <p>Monitor VisitDallas' compensation practices with focus on the basis for the CEO's annual compensation goals in order to demonstrate compliance with State law related to HOT</p>	<p><b>VisitDallas agreed to:</b></p> <p>Review VisitDallas compensation practices annually with CES, and before the acceptance of all high-level executive contracts, to ensure compliance with any State law related to HOT and adjust as needed</p>

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation XVI:</b> Requests VisitDallas strengthens policies and procedures to provide adequate guidance on allowable expenses to better ensure the City achieves the expected benefit from expenses made from HOT and DTPID funds</p>	<p><b>VisitDallas agreed to:</b> Engage a mutually agreed upon, independent third-party expert to assist in strengthening and monitoring policies and procedures to provide better guidance to VisitDallas and its Board on allowable expenses, and to better ensure the City achieves the expected benefit from expenditures made from HOT and DTPID funds</p>
<p><b>Recommendation XVII:</b> Requests VisitDallas complies with State law for HOT by maintaining a separate bank account for HOT funds</p>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>★ Established a separate bank account for HOT funds effective December 2018</li> <li>• Will continue to report to the Board and CES regarding ongoing compliance with any and all State laws related to HOT</li> </ul>

★ Denotes completed task that has entered monitoring phase

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (DISAGREED)

Recommendation	Corrective Action
	<p>Although CES initially disagreed with the AUD recommendation, VisitDallas has now identified the following corrective actions:</p>
<p><b>Recommendation IX:</b> Provide adequate assurance that key metrics such as economic impact, bookings and consumed activity are independently validated and documented either by an independent contractor, or CES on a periodic basis and relevant historical data is retained</p>	<ul style="list-style-type: none"> <li>• Hire a mutually agreed upon, independent third-party expert to help establish and validate key agreed upon performance metrics based on current industry standards</li> <li>• Provide supporting data to CES monthly</li> </ul>
<p><b>Recommendation X:</b> Factor in historical results of consumed events when setting Citywide event bookings and performance goals</p>	<p>Work with CES to develop a plan for maintaining historical data in an auditable format consistent with industry standards</p>
<p><b>Recommendation XII:</b> Monitor VisitDallas' compensation to ensure compliance with State law related to HOT</p>	<p>Meet quarterly with CES to ensure paid compensation is properly documented, aligns with VisitDallas policies, and demonstrates compliance with State law related to HOT</p>

# Corrective Actions – CES

## SUMMARY CES RECOMMENDATIONS (DISAGREED)

Recommendation	Corrective Action
	<p>Although CES initially disagreed with the AUD recommendation, VisitDallas has now identified the following corrective actions:</p>
<p><b>Recommendation XIII:</b> Monitors VisitDallas’ compensation practices with focus on employee incentive compensation adjustments for the actual results of groups / events</p>	<p>Develop, implement, and continually review compensation practices with focus on employee incentive compensation adjustments for the actual results for groups/events and adjust where needed at the next reasonable opportunity</p>
<p><b>Recommendation XV:</b> Monitors VisitDallas’ expenses in order to ensure compliance with VisitDallas’ policies and procedures to demonstrate compliance with State law related to HOT</p>	<p>Will have a mutually agreed upon CPA periodically review expenses in order to ensure compliance with VisitDallas’ policies and procedures to demonstrate compliance with any State law related to HOT and adjust where needed</p>

# ECO Corrective Action Plan



# Corrective Actions – ECO

## SUMMARY ECO RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation III:</b> Invoice VisitDallas timely for annual \$100k funding commitment to ECO and Creative Industries and monitor collection efforts if not received timely</p>	<p><b>VisitDallas agreed to:</b> Make annual payments on or before December 15th based on a combined invoice from CES and ECO delivered by electronic and certified mail by September 15th annually</p>
<p><b>Recommendation IV:</b> Request VisitDallas provide monthly financial reports in a format that allows Creative Industries to efficiently reconcile direct expense payments for program activity to VisitDallas' financial reports</p>	<p><b>VisitDallas agreed to:</b> Coordinate with ECO to develop a detailed, line-itemed, and transparent report for Creative Industries to review and reconcile</p>

# Corrective Actions – ECO

## SUMMARY ECO RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p><b>Recommendation V:</b> Develop a formal contract monitoring process and request/document timely collection of contract deliverables and obtain/review DPTID’s Form 990 and VisitDallas Form 990</p>	<p><b>VisitDallas agreed to:</b></p> <ul style="list-style-type: none"> <li>• Agreed to monthly, quarterly, and annual monitoring visits by ECO and to timely submission of contract deliverables</li> <li>• Receipt of a cure letter if deliverables are not provided</li> <li>• Provide annual Form 990 by February 15<sup>th</sup>, unless an extension is requested</li> </ul>
<p><b>Recommendation XVIII:</b> Requests VisitDallas maintain separate bank account for DTPID funds</p>	<p><b>VisitDallas:</b></p> <ul style="list-style-type: none"> <li>• Established a separate bank account for DTPID funds effective December 2018</li> <li>★ Will continue to report to the Board and ECO regarding ongoing compliance with any and all laws related to DTPID</li> </ul>

★ Denotes completed task that has entered monitoring phase

# Corrective Actions – ECO

## SUMMARY ECO RECOMMENDATIONS (DISAGREED)

Recommendation	Corrective Action
	<p>Although ECO initially disagreed with the AUD recommendation, VisitDallas has now identified the following corrective actions:</p>
<p><b>Recommendation VI:</b> Perform and document monthly, quarterly, or annually detailed compliance reviews of VisitDallas expenses as allowed by the contract and monitor DTPID’s expenses to ensure compliance with the DTPID Board, VisitDallas and State laws for Tourism PIDs</p>	<ul style="list-style-type: none"> <li>• Agreed to high-level expense reviews by ECO at pre-established intervals incorporated into an MOU or supplemental agreement</li> <li>• Engage a mutually agreed upon, independent CPA to conduct detailed and formal review of DTPID expenses for the Board and ECO</li> </ul>
<p><b>Recommendation VII:</b> Consult with CAO to ensure City has authority to formally accept additional hotels into the DTPID</p>	<p>Comply with ECO’s recommendations following any meetings with the CAO</p>

# Corrective Action Plan - Timeline



# Corrective Actions – Timeline

Corrective Action Plan Timeline	
Date	Corrective Actions
January 14, 2019	CES and ECO briefed VisitDallas Finance & Executive Committee about audit recommendations
January 22, 2019	CES met with newly formed VisitDallas Board Audit/Governance Taskforce and later added the entire VisitDallas Board, during a regularly scheduled board meeting
February 1, 2019	ECO met with VisitDallas, with agreement to meet quarterly to discuss reports. VisitDallas confirmed they will pay total annual contribution by December 15th / ECO to schedule meeting with DTPIDC to discuss the audit
April 2019	CES to begin working with CAO and CCO on new contract format with improved metrics and deliverables, definitive timelines, and more City authority on matters related to compensation using HOT funds
May 2019	CES and ECO to brief Council on status of interim MOUs
September 2020	VisitDallas contract with CES expires
Ongoing	Monthly and quarterly VisitDallas contract compliance meetings and financial reviews with CES and ECO, including annual review of Form 990

# Next Steps

- Coordinate with CCO and AUD to ensure that contract compliance and audit measures mitigate future risks
- Accelerate deadlines for reviewing and revising VisitDallas contracts with the goal to have new contracts in place before the end of the fiscal year
- Enact interim contract compliance measures by coordinating with CAO to establish MOUs or supplemental agreements to codify deliverable dates and deadlines

# **AUDIT OF VISITDALLAS**

## **Report No. A19-006**

### **PROPOSED CORRECTIVE ACTIONS**

**Government Performance and Financial  
Management Committee**  
**February 19, 2019**

**City of Dallas**

**Rosa Fleming – Director (I)  
Convention & Event Services**

**Courtney Pogue – Director  
Office of Economic Development**

**VisitDallas**

**Joyce Williams – Chair Elect  
Phillip Jones – President/CEO**

