
**Audit of Procurement Card
Usage – Orange County
Convention Center**



**Phil Diamond, CPA
County Comptroller
Orange County, Florida**

www.occompt.com



**Report No. 501
May 2023**

County Audit Division

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Mission

The mission of the Orange County Comptroller's Office is to serve the citizens of Orange County and our customers by providing responsive, ethical, effective, and efficient protection and management of public funds, assets, and documents, as specified in the Florida Constitution and Florida Statutes.

Vision

The vision of the Orange County Comptroller's Office is to be recognized as a highly competent, cohesive team leading the quest for continuing excellence in the effective safeguarding and ethical management of public funds, assets, and documents.



TABLE OF CONTENTS

TRANSMITTAL LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background.....	4
Audit Scope.....	6
Audit Objective.....	7
Audit Methodology	7
Overall Evaluation.....	8
RECOMMENDATIONS FOR IMPROVEMENT	9
1. A Formal Policy for Promotional Items Should Be Documented.....	9
2. Adequate Support for Transactions Should Be Included within Statement Packets	10
3. Tipping Thresholds Should Be Reviewed for Larger Party Meals	11
ACTION PLAN	12
APPENDIX — MANAGEMENT’S RESPONSE	13



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May 31, 2023

Jerry L. Demings, County Mayor
and
Board of County Commissioners

We have conducted an audit of the Orange County Convention Center's Procurement Card Usage. The audit reviewed purchasing card and travel card usage from October 2019 through February 2020.

We conducted this performance 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Executive Director of the Convention Center and are incorporated herein.

We appreciate the cooperation of Convention Center personnel during the course of the audit.

Phil Diamond, CPA
County Comptroller

c: Byron Brooks, County Administrator
Mark Tester, Executive Director, Convention Center
Ray Walls, Deputy Director, Convention Center



Why This Audit Is Important

Procurement Cards provide an efficient, cost-effective method for acquiring and paying for goods and services. During fiscal year 2020, the Convention Center had 48 active cardholders. In total, they purchased over \$1 million in materials and services on their purchasing cards. As procurement cards do not follow traditional purchasing procedures, additional controls are needed to monitor usage and prevent improper purchases.

What We Found

A Promotional Items Policy Is Not Documented (Page 9)

Our review identified 29 purchases totaling \$18,850 related to promotional items for clients such as candy, gift baskets, and entertainment tickets. There are no written guidelines that define appropriate promotional items or procedures for monitoring promotional purchases.

Purchases Did Not Include Appropriate Documentation (Page 10)

Adequate documentation was not included for 11 of 89 transactions. The 11 transactions totaled approximately \$16,000. The marketing department has cost sharing agreements with Visit Orlando for promotional items. We identified 10 transactions that did not include original vendor receipts. The original receipt is used to ensure the cost sharing amount for purposes of the VO agreements was calculated accurately. The 11th transaction did not include the original receipt or invoice to support the purchase.

Purchases Included Tips that Exceeded the Tipping Threshold (Page 11)

According to Administrative Regulations, tips for meal services should not exceed 15%. We identified 8 of 24 (33%) sampled transactions that included tips in excess of 15%. One of the eight transactions included an automatic 18% gratuity applied by the restaurant based on the party size. Another six of the eight transactions included six or more guests. We could not determine if the higher tips were automatically applied by the restaurants.



Overall Evaluation (Page 8)

Based on the results of our testing, the Convention Center's procurement card and travel card usage is in compliance with County policies and procedures. However, some Recommendations for Improvement were identified.



INTRODUCTION

Background

Convention Center Overview

The Orange County Convention Center is the third largest convention center in the United States and generates local economic activity by hosting large trade shows, association meetings, ticketed performances, conventions and other private and public events. The Sales and Marketing Division is in charge of promoting the Convention Center through advertising, promotions, and communications. During fiscal year 2022, the Convention Center hosted 181 events with an estimated 1.48 million attendees, providing an estimated economic impact of \$2.3 billion. The Convention Center had approximately 472 authorized positions and an annual operating budget of \$44.7 million.

Procurement Card Overview

The County uses procurement cards to simplify the purchase and payment process by allowing cardholders to place orders directly with the vendor. Additionally, travel cards are issued to pay for allowable expenses for employees who do not have a regular County procurement card.

Procurement card transaction limits were increased on October 1, 2019. The limits increased from \$1,500 to \$10,000 per purchase and from \$37,500 to \$50,000 per month. The Convention Center had 48 active cardholders during the audit period. Cardholders made purchases totaling \$1.3 million in fiscal year 2019 and \$1 million in fiscal year 2020. In fiscal year 2020, 70% of procurement card usage, totaling over \$720,000, was classified as building and equipment maintenance. Additionally, over \$167,000 was classified as promotional expenses including travel and meals.

Cardholder Purchase Process

Cardholders are allowed to buy materials and services within the established transaction limits. They are required to obtain detailed receipts or invoices for every purchase. Cardholders enter the details of each purchase on a monthly purchase log. After the monthly statement is generated by the bank, the

INTRODUCTION

cardholder reconciles each transaction on the statement with the receipts or invoices and the purchase log.

Using the online bank software, cardholders approve, or if necessary, dispute each transaction. Any pending credits, such as returns or sales tax paid in error, are noted on the purchase log. The statement and purchase log are signed by the cardholder and submitted to the applicable manager for approval, with all the required supporting documentation as a complete statement package. The managers review the statement package and sign the bank statement acknowledging his or her review and approval.

CARDHOLDER PROCESS



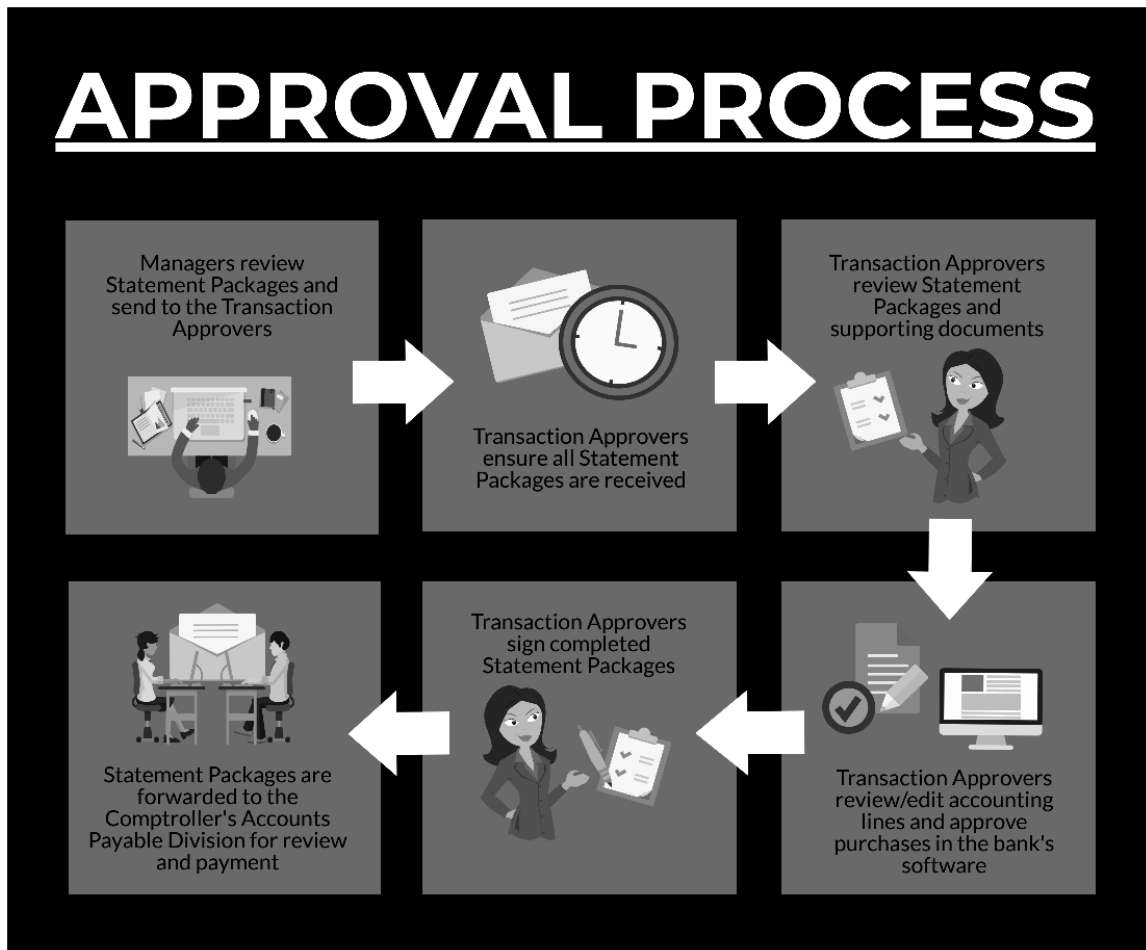
Transaction Approver Process

Once managers complete their review, the Statement Package is forwarded to a Transaction Approver for final review. Transaction Approvers are responsible for reviewing each statement package to ensure purchases are adequately supported and in compliance with the County's procurement policies and procedures. Statement packages are reconciled with a list of cardholders to ensure all



INTRODUCTION

packages were received. The Transaction Approvers acknowledge their review by approving each transaction in the bank's online software and signing the bank statement. The statement packages are forwarded to the Comptroller's Accounts Payable Division for final review and payment.



Audit Scope

The audit scope was limited to the Convention Center's procurement and travel card purchases. The audit period was October 2019 through February 2020.



INTRODUCTION

Audit Objective

The objective of the audit was to evaluate the Convention Center's compliance with the County's policies and procedures for procurement and travel card usage.

Audit Methodology

To test the Convention Center's compliance with the County's procurement policies and procedures, we:

- Verified that all transactions were approved by the applicable cardholders and Transaction Approvers.
- Reviewed a sample of transactions occurring on cardholders' days off to ensure purchases were made for valid public purposes.
- Determined whether transactions charged sales tax were appropriate. Verified that available sales tax credits were obtained.
- Confirmed purchases were not split into multiple transactions to circumvent purchasing limits.
- Verified Travel Cards were not used to pay for meals or rental cars.
- For a sample of meal transactions paid by procurement cards, we verified that:
 - Meals were for an eligible purpose;
 - Transactions were adequately supported by an itemized receipt;
 - Alcohol was not purchased; and,
 - Tips were not more than 15%.
- For a sample of travel transactions, we verified:
 - Travel was for official County business and properly approved;
 - Transactions were adequately supported by an itemized receipt; and,
 - Expenses related to airfare, taxis, and car rentals complied with County Administrative Regulations.
- Reviewed a sample of transactions based on risk categories. For each transaction, we verified that:
 - Procurement card numbers were redacted on supporting documentation;
 - Purchases were for a valid public purpose and did not include prohibited items;



INTRODUCTION

- Transactions were adequately supported by a detailed receipt and required supporting documents (such as Travel and Training Authorization);
- Appropriate approvals were obtained prior to purchase;
- Travel Card transactions were not made for a procurement cardholder; and,
- Fixed asset purchases were properly classified.

Overall Evaluation

Based on the results of our testing, the Convention Center's procurement card and travel card usage is in compliance with County policies and procedures. However, some Recommendations for Improvement were identified.



1. A Formal Policy for Promotional Items Should Be Documented

According to Orange County Administrative Regulations, “The Board hereby designated the Convention Center Director and his designees pursuant to Section 112.061(3)(a), Florida Statutes, as its representatives to authorize and approve all travel and promotion expenditures for the Convention Center. Furthermore, the Board directs the monitoring of all travel and promotion expenditures carefully and to ensure that they are incurred and paid strictly pursuant to law.”

During our review of Convention Center purchasing card transactions, we identified 29 purchases totaling \$18,850 related to promotional items for clients such as candy, gift baskets, and entertainment tickets. We also identified purchases that included alcohol with meals for promotional purposes. The Sales and Marketing Division is allowed to make these purchases. However, there are no formal written guidelines that define:

- Types of appropriate promotional items,
- Allowable amounts,
- Approval thresholds, and
- Procedures for the Director and his designees to carefully monitor these travel¹ and promotional purchases.

With no formal policy there is a lack of guidance to ensure promotional items are purchased, reviewed, and approved appropriately. The lack of a formal policy can also create knowledge gaps when hiring new Sales and Marketing employees or management.

Recommendation No. 1:

Convention Center management should establish a formal policy that includes guidelines regarding promotional item purchases. These guidelines should include allowable purchases, support that should be included, reviews, approvals, and monitoring of travel and promotional purchases.

¹ Non-employee travel only. Travel policies for employees are adequately documented.



Management's Response:

Concur. See Appendix for full response. _____

2. Adequate Support for Transactions Should Be Included within Statement Packets

The Procurement Procedures Manual requires that all purchases include a vendor's itemized sales receipt or detailed invoice to support the purchase.

We reviewed a sample of 89 transactions to validate that adequate support was included in the statement packets. We determined that adequate documentation was not provided for 11 of 89 transactions. The 11 transactions totaled approximately \$16,000.

Ten transactions involved payments to Visit Orlando that did not include original vendor receipts. Visit Orlando has established cost sharing agreements with the Convention Center for promotional items including gift baskets, Christmas items, event tickets, and travel expenses for clients. Visit Orlando provides an invoice when these transactions occur. However, the vendor invoice paid by Visit Orlando was not included showing the actual cost to verify our portion was calculated accurately.

In addition to the Visit Orlando invoices without adequate support, one transaction did not include an invoice or receipt to support the purchase.

Management is unable to verify the amount is accurate without the original receipt from the vendor. In addition, the county is at risk for paying for unauthorized items with the lack of the actual receipts, itemized invoice, or other support within the statement packets.

Recommendation No. 2:

The Convention Center should periodically remind cardholders and Transaction Approvers of the requirement to attach an itemized vendor invoice detailing the items purchased.



Management's Response:

Concur. See Appendix for full response. _____

3. Tipping Thresholds Should Be Reviewed for Larger Party Meals

According to the Orange County Administrative Regulations, tips for meal service in excess of 15% are not eligible expenses. Convention Center employees frequently host meals with clients to promote the Convention Center and events. Many of these meals include larger parties with six or more guests.

We selected a sample of 24 transactions that included meals. We identified 8 of 24 (33%) sampled transactions that included tips in excess of 15%. One of the eight transactions included an automatic 18% gratuity applied by the restaurant based on the party size. Another six of the eight transactions included 6 or more guests. However, we could not determine if the higher tips were automatically applied by the restaurants.

It is a common practice for restaurants to automatically include a greater tip for large parties. The administrative regulations do not provide for the larger tips that restaurants may automatically assess for larger parties. Therefore as a practical matter, employees who host larger groups may not be able to comply with the policies.

Recommendation No. 3:

Convention Center management should work with County Administration to review the Administrative Regulations regarding tip limits for large parties.

Management's Response:

Concur. See Appendix for full response. _____



ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT'S RESPONSE		
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR
1.	Convention Center management should establish a formal policy that includes guidelines regarding promotional item purchases. These guidelines should include allowable purchases, support that should be included, reviews, approvals, and monitoring of travel and promotional purchases.	✓		
2.	The Convention Center should periodically remind cardholders and Transaction Approvers of the requirement to attach an itemized vendor invoice detailing the items purchased.	✓		
3.	Convention Center management should work with County Administration to review the Administrative Regulations regarding tip limits for large parties.	✓		



ORANGE COUNTY CONVENTION CENTER

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May 15, 2023

To: Phil Diamond, Orange County Comptroller
From: Mark Tester, Executive Director, Orange County Convention Center 
Subject: Response to Audit of Orange County Convention Center Procurement Card Usage

In connection with the recent audit of the Orange County Convention Center’s procurement card (p-card) usage during the period of October 2019 through February 2020, below you will find the Orange County Convention Center’s response to the recommendations contained in the report. We appreciate the opportunity to have this independent review and the affirmation in the report that our p-card and travel card usage is in compliance with County policies and procedures. As a department that strives to continuously improve efficiency in all areas, we also appreciate the recommendations of areas for potential improvement and have moved to implement them even before the release of this report.

Recommendation No. 1:

“Convention Center management should establish a formal policy that includes guidelines regarding promotional item purchases. These guidelines should include allowable purchases, support that should be included, reviews, approvals, and monitoring of travel and promotional purchases.”

Convention Center Response to Recommendation No. 1:

Concur. The Convention Center utilizes diverse sales and marketing strategies to achieve its mission of economic development through the conventions, tradeshows, sports competitions, and other large events that we host. To support these efforts, Florida Statutes and Orange County Administrative Regulations authorize the use of Tourism Development Tax (TDT) dollars for promotional expenses. Historically, Sales and Marketing Division staff have been permitted to make these types of purchases after receiving approval in one of two ways. If the expense was part of planned and budgeted travel, approvals were provided through the County’s established travel request and reimbursement processes. All other promotional expenses required pre-approval, typically in the form of an email, from the Deputy Director overseeing Sales and Marketing. In all cases, the Deputy Director reviewed the requests to confirm they were reasonable, necessary, and for the purpose of promoting the Convention Center to those connected with the tourist industry.

While these practices have ensured promotional purchases using TDT funds are compliant with both State and County regulations, the Convention Center concurs with the recommendation to develop a formal policy and has moved forward with implementation. The newly adopted policy provides consistent guidelines for staff and management to use when requesting and approving promotional purchases. As the report points out, this helps to avoid knowledge gaps as new Sales and Marketing staff are hired. Additionally, the policy improves documentation of purchase approvals by streamlining the request process with the use of a standardized form. By implementing these changes, the Convention Center is also better able to track promotional purchases over time, monitor compliance, and determine if policy revisions are necessary.



Recommendation No. 2:

"The Convention Center should periodically remind cardholders and Transaction Approvers of the requirement to attach an itemized vendor invoice detailing the items purchased."

Convention Center Response to Recommendation No. 2:

Concur. Orange County has contracted with Visit Orlando since 1983 to provide tourism, convention, group meeting and trade show promotion services. Through this partnership, Visit Orlando, and the Convention Center work to maximize available resources by evenly sharing the cost of convention industry event sponsorships as well as some promotional purchases for clients. Procedurally, cost sharing has been done by Visit Orlando paying the full cost and then requesting reimbursement from the Convention Center with a detailed invoice. For large expenses above the p-card limit, original vendor receipts are always requested. However, in the past, it was not the Convention Center's practice to require receipts for smaller promotional expenses that could be reimbursed by p-card.

Recognizing that adequate support is needed for all transactions, the Convention Center has taken several steps to guarantee appropriate documentation is collected when cost sharing with Visit Orlando. First, documentation requirements have been incorporated into the Convention Center's policy for promotional item purchases. The new policy has been distributed to current cardholders and Transaction Approvers and will be provided to new employees in these roles moving forward. Additionally, the Convention Center is coordinating with Visit Orlando to ensure their staff are able to gather and submit the needed documentation with all reimbursement requests.

Recommendation No. 3:

Convention Center management should work with County Administration to review the Administrative Regulations regarding tip limits for large parties.

Convention Center Response to Recommendation No. 3:

Concur. The Convention Center supports reassessing the County's policies regarding tip limits in order to better accommodate staff that are responsible for hosting large groups. Currently, it can be difficult for Convention Center employees to comply with the policy given the common practice by restaurants to automatically charge gratuity for large parties. As noted in the report, the Sales and Marketing staff regularly host client meals as part of their efforts to promote the Convention Center and showcase surrounding businesses in the I-Drive area. Often unavoidably these meals will include six or more guests as multiple client representatives will attend to discuss the specifics of their event with staff of the Convention Center as well as our service partners.

In closing, I would like to thank the auditors involved with this report for their professionalism and thoroughness. Their work has helped to ensure that the Convention Center continues to operate an efficient and transparent p-card program.

/hp

Cc: Ray Walls, Deputy Director, Fiscal & Operational Support
Eric Blanc, Deputy Director, Sales & Marketing