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MEETING ON

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**Audit of Orange County
Convention Center Event
Utilities Revenue**



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

www.occompt.com



**Report 488
October 2020**

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Orange County Comptroller's Office

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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.



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October 20, 2020

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

We have conducted an audit of the Orange County Convention Center's Event Utilities Revenue. The audit focused on revenues collected for utilities during events at the Convention Center. The period audited was October 2017 through August 2018.

We conducted this 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 Orange County Convention Center and are incorporated herein.

We appreciate the cooperation of Orange County 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, Chief Financial Officer, Convention Center

Why This Audit Is Important

The Orange County Convention Center (Convention Center) hosted 170 events and generated approximately \$3 billion in economic impact in 2019. Controls over fees charged and revenues collected are critical due to the scale of the Convention Center's operations. In fiscal year 2019, the Event Utility division generated over \$12.5 million or 17% of the Convention Center's annual operating revenue. These revenues are generated from show managers hosting events and exhibitors renting booths at the events.



The Objective of Our Audit

The objective of the audit was to determine whether fees charged for event utilities services were accurately billed, collected, and deposited.

What We Found

Event Utility Rates Were Not Charged According to Published Rates (Page 7)

The Convention Center did not charge customers according to its published rate schedule. As a result, the Convention Center undercharged its customers by \$454,120 over an 82 day period. If these shows were representative of the shows



during the rest of the year, \$2,021,388 in revenues could potentially have been lost during the year.

Adequate Controls Were Not in Place for Deleted Orders (Page 9)

There are no written policies or procedures regarding deleting orders. . If a customer’s order is deleted, most information associated with that order will also be deleted. We noted that employees who can enter an order and have access to cash collected can also delete an order. This enables employees at any level to delete orders without detection.

Overall Evaluation (Page 6)

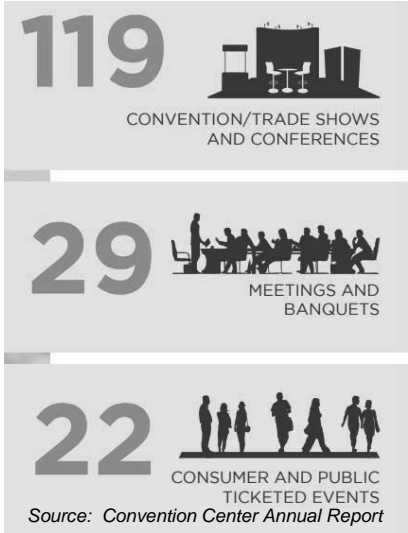
Based on the results of our testing, the Convention Center’s controls were adequate to ensure fees charged for event utilities services were collected in accordance with the Convention Center’s revenue collection procedures. However, we found that controls over event utility rates being charged need to be improved.



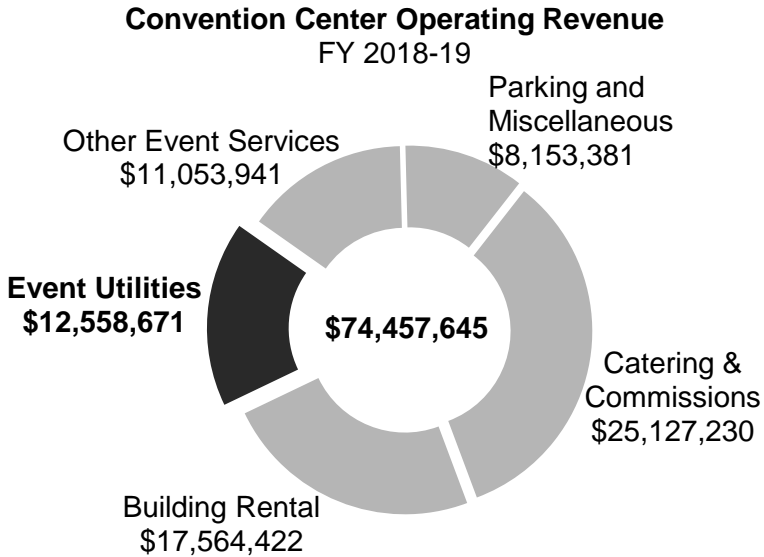
Background

The Convention Center hosts conventions, trade shows, exhibits, meetings, consumer shows and many other events. The Convention Center has the second largest amount of exhibition space in the United States. The facilities have hosted hundreds of events in the past few years. The Convention Center reported that 1.45 million attendees contributed approximately \$3 billion to the area's economy in fiscal year 2019.

The Convention Center receives event revenue from several sources. These include building rentals, facilities management, parking, event utilities, and rigging services. Any Convention Center operating deficits are paid from Tourist Development Tax revenues. Any operating profits are added to Tourist Development Tax reserves.



The following chart shows Convention Center revenues collected during Fiscal Year 2019. However, this audit focused on event utility revenues.



The operating revenue generated by event utility charges accounts for nearly 17% of the Convention Center's annual operating revenue.

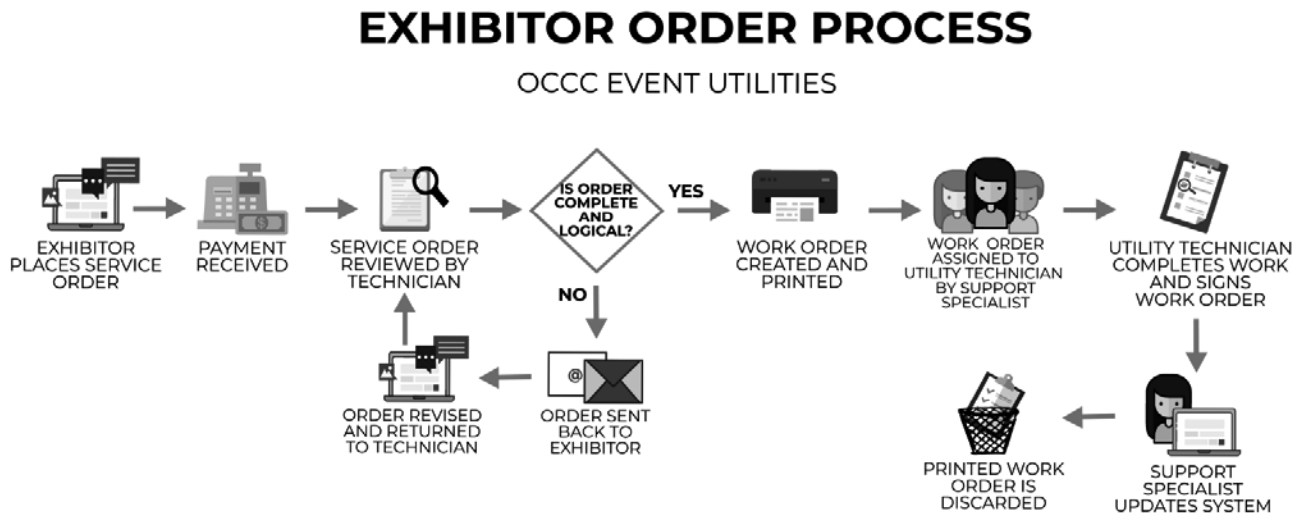
Event Utilities

Event utility orders are handled by the Event Operations Division and submitted by either the Show Manager hosting an event or an Exhibitor attending the event. Show managers and exhibitors must secure utilities for events. Fees charged are based on the services provided. Event utilities charges include electric, water, compressed air, and natural gas. In addition, the Convention Center rents and sells various utility equipment and supplies. (For example, extension cords, plugs, sinks, lighting.)

Examples of Exhibitor Event Utility Rates	
Item	Range of Rates
120 V Outlet	\$115 - \$300 per connection
208 V Outlet	\$210 - \$925 per connection
480 V Outlet	\$648 - \$21,559 per connection
Water	\$80 - \$437 per fill
Compressed Air	\$365 - \$386 per connection
Natural Gas	\$299 - \$644 per BTU

Discounts are provided for advance payment and show managers can negotiate additional discounts. Work orders are generated detailing the services purchased. Event Utility Technicians install both exhibitor and show management orders based on work orders before the show starts. If additional services are needed, additional orders can be placed during the show.

The following diagram illustrates the Exhibitor order process:





Audit Scope

The audit scope was limited to Convention Center event utility orders initiated during the audit period. The audit period was from October 2017 through August 2018.

Audit Objective

The objective of the audit was to determine whether fees charged for event utilities services were accurately billed, collected, and deposited.

Audit Methodology

To meet the audit objective, we performed the following:

- Obtained reports of events, orders, invoices, and payments that occurred during the audit period.
- Compared event utility fees charged to published rates to determine whether the correct rate was applied to orders.
- Verified Sales Tax and Public Service Tax were appropriately charged and collected.
- Verified completed work orders were invoiced and paid.
- Reviewed deleted, cancelled, and voided orders to ensure refunds, if necessary, were issued according to policy.
- Reconciled amounts collected with the amounts recorded in the County's Financial System.

Overall Evaluation

Based on the results of our testing, the Convention Center's controls were adequate to ensure fees charged for event utilities services were collected in accordance with the Convention Center's revenue collection procedures. However, we found that controls over event utility rates being charged need to be improved.

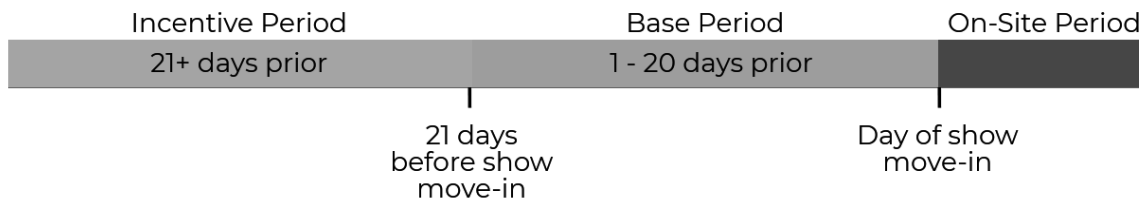


1. Event Utility Rates Should Be Applied in Accordance With Established Guidelines

According to the Convention Center’s *Event Planning Guide* and *Exhibitor Ordering & Payment Guidelines*, event utility rates are based on the type of rental (exhibitor or show manager), services ordered, and the order date. Orders are placed for various services and equipment including:

- Electricity;
- Aerial Rigging;
- Lighting;
- Water;
- Plumbing;
- Compressed air;
- Natural and Propane gas; and
- Cable TV services.

Orders placed at least 21 days before the first move-in date are discounted. Orders placed 20 days or less before the first move-in date are charged the base rate. Finally, orders placed during move-in or on event days are subject to higher, on-site rates.



The Convention Center has a published fee schedule. However, the Show Manager can negotiate discounts. We reviewed 13,540 event utility orders submitted during the 82 day period between 11/27/17 and 02/16/18 to verify that accurate rates were charged based on rate schedules and order dates.

Our testing showed that prices for 2,044 of the 13,540 (15%) event utility orders varied from published rates. As a result, the Convention Center undercharged its customers by \$454,120 over the 82 day period. If these shows were



representative of the shows during the rest of the year, \$2,021,388¹ in revenues could potentially have been lost during the year.

Of the 2,044 charges with variances, we noted the following:

- A) 1,449 instances where incentive rates were granted even though the orders were placed less than 21 days in advance. Of these, 212 orders were placed on or after the date the show started;
- B) 331 instances where the base rate was charged instead of the on-site rate;
- C) 248 instances relating to one large show in 2017 which used a separate negotiated price list. However, the 2015 price list was used instead of the 2017 list; and,
- D) 16 instances, totaling over \$10,000, where the exhibitor was overcharged.

Adhering to the published rate schedule would have increased the Convention Center's event utility revenues. We understand that there are occasions where it is necessary to deviate from established rate guidelines given the competitive nature of the convention industry. Exceptions to established guidelines should be properly authorized and documented. According to Convention Center management, efforts to more consistently apply established rates are currently in progress and expected to be implemented for the updated 2020 event utility rates.

Recommendation No 1:

The Orange County Convention Center should follow pricing schedules published in the *Event Planning Guide* and *Exhibitor Ordering & Payment Guidelines*. In the event it is necessary to deviate from established rates, the Convention Center should implement procedures to ensure all modifications are properly authorized and documented. In addition, we recommend that procedures are developed to review negotiated show rates prior to recording any orders.

Management's Response:

Concur. See Appendix for full response.

¹ \$454,120 divided by 82 days = \$5,538.05 daily * 365 days = \$2,021,388.25



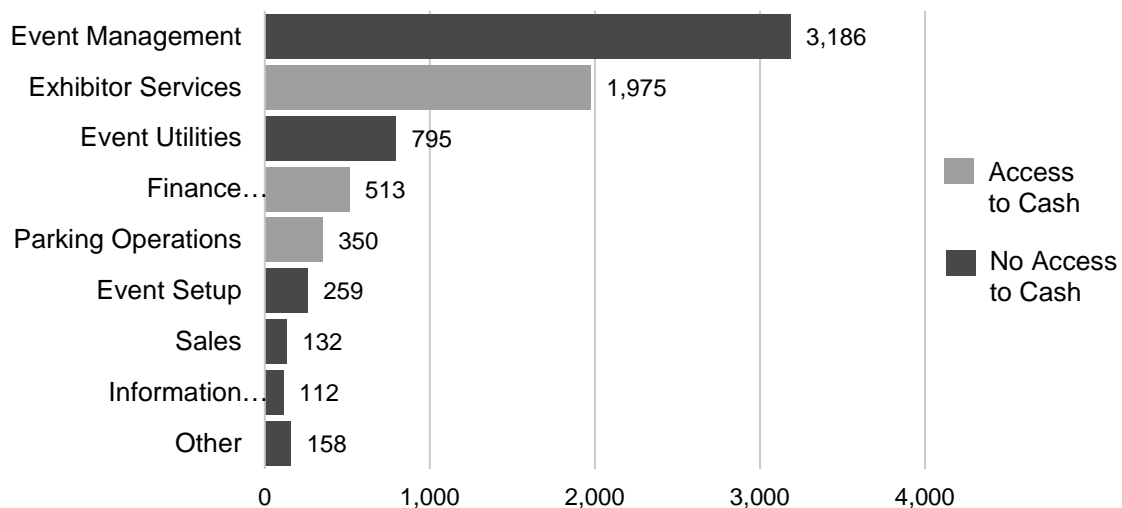
2. Controls for Deleted Orders Should Be Designed and Implemented to Protect Convention Center Utilities Revenue

The Convention Center collected \$12,558,671 in event utilities revenues in fiscal year 2019. This is 17% of the Convention Center’s revenues. The Convention Center should take reasonable measures to protect and enhance its revenue streams. One such measure is to establish and maintain adequate internal controls over utilities revenues. In order to test whether the Center’s controls were adequate to minimize the possibility of these issues, we examined the Center’s order processing system.

Deleted Orders

The Convention Center provides an on-line order processing system for exhibitors and show managers. Orders are placed for services and equipment needed. We identified 8,053 orders that were deleted between November 2017 and January 2019. After the order is deleted, all order related information is deleted from the system except the order number, date of deletion, and employee that deleted the order. We determined that the orders were deleted by 87 different employees in 14 separate Convention Center departments. Employees in three departments have access to cash and performed 31% of the deletions. Since all original order information was deleted, we cannot determine whether services were delivered or cash was collected with respect to those orders before the orders were deleted.

Deletions by Convention Center Department





In order to try and identify the order dates, we performed additional analysis of 2,025 deleted orders within a range of 20,000 order numbers. For each deleted order number, we estimated the date the order was placed based on surrounding order numbers. We used the estimated order date to calculate the number of days between order placement and deletion.

Days From Order Entry to Deletion	
Days After Order Entered	Number of Orders Deleted
0	664
1 - 10 days	368
11 - 30 days	270
31 - 60 days	550
61 - 100 days	151
100+	22
Total	2,025

There are no written policies or procedures regarding deletions. In addition, any employee that has the ability to enter an order can also delete an order. This enables employees at any level to perform deletions without supervisory approval.

Segregation of duties is critical to effective internal controls because it reduces the risk of mistakes or misappropriation without detection. With appropriate segregation of duties, no single employee should be able to delete orders and have access to funds collected. If employees can delete orders without proper authorization that increases the risk that employees can misappropriate money collected for work that has been performed.

Recommendation No 2:

Convention Center management should develop and implement policies and procedures for deleted orders. The procedures should include an appropriate level of review and approval of deleted orders. In addition, security access controls should be reviewed and employees with access to cash should be prevented from deleting orders.

Management's Response:

Concur. See Appendix for full response.



ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT'S RESPONSE		
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR
1.	The Orange County Convention Center should follow pricing schedules published in the Event Planning Guide and Exhibitor Ordering & Payment Guidelines. In the event it is necessary to deviate from established rates, the Convention Center should implement procedures to ensure all modifications are properly authorized and documented. In addition, we recommend that procedures are developed to review negotiated show rates prior to recording any orders.	✓		
2.	Convention Center management should develop and implement policies and procedures for deleted orders. The procedures should include an appropriate level of review and approval of deleted orders. In addition, security access controls should be reviewed and employees with access to cash should be prevented from deleting orders.	✓		



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October 9, 2020

To: Phil Diamond, Orange County Comptroller
From: Mark Tester, Executive Director, Orange County Convention Center 
Subject: Response to Audit of Orange County Convention Center Event Utilities Revenue

In connection with the recent audit of the Orange County Convention Center Event Utilities Revenue covering the period of October 2017 through August 2018 conducted by your office, below you will find the Orange County Convention Center’s responses to the recommendations contained in the report. We appreciate the opportunity to have this independent review and the affirmation in the report that our revenue collection controls and procedures are adequate. We also appreciate the recommendations of areas for potential improvements and have moved to implement them even before the release of this report.

Recommendation No 1:

“The Orange County Convention Center should follow pricing schedules published in the Event Planning Guide and Exhibitor Ordering & Payment Guidelines. In the event it is necessary to deviate from established rates, the Convention Center should implement procedures to ensure all modifications are properly authorized and documented. In addition, we recommend that procedures are developed to review negotiated show rates prior to recording any orders.”

Convention Center Response to Recommendation No 1:

Concur. The Convention Center operates in a unique space where it provides commercial type services to clients within a government framework. Over time, the Convention Center has become known as a premiere venue in the events industry where clients get excellent service and top-notch responsiveness to any issues that may arise. Sometimes, like in private business, that responsiveness involves adjusting prices for real or perceived service failures, as a means to secure repeat business, or as a courtesy to long-time clients. Recognizing this need, the Orange County Administrative Regulations grant the ability to the Convention Center to negotiate and adjust prices for the services it provides as a means to remain competitive within the industry. Therefore, the calculus for these price adjustments is not always “revenues lost,” as there is another component in the equation pertaining to revenues from future business retained or gained.

However, the Convention center acknowledges that record-keeping in this regard should be improved. Since the 2017 and 2018 events were reviewed, and in response to this audit, the Convention Center now requires all adjustments to pricing to be approved at the appropriate level and clearly documented in our event billing software, to include reasons for the adjustments. This requirement is now included in written policies



governing the procedures of those who manage services for clients and their exhibitors, and all employees involved with these billings are now aware of these policies.

Recommendation No 2:

“Convention Center management should develop and implement policies and procedures for deleted orders. The procedures should include an appropriate level of review and approval of deleted orders. In addition, security access controls should be reviewed and employees with access to cash should be prevented from deleting orders.”

Convention Center Response to Recommendation No 2:

Concur. In the past, orders in the event management software were deleted for a variety of reasons. Most often, it was the result of consolidating multiple orders received from the same client, orders that were requested but later found not to be needed, or orders that were entered for testing/training purposes. Unfortunately, the software the Convention Center uses does not have the ability to maintain information on deleted orders, to include registering notes for why an order was deleted.

Recognizing the need to improve documentation in this regard, the Convention Center reviewed the capabilities of the software, as well as internal procedures for how orders are handled. To fully alleviate any potential issues with deleted orders, the capability to delete orders has been completely disabled in the software. Currently, users of the system are only able to cancel orders, but cannot delete them. As such, going forward, a perpetual record will remain of any order entered into the system, even if an order is cancelled. Additionally, for any orders that are cancelled, notes must be entered providing a reason for the cancellation. Those cancellations will be reviewed by the appropriate supervisors.

In closing, I would like to note that it was a pleasure working with all auditors involved with this report. Their professionalism and thoroughness throughout the process was appreciated. The end result of their work will be an even better and more efficient Event Utilities Revenue collection process.

MT/rw