

# Memorandum



**DATE:** February 12, 2019

**TO:** Honorable Members of the Government Performance & Financial Management Committee:  
Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman,  
Philip T. Kingston, Tennell Atkins, Kevin Felder

**SUBJECT:** Office of the City Auditor – Audit of VisitDallas

Carol A. Smith, Interim City Auditor, will provide a briefing to the members of the Government Performance & Financial Management Committee on Tuesday, February 19, 2019 regarding:

- Audit of VisitDallas

Respectfully,



Carol A. Smith  
Interim City Auditor

c: Honorable Members of the City Council  
T.C. Broadnax, City Manager  
Christopher J. Caso, Interim City Attorney  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Nadia Chandler Hardy, Assistant City Manager & Chief Resilience Officer  
Jon Fortune, Assistant City Manager  
M. Elizabeth Reich, Chief Financial Officer  
Joey Zapata, Assistant City Manager  
Laila Aleqresh, Chief Innovation Officer  
Directors and Assistant Directors

# Office of the City Auditor – Audit of VisitDallas

**Government Performance & Financial  
Management Committee  
February 19, 2018**

**Carol A. Smith, Interim City Auditor  
Office of the City Auditor  
City of Dallas**



# Audit of VisitDallas

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## Primary contracts related to VisitDallas

### ➤ City Service Contract with VisitDallas

- VisitDallas received an average of approximately **\$15.6 million** annually from Fiscal Year 2013 through 2017 from the Hotel Occupancy Tax (HOT)
- The contract reflects the City's desire to *“market the city of Dallas as a major meeting site and visitor's destination location and to promote the use of public facilities within the city with a primary emphasis on the Kay Bailey Hutchison Convention Center Dallas [Convention Center]”*



# Audit of VisitDallas

- **City Contract with the Dallas Tourism Public Improvement District (DTPID) and VisitDallas**
  - VisitDallas received an average of approximately **\$13.5 million** annually from Fiscal Year 2013 through 2017 from the DTPID
  - The services to be supplied to the DTPID provide special benefits to the property owners [hotels] within the DTPID and are supplemental to standard City services
  - The contract provides for special supplemental services for “*marketing, business recruitment, and promotional activities...including the provision of [monetary] incentives by [VisitDallas] to organizations to encourage them to bring their large and city-wide meetings to Dallas and to fund additional marketing by [VisitDallas] to increase hotel stays within the City*”



# Audit of VisitDallas

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## ➤ City Contract with the DTPID and VisitDallas

- Allowable costs:
  - Only use DTPID assessment funds (Assessment Funds) received to defray expenses which are authorized improvements and services defined in the Act and specifically listed in the Service plan which is approved annually by the City
  - Shall not use Assessment Funds for private, personal, non-public purposes or for any other purposes not allowed under the Act



# Audit of VisitDallas

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## ➤ DTPID Administrative Contract with VisitDallas

- The contract states the mission of the DTPID: *“The Dallas Tourism Public Improvement District is a public improvement district dedicated to improving convention and group hotel bookings and hotel room night consumption in the City of Dallas”*
- The DTPID Board contracts with VisitDallas to implement the funded activities of the DTPID. The contract is funded by DTPID proceeds received from a two percent special assessment levied against all hotels with 100 or more rooms within the City of Dallas.
- VisitDallas implements additional marketing and incentive programs to secure increased convention, group, and other hotel activity to the City of Dallas

# Audit of VisitDallas

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**Release Date:** January 4, 2019

**Objective:** Evaluate the effectiveness of services provided by VisitDallas, which included: (1) assessing the reliability and reporting of performance measures; and, (2) determining whether the DTPID incentive funds were used properly. We also reviewed whether the HOT funds were used properly.

**Scope:** Management operations during the period of Fiscal Year (FY) 2016 through FY 2017\*

*\* Certain other matters, procedures, and transactions occurring outside that period may have been reviewed to understand and verify information related to the audit period.*

# Audit of VisitDallas

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## Conclusions:

The City does not have sufficient mechanisms in place to effectively evaluate services provided by VisitDallas and needs to improve the Department of Convention and Event Services' (CES) and the Office of Economic Development's (ECO):

- **Oversight and monitoring of the VisitDallas contracts and reporting**

The City's oversight and monitoring of the contracts with VisitDallas and DTPID does not consistently include substantive analysis of reported information and commitments. The City also does not ensure timely collection of contractual payments from VisitDallas.



# Audit of VisitDallas

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## *Conclusions continued...*

➤ **Reliability and accountability of controls over VisitDallas' performance measures and expenses**

The City does not ensure the system of controls over key performance measures for VisitDallas and the Convention Center allows for consistent, complete and reliable information. Controls over certain VisitDallas' expense activities are not adequate and may not consistently ensure that the City receives the expected benefit.

As a result: (1) the City cannot ensure compliance with HOT and DTPID requirements; and, (2) the City's ability to adequately evaluate VisitDallas' performance may be impaired.



# The City of Dallas' Oversight of VisitDallas



# Audit of VisitDallas – City Service Contract with VisitDallas for the Hotel Occupancy Tax

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## Recommendation I

**We recommended** the **Director of CES** improves the monitoring of VisitDallas by:

- Developing and adopting formal procedures
- Working in coordination with VisitDallas to create a financial reporting format that: (1) segments spending by funding source and in total across all funding sources for the same categories of expenses; and, (2) provides more detailed information
- Consulting with the City Attorney's Office, to implement a memorandum of understanding or supplemental contract agreement with VisitDallas that stipulates reasonable due dates for contractual obligations



# Audit of VisitDallas

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## Recommendation II

### We recommended the Director of CES:

- Ensures CES timely invoices VisitDallas for the annual capital contribution to meet VisitDallas' annual \$500,000 funding commitment to CES
- Monitors the timeliness of collections and performs appropriate collection efforts if capital contributions are not received timely



# Audit of VisitDallas

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## *Recommendation II continued....*

- In consultation with the City Attorney's Office, determines the appropriate funds for sourcing capital contributions to ensure compliance with the State of Texas Local Government Code for Improvement Districts in Municipalities and Counties, Chapter 372.003(b)(13): *Authorized Improvements*
- In coordination with VisitDallas, works to take appropriate corrective actions, if the City Attorney's Office determines capital contributions were incorrectly sourced



# Audit of VisitDallas

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## Recommendation III

### We recommended the Director of ECO:

- Ensures ECO timely invoices VisitDallas for quarterly installment payments to meet VisitDallas' annual \$100,000 funding commitment to ECO and Creative Industries
- Monitors the timeliness of collections and performs appropriate collection efforts if quarterly installment payments are not received timely



# Audit of VisitDallas

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## Recommendation IV

### We recommended the Director of ECO:

- Requests that VisitDallas provide monthly financial reports in accordance with the City Service Contract with VisitDallas, in a format that allows Creative Industries to efficiently reconcile direct expense payments for program activity to VisitDallas' financial reports



# Audit of VisitDallas – City Contract with the Dallas Tourism Public Improvement District and VisitDallas

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## Recommendation V

**We recommended** the **Director of ECO** as allowed by the City contract with DTPID and VisitDallas:

- Develops a formal contract monitoring procedure
- Requests and documents timely collection of contract deliverables
- Obtains and reviews annually DTPID's Form 990 and VisitDallas' Form 990





# Audit of VisitDallas

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## Recommendation VI

### We recommended the Director of ECO:

- Periodically performs detailed compliance reviews of VisitDallas' expenses as allowed by the City contract with DTPID and VisitDallas
- Monitors DTPID's expenses to ensure compliance with the *DTPID Board Orientation, Operational Guidelines & Policies* and the *VisitDallas Policies and Procedures Manual* and State of Texas laws for Tourism Public Improvement Districts by analyzing, reviewing, and documenting expenses on a random sample basis within periodic intervals, such as monthly, quarterly or annually. This review should be documented, including the resolution of any non-compliance noted.



# Audit of VisitDallas

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## Recommendation VII

**We recommended** the **Director of ECO**, in coordination with VisitDallas and in consultation with the City Attorney's Office, addresses the interim adjustments and excess assessments to ensure the City has formal authority to accept these assessments, including determining and documenting:

- The authority regarding hotels, not on the annual DTPID assessment roll, donating to the DTPID
- If ECO can obtain City Council approval as needed to formally accept additional hotels into the district
- The appropriate disposition of excess DTPID collections from FY 2015 and FY 2016

# Performance Measures for VisitDallas and Kay Bailey Hutchinson Convention Center Dallas



# Audit of VisitDallas

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## Recommendation VIII

### We recommended the Director of CES:

- Requests VisitDallas 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
- Reviews these VisitDallas policies and procedures for completeness and reasonableness and requests VisitDallas amends any aspects that are not considered sufficient
- Obtains underlying source documentation used by VisitDallas to produce metrics and periodically validates the accuracy of reported information

# Audit of VisitDallas

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## Recommendations IX and X

**We recommended** the **Director of CES**, in coordination with VisitDallas works to:

- Provide adequate assurance that key metrics such as economic impact, bookings, and consumed activity are independently validated and documented either by an independent consultant/contractor, or CES, on a periodic basis and relevant supporting historical data is retained
- Factor in historical results of consumed events when setting Citywide event bookings performance goals



# Audit of VisitDallas

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## Recommendation XI

### We recommended the Director of CES:

- Develops procedures for data and metrics measuring the success of the Convention Center including retaining proper supporting documentation
- Conducts a documented comparative analysis on a periodic basis of the Convention Center space rental rates



# Audit of VisitDallas

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## Recommendation XII

### We recommended the Director of CES:

- Implements monitoring of VisitDallas' compensation to ensure that paid compensation is properly documented according to VisitDallas' compensation policies in order to demonstrate compliance with State law related to HOT



# Audit of VisitDallas

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## Recommendations XIII and XIV

**We recommended** the **Director of CES** monitors VisitDallas' compensation practices with particular focus on the:

- Employee incentive compensation adjustments for the actual results of groups/events
- Basis for the CEO's annual compensation goals in order to demonstrate compliance with State of Texas law related to HOT





# Internal Controls Over Certain Expenses of VisitDallas



# Audit of VisitDallas

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## *VisitDallas Policies and Procedures Manual 2017*

*“Since the [Hotel Occupancy Tax] revenues primarily support VisitDallas, its activities, records, and accounts are subject to extraordinary scrutiny by government agencies. Complete and accurate documentation of all reimbursements is essential. The only justification for spending VisitDallas money for entertainment is to create additional tourism and/or convention business.”*



# Audit of VisitDallas

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## Recommendation XV

**We recommended** the **Director of CES** 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 within periodic intervals, such as monthly, quarterly or annually. This review should be documented, including the resolution of any non-compliance noted.



# Audit of VisitDallas

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## Recommendation XVI

### We recommended the Director of CES:

- Requests that VisitDallas strengthens the *VisitDallas' Policies and Procedures Manual* to provide adequate guidance on allowable expenses to better ensure the City achieves the expected benefit from expenses made from HOT and DTPID funds



# Audit of VisitDallas

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## Recommendation XVII

**We recommended** the **Director of CES** requests VisitDallas complies with:

- State of Texas law for HOT funds by maintaining a separate bank account for HOT funds



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## Recommendation XVIII

**We recommended** the **Director of ECO** requests VisitDallas complies with:

- DTPID administrative contract with VisitDallas by maintaining a separate bank account for DTPID funds



# Audit of VisitDallas

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The following is the link to the audit report found on the Office of the City Auditor's website:

[Audit of VisitDallas](#)



# Office of the City Auditor – Audit of VisitDallas

**Government Performance & Financial  
Management Committee  
February 19, 2018**

**Carol A. Smith, Interim City Auditor  
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