

RECEIVED

SPECIAL
GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT
DALLAS CITY COUNCIL COMMITTEE AGENDA

2019 FEB 12 PM 2:49

CITY SECRETARY
DALLAS, TEXAS

TUESDAY, FEBRUARY 19, 2019
CITY HALL
COUNCIL BRIEFING ROOM, 6ES
1500 MARILLA STREET
DALLAS, TEXAS 75201
2:00 P.M. – 3:30 P.M.

Chair, Councilmember Jennifer S. Gates
Vice-Chair, Councilmember Scott Griggs
Councilmember Sandy Greyson
Councilmember Lee M. Kleinman
Councilmember Philip T. Kingston
Councilmember Tennell Atkins
Councilmember Kevin Felder

Call to Order

BRIEFINGS

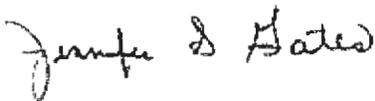
1. Office of the City Auditor – Audit of VisitDallas Carol A. Smith, Interim City Auditor
2. Audit of VisitDallas Report No. A19-006
Proposed Corrective Actions Rosa Fleming, Interim Director
Convention and Event Services

Courtney Pogue, Director
Office of Economic Development

Joyce Williams, Chair-Elect
VisitDallas

Phillip Jones, President/CEO
VisitDallas

Adjourn



Jennifer S. Gates, Chair
Government Performance & Financial Management Committee

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]
5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]
7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex. Govt. Code §551.089]

Handgun Prohibition Notice for Meetings of Governmental Entities

"Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

"De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."

"Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

"De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."

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

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

➤ 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

➤ 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Audit of VisitDallas

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

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
Office of the City Auditor
City of Dallas**



Memorandum



CITY OF DALLAS

DATE February 12, 2019

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

SUBJECT **Audit of VisitDallas Report No. A19-006 Proposed Corrective Actions**

On February 19, 2019, Interim Director of Convention and Event Services Rosa Fleming will present a briefing to the special called meeting of the Government Performance and Financial Management Committee on the Audit of VisitDallas, Report No. A19-006, Proposed Corrective Actions. The briefing materials are attached for your review.

If you have any questions or concerns, please contact my office at (214) 670-1204.

A handwritten signature in blue ink that reads "Joey Zapata".

Joey Zapata
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Assistant City Manager & Chief of Resilience
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

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 & Visitors Bureau (DCVB) & 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



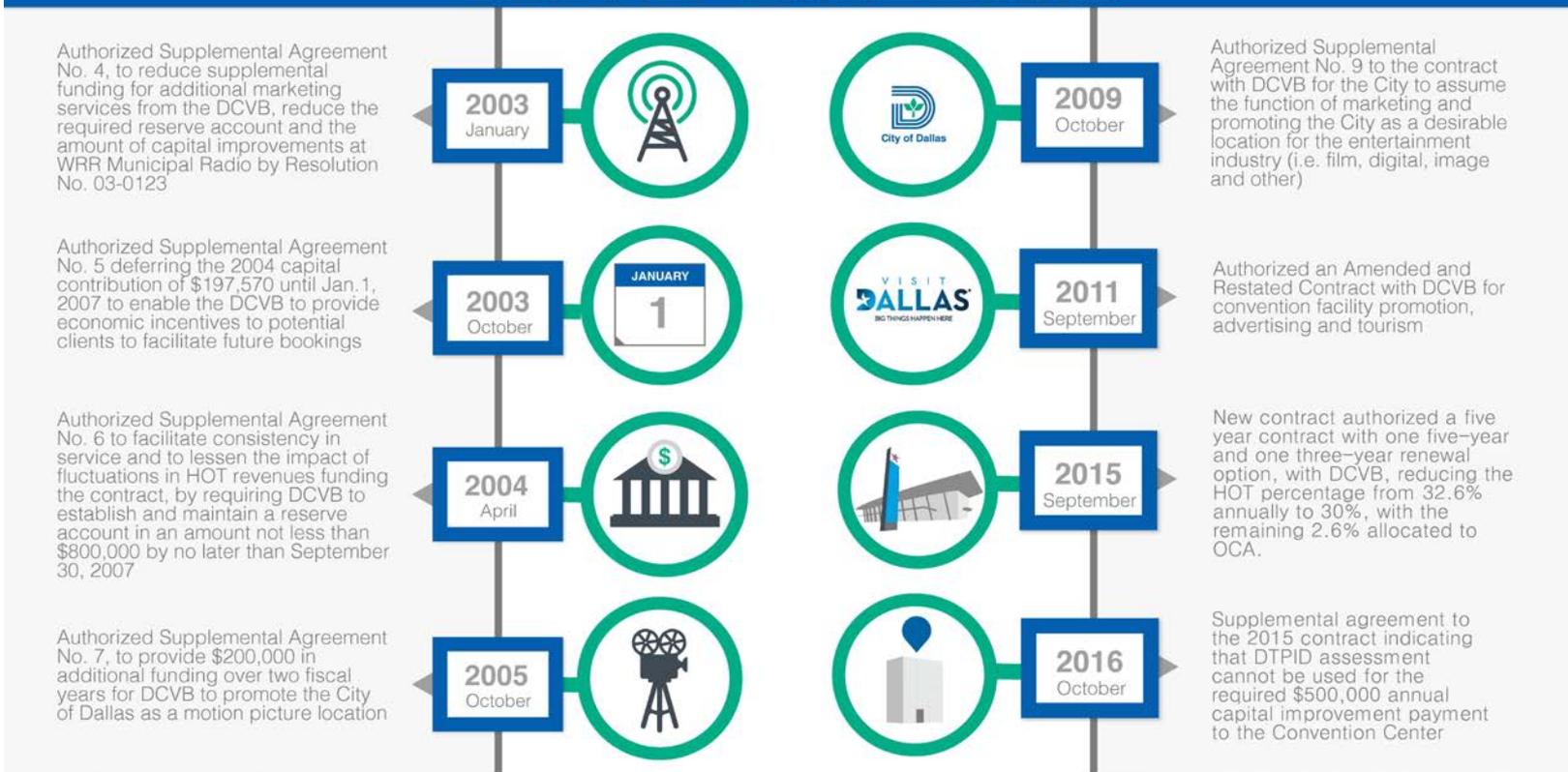
2002
December

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

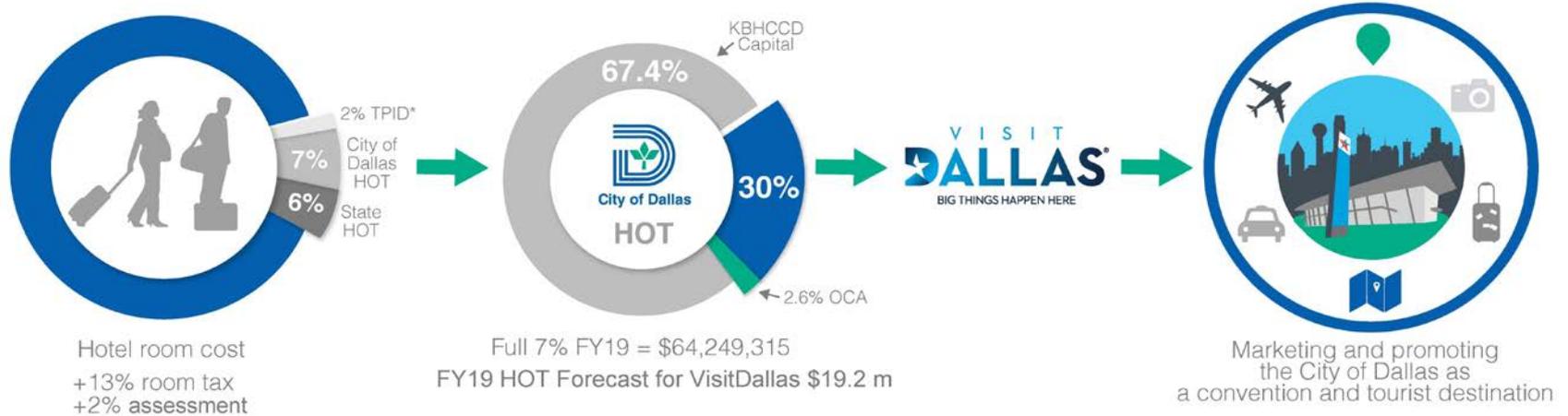
Contract History cont.

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

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

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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

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Corrective Actions – CES

SUMMARY CES RECOMMENDATIONS (AGREED)

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

* Recommendations have been abridged.

Corrective Actions – CES

SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p>Recommendation VIII:</p> <ul style="list-style-type: none"> 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> Review new policies and obtain underlying source documentation and periodically validate accuracy 	<p>VisitDallas agreed to:</p> <ul style="list-style-type: none"> 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
<p>Recommendation XI:</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>VisitDallas agreed to:</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>

Corrective Actions – CES

SUMMARY CES RECOMMENDATIONS (AGREED)

Recommendation	Corrective Action
<p>Recommendation XI:</p> <ul style="list-style-type: none">• Develop procedures for data and metrics measuring the success of the Convention Center and retaining proper supporting documentation• Conduct a documented comparative analysis on a periodic basis of the Convention Center space rental rates	<p>CES staff will:</p> <ul style="list-style-type: none">• Develop industry standard procedures for data and metrics that measure the success of the Convention Center and retain proper supporting documentation• Conduct a documented comparative analysis of Convention Center space rental rates annually
<p>Recommendation XIV:</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>VisitDallas agreed to:</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>Recommendation XVI: 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>VisitDallas agreed to:</p> <p>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>Recommendation XVII: Requests VisitDallas complies with State law for HOT by maintaining a separate bank account for HOT funds</p>	<p>VisitDallas agreed to:</p> <ul style="list-style-type: none"> ★ Established a separate bank account for HOT funds effective December 2018 • Will continue to report to the Board and CES regarding ongoing compliance with any and all State laws related to HOT

★ 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>Recommendation IX: 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"> • Hire a mutually agreed upon, independent third-party expert to help establish and validate key agreed upon performance metrics based on current industry standards • Provide supporting data to CES monthly
<p>Recommendation X: 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>Recommendation XII: 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>Recommendation XIII: 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>Recommendation XV: 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>Recommendation III: Invoice VisitDallas timely for annual \$100k funding commitment to ECO and Creative Industries and monitor collection efforts if not received timely</p>	<p>VisitDallas agreed to: 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>Recommendation IV: 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>VisitDallas agreed to: 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>Recommendation V: 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>VisitDallas agreed to:</p> <ul style="list-style-type: none"> • Agreed to monthly, quarterly, and annual monitoring visits by ECO and to timely submission of contract deliverables • Receipt of a cure letter if deliverables are not provided • Provide annual Form 990 by February 15th, unless an extension is requested
<p>Recommendation XVIII: Requests VisitDallas maintain separate bank account for DTPID funds</p>	<p>VisitDallas:</p> <ul style="list-style-type: none"> • Established a separate bank account for DTPID funds effective December 2018 ★ Will continue to report to the Board and ECO regarding ongoing compliance with any and all laws related to DTPID

★ 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>Recommendation VI: 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"> • Agreed to high-level expense reviews by ECO at pre-established intervals incorporated into an MOU or supplemental agreement • Engage a mutually agreed upon, independent CPA to conduct detailed and formal review of DTPID expenses for the Board and ECO
<p>Recommendation VII: 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

