

**OXFORD VISITORS AND CONVENTION BUREAU
BUTLER COUNTY
Agreed Upon Procedures Report
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Directors
Oxford Visitors and Convention Bureau
14 West Park Place, Suite C
Oxford, Ohio 45056

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Oxford Visitors and Convention Bureau, Butler County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Unsupported Expenditures/Proper Public Purpose - Finding for Recovery

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

Ohio Rev. Code Section 2921.41 prohibits committing any theft offense when the offender uses the offender's office in the aid of committing the offense and the property or service involved is owned by the state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. Whoever violates this section is guilty of theft in office.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

AG Op. Nos. 83-054 and 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

Per the Oxford Visitors and Convention Bureau's (the Bureau) credit card usage policy it states that the Bureau's credit card shall be used by the Executive Director to conduct Bureau business. Itemized receipts will be kept for all credit card purchases. Upon receiving the monthly statement the Executive Director will review all entries and prepared an itemized reported of all credits and charges.

In May 2012, members of the Board approached the Executive Director and were informed by her that she had been using the Bureau's credit card to make personal purchases. The Executive Director notified the Board that she had been reimbursing the Board for the personal purchases but there were outstanding personal purchases she made that had not been reimbursed to the Bureau. On May 25, 2012, the Executive Director submitted a letter of resignation that stated she would reimburse the Bureau for the outstanding charges and interest on the credit card as of the date of the letter and no later than June 30, 2012. On May 30, 2012, the Board President issued a letter to the Executive Director on behalf of the Board accepting her resignation.

During the period of January 1, 2008 through May 25, 2012, we identified 90 purchases made by the former Executive Director using the Bureau's credit card totaling \$4,261 which we considered not to be for a proper public purpose. These purchases consisted of the following types of expenditures:

- Pet food and pet supplies;
- Veterinary bills;
- Medical bill identified by the former Executive Director as personal;
- Car repairs identified by the former Executive Director as personal;
- Gas identified by the former Executive Director as personal;
- Food/Groceries;
- Alcohol;
- Haircuts and styling;
- Nail manicures;
- Hygiene products;
- Women's clothing;
- DVD's and CD's;
- Books and magazines.

In addition, we identified 46 purchases totaling \$3,070 for which the Bureau was not able to provide supporting documentation. However, the former Executive Director notified the Bureau that the purchases were personal charges she had made.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Executive Director, Diana Durr, in the amount of \$7,331 and in favor of the Bureau's operating fund. As of the date of this report, Diana Durr has issued payments to the Bureau totaling \$5,201. A balance of \$2,130 remains unpaid.

Unsupported Expenditures/Proper Public Purpose - Finding for Recovery

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

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The Bureau's petty cash usage policy in part states that the petty cash fund shall be maintained at \$100 and an itemized receipt must be obtained when spending petty cash.

During the period of January 1, 2008 through May 25, 2012, we identified expenses for parking tickets, a CD, and alcohol totaling \$322 that were paid by the Bureau with petty cash. These expenses are not considered to be for a proper public purpose. We identified 16 purchases that did not have an itemized receipt from the vendor, however the Bureau recorded a handwritten document to justify the expense totaling \$194. We could not verify that these monies were used for a proper public purpose. We identified five checks issued to 'Cash' for petty cash reimbursements totaling \$343 for which the Bureau was not able to provide supporting documentation and could not otherwise verify that these monies were also used for a proper public purpose. All the checks issued to 'Cash' for petty cash reimbursements during the period were signed by the former Executive Director, Diana Durr.

In addition, we noted checks issued by the former Executive Director to 'Cash' for funds to be advanced to her prior to attending conferences out of town. The receipts the former Executive Director submitted to support the use of the advanced cash funds included house/pet sitting at the former Executive Director's personal residence, magazines, clothing, lotion, and a tourist attraction totaling \$253 that we considered not to be for a proper public purpose. In addition, we determined that there was \$606 of cash funds advanced for travel for which the Bureau was unable to provide any supporting documentation and we could not otherwise verify that these monies were used for a proper public purpose or were returned to the Bureau.

Furthermore, we noted an additional seven checks issued by the former Executive Director denoted for 'Cash' totaling \$330 for which the Bureau was unable to provide supporting documentation and could not otherwise verify that these monies were used for a proper public purpose or were returned to the Bureau.

Without appropriate supporting documentation it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Bureau's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

We identified seven checks issued to the City of Oxford totaling \$378 by the former Executive Director for nine parking tickets and a ticket for towing and impound fees that we considered not to be for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Executive Director, Diana Durr, in the amount of \$2,426 and in favor of the Bureau's operating fund.

Credit Card Policy

The Bureau's credit card usage policy states that the credit card shall be used by the Executive Director to conduct official Bureau business. Itemized receipts were to be kept for all credit card purchases. Upon receiving the monthly statement, the Executive Director was to review all entries and prepare an itemized report of all credits and charges.

During the audit period, we noted the following conditions with credit card usage by the Bureau:

- The Bureau did not maintain itemized receipts for numerous purchases at restaurants;
- The Bureau did not maintain any supporting documentation for 111 purchases;
- The Bureau's policy did not provide any guidance regarding what type of expenses are allowable;
- There was no evidence that the Board reviewed any monthly credit card statements, itemized reports prepared by the former Executive Director or receipts.

Failure to provide detailed guidance regarding required supporting documentation, allowable expenses, and failing to review the charges for personal expenses resulted in personal purchases paid by the Bureau which were not reimbursed by the former Executive Director.

We recommend the Bureau adopt a credit card policy and develop written procedures that could include the following provisions:

- A stipulation specifying who is authorized to use the credit card;
- A stipulation that the credit card should not be used for personal expenses even if they are reimbursed;
- Limits on the amount a cardholder can spend;
- Limits on the frequency of use within a predefined timeframe;
- Restrictions on the type of vendors and merchants from whom purchases can be made;
- Specific prohibitions on the types of goods or services that may be purchased (e.g. entertainment, alcoholic beverages, personal services, etc.);
- A requirement that cardholders retain copies of all original, signed receipts;
- Segregation of duties between the cardholder and the approving card authorizing manager;
- Establish on-line monitoring for credit card transactions;
- A stipulation that all payment information should be maintained in accordance with the Bureau's records retention schedule;
- A requirement that cardholders cannot benefit through any type of awards program offered in connection with credit card use (e.g., frequent flier miles);
- A stipulation that cardholders immediately notify their direct supervisor if the credit card is lost or stolen.

Additionally, we recommend procedures be implemented that include a detailed examination of charges and resolution of questioned items.

Travel Policy

During the audit period, we determined that the former Executive Director incurred expenses that were paid by the Bureau for out of town travel expenses. During this period, the Bureau did not have a travel policy related to expenses incurred while the former Executive Director was traveling and we noted the following conditions:

- Travel forms completed by the former Executive Director were inaccurate and were not reviewed by the Board;
- The former Executive Director issued checks to 'Cash' to pay for travel related expenses;
- The former Executive Director did not provide receipts or itemized receipts for several purchases.

To help manage and facilitate travel request and reimbursement processes, entities establish travel policies. A travel policy should contain controls to prevent abuses, foster accountability and ensure appropriate levels of reimbursement.

We recommend the Bureau adopt a travel policy and develop written procedures that could include the following provisions:

- A statement indicating that employees will be held responsible for unauthorized costs and additional expenses incurred for personal preference or convenience;
- A list and corresponding description of unauthorized expenses;
- A requirement that employees must substantiate travel expenses with original receipts, or if a per diem meal amount is provided, employees are responsible for expenses above and beyond the per diem;
- Limits on reimbursable miscellaneous transportation expenses such as parking or taxi fares;
- A stipulation that overnight lodging is only reimbursable outside a predefined number of miles or travel time from the employee's residence or official headquarters (e.g., 100 miles or 2 hours of travel time);
- A stipulation that employees are only entitled to reimbursement for meal expenses incurred during an overnight stay and that such reimbursements require receipts;
- A meals-only per diem allowance may be established, or prorated reimbursement limits may be set for breakfast, lunch, and dinner;
- A provision requiring reimbursement for gratuities not to exceed 15 percent of the purchased meal;
- A provision stipulating that if meals are included in registration fees, duplicate meals shall not be reimbursed.

Petty Cash Policy

The Bureau's petty cash usage policy states that the petty cash fund shall be maintained at \$100. The petty cash fund shall be kept in a locked box in a location to be determined by the Executive Director. Any member of the Bureau's professional staff may make purchases out of petty cash. An itemized receipt must be obtained when spending from petty cash. The petty cash fund shall not go below \$20. A check shall be issued to "Cash" itemizing each receipt and the cost codes. Petty cash may only be used for expenses to the following accounts:

- 640 - Postage
- 642 - Appreciation Acknowledgements
- 645 - Office Supplies
- 695 - Business Development & Attraction
- 5006 - Music Festival Miscellaneous

During the period of January 1, 2008 through May 25, 2012, we noted numerous petty cash purchases that did not have an itemized receipt or any receipt from the vendor. The petty cash purchases that were recorded and reimbursed by the Bureau without a receipt from the vendor resulted in a finding for recovery against the former Executive Director. In addition, we noted several purchases made with petty cash by the Bureau that were not for a proper public purpose and resulted in a finding for recovery against the former Executive Director. Also, we determined that the Bureau made purchases with petty cash that were not assigned to the cost account codes noted above.

We recommend the Bureau adopt a petty cash policy and develop written procedures that could include the following provisions:

- A stipulation specifying who is authorized to use petty cash;
- A statement indicating that those authorized to use petty cash will be held responsible for unauthorized expenses or expenses occurred with no itemized receipt from the vendor;
- A provision requiring that before the petty cash fund can be replenished, the person writing the check to the petty cash fund should agree all receipts and cash on hand to the total petty cash fund;
- Segregation of duties between those who are authorized to use petty cash and the person writing the check to replenish petty cash;
- Maintain a petty cash journal documenting all petty cash purchases and deposits to replenish petty cash to starting balance to ensure completeness and accountability.

Proper Public Purpose Policy

Expenditures using public money should serve a public purpose. The decision of what constitutes a public purpose should be memorialized by a duly enacted resolution of the board that sets forth the policy of the Bureau and that has prospective effect only.

The Bureau policy should state the Board's view of the type and nature of expenditures which constitute a proper public purpose to support the Bureau's goals and mission.

The Bureau has no policy that describes the appropriateness of expenditures in regard to an acceptable proper public purpose. In the absence of such a policy, expenditures that do not promote the goals or mission of the Bureau or work to achieve such goals or mission may be entered into and approved by the Bureau.

During the period of January 1, 2008 through May 25, 2012, we noted that the former Executive Director purchased the following items with the Bureau's credit card:

- Gift cards totaling over \$1,500 for employees, events, volunteers, and mailman;
- Numerous meals at local restaurants;
- Food for volunteers at summer music festivals;
- Other miscellaneous gifts including but not limited to a college basketball ticket for mailman and movie for intern.

We recommend the Board pass a comprehensive proper public purpose policy that provides guidance and direction to the Bureau's management and staff as to what expenditures are viewed to be for a proper public purpose that accomplish the goals and mission of the Bureau.

In addition, we recommend the Bureau maintain a list documenting the distribution of any gift cards purchased with public funds and also note that if given to Board members or employees of the Bureau they may be taxable.

Officials' Response: A new Executive Director was hired in November, 2012. The Oxford Visitors Bureau has made changes to the By Laws, Policies and Procedure Manual and Employee Handbook to reflect best practices for the organization.

Board of Directors
Oxford Visitors and Convention Bureau
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Oxford Visitors and Convention Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 19, 2013

**OXFORD VISITORS AND CONVENTION BUREAU
BUTLER COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

September 7, 2012

Oxford Visitors and Convention Bureau
Butler County
14 West Park Place, Suite C.
Oxford, Ohio 45056

To the Board of Directors:

We have performed the procedures enumerated below, to which the management of the **Oxford Visitors and Convention Bureau** (the Bureau) agreed, solely to assist the Bureau in evaluating whether it recorded all lodging taxes it received from the City of Oxford, and to help evaluate whether the Bureau disbursed these lodging taxes for allowable purposes described below for the years ended December 31, 2011 and 2010. The Bureau is responsible for disbursing lodging taxes for allowable purposes. We followed the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the Bureau. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Cash Receipts

1. We confirmed with the City of Oxford the lodging taxes it paid to the Bureau during the years ending December 31, 2011 and 2010. The City confirmed the following amounts:

Year Ended	Amount
December 31, 2011	\$167,682
December 31, 2010	\$153,829

2. We compared the amounts from step 1. to amounts recorded as lodging tax receipts on the Bureau's general ledger. We found no exceptions.

Cash Disbursements

1. We inquired of management regarding sources describing allowable purposes or restrictions related to the Bureau's disbursements of lodging taxes. We listed these sources and summarized significant related restrictions below:

Source of Restrictions

- a. The Bureau's Articles of Incorporation
- b. The Bureau's 501 (C)(6) Tax Exemption
- c. AOS Bulletin 2003-005

Oxford Visitors and Convention Bureau
Butler County
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Cash Disbursements (Continued)

The Bureau's tax exemption prohibits it from disbursements supporting a candidate's election.

Auditor of State Bulletin 2003-005 deems any disbursement of public funds (e.g. lodging taxes) for alcohol to be improper.

2. We haphazardly selected forty disbursements of lodging taxes from the years ended December 31, 2011 and December 31, 2010 in addition to all disbursements exceeding \$1,000, and compared the purpose for these disbursements as documented on vendor invoices or other supporting documentation to the sources of restrictions listed in *Cash Disbursements Step 1.* above. We found the Bureau's credit card was used extensively for personal expenses of the former Director. The credit card carried large monthly balances for purchases of Director's personal goods, meals and services, which were not recorded in the Bureau's accounting system. The Board of Directors and the Director agreed on an amount to be reimbursed to the Bureau based on review of invoices and credit card statements. As of the date of our report the credit card carried a zero balance. We also noted checks made payable to Cash for services rendered to the Bureau as well as for other travel and meal purposes.

We were not engaged to, and did not examine the Bureau's lodging tax receipts and disbursements for the years ended December 31, 2011 and 2010, the objective of which would have been to opine on lodging tax receipts and disbursements. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the Bureau and is not intended to be, and should not be used by anyone else.

Respectfully Submitted,



Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

OXFORD VISITORS AND CONVENTION BUREAU

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 2, 2013**