



**Auditor of State
Betty Montgomery**

**CITY OF OXFORD
VISITORS AND CONVENTION BUREAU
PERFORMANCE AUDIT**

APRIL 1, 2004



**Auditor of State
Betty Montgomery**

To the City Council, Visitors and Convention Bureau, and residents of the City of Oxford:

In June of 2003, the City of Oxford (the City) requested that the Auditor of State conduct a performance audit of its Visitors and Convention Bureau (VCB). The performance audit includes an assessment of the efficiency and effectiveness of VCB operations, levels of oversight and accountability, and governance options. These components were selected by the City and VCB director to help improve VCB practices, strengthen oversight and controls associated with current operations, and help identify the most appropriate governing structure available to the City.

The performance audit contains information that will help the City address governance issues and improve oversight and accountability within the VCB. In addition, the audit examines planning and internal controls and makes recommendations to strengthen these systems. The audit also evaluates performance measurement and reporting and makes recommendations for improving measurement indicators and reporting models used by the VCB. Lastly, the audit examines VCB processes and recommends the development of standard operating procedures to ensure the continuation of institutional knowledge within the VCB. While the conclusions contained within the report are intended to assist the City and VCB in bettering operations, City and VCB officials are encouraged to independently assess overall operations and seek additional operational enhancements.

This report has been provided to the City and VCB and its contents discussed with appropriate officials and management. The City and VCB have been encouraged to use the results of the report as a resource in improving its overall operations and have indicated their commitment to implementing the recommendations contained in this report.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 1, 2004

Oxford Visitors and Convention Bureau

Project History

The City of Oxford engaged the Auditor of State's Office (AOS) in June 2003 to conduct a performance audit of the Oxford Visitors and Convention Bureau (VCB or Bureau). Funded through lodging tax revenue, the City establishes annual agreements with the Oxford Chamber of Commerce (Chamber) to operate the VCB as a separate entity. According to the Ohio Association of Convention and Visitors Bureaus (OACVB), a convention and visitors bureau is a "destination marketing" organization. Both in Ohio, and nationally, most convention and visitor bureaus are not-for-profit organizations that work independently under the auspices of a board of trustees. The fundamental mission of a convention and visitor bureau is the promotion of visitor and business travel, which generates overnight lodging for a particular destination.

The audit's overall objectives are to assess selected areas of the Bureau and to develop recommendations based on comparisons with peer bureaus and other best practice information. Specifically, the performance audit provides an independent assessment of VCB operations and includes recommendations designed to improve outreach practices, strengthen oversight and controls associated with current operations, and help identify the most appropriate governing structure available to the City. Based on discussions with the City manager and the VCB director, the following areas were selected for assessment:

- Efficiency and Effectiveness of VCB Operations;
- Oversight and Accountability; and
- Governance Options.

The City has acknowledged the need to address governance issues to improve the overall performance of the VCB and has been proactive in approaching AOS for assistance through the performance audit process. The recommendations resulting from the performance audit will provide a framework for management decision-making which can result in operational improvements, strengthened controls, and enhanced accountability.

During the course of the performance audit, the Chamber Board elected to not renew its annual agreement with the City to govern the activities of the VCB. However, the Chamber Board agreed to extend the current agreement until a new governing structure is in place. Moreover, the City has embarked on establishing a new governing structure; and along with the VCB director, the City has voiced its commitment to implementing the recommendations contained in this report.

Background

The City of Oxford (the City) is located 35 miles north of Cincinnati and has a population of approximately 22,000: 6,000 permanent residents, including a large retirement community, and 16,000 students enrolled at Miami University. The VCB's mission is "To promote and publicize the City of Oxford to welcome the patronage and business of conventioners, tourists, and travelers into the City, for the benefit of the City's businesses and residents."

The Bureau is not governed by specific sections within the Ohio Revised Code (ORC); however, the ORC addresses lodging tax funding. According to the ORC § 5739.09(B)(1), municipal corporations may levy an excise tax on lodging for transient guests to operate a convention and visitors bureau. In 1987, the City levied an excise tax of 6 percent to support the creation and operation of the Bureau. The lodging tax is charged as an additional tax when a room is rented in a hotel, motel, or bed and breakfast within city limits. In 2003, the Bureau budgeted \$117,000 as an estimate for lodging tax monies collected by the City. In addition, local agencies and merchants provide sponsorships for events to supplement VCB funding and support VCB activities. These sponsorships are donations and include functions such as marketing and advertising for events. Likewise, the City provides support services to the VCB by providing police and sanitary crews for functions within City limits.

Since its inception in 1987, the Oxford City Council (the City Council) has established annual agreements with the Oxford Chamber of Commerce Board (the Chamber Board) to govern the activities of the Bureau. In addition to serving the City of Oxford, the Chamber of Commerce (Chamber) serves the citizens and business communities within Oxford Township and the Talawanda School District. According to the most recent agreement, the Chamber Board agreed to establish, staff, manage, and maintain a VCB as a separate entity within the Chamber. More specifically, the Chamber is responsible for ensuring the following activities are completed through the VCB:

- Promoting conventions and tourism within the City;
- Providing advice, direction and assistance to persons desiring to visit or hold conventions in the City;
- Promoting the commercial, historical, political, and natural resources of the City for tourism; and
- Preparing, compiling, distributing, and disseminating information and data of all kinds which may be useful in furthering the purpose of the Bureau.

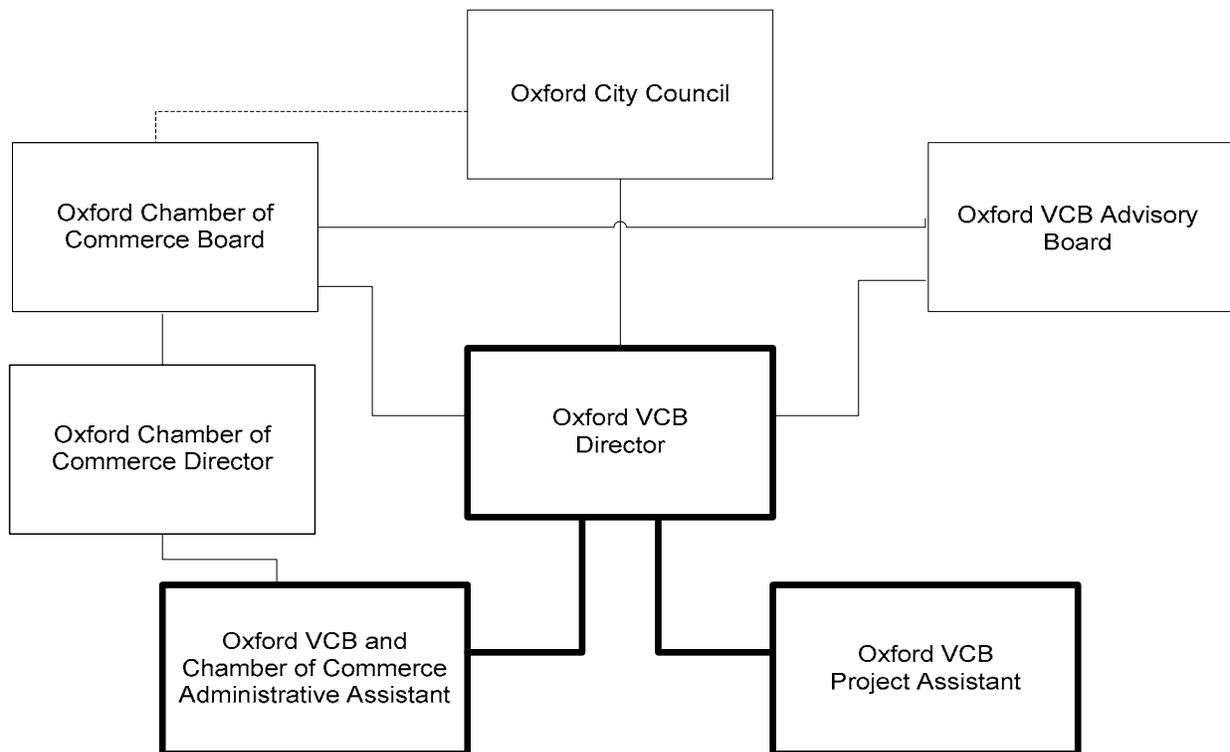
In addition, the agreement requires the Chamber to form an Advisory Board which has the authority to approve the Bureau's annual budget and action plan for the upcoming year. Once approved by the Advisory and Chamber boards, the VCB budget and program are submitted to

the City Council for final approval. Pursuant to the agreement, the City is required to pay the Chamber either an estimated amount pre-approved by City Council or 95 percent of actual lodging tax funds received for the calendar year. Additionally, the City agrees to pay the Chamber half of the remaining lodging tax funds. The City earmarks the additional revenue for beautification of the City to increase its marketability and appeal. Finally, the Chamber is responsible for any deficits related to the VCB and agrees that all lodging tax funds distributed for VCB operations shall be spent solely for the purpose of the Bureau. In its annual report, the Bureau includes its annual audited financial statements and details the projects for the upcoming year.

Organizational and Operational Overview

Chart 1-1 illustrates the VCB organizational structure and those entities that either govern or influence Bureau operations.

Chart 1-1: VCB Organizational and Governing Structure



Source: Bureau director

Note: Depicts actual governing relationships and may not illustrate those required via bylaws or the annual agreement (e.g., VCB vice president position).

Although the Chamber operates the VCB, the City is ultimately responsible for Bureau activities. In practice, the City collects and distributes funds generated by the excise tax to the Chamber to operate the VCB. Pursuant to its annual agreement with the Chamber Board, the City Council reviews quarterly progress reports and annual reports detailing Bureau expenditures, activities, and accomplishments from the previous year.

The Chamber Board governs and directs the activities of both the Chamber and the Bureau. By approving the financial activities of each organization, the Chamber Board intends to provide control over revenues and expenditures and give overall direction in support of each organization's mission. The Chamber Board annually elects officers to its board of directors, including the Vice President of the VCB (VCB vice president). Although not depicted in **Chart 1-1**, the Chamber Board's bylaws state that the VCB vice president should act as the liaison between the Chamber Board and the Bureau. Furthermore, the VCB vice president is the designated chair of the VCB Advisory Board and is required to directly supervise the Bureau director.

According to the annual agreement, the Advisory Board approves the VCB budget and action plan for the upcoming year. Advisory Board members are determined by the Chamber Board and include designees from local motels and other hospitality and retail sectors of the community. The annual agreement also stipulates that the Advisory Board shall include a representative designated by the City Mayor and approved by City Council, as well as one designee from Miami University.

The Chamber employs a full-time director (Bureau director), a full-time administrative assistant, and a part-time project assistant to operate the Bureau. Pursuant to Chamber bylaws, the VCB director is designated as the chief administrative officer of the Bureau. Moreover, the VCB director is responsible for promoting, marketing, and coordinating visitor events and activities within an established budget. The bylaws require the VCB director to work with the Advisory Board and to carryout programs as directed by the Chamber Board. Finally, according to the bylaws, the VCB director must serve as an ex-officio member of the Chamber Board. In practice, the VCB director supervises the part-time administrative assistant and project assistant in planning and hosting events that promote the City. In accordance with the annual agreement, the VCB director also develops and provides monthly and annual progress reports to the Advisory Board, Chamber Board, and City Council.

Although the annual agreement stipulates that the Bureau director is to maintain complete and accurate financial records, the Oxford Chamber of Commerce director (the Chamber director) currently fulfills this requirement on behalf of both the Bureau and the Chamber. The Chamber director also supervises the administrative assistant who primarily performs clerical and other administrative duties for both entities. For example, the administrative assistant composes general VCB and Chamber correspondence, prepares daily bank deposits, and records meeting minutes for both organizations. Determining a precise time allocation is difficult; however, the

Bureau pays two-thirds of the salary while the Chamber pays one-third. The VCB project assistant only works approximately 10 hours per week and provides assistance to the VCB director with larger projects and events. The Bureau also receives assistance from community service workers from Miami University. All Bureau positions are funded by the lodging tax.

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, conclusions, and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits. Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. Program audits normally are designed to determine if the entity's activities or programs are effective, if they are reaching their goals, and if the goals are proper, suitable, or relevant. The performance audit conducted for the Oxford Visitors and Convention Bureau contains elements of both an economy and efficiency audit and a program audit.

AOS has designed this performance audit to provide recommendations addressing current operational issues and to provide the framework for improving oversight, strengthening management controls, and increasing accountability. Specific objectives of this performance audit include the following:

- Examine the efficiency and effectiveness of the VCB;
- Determine the appropriateness and effectiveness of current oversight levels; and
- Determine the range of governance structures available to the City and the VCB.

Data for this performance audit was drawn from fiscal years (FYs) 2000, 2001, and 2002.

Methodology

To complete this report, the auditors gathered and assessed a significant amount of data pertaining to the selected audit areas, conducted interviews with various individuals associated with the VCB, and assessed available information from selected peer bureaus. In addition to reviewing this information, the auditors gathered and reviewed other pertinent documents and information, such as state and national best practices in travel and tourism, VCB operations, and governance practices. For example, the auditors used the *2002 Membership Survey* compiled by the OACVB to draw upon key statistics, benchmarks, and other performance-related data from 47 Ohio convention and visitor bureaus.

The performance audit process involved significant information sharing with the VCB and the City, including preliminary drafts of findings and recommendations as they were developed. Furthermore, periodic status meetings were held throughout the engagement to inform the City and the VCB of key issues impacting selected areas, and proposed recommendations to improve or enhance Bureau operations. Finally, the City and the VCB were given opportunities to provide comments in response to various recommendations for consideration in the reporting process.

The following visitor and convention bureaus were selected as peers to facilitate benchmark comparisons: Athens County Convention and Visitors Bureau (Athens CVB); Bowling Green Convention and Visitors Bureau (Bowling Green CVB); and Greater Hamilton Convention and Visitors Bureau (Hamilton CVB). These peers were selected based on discussions with the City and the VCB. Additional peers were used to illustrate various VCB governing structures, such as Middletown Convention and Visitors Bureau (Middletown CVB).

The Auditor of State and staff express appreciation to the VCB and the peer bureaus for their cooperation and assistance throughout this audit.

Comparative Statistics

In order to gain a general understanding of the VCB's performance in relation to peer bureaus, **Table 1-1** provides benchmark data for comparative purposes.

Table 1-1: Key VCB Benchmarking Statistics

	Oxford VCB	Athens CVB	Bowling Green CVB	Hamilton CVB	Peer Average
Revenues	\$137,212	\$271,529	\$40,353	\$81,228	\$131,067
Expenditures	\$135,823	\$272,104	\$41,762	\$107,849	\$140,572
FTEs	1.95	2.50	0.50	1.00	1.33
Revenues/FTE	\$70,365	\$108,612	\$80,706	\$81,228	\$90,182
Expenditures/FTE	\$69,653	\$108,842	\$83,524	\$107,849	\$100,072

Source: 2001 AOS Audited Financial Statements, U.S. Census Bureau, VCB executive directors

Note: Revenues and Expenditures are based upon 2001 AOS Audited Financial Statements, while FTEs are based upon current staffing levels.

According to **Table 1-1**, the VCB receives slightly more lodging tax revenue than the peer average, while its level of expenditures is slightly less than the peer average. Athens CVB's revenue and expenditure levels eclipse those of the VCB and other peers because it serves not only the City of Athens but the County as well. Additionally, the Bureau employs 0.62 more FTEs than the peer average and receives approximately \$20,400 less in tax revenue per FTE. Based on the *2002 Membership Survey* compiled by the OACVB, bureaus with revenue and expenditure levels ranging from \$101,000 to \$300,000 employ an average of 2 full-time and 1 part-time staff members. Considering the Bureau spends approximately \$30,400 less per FTE than the peer average, and compared to the OACVB survey results, the VCB's staffing levels

appear reasonable. Finally, a number of benchmarks and other performance measures, such as hotel occupancy rates and inquiry tracking figures, are not recorded or measured by the VCB and were therefore not included in **Table 1-1** (see **Recommendation 3**).

Audit Conclusions

The Oxford VCB appears effective in hosting and sponsoring events, a major focus of the organization. Volunteers, donations, and sponsorships help keep costs low and allow the VCB to maximize its level of service throughout the year. However, organizing and implementing predominantly local events is not characteristic of a VCB, and the Oxford VCB's mission is not aligned with its current operating philosophy. The VCB and City will need to reach a consensus on the balance between community-oriented events and marketing and outreach. Ultimately, VCB operations should succinctly align with its stated mission.

Several internal control issues were identified within the VCB and in the relationships among the VCB, Chamber, and City. These issues impact the City's level of confidence in VCB operations. Since the VCB is a relatively small organization, most processes have not been formalized, which may make some of the processes appear casual. Also, the absence of formalized policies delineating the relationship between the VCB and Chamber creates the potential for Chamber concerns and interests to supercede those of the VCB. Because the VCB is a small organization, standard operating procedures need not be elaborate. However, developing operating procedures for basic tasks, particularly shared functions and financial management activities, would likely increase the City's confidence in VCB operations.

Likewise, clarifying and consolidating the roles of the Advisory Board, Chamber Board, and City in overseeing the VCB would improve oversight and accountability. The current governing structure has created duplicative roles and has resulted in span-of-control issues. Clarifying reporting relationships, governance functions, and expectations would increase the governing authorities' ability to oversee and support the VCB director. In turn, the VCB should increase reporting, particularly in the area of performance measurement and planning, to ensure that all parties are able to gauge the success of the organization.

Issues Requiring Further Study

Government Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified two such issues.

VCB Technology

VCB personnel expressed an interest in obtaining new software to facilitate event management activities. However, it was beyond the scope of this audit to evaluate the VCB's technology needs in relation to those of the peer bureaus. Additionally, future technology purchases are dependent upon whether the VCB continues to coordinate, host, and sponsor community events or shifts the focus of its operations to that of a destination-marketing organization.

Policies and Procedures for Governing Organization

Although the policies and procedures governing the operations of the oversight entities were outside the purview of this audit, the City and VCB should consider developing policies and procedures on governance if they retain the current oversight structure. AOS publications on Ohio Retirement Study Council and Ohio Legal Rights Services provide guidance in this area.

Recommendations

Efficiency and Effectiveness of VCB Operations

- 1. To ensure its activities align with its mission, the VCB, in consultation with the City and Chamber, should consider shifting the focus of its operations from coordinating, hosting, and sponsoring community events to marketing and outreach. To facilitate this transition, the VCB should consider implementing a grant program that provides funding to non-profit organizations, which in turn, could promote events and programs that attract visitors to the City of Oxford.**

The VCB mission is as follows: “To promote and publicize the City of Oxford to welcome the patronage and business of conventioners, tourists, and travelers into the City, for the benefit of the City’s businesses and residents.” However, a significant amount of VCB resources are allocated to planning, coordinating, and hosting community-oriented events, many of which may not necessarily increase the number of out-of-town visitors to the City of Oxford. According to the VCB’s 2002 financial statement, the VCB spent approximately \$36,800 or 30 percent of its total expenditures on event-related activities (e.g., hosting special events). Furthermore, these activities constituted approximately 80 percent of the Bureau’s project expenses in 2002. Additionally, the number of events in which the VCB was involved, increased from 55 in 2002 to 93 in 2003. Although most of the expenditures allocated for community events were recouped through user fees in 2002, only \$6,000 in additional lodging tax was generated in 2003 (or an additional \$158 per event). However, the additional tax revenue could be attributed to the opening of a new hotel in July 2002, and not necessarily to an increase in events.

According to a survey conducted by the International Association of Convention and Visitor Bureaus (IACVB), member bureaus only spend 4.2 percent of total expenditures on event-related activities, which is 25.8 less than the amount the VCB spent in 2002. Additionally, according to the *2002 Membership Survey* compiled by the OACVB, only 6.0 percent of CVB business is generated through events; while the majority of CVB business is generated through leisure and corporate travel at 56.6 and 22.6 percent, respectively.

In cooperation with the City of Athens, Athens County CVB has initiated a \$30,000 tourism development grant program designed to encourage or expand special events, projects, and programs that attract visitors to Athens County and the City of Athens. Grants are awarded on a competitive basis to non-profit organizations for marketing, promoting, and advertising expenses only. Primary consideration is given to applicants that feature new or expanded events, projects, or programs; attract visitors who reside

more than 100 miles from Athens; and attract overnight visitors. With these parameters in place, resulting events are more likely to increase revenue from lodging taxes. According to the director of the Athens County CVB, the program also allows more staff time to be allocated toward marketing and other outreach activities. Although the director sometimes serves on various planning committees, no time is spent organizing or hosting events. Rather, Athens County CVB devotes resources to marketing community events to potential visitors through its tourism development grant program, allowing other local organizations to host events. According to OACVB's *2002 Membership Survey*, approximately 25 of 47 bureaus offer such grant programs.

While many of its resources are devoted to event-related activities, these activities only indirectly support the Bureau's mission by attempting to attract out-of-town visitors through events. However, the VCB does not track hotel occupancy rates or other formal performance measures to determine the impact and effectiveness of its activities (see **Recommendation 3**). Additionally, a number of events and programs are regularly hosted and sponsored by Miami University, which provide considerable community outreach. By shifting the focus of its operations from community-oriented events to marketing and outreach, VCB operations would align more succinctly with its mission to promote and publicize the City of Oxford. The VCB should explore this recommendation in consultation with the City and Chamber to ensure that the shift in focus would meet with the expectations of its oversight entities.

2. **The VCB should develop a three-year strategic plan that formally defines, prioritizes, and reports the Bureau's short and long-term goals and objectives. The plan should serve as a management tool and include performance measures and action steps to help monitor progress in achieving various goals and objectives (see Recommendation 3). To ensure the effective allocation of resources, the strategic plan should be linked to the Bureau's annual budget. Strategic planning will also help the VCB focus its short and long-term priorities in light of possible changes in the control environment and overall governing structure. Finally, the strategic plan could be used as a means of implementing various performance audit recommendations contained within this report.**

As required by the annual agreement between the City and the Chamber Board, the Bureau develops an annual action plan, outlining goals and objectives for the upcoming year. The plan is submitted to both the Advisory and Chamber boards, as well as City Council for approval. The action plan, however, does not extend beyond one year or use quantifiable performance measures to gauge the Bureau's progress in achieving stated goals and objectives. Furthermore, although the City's comprehensive plan references Bureau initiatives, the VCB has never been required to engage in a similar strategic planning process.

According to the Government Accounting Standards Board (GASB), the keys to any realistic plan are clear, specific goals, and objectives based on identified needs. Furthermore, GASB recommends that the strategic plan involve all interests, from the head of a local government (e.g., mayor) to front-line employees, as well as input from the customer (i.e., visitors). As recommended in *Strategic Planning for Nonprofit Organizations*, nonprofit organizations represent the public interest; therefore, garnering input from residents as well as visitors will ensure “public interest” is accounted for in the strategic planning process.

According to *Strategic Planning for Nonprofit Organizations*, the fundamental phases of the strategic planning process are usually presented as a logical series of phases and related steps that allow for flexibility and creativity. The phases and related steps are as follows:

1. **Determine Readiness:** To prepare for strategic planning, an organization must first assess whether it is ready for such an undertaking. The determination is typically based on whether the organization’s leaders are committed to the effort. Within this phase, planners should identify reasons for planning, chose the planning participants, and identify information necessary for the strategic planning process.
2. **Articulate Mission and Vision:** A mission statement must communicate the essence of an organization, succinctly explaining why the organization exists and what it seeks to accomplish. Although the VCB already has a mission statement, this phase suggests revisiting a pre-existing mission to ensure it accurately captures the organization’s intended purpose. While a mission statement articulates why an organization exists, a vision statement captures what organizational success should look like. Currently, the VCB does not have a vision statement.
3. **Assess the Environment:** Once an organization articulates its overarching purpose, it must gather up-to-date information about the organization’s strengths and weaknesses, as well as any external threats or opportunities. Within this phase, planners should gather input from stakeholders and identify the critical issues which need to be addressed via the strategic plan.
4. **Agree on Priorities:** Once the critical issues have been identified, planners should prioritize the organization’s problems. Strategies, goals, and objectives may emerge from individual initiative, group discussion, or formal decision-making techniques. The end result of this phase is an outline of the organization’s priorities: the general strategies, long-range goals, and specific objectives developed in response to each critical issue.

5. **Write the Strategic Plan:** With the prioritization of issues and the development of strategies, usually one member of the planning group begins to draft a coherent planning document to be reviewed by key decision-makers (e.g., board members). The end result is a concise description of where the organization is going, how it should get there, and why it needs to go that way.
6. **Implement the Strategic Plan:** With a written plan in place, the organization should ensure its strategic priorities align with its day-to-day operations (see **Recommendation 1**). The interface between the strategic directional thinking embodied in the strategic plan and daily work is an annual operating plan that defines short-term, concrete objectives. These short-term objectives should be measurable, tied to the operating budget, and ultimately lead to the achievement of long-term goals and objectives stipulated in the strategic plan. If developed in conjunction with a three-year strategic plan, the VCB's annual action plans could serve in place of annual operating plans.
7. **Monitor and Evaluate:** Many nonprofits use a three-year planning cycle, in which the strategic plan is completed with a three-year time horizon using annual operating plans to implement short-term objectives. At the end of years one and two, progress toward strategic priorities are assessed and adjusted as necessary, resulting in new operating plans. During year three, a renewed strategic planning process is undertaken. Monitoring and evaluation is contingent upon the organization's ability to measure progress via pre-established benchmarks and to be responsive to changes in the operating environment (e.g., decreased funding levels).

According to *Making Results-Based State Government Work*, the strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target. See **Recommendation 3** for more information on performance measurement. The VCB director indicated that reporting to three separate governing boards has been problematic, as the director often reports the same information to each board. A strategic plan will help facilitate communication between the VCB, Chamber and Advisory boards, City Council, and the public by providing overall direction for the Bureau's activities and operations.

3. **The VCB should develop a method to obtain, analyze, and report the results of performance. More specifically, the Bureau should develop performance measures, similar to those recommended by GASB and IACVB, to help gauge the VCB's progress in achieving its strategic priorities. The Bureau should also work with the Ohio Department of Travel and Tourism (ODTT) to obtain economic impact statistics for the City of Oxford, which can be used to generate return-on-investment calculations. The use and reporting of performance measures may increase VCB**

efficiency and effectiveness as they can be used to identify areas in need of improvement, adjust marketing strategies, and can be used as a basis for reallocating resources.

Currently, the Bureau does not have a formal process in place to determine the efficiency and effectiveness of its activities. Furthermore, goals and objectives contained within its annual action plan are not accompanied with specific, quantifiable performance measures. Although the VCB has conducted surveys to assess customer satisfaction levels with various events and regularly tracks the number of distributed informational brochures, this data is not used to develop specific benchmarks to measure VCB performance or progress in achieving stated goals or objectives. In its annual agreement with the Chamber Board, City Council requires the VCB to submit quarterly progress reports as well as an annual report detailing Bureau expenditures, activities, and accomplishments from the previous year. However, the VCB does not use performance measures and other formal benchmarks to report progress to its various governing boards.

According to GASB, once a government or department has set goals and objectives, it is necessary to determine some way to measure whether progress is being made toward achieving them, and whether such progress is being made in a reasonably efficient manner. In addition to measuring results, performance measures also allow an organization to judge process, production, and efficiency. Six common types of performance measures include the following:

- **Measures of Efforts (Inputs):** The financial and non-financial resources that are used in providing services or operating programs, including administrative, capital, and personnel costs.
- **Activity or Process Measures:** Such measures gauge the process or strategy used in providing a service. Normally used for internal management purposes, activity measures are used to evaluate the activity used to convert inputs (resources) to outputs. Typically, these measures enable an organization to determine whether there might be more efficient or effective ways of producing a desired output.
- **Output Measures:** The quantity of the service provided or the product of an organization's activities.
- **Service Quality Measures:** Also referred to as effectiveness measures, service quality measures evaluate the quality of the service, often in terms of timeliness and customer satisfaction.

- **Outcome Measures:** The results achieved from the outputs. Outcome measures can be used in different intervals, such as on initial, interim, and long-term bases.
- **Efficiency Measures:** Such measures evaluate how well resources are used. They are often expressed in terms of outputs versus inputs.

Athens County CVB uses a number of performance measures to evaluate its activities and to regularly report progress to stakeholders, including its board of trustees, Athens City Council, and the Athens Board of County Commissioners. At a cost of \$1,500, the director of Athens County CVB receives a report from the Ohio Division of Travel and Tourism (ODTT) that measures the economic impact of travel and tourism in Athens County. The report provides a number of county-wide statistics including the amount of visitor spending by category (e.g., lodging, food, recreation, etc.), the number of jobs in the travel and tourism industry, and State and local taxes generated from travel and tourism. Using the economic impact statistics, Athens County CVB can determine a number of return-on-investment measures. For example, for each \$1.00 invested by Athens County during 2002 in lodging tax, 8 people visited the County and \$605 re-entered the local economy as “visitor expenditures.” In addition to economic impact and return-on-investment measures, Athens County CVB distributes surveys to those who have requested information to determine reasons people visit the area (e.g., outdoor recreation), satisfaction levels with Athens County CVB service, and peak travel periods. According to the director, the results of these surveys help in determining how to best promote the area to visitors.

According to the IACVB, performance indicators most commonly used by convention and visitor bureaus include the following:

- Return-on-investment calculations;
- Hotel occupancy rates;
- Visitor expenditures;
- Economic impact;
- Inquiry tracking (e.g., number of visitor guides distributed);
- Number of visitors; and
- Visitor profiles (e.g. interests).

Without methods in place to track performance, the Bureau will have difficulty accurately gauging its efficiency and effectiveness in attracting visitors to the City of Oxford. Performance measures form a basis for management to plan, budget, and structure programs and control results. Establishing performance measures can help

ensure that the Bureau meets its strategic goals and objectives while fostering accountability for its activities. Finally, performance measures serve as a key management control by enabling the VCB's governing boards to easily evaluate the impact of the Bureau's operations.

4. **In conjunction with the Chamber, the VCB should develop a personnel policy and procedure manual (employee handbook) that formally stipulates management expectations regarding various administrative and human resource functions. Furthermore, the manual should be periodically updated and approved by the VCB's governing boards.**

Currently, the VCB does not maintain a personnel policy and procedure manual that communicates administrative work rules and other human resource policies. Although the Chamber Board has a personnel handbook that addresses discrimination, harassment, leave use, and compensation, the Bureau, which is considered a separate entity from the Chamber, has not developed its own manual. Without a comprehensive personnel policy and procedure manual, Bureau employees may not fully understand their administrative duties, rights, and responsibilities. Additionally, critical personnel processes, such as performance evaluations (see **Recommendation 5**), may be carried-out inconsistently if policies and procedures are not in place to govern such activities.

According to the Small Business Association and the Society for Human Resource Management (SHRM), the following key areas should be addressed in employee handbooks (i.e., personnel policy and procedure manuals):

- **Organizational Overview and Philosophy:** Introduces the organization by presenting its history, growth, strategic goals, ethics, and management philosophy (See **Recommendation 1**).
- **General Information:** Presents the organizational environment and includes policies and procedures geared toward new hires (e.g., smoking policy, work hours, or emergency procedures). May include items such as area maps, an organizational chart, and phone lists.
- **Legal Issues:** Includes an equal opportunity statement as well as policies and procedures that help mitigate potential legal issues for the organization. For example, this area of the employee handbook should address nepotism, drug screening, employer/employee rights, dress code, at-will statements, and required leave. A statement should also be included in this area that stipulates the employer's right to amend the handbook.

- **Employee Compensation and Benefits:** Includes information and policies and procedures on employee's salaries and wages, promotions, insurance, leave usage, employee assistance programs, retirement, holidays, vacation, flextime, orientation, and training.
- **Employee Responsibilities:** Provides management expectations via policy and procedures on a number of employee responsibilities including job performance and general conduct.
- **Performance Reviews:** Through policies and procedures, this area establishes a process to provide periodic, appropriate, and relevant feedback to employees regarding performance (see **Recommendation 5**).
- **Grievance Rights:** Provides the organization's process for handling employee grievances and appeals.
- **Termination:** Lists the just causes for which an employee may be terminated, including criminal activity, poor performance, dishonesty, security breaches, and insubordination.
- **Reader Acknowledgment:** To help protect the organization against claims of improper employee conduct and to minimize legal liability, the employee should be required to formally acknowledge receipt and understanding of the personnel policy and procedure manual.

Athens County CVB maintains a personnel policy and procedure manual for the expressed purpose of providing basic guidelines for employment. Additionally, the manual includes most areas recommended by SHRM and the Small Business Association. For example, the manual includes a section governing the performance evaluation process for the director and staff. Furthermore, SHRM recommends that the personnel manual be reviewed by the organization's legal counsel so that it does not inadvertently establish contractual obligations which inhibit organizational success. SHRM also recommends that personnel policies and procedures be reviewed annually to reflect changes in statute. Likewise, they should be closely tied to employee performance and accountability, be responsive to the realities of the labor market, and be compatible with an organization's strategic plan (see **Recommendation 2**). With an employee handbook in place, the VCB can ensure that personnel policies and procedures are uniform and communicated in a consistent manner. See **Recommendation 9** and **issues requiring further study** for more information on policies and procedures for members of oversight entities.

- 5. Under the VCB's current governing structure, the Chamber Board should implement a formal, annual performance evaluation process for the VCB director. The Chamber's bylaws should be amended to reflect the required evaluation, while the process should be formally articulated via policy and procedures and made part of the recommended employee handbook.**

The Chamber Board has not established a formal evaluation process to facilitate annual performance reviews of the VCB director. Although the Chamber Board conducted an informal six-month evaluation of the VCB director in 2003, the evaluation was not based on pre-established criteria specific to the director's job description, nor was the evaluation process governed by policy or procedure. Moreover, a written performance review was not provided to the director in advance of the evaluation session. Rather, the director was asked to prepare the written evaluation based on comments from the informal evaluation session. Finally, the director was not given an opportunity to provide feedback on the evaluation.

According to its bylaws, the Executive Committee of the Chamber Board is responsible for annually reviewing the performance of the Chamber director. However, the bylaws do not require similar reviews of the VCB director. Furthermore, because the VCB does not maintain a corresponding personnel policy and procedure in an employee handbook, evaluations are likely to occur inconsistently from year to year.

The Minnesota Council of Nonprofits (MCN) recommends that a nonprofit director be measured in relation to the position's job description. Also, the evaluation should occur annually and may cover the following activity areas:

- Staff relations;
- Administration;
- Planning;
- Leadership;
- Fiscal management;
- External public relations;
- Effectiveness in working with the governing board to fulfill the annual plan; and
- Effectiveness in helping the governing board achieve its own accountability and level of responsibility.

The Athens County CVB Board of Trustees has an established process to evaluate its director. This process is formally stipulated in the organization's personnel policy and procedure manual. Each board member provides a written evaluation of the director,

which is then compiled by a personnel committee. Once compiled, the board president discusses the evaluation and any recommendations for improvement with the director.

According to MCN, the type of evaluation that seems to work well for many nonprofit organizations is for the board president to circulate a questionnaire to all board members asking specific questions about the director's performance during the past year. The questionnaire can be based on a ranking system and include space for narrative comments. The board president can summarize the responses and provide the evaluation to the director; after which, the board president and director can establish performance objectives for the upcoming year. According to MCN, the specifics of the evaluation process should be determined by a personnel committee of the board, and the director should be informed of the process in advance. Additionally, the director should be afforded an opportunity to respond to the evaluation. MCN also asserts that, while performance reviews are sometimes avoided or done poorly, they represent opportunities to identify challenges in performance, reward the director, and strengthen the organization's overall administration. For Oxford, a formal evaluation process will increase accountability, facilitate consistency, and help improve the confidence, support, growth, and working relationship between the VCB director and the Chamber Board.

6. The VCB's governing boards should enhance the professional development opportunities for the director and staff through memberships with professional organizations. Such opportunities may include training, professional certifications, and subscriptions to various industry-related publications in travel and tourism.

According to OACVB's *2002 Membership Survey*, bureaus with similar budgets to that of the VCB maintain an average of 4.2 memberships in professional organizations like the Ohio Travel Association (OTA). The VCB is a member of only two regional organizations: Butler County and Greater Cincinnati Tourism councils. Due to the relative inexperience of the newly-hired director, the VCB has only joined the aforementioned professional organizations of which the previous director was a member.

According to IACVB's survey, *2001 Organizational and Financial Profile*, participating bureaus spend 1.8 percent on professional fees, 0.8 percent on dues and subscriptions, and 0.5 percent on training and development. Therefore, on average, a total of 3.1 percent of total expenditures was spent on professional development by participating bureaus. However, according to the VCB's 2002 annual report, only 0.7 percent (or approximately \$1,000) of total expenditures was spent on professional development.

Benefits of joining professional organizations within the travel and tourism industry include the following:

- **Training and Educational Opportunities:** Most professional organizations offer educational sessions, conferences, programs, and seminars that enable members to enhance their knowledge, skills, and abilities. For example, OACVB offers *Lodging Tax 101*, a course which specifically focuses on the primary revenue source for convention and visitor bureaus.
- **Certifications:** Professional organizations typically provide certification programs for members within the travel and tourism industry. IACVB offers two such programs: the Certified Destination Management Executive (CDME) program and the Professional in Destination Management (PDM) program.
- **Networking and Collaborating:** Professional organizations and their programs promote a continual exchange of information and insight among members, providing the invaluable opportunity to learn from others in the field.
- **Recent News, Laws, and Regulations:** Through newsletters and other communications, professional organizations keep members apprized of the latest news or legislative changes that have an impact on the travel and tourism industry.
- **Marketing Opportunities:** Professional organizations often have marketing programs in which members can collaborate, pool resources, achieve economies of scale, and market their destinations to a wider audience.
- **Research and Resources:** Several professional organizations offer topical publications, access to databases, and online forums providing a basis for research in the field of travel and tourism.

With increased support from the Bureau's governing boards, VCB personnel can improve their ability to develop professionally as members of travel and tourism associations. Correspondingly, the VCB can improve organizational efficiency and effectiveness by taking advantage of the various resources offered through professional associations. During the course of the performance audit, the Bureau became a member of OTA and expressed an interest in joining other professional associations.

Financial Implication: Costs associated with joining a professional association, such as OACVB, IACVB, or the Travel Industry Association of America (TIA), range from \$400 to \$750 annually, excluding initiation fees.

Oversight and Accountability

7. **To strengthen the Bureau’s internal control environment associated with the VCB operating as a separate entity within the Chamber, City Council should ensure the VCB director performs the Bureau’s in-house financial activities. Additionally, City Council should consider allowing the City’s Finance Department to assume oversight for the Bureau’s financial activities, perform some of the Bureau’s financial functions, or conduct regular audits of the VCB.**

Currently, the Chamber director performs the majority of in-house bookkeeping activities for both the Chamber and the VCB, while a local accounting firm conducts other financial activities for both entities (e.g., payroll, bank reconciliations, financial statements, and tax filing). The Chamber director performs in-house bookkeeping for the Bureau since the VCB director is relatively new to the position. However, the agreement between the City and the Chamber Board stipulates, “The Bureau shall keep complete and accurate records and accounts of financial transactions.”

The City’s Finance Department performs a number of financial activities including special assessments, accounting and finance data processing, budget preparation, purchasing, payroll administration, accounts payable, and financial reporting. As a preventative control, the Finance Department could assume oversight for the Bureau’s financial activities and help discourage financial errors or irregularities before they occur. Additionally, by performing some of the Bureau’s financial functions, City Council can be more assured that lodging tax revenue is solely spent on VCB operations.

Additionally, the Bureau does not have the means to formally assess risk and to identify and evaluate internal control weaknesses that could adversely affect the achievement of its mission. Moreover, the VCB operates in a high-risk environment, whereby public funds (i.e., lodging tax revenue) are susceptible to misappropriation or reporting errors as control of the Bureau is contracted to a private, nonprofit entity.

Although the VCB receives biannual financial audits from an independent public accountant pursuant to ORC § 117.11(C), the City has never audited the Bureau’s financial records even though the contract stipulates that the City has the right to examine and audit all such records at any time upon reasonable notice. The City’s Finance Department performs auditing functions and internal control assessments for other City departments. According to the American Institute of Certified Public Accountants (AICPA),

An internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Major internal control areas include budget management, payroll administration, procurement and disbursement, property management, and personnel (e.g., conflicts of interest). Most internal controls are classified as either preventive or detective. Preventive controls are designed to discourage errors or irregularities, while detective controls are designed to identify errors or irregularities after they have occurred. According to the Government Finance Officers Association (GFOA), a formal internal audit function is particularly valuable for agencies whose activities involve a higher degree of risk because they have been contracted to private vendors, similar to the VCB.

An effective internal audit function begins with a risk assessment process that identifies, analyzes, and manages the potential risks that could hinder or prevent the achievement of an organization's strategic objectives. Enabling the Finance Department to conduct regular audits of the VCB would help to identify internal control weaknesses inherent in the contractual relationship between the City and the Chamber Board. Not only would regular audits help to identify and mitigate risks associated with VCB operations, they would help to increase accountability, improve oversight, and foster trust between the City and the Chamber Board.

- 8. To ensure operational continuity, the Bureau should develop Standard Operating Procedures (SOPs) that formally articulate key VCB functions. Critical processes should be assessed, formalized and documented in the form of SOPs, similar to those developed within the City's major departments. Comprehensive and relevant SOPs can serve as a management control and help further define processes that involve both the Chamber and the VCB, such as bookkeeping functions.**

The Bureau currently operates without written procedures stipulating how certain functions should be performed. Most activities, including event planning and marketing, are performed without the aid of procedural guidelines. Without SOPs, both the City and the Chamber Board must rely on the institutional knowledge of the director and administrative assistant to effectively carry-out their duties and operate the VCB. Additionally, the administrative assistant is often required to perform tasks for both the Chamber and the VCB. With overlapping functions, the administrative assistant must report to both the VCB director and the Chamber director, which has caused some confusion in terms of reporting relationships and the delineation of duties between the entities. Furthermore, it was necessary for the VCB director, hired in early 2003, to learn the position's various functions without formal SOPs to follow.

The GFOA's, *Accounting Issues and Practices: A Guide for Smaller Governments* states that a policy and procedures manual can be a valuable tool in circumstances where a key employee is unexpectedly absent for an extended period of time. The manual can also be a tool for new staff and used for internal training purposes. According to the American Public Works Association (APWA), definitive guidelines should be provided to

employees to accomplish their assigned tasks. Procedures are usually written documents that outline exactly how something will be accomplished. Moreover, each of the major departments within the City of Oxford has its own formal procedures to guide a number of routine functions. For example, SOPs are in place to guide staff in processing utility payments and in processing building permits.

Routine functions within the following areas should be assessed, formalized, and documented in the form of SOPs:

- Planning;
- Budgetary process;
- Accounting (e.g., bank account reconciliation);
- Purchasing;
- Management reporting;
- Administrative activities;
- Personnel management;
- Quality control; and
- Statistical research and reporting.

SOPs will help ensure uniform and routine processes exist within the VCB in the absence of those staff members who maintain extensive institutional knowledge. Additionally, formalizing overlapping administrative functions in the form of SOPs could help define reporting relationships and help delineate the administrative assistant's duties between the VCB and the Chamber. Also, according to the annual contract between the City and the Chamber Board, the Chamber is required to establish operating procedures and assign duties in such a manner that lodging tax funds are spent solely on VCB operations. Finally, in accordance with the annual contract, the existence of SOPs may provide additional assurance that key processes are consistently executed and that shared functions between the VCB and Chamber are properly defined and approved by the various governing boards.

- 9. The Chamber Board in conjunction with Advisory Board members should amend its bylaws and include policies that formally stipulate the roles and responsibilities of the Advisory Board. Such policies will help establish the Advisory Board's span of control in relation to the Chamber Board's level of involvement with the Bureau.**

Although the annual agreement with City Council requires the Chamber Board to form an Advisory Board with corresponding rules of procedure and protocol, no rules have been established. Beyond requirements outlined in the annual agreement, the Advisory Board's

responsibilities have not been defined or formalized. Although both the Chamber Board and Advisory Board conduct monthly meetings, the Chamber Board oversees two entities while the Advisory Board is solely devoted to the VCB. Moreover, based on a review of the Chamber Board's meeting minutes, it appears that the majority of time is dedicated to the Chamber. Also, according to the VCB vice president, the Chamber Board does not have enough time to deal with issues for both entities; therefore, the Chamber Board relies heavily on the Advisory Board to handle VCB issues.

The Advisory Board is not only responsible for advisement, but is also responsible for governing activities. According to the annual agreement, the Advisory Board is responsible for approving the VCB's annual budget and action plan – activities usually performed by governing boards. See **Recommendation 11** for more information on available governance options. Without clearly defined policies that delineate the responsibilities between the boards, the VCB may receive duplicative or conflicting direction. Absent policies that define the role of the Advisory Board and articulate its level of oversight, the Advisory Board will continue to function without a clear purpose and agreed-upon operating procedures.

According to BoardSource (formerly known as the National Center for Nonprofit Boards), a governing board best practice organization, not every nonprofit has a need for an advisory body, but when one is created, it is important to plan carefully. The main purpose of advisory groups is to counsel and support the organization and its board. Also, it is important for advisory groups to have a structure that allows them to work effectively and to be a valuable resource to the governing board. BoardSource further notes that the bylaws of an organization can allow for their establishment and board policies can provide structure and description of their role. These policies can include the following:

- Member selection procedure;
- Limits on actions to avoid confusion with the governing board;
- Term limits for members;
- Coverage of members under the organization's indemnification clause; and
- Establishment of a formal relationship with the governing board.

By working with current Advisory Board members to develop board policies, the Chamber Board will ensure its bylaws accurately depict each board's respective duties and span of control in relation to the VCB. Because both boards perform governing activities, it is important that policies are in place to help eliminate duplication and unnecessary overlap. Finally, such policies will help strengthen VCB oversight and increase board accountability as oversight roles will be clearly defined.

- 10. The Chamber Board should reevaluate and clarify the VCB vice president’s duties which are formally stipulated in its bylaws. Moreover, the Chamber Board should develop a job description for the VCB vice president, specifying those supervisory and liaison activities for which the position is responsible.**

The Chamber Board has not developed position descriptions for its officers to clarify job expectations and duties. According to the Chamber Board’s bylaws, the VCB vice president is required to chair the VCB Advisory Board, serve as the Chamber Board’s liaison with the VCB, and directly supervise the VCB director. However, the bylaws do not specify how the VCB vice president is to fulfill the position’s supervisory and liaison responsibilities, nor is there a job description in place specifying these duties.

In practice, the vice president chairs Advisory Board meetings but does not directly supervise the VCB director. Furthermore, the vice president is a voting member and officer of the Chamber Board; however, the position’s role as a liaison is somewhat nullified as the VCB director is an ex-officio member of the Chamber Board. Additionally, because the various governing boards do not effectively communicate with one another, it is often necessary for the VCB director to serve as a liaison and mediate between the boards regarding Bureau issues. The VCB director also indicated that reporting to three separate governing boards has been problematic, as the director often reports the same information to each board. However, according to the Chamber Board’s bylaws, liaison responsibilities lie with the VCB vice president, not the VCB director.

According to John Carver, author of *Boards that Make a Difference*, “No single relationship in the organization is as important as that between the board and its chief executive officer.... That relationship, well conceived, can set the stage for effective governance and management.” MCN further asserts that, as a general rule in nonprofit organizations, the board’s primary responsibility is to govern while the employees’ primary responsibility is to implement and manage the program. Additionally, MCN indicates that in order for this “rule” to work effectively, each party in this relationship needs to understand its own responsibilities and those that fall in the other’s purview. Clear expectations for the board and the director need to be established and maintained, because a board that is overly active in management can inhibit the organization’s effectiveness. Finally, MCN recommends that board members have written job descriptions to clarify their roles and responsibilities.

Formalizing the vice president’s duties via job description will enable the Chamber Board to establish the position’s span of control in supervising the VCB director. Additionally, it will help clarify the position’s role in serving as a liaison between the Chamber and Advisory boards. Shifting liaison responsibilities to the VCB vice president would also allow the VCB director to spend more time marketing the City of Oxford to visitors (see **Recommendation 1**).

Governance Options

- 11. City Council should consider the effectiveness of current and alternative governing structures to oversee VCB operations. Regardless of which governing structure City Council chooses, the current governing entities should rectify the control issues identified throughout this report to improve budgetary and programmatic controls and increase the City’s level of confidence in the oversight of the VCB. Ultimately, the governing structure should facilitate the achievement of the Bureau’s mission, protect the public’s interest, and foster effective communication between the director and various oversight entities.**

Currently, the Bureau operates under the umbrella of a multi-tiered governing structure, which requires the VCB director to report to three separate entities: the Chamber Board, the Advisory Board, and City Council. Additionally, according to the annual agreement, all three entities are required to review and approve key documents, including: the annual report, annual financial statement, annual budget, and the action plan for the upcoming year. By establishing an advisory board with approval powers, City Council has created an additional governing board to oversee the VCB. With multiple layers of review, the VCB’s current governing structure often requires the Bureau director to act as an intermediary between the three entities. Furthermore, guidance from one governing body may be superseded by another, causing confusion and misdirection for the VCB. In all, the oversight ability of each of the governing bodies is diminished by the multiple layers and overly complex reporting relationships.

In August 2000, the Mayor of Oxford requested City Council to form a sub-committee to review the VCB’s governance structure. In addition to recommending that City Council maintain its current funding formula for the VCB and that it develop a vision, mission, goals, and objectives to guide Bureau operations (see **Recommendations 1 and 2**); the sub-committee recommended three governing options for City Council to consider. As provided by the City manager, below are the sub-committee’s recommended options along with reported issues associated with each. To assist City Council in determining the most appropriate structure, the options include additional considerations identified throughout the performance audit process.

- *Fold the VCB under the umbrella of the City* – According to the City manager, this option would eliminate any coordination problems between the governing boards but might create a rift with the business community. Additionally, this option would enable the City to gain complete control of VCB activities; however, the City may not be able to absorb the VCB without negatively impacting the ability to draw events or visitors to the City.

If City Council were to select this option, it should consider its current resources and its ability to support an additional department. For example, an additional department will create more work for the City's Human Resources and Finance departments. City Council will also need to consider any concerns of the Chamber Board in folding the VCB into City operations or in terminating its annual agreement with the Chamber Board. On the other hand, savings could be achieved as the Finance Department would assume the VCB's financial activities which are currently outsourced to a local accounting firm. The VCB's internal control environment would be strengthened as the Finance Department could perform regular risk assessments and audits of the Bureau. Finally, the VCB would be more closely positioned to the City's Economic Development Department, which may foster increased collaboration and partnering. According to IACVB's survey, *2001 Organizational and Financial Profile*, approximately 24 percent of participating bureaus are part of a government agency (e.g., municipality or county government).

- *Create an independent governing board, separate from both the Chamber and the City* – According to the City manager, this option appears to be in-line with the typical functions of a governing board; however, the accompanying advisory board should not serve in a governing capacity but should provide advice on the implementation of policies and goals set by the governing board (see **Recommendation 9**). Both the City and the Chamber would be represented on the independent governing board.

City Council could potentially experience some rift with the business community as control of the VCB would no longer rest with the Chamber Board. Although financial and operational risks would be reduced as the VCB would be predominantly independent from the Chamber, improved internal controls would still be necessary to ensure the appropriate use of the City's lodging tax (see **Recommendation 7**). Nevertheless, an independent governing board with representatives from both the City and the Chamber Board would improve coordination and communications as the VCB director would only be accountable to one entity. According to the IACVB survey, approximately 69 percent of VCBs operate as separate nonprofit agencies (e.g., 501(c)(3) or 501 (c)(6)).

- *Maintain the existing structure but with additional controls* – According to the City manager, this option may not resolve problems resulting from the absence of controls and oversight that currently exist. As activities that occur in Oxford reflect on City Council, this option limits the City's ability to directly influence VCB activities.

City Council would need to address the current communication problems that exist between the three governing entities. By maintaining the existing structure, City Council would likely avoid any discord with the Chamber Board. Also, by implementing the recommendations contained within this report, City Council can significantly enhance coordination and strengthen the internal control environment surrounding the VCB. For example, by developing formal policies to define the role of the Advisory Board, the Chamber Board will ensure its bylaws accurately depict each board's respective duties and span of control in relation to the VCB. According to the IACVB survey, 7 percent of VCBs operate as a division or separate entity within a chamber of commerce.

Although not identified by the sub-committee or within the IACVB survey, other governing structures available to City Council include the following:

- *Establish an independent governing board and outsource the VCB to a public relations firm* – Similar to Middletown CVB, City Council could establish an independent governing board that outsources bureau operations to a local public relations firm. This structure creates a separation of priorities between VCB operations and City Council; however, internal controls would be necessary to ensure lodging tax revenue is not misappropriated as day-to-day VCB activities would be performed by a private company.
- *Fully encompass VCB activities under Chamber direction* – Bowling Green CVB operates as a separate entity within the Chamber. However, unlike Oxford VCB, Bowling Green CVB operates without a director. Although this structure may improve coordination as only one part-time employee is dedicated to VCB activities and reports to the Chamber director, the structure necessitates a strong internal control environment.
- *Consolidate the VCB with the newly formed Butler County VCB* – Similar to the City of Athens, City Council could consolidate the Bureau with the newly established County VCB. Although the City would lose some control over how the lodging tax revenue is spent, with a larger budget, the Butler County VCB would be able to market both the County and Oxford to wider audiences. Furthermore, a consolidated bureau would have additional financial and personnel resources, offer a larger grant program to promote local events and to attract visitors (see **Recommendation 1**), and have easier access to performance-related information offered through ODTT (see **Recommendation 3**). The City of Hamilton is the only other municipality in Butler County that has its own VCB; therefore, countywide marketing and outreach practices would benefit the next largest city - Oxford. Moreover, similar to the City of Athens, City Council could

establish a contractual relationship stipulating its role in the governance of the consolidated bureau.

The City's sub-committee's recommendations were tabled due to the absence of a VCB director and because the Chamber proposed to correct a number of the issues found by the sub-committee. However, an examination of Chamber Board minutes and policies indicate that few of these corrections have been made. For example, the Chamber Board proposed to set aside an hour at each meeting, which would be solely dedicated to VCB issues; however, meeting minutes reveal that the majority of time continues to be dedicated to the Chamber. Furthermore, the Chamber Board proposed to develop procedures for the VCB director's evaluation. Although the Chamber Board conducted an informal six-month evaluation of the VCB director in 2003, the evaluation was not based on pre-established criteria specific to the director's job description nor was the evaluation process governed by policy or procedure (see **Recommendation 5**).

According to MCN, a nonprofit governing board acts on behalf of an organization's constituents, including service recipients (e.g., visitors), funders, members, the government, and taxpayers. Furthermore, a nonprofit governing board is responsible for the following:

- Establishing a clear organizational mission (see **Recommendation 1**);
- Forming the strategic plan to accomplish the mission (see **Recommendation 2**);
- Overseeing and evaluating the plan's success (see **Recommendation 3**);
- Hiring a competent director and providing adequate supervision and support to that individual;
- Ensuring financial solvency of the organization (see **Recommendation 7**);
- Interpreting and representing the community to the organization; and
- Instituting a fair system of policies and procedures for human resource management (see **Recommendation 4**).

In choosing the most appropriate VCB governing structure, City Council should collectively determine its preferred level of involvement with the Bureau and ensure the governing board can fulfill those responsibilities identified by MCN. Regardless of which governing structure City Council chooses, adequate controls should be in place to protect the public's interest regarding the expenditure of lodging tax revenue. Ultimately, City Council should ensure the governing structure facilitates the achievement of the Bureau's mission, protects the public's interest, and fosters effective communication between the director and various oversight entities.