



Prince William County, Virginia Internal Audit Report – Convention and Visitors Bureau

February 27, 2017



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TRANSMITTAL LETTER



February 27, 2017

The Audit Committee of
Prince William County, Virginia
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Pursuant to the internal audit plan for fiscal year (“FY”) 2016-17 for Prince William County, Virginia (“County” / “PWC”), approved by the Board of County Supervisors, we hereby present the internal audit of the Prince William County’s Convention and Visitors Bureau (“CVB”). We presented this draft report to the CVB Board of Directors on February 27, 2017 2017 (the draft report was, again, presented to the CVB Board on April 24, 2017 by the President/CEO of the CVB), and will be presenting the draft report to the Audit Committee of Prince William County at the next scheduled meeting on May 9, 2017.

Our report is organized into the following sections:

Executive Summary	This provides a summary of the results of the County’s CVB.
Background	This provides an overview of the CVB, their responsibilities with the Memorandum of Understanding (“MOU”), organizational structure, and funding.
Objectives and Approach	The internal audit objectives are expanded upon in this section as well as a review of the various phases of our approach.
Observations Matrix	This section gives a detailed description of the observations noted during our work and recommended actions, and Management’s response including responsible party, and estimated completion date.

We would like to thank the Prince William County’s Convention and Visitors Bureau and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

INTERNAL AUDITORS



EXECUTIVE SUMMARY

Background

Prince William County's Convention and Visitors Bureau is discretely presented component unit of the County and has a fiduciary duty to maintain and utilize County funds in the interest to promote tourism in PWC. The CVB entered into a Memorandum of Understanding with the County in 2009 and has been utilizing it to operate their organization. This document was approved by the Board of County Supervisors ("BOCS") on July 30, 2009. During the fall of 2016, the CVB Board of Directors and CVB Management participated in several strategic planning sessions and are working on finalizing a new strategic plan for the CVB.

The CVB is an organization constructed with three distinct divisions and overseen by a Board of Directors, which includes 15 appointed members. The CVB works with local businesses, domestic and foreign travel promoters and agencies, to bring awareness to PWC and to attract individual and group travel to visit and spend money within PWC. PWC utilizes a Transient Occupancy Tax ("TOT"). For fiscal year 2016, the CVB allocation was \$1,162,562 from the TOT tax. Based on our review of information provided by the CVB and the Historic Preservation division, information obtained from PWC and Virginia law, the CVB Board and County appear to be in compliance with the law as outlined in Virginia Code §58.1-3819.

Total expenditures of \$1,245,801 were for marketing, the visitor center, sales and administration for FY2016. Through various advertising, marketing and strategic planning activities, the CVB operates to promote the tourism business in PWC based on the following groups:

- Historic Buildings, Cities and Military Sites
- State Parks, Mountains and Battlefields
- Hotels, Restaurants, Breweries, and Wineries
- Local Attractions, Regional Events and Sporting Events

Objective and Scope

The objective of this internal audit was to evaluate the CVB's control environment, to analyze the TOT and to determine if the CVB has maintained compliance with the MOU as approved by the BOCS. This included reviewing and analyzing data of the CVB in the following areas of focus:

- Determine the extent to which the CVB complies with the MOU;
- Determine that records and documentation are sufficient to establish an audit trail for all transactions, when applicable;
- Determine if the TOT tax is in accordance with Virginia Code; and
- Determine that policies and procedures are documented and in place.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or 'brand' risk.

Summary of Observation Ratings

(See page 13 for risk rating definitions)

	High	Moderate	Low
CVB Internal Audit	3	4	1



EXECUTIVE SUMMARY - CONTINUED

Observation Summary

There were nine observations that were identified during our internal audit and testing of the CVB organization. Below is a listing of the observations that were identified. Detailed observations are included in the observations matrix section of the report.

Summary of Observations	
Observations	Rating
1. Governance	High
2. Memorandum of Understanding	High
3. Finance and Accounting	High
4. Visitor Center	Moderate
5. Maintaining and Use of TOT & Non-TOT Revenue	Moderate
6. Purchasing Guidelines	Moderate
7. Monitoring and Evaluation of Contractors	Moderate
8. Contributions of Goods and Services - Conflicts of Interest	Low



BACKGROUND

Through the BOCS, the CVB has been working to improve the tourism industry within PWC. The CVB follows the rules and regulations set forth by the Bylaws and the MOU, which are approved by the BOCS. These official documents set the tone for how the CVB is structured, organized and operated.

“The mission of the Prince William County/Manassas Convention and Visitors Bureau is to market, promote and develop Prince William County and Manassas as a tourism, leisure and corporate destination, thereby stimulating economic growth and improving the quality of life for our community’s citizens, businesses and visitors”.

The CVB is considered an discretely presented component unit of the County as a 501(c)(6) organization. The 501(c)(6) designation, which is considered a non-profit in the Internal Revenue Code, provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues, which are not organized for profit and direct their efforts at promoting the common economic interests of all commercial enterprises in a trade or community. The CVB has a fiduciary duty to maintain and use the County’s funds to promote tourism in PWC per the MOU. The CVB utilizes the funds to produce localized print and online digital advertising material to promote and develop targeted strategies to bring visitors to PWC. Other methods are utilized such as hosting events, finding joint marketing opportunities and assisting in the creation of individual/group travel packages. Through the established advertising, marketing and strategy plans, the organization works toward these goals with their local community.

CVB Board of Directors

The CVB’s Bylaws were approved by the BOCS on June 4, 2013. Per the Bylaws, *“the CVB is to be governed by a Board of Directors consisting of 15 persons appointed by the Board of County Supervisors of PWC. According to the Bylaws the following members shall be appointed to the CVB’s Board of Directors.”*

- Eight members shall be appointed by the Board of County Supervisors with the Chairman At-Large having one appointment;
- One person shall be appointed to represent the tourism industry in the City of Manassas;
- The Historic Preservation Division Chief of the Prince William County Department of Public Works;
- One person representing the Prince William County Parks and Recreation Department;
- One person representing the Prince William County Economic Development;
- The Communications Director of Prince William County; and
- Up to two members appointed by recommendation of the CVB Board of Directors from hotels, restaurants, retailers, sports, entertainment, recreation or others in the tourism industry.

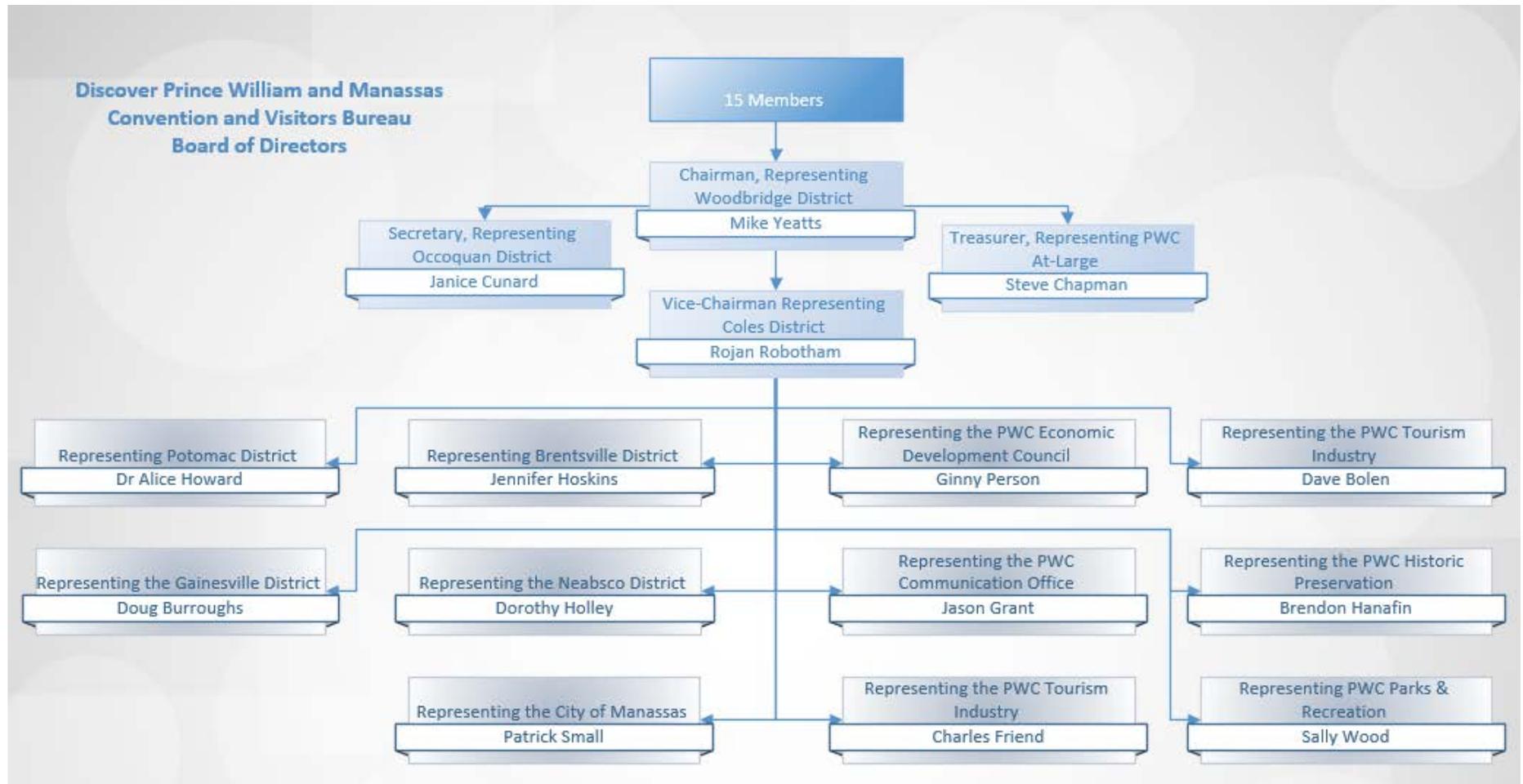
Through our preliminary background research we found 15 members as shown in the organization chart on the following page. The two additional members are described as “Representing the PWC Tourism Industry”. The Bylaws state that the CVB Board of Directors shall have sufficient specialized education and experience, as well as demonstrated interest, in one or more of the following tourism industry sectors in PWC or the City of Manassas:

Areas of Expertise		
Museums	Battlefields or Historic Sites	Tourism Marketing
Hotels	Retail Establishments	Events Management
Restaurants	Entertainment Venues	Travel
Art groups	George Mason University School of Tourism	Hylton Center of Performing Arts



BACKGROUND - CONTINUED

Board of Directors Organizational Chart





BACKGROUND - CONTINUED

Convention and Visitor Bureau

The CVB has the job of attracting tourism to PWC in accordance with the Bylaws and MOU set forth by the BOCS. Along with the CVB Board of Directors, the CVB as an independent contractor works to meet the goals set forth by the BOCS. Refer to the organizational chart on the following page for the CVB. The CVB consists of the following three departments:

- Administration – 4 Staff
- Marketing & Communication – 5 Staff
- Sales – 2 Staff

The CVB is also tasked with providing regular updates to the CVB Board of Directors and to the BOCS. Quarterly performance updates are presented to both the CVB Board of Directors and BOCS, as well as an annual reporting package that is used in the annual budget. The CVB provides performance measures that are reported to the CVB Board of Directors and to the BOCS. These performance measures include the following information to align with the CVB's goals within the marketing and advertising plans.

Key Metrics	
Annual Increase in TOT Revenue Collected	Average Daily Room Rate (ADR)
Hotel Occupancy Rate	Revenue per available room (RevPar)

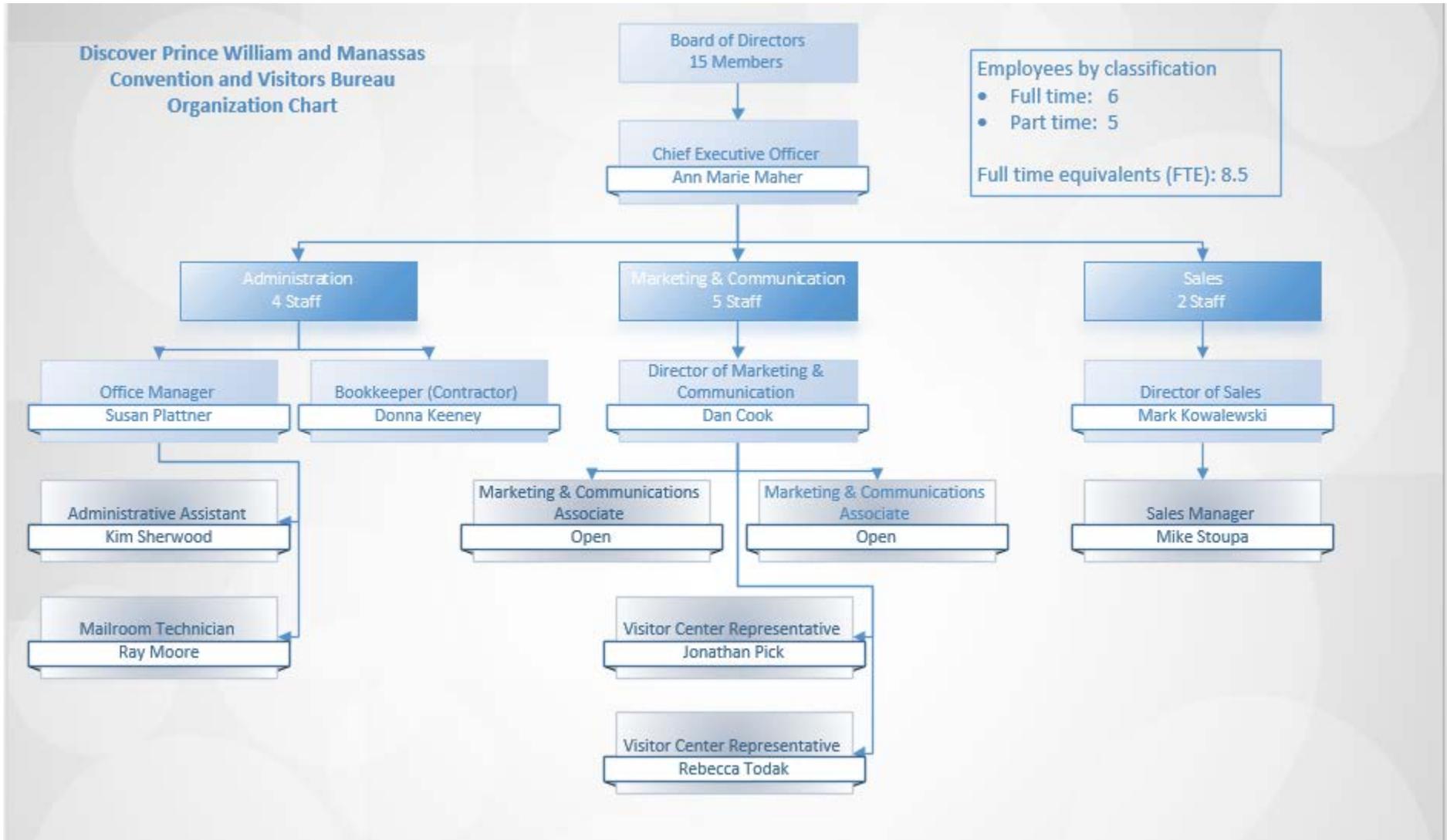
Program Activities and Workload Measures	
PWC TOT collected	Room Nights
PWC/Manassas CVB Budget Allocation	Overnight RFP / Leads
Inquiries	Day Trip RFP / Leads
Visitor Services / Interactions	Planner Interaction
Visits to attractions / historic sites	PR Stories Generated
Unique website visitors	Electronic Marketing Impressions
Group RFP / Leads	Social media (New Followers)





BACKGROUND - CONTINUED

CVB Organizational Chart





BACKGROUND - CONTINUED

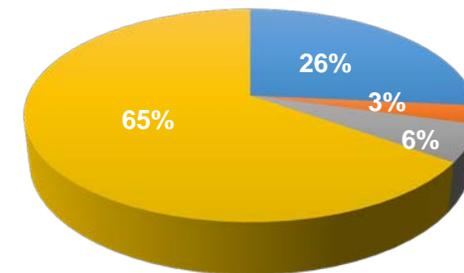
Financial Overview

The CVB has four main categories of expenses which include marketing, the visitor center, sales and administration. Within each expense category, there are more detailed expense line items that were rolled up for the budget matrix provided below. The CVB receives funds from the BOCS two times per year and from the City of Manassas four times per year (\$65,000 in FY2016). The remaining income is derived from interest and co-op advertising, grants, and partner participation fees. The BOCS approves the CVB budget annually.

Convention and Visitor Bureau FY2016 Budget													
Account	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	2016 Total
Total Revenue	\$ 606,876	\$ 225	\$ 225	\$ 16,475	\$ 225	\$ 225	\$ 606,876	\$ 225	\$ 225	\$ 16,475	\$ 225	\$ 225	\$ 1,248,501
Total Marketing	17,739	17,464	54,089	31,089	13,129	43,004	9,489	14,089	64,889	14,639	25,189	25,144	329,953
Total Visitor Center	1,615	1,810	6,870	2,150	1,395	3,375	2,120	3,210	3,935	1,955	2,890	3,210	34,535
Total Sales	800	375	13,525	3,400	2,350	11,075	3,210	2,030	12,200	3,250	3,150	13,725	69,090
General Administration	13,304	27,228	16,983	11,728	12,578	11,983	18,334	13,277	18,383	11,168	12,353	21,233	188,556
Wages/Benefits	49,171	48,876	70,452	48,506	49,101	49,221	48,376	48,688	66,955	48,701	47,796	47,826	623,667
Total Administration	62,475	76,104	87,435	60,234	61,679	61,204	66,710	61,965	85,338	59,869	60,149	69,059	812,223
Total Expenses	82,629	95,753	161,919	96,873	78,553	118,658	81,529	81,294	166,362	79,713	91,378	111,138	1,245,801
Net Income	524,247	(95,528)	(161,694)	(80,398)	(78,328)	(118,433)	525,346	(81,069)	(166,137)	(63,238)	(91,153)	(110,913)	2,700

The CVB is budgeted to utilize 99.8% of their yearly budget of \$1,248,501, and will have \$2,700 remaining at the end of the fiscal year. As shown in the matrix and pie chart, the CVB is projected to spend 65% or \$812,223 of its yearly budget in administration, 26% or \$329,953 in marketing, 6% or \$69,090 in sales and 3% or \$34,535 in the Visitor Center. The information provided above is extracted from the CVB approved budget report provided by the CVB Chief Executive Officer (CEO).

CVB - 2016 Expenditures



■ Total Marketing ■ Total Visitor Center ■ Total Sales ■ Total Administration



BACKGROUND - CONTINUED

Transient Occupancy Tax Allocation

Virginia Code §58.1-3819 states that a County can issue a TOT tax not to exceed 5% and that any amount over 2% has to be expended specifically to “*tourism and travel, marketing of tourism or initiatives that are determined after consultation with the local tourism industry organizations, including representatives of lodging properties located in the county, attract travelers to the locality, increase occupancy at lodging properties, and generate tourism revenue in the locality.*”

Through our testing we noted PWC levies a TOT of 5% of the amount charged for the occupancy of hotels, motels, boarding houses, travel campgrounds and other facilities offering guest rooms rented out for continuous occupancy for fewer than 30 consecutive days. This tax is remitted directly to the County on a monthly basis by the PWC hotels that collect the tax. The fiscal year 2016 PWC Adopted Budget estimates the total TOT to be \$3,972,500. This budgeted amount is based on the estimated number of hotel rooms in the County, occupancy rates and room rates. The 3% of the TOT attributable to tourism and travel in the fiscal year of 2016 was in the amount of \$2,383,500. The remaining 2%, or approximately \$1,589,000, goes to the County’s general revenue fund, as approved by the BOCS.

The BOCS allocates the tourism and travel portion of the revenue between the following: 48% to Public Works Department – Historic Preservation (FY2016 amount was \$1,153,988); 3% to Community Partners (FY2016 amount was \$66,950); and 49% to the CVB (FY2016 amount was \$1,162,562).

FY2016 TOT Allocation	
Total TOT Revenue	\$3,972,500
General Revenue Fund	1,589,000
Tourism & Travel	2,383,500
Tourism & Travel	\$2,383,500
Convention & Visitors Bureau	1,162,562
Historic Preservation	1,153,988
Community Partners	66,950



BACKGROUND - CONTINUED

Transient Occupancy Tax Allocation - continued

Convention & Visitors Bureau – The two matrices to the right highlight the Key Measure and Program Activities and Workload Measures presented by the CVB as part of the PWC fiscal year 2017 Budget. Key measures identify occupancy rates, or the ratio of rented hotel rooms compared to the total amount of available rooms; average daily rate (ADR), or the average income per paid occupied room; and revenue per room (REVPAR), which is ADR multiplied by the occupancy rate. These are standard hospitality industry metrics to measure productivity and used by the CVB to measure travelers attracted to the locality, occupancy at lodging properties, as defined by the TOT. Program activities and workload measures show specific activities performed by the CVB or measure of overall productivity by CVB activities that help meet the requirement of the TOT.

Key Measures	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Adopted
Annual increase in Transient Occupancy Tax revenue collected	8%	(13%)	7%	10%
Transient Occupancy Tax revenue collected	\$3,498,440	\$3,096,400	\$3,303,757	\$3,972,500
Hotel occupancy rate	63%	59%	64%	62%
Average Daily Room (ADR) rate	\$85	\$81	\$82	\$85
Revenue per room (REVPAR)	\$53	\$48	\$53	\$53

Program Activities & Workload Measures (Dollar amounts expressed in thousands)	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Adopted
PWC/Manassas Convention & Visitors Bureau	\$1,029	\$1,099	\$1,212	\$1,163
Inquiries	88,158	54,850	77,749	75,000
Visitor services/interactions	23,924	18,678	23,566	23,500
Visits to attractions/historic sites	2.9M	3.0M	3.2M	3.3M
Unique website visitors	—	163,267	143,769	150,000
Group requests for proposals (RFPs)/leads	—	83	113	—
Room nights	—	7,927	7,268	—
Overnight RFPs/leads	—	40	58	—
Day trip RFPs/leads	—	43	55	—
Planner interactions	—	649	1,183	—
Public relations stories generated	—	144	153	—
Electronic marketing impressions	—	529,260	635,441	—
New social media followers	—	2,059	4,317	—



BACKGROUND - CONTINUED

Transient Occupancy Tax Allocation - continued

Historic Preservation - In the chart below, we highlight that Historic Preservation has maintained programs and services at their sites. In fiscal year 2012 there were 1,076 tourist programs and the number of programs has fluctuated over the years with 1,200 in fiscal year 2016. Another factor measured was the amount of visitors the Historic sites generated. Based on the information obtained, the Historic sites generated 45,357 visits in 2013 and increased to 92,046 in 2016. PWC's Public Works Department - Historic Preservation division has approximately 170 current work orders open in fiscal year 2016 and three Construction, Restoration and Renovation projects, which have been open and in process since fiscal year 2014. The Historic Preservation Key Metrics as reported in the Adopted Budgets are as follows:

Historic Preservation Key Metrics				
Key Metric	FY2013	FY2014	FY2015	FY2016
Preservation costs	623,000	670,000	373,000	393,000
Management & Events Programming	814,000	782,000	622,000	609,000
Maintenance & Construction	-	-	477,000	417,000
Programs at Historic Sites	1,076	1,212	768	1,200
Visitors to Historic Sites	45,357	53,708	70,892	92,046
Work Orders for Historic Sites	-	172	137	170
Construction, Restoration and Renovation projects	-	4	3	3

Based on our review of information provided by the CVB and the Historic Preservation Division, information obtained from PWC and Virginia Code, the CVB Board and County appear to be in compliance with the law as outlined in Virginia Code §58.1-3819. Both entities should continue to review existing methods of capturing visitor data, including program attendance data, visitor log books and customer surveys linked to their respective activities.



OBJECTIVES AND APPROACH

Objectives

The objective of this internal audit was to evaluate the CVB's control environment, analyze TOT and determine if the CVB has maintained compliance with the MOU as approved by the BOCS. This included reviewing and analyzing data of the CVB in the following areas of focus:

- Determine the extent to which the CVB complies with the MOU;
- Determine that records and documentation are sufficient to establish an audit trail for all transactions, when applicable;
- Determine if the TOT tax is in accordance with Virginia Code; and
- Determine if policies and procedures are properly documented and implemented.

Approach

We conducted interviews with the appropriate CVB and County representatives to discuss the scope and objectives of this audit. During our discussions, we obtained preliminary data and established working arrangements. We reviewed key performance indicators and obtained applicable statistics, financial statements and any other documents deemed necessary. Our approach consisted of the following phases:

- Gain an understanding;
- Detailed analysis and testing;
- Board of Director surveys; and
- Reporting.

We surveyed the CVB Board of Directors and have attached the results in Appendix A of this report. Furthermore, we met with CVB's strategic consultant to gain his input on the tourism market and his assessment on the CVB organization. Lastly, we reviewed the 2009 MOU between the CVB and the County by analyzing and testing the data and their compliance. Through our understanding and review of the 2009 MOU, we gathered sufficient evidence to support the CVB's compliance with each section of the MOU. These results were broken down into three categories including: "Pass", "Opportunity for Improvement", or "Fail". There were 55 total sections of the MOU with nine not being tested for compliance due to the low level of risk associated with these sections. With the remaining 46 sections, there was 28 sections that passed, 13 sections that were flagged as opportunities for improvement and 5 that failed. All results are included in the detailed observations.



OBJECTIVES AND APPROACH - CONTINUED

Reporting

We conducted an exit meeting with the CEO of the CVB to review the results and draft report. We conducted an exit conference with the County Executive and presented the draft report to the CVB Board on February 27, 2017 (the draft report was, again, presented to the CVB Board on April 24, 2017 by the President/CEO of the CVB).

Provided below is the observation risk rating definitions for the detailed observations starting on the following page.

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.



OBSERVATIONS MATRIX

Observation	1. Governance
High	<p>Governance is essential to every organization and when well defined in its mission and goals, coupled with a strong corporate policy and effective communications, the organization will likely be more successful in accomplishing its objectives. In contrast, organizations that lack a clear mission and have poor communication seem to have much more difficulty in achieving even the simplest task. Deep political division, ranging from employees to members of the board, can be a strong indication that the organization's future is in jeopardy. We noted the following with regards to CVB governance:</p> <p><i>Board Makeup</i> - The CVB is made up of a 100% appointed Board of Directors. While, this is consistent with the neighboring jurisdiction, Fairfax County, best practices show that too many appointed members can create inefficiencies. Our research found that boards that are over 75% appointed are ineffective. Additionally, through the survey conducted with the CVB Board of Directors we asked "Do you think the Board has the makeup and knowledge to be able to be effective?" Only 33% of the responses indicated "yes," while 25% said "no" and the remaining 42% said "it depends on the situation." Some of the comments that were expressed included "the board members do not always attend meetings", "the board members never speak out or volunteer during a meeting" and "members push their own agenda and fail to work as a team".</p> <p><i>Experience and Expertise</i> - Through our survey with the Board of Directors, we gathered information on the experience and expertise of the Board. We noted that the current CVB Board of Directors' experience does not align with the experience required by the Bylaws. This creates a risk of Board ineffectiveness.</p> <p><i>Procedure</i> - The CVB Board of Directors has gaps in the approval process of their Board Meeting minutes. The CVB Board of Directors follows Robert's Rules of Order. Per the guidelines set forth from the <i>Adjournment and Signing the Minute's</i> Section, "the last item on the minutes is the signature and title of the person who took the minutes, usually the Secretary. The President may also sign if it is customary or desired by the organization." We found several instances where there was no evidence of proper approval of the Board Meeting minutes; although minutes were voted on and approved.</p>



OBSERVATIONS MATRIX – CONTINUED

Observation	1. Governance – continued
Recommendation	<p>For the CVB to be an effective organization, it is important that the size and member makeup of the CVB Board of Directors is appropriate. The BOCS, in concert with the CVB Board and management, need to consider the following:</p> <ul style="list-style-type: none">• Limiting the number of appointments and seeking out professionals within the Community with the necessary desire, experience and expertise as set forth by the CVB Bylaws to make the CVB succeed; and• Set forth processes to follow Robert's Rule of Order to appropriately document and approve the minutes.
Management's Action Plan	<p>Response: Complete a thorough review of CVB By-laws, Policies and Procedures, including CVB Board make-up/composition, and make amendment recommendations to County.</p> <p>Responsible Party: CVB Board of Directors</p> <p>Estimated Completion Date: August 27, 2017</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	2. Memorandum of Understanding
<p style="text-align: center;">High</p>	<p>The CVB's Memorandum of Understanding approved on July 30, 2009, per Resolution No. 09-599, is the approved document by the BOCS that was placed into service to govern the CVB on how business is conducted. This document has several instances relating to the structure and context of the sections covered that could lead to a misunderstanding between the CVB and the BOCS. The MOU has not been amended or extended past its expiration on July 30, 2014, and the CVB Board of Directors has failed to maintain proper modification of the document. Specifically, both the Fulfillment and Cooperative Marketing Grants business processes have significantly changed and do not align with the MOU. Furthermore, Personnel and Internet Link are structured to allow for misinterpretations of the MOU and lastly, Exhibit B and Exhibit D were not attached to the MOU but referenced throughout the document. There is currently a new version of the MOU in draft, which the CVB and the CVB Board of Directors are in the process of composing. An inadequate MOU could create gaps in expectations regarding roles and responsibilities.</p>
<p>Recommendation</p>	<p>The current draft of the CVB MOU should outline the expectations, roles and responsibilities are clearly stated to avoid misinterpretations. Additionally, all sections should be applicable to the current business processes. The draft MOU should be reviewed in detail by general counsel.</p>
<p>Management's Action Plan</p>	<p>Response: The CVB Board's MOU Review Committee to complete draft MOU, CVB Board to vote and approve draft then engage with County staff and general counsel for review.</p> <p>Responsible Party: CVB Board of Directors</p> <p>Estimated Completion Date: April 25, 2017</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	3. Finance and Accounting
<p style="text-align: center;">High</p>	<p>While we found sufficient records and documentation to establish an audit trail and noted no instances of accounting errors, we did identify the following observations that pertained to the CVB's finance and accounting processes.</p> <p>The CVB utilizes the same accounting firm to prepare their year-end financial statements and perform the annual external audit. Thus, they are placing reliance on an external party to compile and provide the necessary financial disclosures. Having the same external firm prepare the financial statements and audit them could lead to lack of independence between the external firm and the CVB or at a minimum the perception of an independence issue.</p> <p>In addition, CVB lacks expertise in financial accounting and reporting. There is a need for improved understanding and interpretation by the CVB Board and staff of the CVB's established reporting functions. It is important to have sufficient knowledge of the financial reporting systems and functions to reduce the possibility of errors and irregularities, provide reliable reporting, and maintain operations. While we did verify that a "Treasurer's Report" was approved as part of the Consent Agenda Items in the CVB Board meeting minutes, we did not see consistent reporting from the Finance Committee or periodic financial updates to the full Board.</p>
<p>Recommendation</p>	<p>For stronger independence, both in fact and appearance, we recommend that the CVB have their current firm either prepare the financial statements or perform the external audit. These functions should be completed by separate entities. As part of evaluating board makeup noted in observation #1, the CVB Board should consider including a member with financial expertise to review, monitor and comprehend financial data.</p> <p>By implementing these recommendations, the CVB will improve their accounting and finance knowledge for decision making and improve the organizational structure of the CVB, as well as remove any potential independence concerns.</p>
<p>Management's Action Plan</p>	<p>Response: CVB to engage with separate independent accountants, one to complete CVB year-end financials / disclosures and the other to complete the CVB's annual financial audit and IRS Form 990 preparation.</p> <p>Responsible Party: President/CEO</p> <p>Estimated Completion Date: Begin process immediately. Complete by June 30, 2017</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	4. Visitor Center																														
<p>Moderate</p>	<p>The CVB Visitor Center in Occoquan, leased from the Town of Occoquan, has been a topic of interest between the CVB and the CVB Board of Directors during the last two fiscal years. While the Visitor Center is currently open, there has been discussions about closing down its operations. The June 2015 CVB Board Meeting minutes document the last scheduled day of the Visitor Center operations was scheduled for August 2, 2015. However, due to local efforts and support in favor of the Visitor Center, the Visitor Center is still open for business as of the date of this report. Below you will find a matrix of the Visitor Center's expenditures for fiscal year 2016 and yearly Visitor Center visits:</p> <table border="1" data-bbox="583 594 1184 980"> <thead> <tr> <th colspan="2">Visitor Center Expenditures</th> </tr> <tr> <th>Key Metric</th> <th>FY2016</th> </tr> </thead> <tbody> <tr> <td>Utilities/Maintenance/Janitor</td> <td>\$ 12,920</td> </tr> <tr> <td>VC Supplies/Expenses</td> <td>2,900</td> </tr> <tr> <td>Conference Reg/Training Costs</td> <td>-</td> </tr> <tr> <td>Travel/Meals/Mileage</td> <td>1,200</td> </tr> <tr> <td>Wages/Compensation-VC</td> <td>16,175</td> </tr> <tr> <td>Payroll Taxes-VC</td> <td>1,340</td> </tr> <tr> <td>Total Expenditures</td> <td>\$ 34,535</td> </tr> </tbody> </table> <table border="1" data-bbox="1362 594 1753 850"> <thead> <tr> <th colspan="2">Visitor Center Visits</th> </tr> <tr> <th>Fiscal Year</th> <th>Visits</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>23,924</td> </tr> <tr> <td>2014</td> <td>18,678</td> </tr> <tr> <td>2015</td> <td>23,566</td> </tr> <tr> <td>2016</td> <td>23,349</td> </tr> </tbody> </table> <p>Per our research, a static Visitor Center does not align with the current industry trends. Current technology allows potential visitors to obtain sufficient information to properly plan their trip and learn about PWC through the internet. The current Visitor Center brought in 23,500 people in fiscal year 2016. Current industry trends show that mobile marketing and advertising, and pushing awareness out of market and County will help grow the tourism industry for PWC. The CVB's objective is to promote tourism in PWC and a static Visitor Center potentially has limited range and functionality in attracting potential visitors into the County.</p>	Visitor Center Expenditures		Key Metric	FY2016	Utilities/Maintenance/Janitor	\$ 12,920	VC Supplies/Expenses	2,900	Conference Reg/Training Costs	-	Travel/Meals/Mileage	1,200	Wages/Compensation-VC	16,175	Payroll Taxes-VC	1,340	Total Expenditures	\$ 34,535	Visitor Center Visits		Fiscal Year	Visits	2013	23,924	2014	18,678	2015	23,566	2016	23,349
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<p>Recommendation</p>	<p>The BOCS together with the CVB Board and Management should consider the long term sustainability of the Occoquan Visitor Center, and how the Visitor Center's mission and strategy aligns with the responsibility of the CVB. This includes measuring the amount of return on investment relative to the expenditures and the consideration of other opportunities available with a higher return on investment.</p>																														
<p>Management's Action Plan</p>	<p>Response: CVB to monitor Visitor Center usage, maintenance and metrics and keep open discussions with BOCS pertaining to the alignment of Visitor Center operations to CVB responsibilities, mission and strategy.</p> <p>Responsible Party: CVB Board of Directors</p> <p>Estimated Completion Date: To coincide with CVB's FY17 Annual Report. Complete by November 27, 2017</p>																														



OBSERVATIONS MATRIX - CONTINUED

Observation	5. Maintaining and Use of TOT & Non-TOT Revenue
Moderate	As required by the MOU, the CVB is required to maintain their funds received by the County for daily operations in separate accounts. The CVB currently has a money market account and an operations account. The money market account holds all funds from the County and transfers are made to the operating account when the funds are needed for use. The money market account makes no payments for expenditures. The CVB's operating account is for all daily expenditures, as well as for any non-reimbursable expenses. Non-reimbursable expenses, per the MOU, are required to be maintained in a separate account from the operating account. Therefore, the CVB does not comply the requirements as set forth in the MOU.
Recommendation	To comply with the requirements set forth by the MOU, the CVB should open and maintain the necessary accounts in accordance with the procedures set forth by the MOU. This will allow the CVB to be in full compliance as outlined in the MOU and to establish sound financial management and accountability.
Management's Action Plan	<p>Response: CVB will assess financial implications of opening a new separate bank account for non-TOT revenue and work with County Finance/Accounting Departments to make recommendation on next steps.</p> <p>Responsible Party: CVB Staff</p> <p>Estimated Completion Date: Begin process immediately. Complete and implement by June 30, 2017 (with start of FY2018)</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	6. Purchasing Guidelines
<p>Moderate</p>	<p>As required by the MOU, the CVB is required to maintain all contracts in accordance with the Purchasing Guidelines set forth in the MOU. While there is a specific section of the MOU for these guidelines, we found that purchasing guidelines were not included as part of the executed agreement. We did obtain guidelines directly from the CVB, which outlined all procedures that the CVB shall maintain for efficient purchasing standards, but we were not able to verify these were agreed upon between the CVB and the BOCS. One particular section of the Purchasing Guidelines, Section 100.5 (c), outlines the specific provisions for terms of each contract required by the County. The CVB has failed to adhere to these requirements within the contracts we reviewed. Failure to comply with purchasing guidelines set forth by the County could create legal risk to the CVB.</p>
<p>Recommendation</p>	<p>The CVB should ensure that all contracts are reviewed by an attorney to ensure that each section of the County's Purchasing Guidelines, Section 100.5 (c), are strictly followed. This will allow for all requirements set forth by the BOCS and the CVB to be maintained in full compliance and strengthen the contracts with potential vendors/contractors with which the CVB does business.</p>
<p>Management's Action Plan</p>	<p>Response: CVB Board to review purchasing guidelines and make recommendation in conjunction with County Attorney to ensure attorney contract review policy compliance.</p> <p>Responsible Party: CVB Board of Directors and Legal Counsel</p> <p>Estimated Completion Date: November 27, 2017</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	7. Monitoring & Evaluating of Contractors
Moderate	As required by the MOU, each contractor is required to provide a monthly report of duties performed and services provided to allow the CVB to adequately monitor and evaluate performance. Proper monitoring of all independent contractors by the CVB would assure the continued satisfactory performance of all contractors. The CVB has failed to provide sufficient monitoring and evaluation of contractor performance during the fiscal years of 2012-2016. The CVB has stated that contractor performance is based off the determination and expectations of the contract written. Tasks completed are noted within the invoices received by the CVB each month. However, as stated in Observation # 6, contract content standards are not up to minimum requirements.
Recommendation	The CVB should establish and obtain a specific level of detail from independent contractors to allow for sufficient on-going monitoring and evaluation. Once these procedures are in place, it will allow the CVB to work more effectively and balance the needs of the organization in a more efficient manner.
Management's Action Plan	<p>Response: CVB to explore and implement best industry practices for monthly monitoring, evaluating and recording of independent contractor deliverables.</p> <p>Responsible Party: CVB Staff</p> <p>Estimated Completion Date: November 27, 2017</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	8. Contributions of Goods and Services - Conflicts of Interest
<p style="text-align: center;">Low</p>	<p>The CVB receives periodic contributions of goods and services. These services can vary from a small gift to donation of space to conduct meetings. Companies or individuals are required to submit monthly contribution forms for any 'in-kind' donations.</p> <p>The CVB has several procedures in place to maintain the requirements in relation to the MOU regarding contribution of goods and services. They currently have an in-kind donation form completed each month by their employees as well as an employee handbook, which details proper requirements to follow.</p> <p>However, the CVB does not maintain updated records of potential conflicts of interests as it relates to their personnel. This lack of monitoring could create potential issues moving forward, as business relationships change and an individual who was once free of any potential conflicts of interest, may now have conflicts to report.</p>
<p>Recommendation</p>	<p>The CVB should strengthen their current procedures. The CVB should maintain yearly monitoring and records of each employee in relation to conflicts of interests. By continually checking and monitoring for conflicts, will allow the CVB to identify and address any potential conflicts. This will improve the Contribution of Goods and Services process as well as improving the business structure of the CVB by allowing the CVB to maintain adequate monitoring and tracking of their organizations donations and potential conflicts of interest.</p>
<p>Management's Action Plan</p>	<p>Response: Implement annual CVB Conflict of Interest Form renewal process. Continue with current monthly monitoring and reporting of contributions of goods and services.</p> <p>Responsible Party: CVB Board of Directors and Staff</p> <p>Estimated Completion Date: Begin process immediately. Complete and implement by June 30, 2017 (with start of FY2018)</p>



APPENDIX A

Board Survey Overview & Questions

During our review of the CVB's compliance with the 2009 Memorandum of Understanding, we prepared and distributed a 10 question survey to all the CVB Board of Directors. The survey was conducted through an online application and all answers received were given anonymously.

Through this survey we were able to obtain how the CVB Board of Directors operates and their working relationship with the CVB. This helped provide insight in how they are conducting their job in relation to the current 2009 Memorandum of Understanding. The following areas were touched upon during the survey to include:

- Governance
- Board Relationship
- Board Composition
- Board of County Supervisor Relationship
- Education and Experience

Through these areas of focus, we were able to gain a better understanding of the relationship and makeup of the CVB Board of Directors, the experience and education of the members of the CVB Board of Directors and their interaction with the CVB and the BOCS.



Discover Prince William's Historic Battle Sites



APPENDIX A - CONTINUED

Board Survey Overview & Questions - Continued

The following are the questions that were submitted to the CVB Board of Directors in the survey that was conducted. For the complete results of these questions, please refer to Appendix C.

1. What is your specialized area of Education and Experience that qualifies your appointment to the Board?
2. Are you receiving the information that you need from the CVB to be able to be an effective Board member?
3. Do you feel the CVB Board plays an integral role in assisting the CVB in meeting the goals of Discover Prince William?
4. Do you feel like the CVB Board meets regularly enough to be effective?
5. Do you as a committee feel empowered to bring any unresolved concerns to the Board?
6. Are there open lines of communication and interaction between the CVB, the Board and the Board of County Supervisors?
7. Is the CVB functioning effectively to promote Tourism in Prince William and Manassas?
8. Do you believe that the CVB is a good steward of the funds they receive from the County?
9. Do you think that the Board has the makeup and knowledge to be able to be effective?
10. What is your understanding of what your Fiduciary Duty is as a member of the Board?



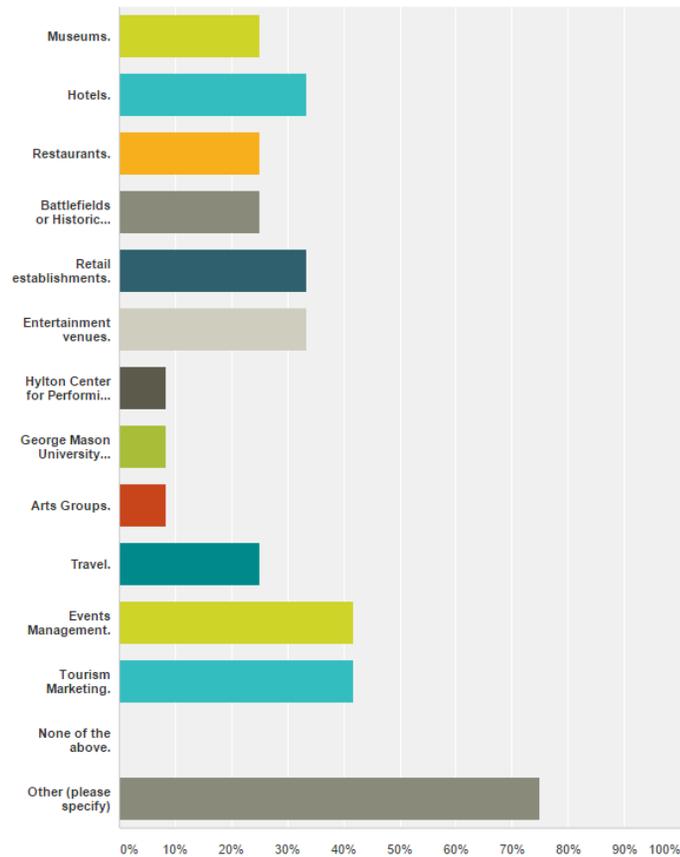


APPENDIX A - CONTINUED

Survey Results

What is your specialized area of Education and Experience, that qualifies your appointment to the Board?

Answered: 12 Skipped: 0



Answer Choices	Responses
▼ Museums.	25.00% 3
▼ Hotels.	33.33% 4
▼ Restaurants.	25.00% 3
▼ Battlefields or Historic sites.	25.00% 3
▼ Retail establishments.	33.33% 4
▼ Entertainment venues.	33.33% 4
▼ Hylton Center for Performing Arts.	8.33% 1
▼ George Mason University School of Tourism Management.	8.33% 1
▼ Arts Groups.	8.33% 1
▼ Travel.	25.00% 3
▼ Events Management.	41.67% 5
▼ Tourism Marketing.	41.67% 5
▼ None of the above.	0.00% 0
▼ Other (please specify)	Responses 75.00% 9
Total Respondents: 12	

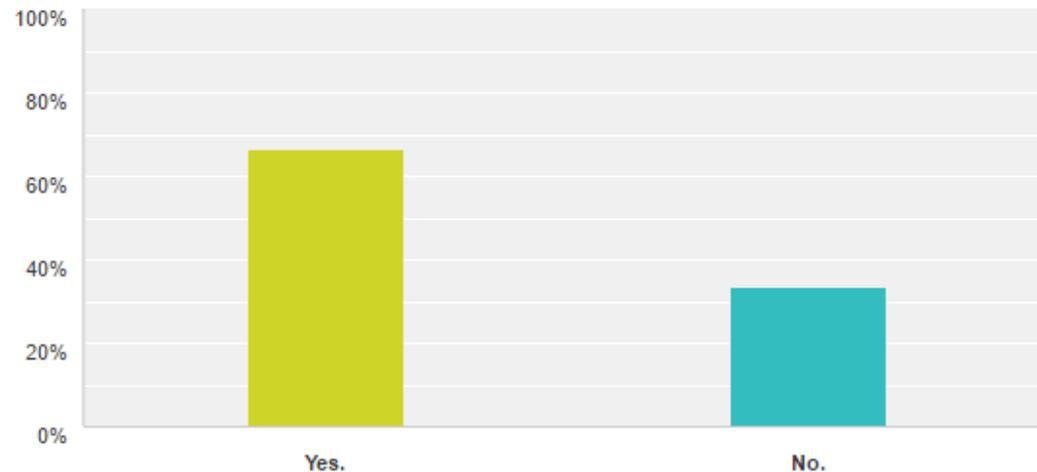


APPENDIX A - CONTINUED

Survey Results - Continued

Are you receiving the information that you need from the CVB to be able to be an effective Board member?

Answered: 12 Skipped: 0



Answer Choices	Responses
Yes.	66.67% 8
No.	33.33% 4
Total	12

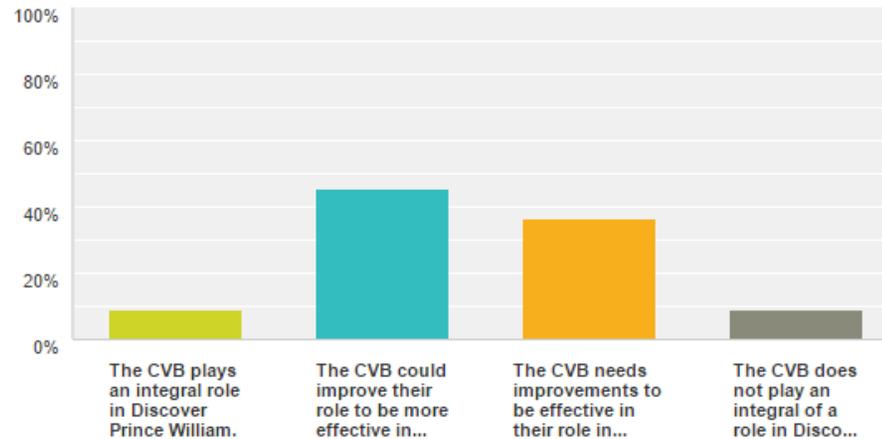


APPENDIX A - CONTINUED

Survey Results - Continued

Do you feel the CVB Board plays an integral role in assisting the CVB in meeting the goals of Discover Prince William?

Answered: 11 Skipped: 1



Answer Choices	Responses
▼ The CVB plays an integral role in Discover Prince William.	9.09% 1
▼ The CVB could improve their role to be more effective in Discover Prince William.	45.45% 5
▼ The CVB needs improvements to be effective in their role in Discover Prince William.	36.36% 4
▼ The CVB does not play an integral of a role in Discover Prince William.	9.09% 1
Total	11

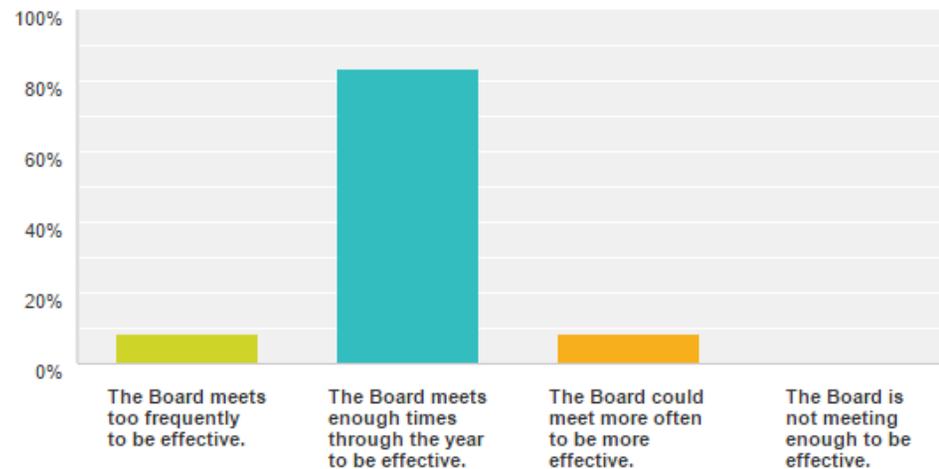


APPENDIX A - CONTINUED

Survey Results - Continued

Do you feel like the CVB Board meets regularly enough to be effective?

Answered: 12 Skipped: 0



Answer Choices	Responses	
▼ The Board meets too frequently to be effective.	8.33%	1
▼ The Board meets enough times through the year to be effective.	83.33%	10
▼ The Board could meet more often to be more effective.	8.33%	1
▼ The Board is not meeting enough to be effective.	0.00%	0
Total		12

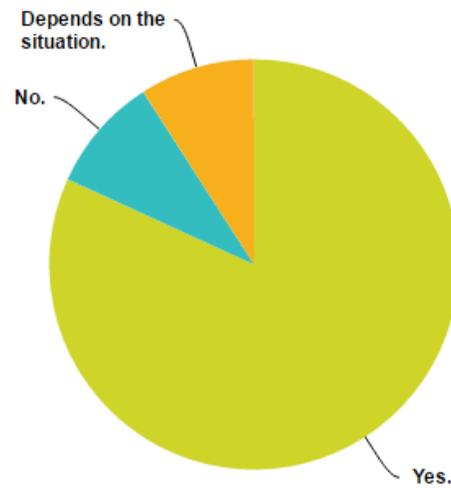


APPENDIX A - CONTINUED

Survey Results - Continued

Do you as a committee feel empowered to bring any unresolved concerns to the Board?

Answered: 11 Skipped: 1



Answer Choices	Responses
Yes.	81.82% 9
No.	9.09% 1
Depends on the situation.	9.09% 1
Total	11

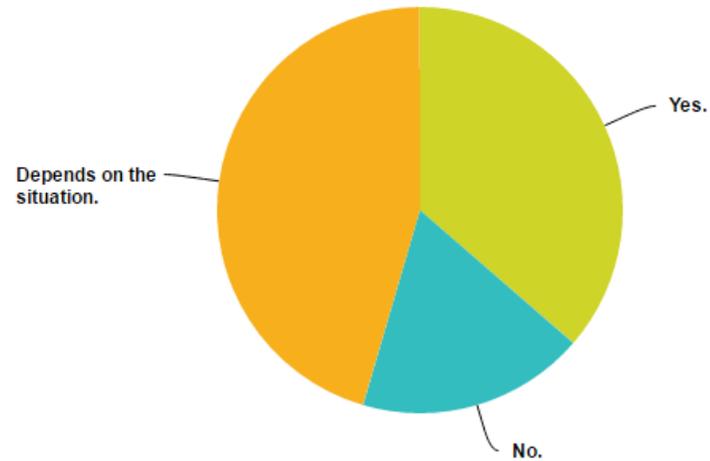


APPENDIX A - CONTINUED

Survey Results - Continued

Are there open lines of communication and interaction between the CVB, the Board and the Board of County Supervisors?

Answered: 11 Skipped: 1



Answer Choices	Responses
Yes.	36.36% 4
No.	18.18% 2
Depends on the situation.	45.45% 5
Total	11

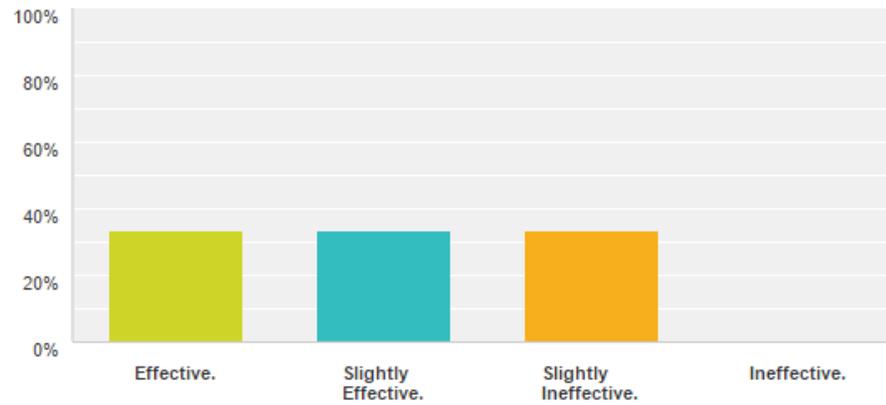


APPENDIX A - CONTINUED

Survey Results - Continued

Is the CVB functioning effectively to promote Tourism in Prince William and Manassas?

Answered: 12 Skipped: 0



Answer Choices	Responses
Effective.	33.33% 4
Slightly Effective.	33.33% 4
Slightly Ineffective.	33.33% 4
Ineffective.	0.00% 0
Total	12

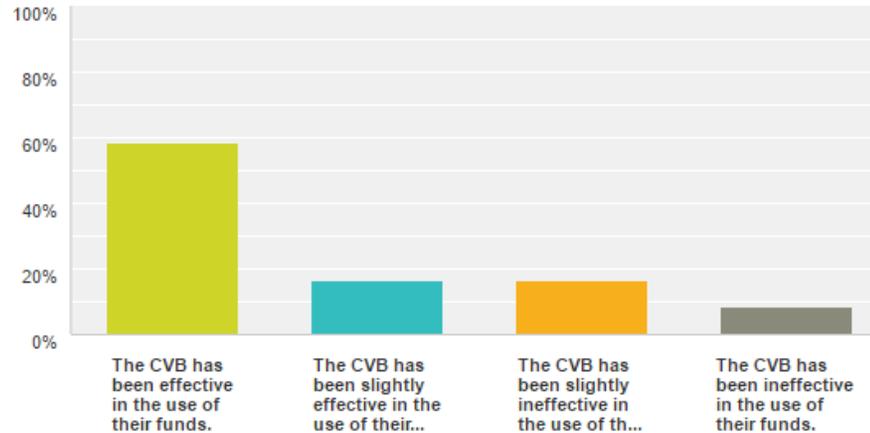


APPENDIX A - CONTINUED

Survey Results - Continued

Do you believe that the CVB is a good steward of the funds they receive from the County?

Answered: 12 Skipped: 0



Answer Choices	Responses
▼ The CVB has been effective in the use of their funds.	58.33% 7
▼ The CVB has been slightly effective in the use of their funds.	16.67% 2
▼ The CVB has been slightly ineffective in the use of their funds.	16.67% 2
▼ The CVB has been ineffective in the use of their funds.	8.33% 1
Total	12

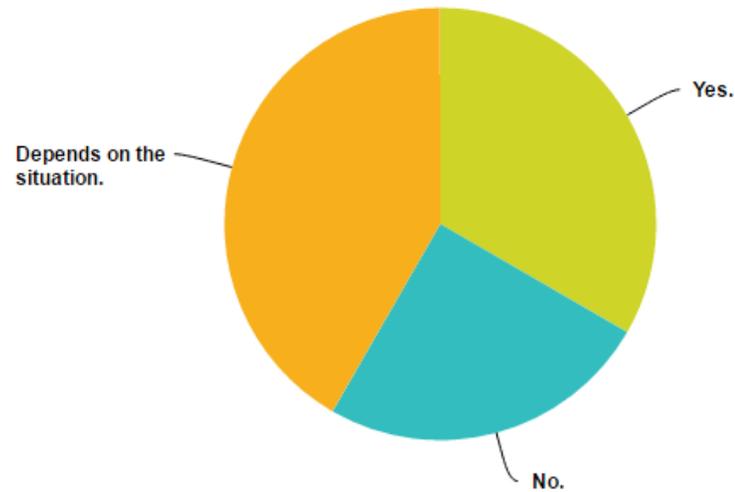


APPENDIX A - CONTINUED

Survey Results - Continued

Do you think the Board has the makeup and knowledge to be able to be effective?

Answered: 12 Skipped: 0



Answer Choices	Responses
Yes.	33.33% 4
No.	25.00% 3
Depends on the situation.	41.67% 5
Total	12



APPENDIX A - CONTINUED

Survey Results - Continued

What is your understanding of what your Fiduciary Duty is as a member of the Board?	
Responder	Response
1	Jan is extremely concerned about this issue to the point that she is now a micro manager vs oversight or even insight. I am a good Stewart of the tax dollars. But I am not reviewing mileage expenses for staff business trips. In general people on the board do not understand our role and the line between us & the staff.
2	It is my legal right to see if the Board is effective in what they do plus see the money is handled in a manner to help bring in tourism.
3	ensure monies are budgeted for and spent in accordance with the best interest of the CVB and the county
4	Role is "active oversight" of Financial Management, per the Board Member Job Description provided at the beginning of the position installation.
5	I review and comment on the monthly expense and budget reports and have a role in the development of the budget. Our role is also to ensure that tax forms are prepared and submitted and audits are completed.
6	Our role as a board is to set out goals for the staff to meet, provide the budget necessary to reach them, and ensure that the money being spent is done so effectively and efficiently.
7	Financial oversight for reasonable expenditures, proper procedures, goal setting for programs for the CVB staff to implement. Accurate and timely reports, sufficient metrics, and I know the rest but am too tired (it's now past 2 am) to remember what they are.
8	To ensure that the CVB board follows policies and procedures when spending all funds. Also, to get board members approval on all expenditures before money is transferred from one line item to another.
9	To make certain that we are making the best use of the monies provided in order to increase tourism activity to enhance the Prince William economy.
10	My understanding of my duty as a CVB Board member and/or any Board in which I have served is to exercise reasonable care in all decision making, without placing the CVB under any unnecessary risk. Stay objective, honest, responsible and efficient. Always act for the good of CVB and County.
11	Financial oversight, policy setting, evaluate/hire/fire the CEO
12	Legal oversight, set goals and see them carried out, funding being spent appropriately.



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