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BATON ROUGE AREA CONVENTION AND
VISITORS BUREAU
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 15 1998



BATON ROUGE AREA CONVENTION AND
VISITORS BUREAU

COMBINED FINANCIAL STATEMENTS

December 31, 1997



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Postlethwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of Baton Rouge Area Convention and Visitors Bureau as of December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge Area Convention and Visitors Bureau, Inc. as of December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental data included on page 8 is presented for purposes of additional analysis and are not a required part of the financial statements of Baton Rouge Area Convention and Visitors Bureau. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated May 1, 1998, on our consideration of the Bureau's internal control structure and over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Postlethwaite & Netterville

Baton Rouge, LA
May 1, 1998

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

COMBINED BALANCE SHEET
DECEMBER 31, 1997

ASSETS

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>(Memorandum Only) Total</u>
Cash and cash equivalents	\$ 338,639	\$ -	\$ 338,639
Taxes receivable	217,108	-	217,108
Accounts receivable	134,553	-	134,553
Prepaid expense	33,731	-	33,731
Property, plant and equipment	-	149,203	149,203
 Total assets	<u>\$ 724,031</u>	<u>\$ 149,203</u>	<u>\$ 873,234</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 56,421	\$ -	\$ 56,421
Accrued compensation and retirement	21,761	-	21,761
Total liabilities	<u>78,182</u>	<u>-</u>	<u>78,182</u>
 FUND BALANCE - Unreserved	445,849	149,203	595,052
 FUND BALANCE - Reserved	200,000	-	200,000
Total fund balance	<u>645,849</u>	<u>149,203</u>	<u>795,052</u>
 Total liabilities and fund balance	<u>\$ 524,031</u>	<u>\$ 149,203</u>	<u>\$ 673,234</u>

The accompanying notes are an integral part of this statement.



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 1997

	1997
<u>REVENUES</u>	
Tax revenue	\$ 1,986,710
Interest income	14,251
Advertising and promotion	15,510
Events hosting	115,210
Miscellaneous income	33,371
Total revenues	2,165,052
 <u>EXPENDITURES</u>	
Salaries and commissions	582,622
Payroll taxes and benefits	114,490
Advertising and promotion	327,392
Trade shows and FAM/Site visits	72,313
Events hosting	21,012
Special promotions	144,448
General and administrative	468,667
Contribution to Baton Rouge Area Sports Foundation	125,000
Capital outlay	108,193
Total expenditures	1,964,137
Revenues in excess of expenditures	200,915
Fund balance, beginning of period	444,934
Fund balance, end of period	\$ 645,849

The accompanying notes are an integral part of this statement.



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED DECEMBER 31, 1997

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Tax revenue	\$ 1,986,710	\$ 1,815,690	\$ 171,020
Interest income	14,251	5,000	9,251
Service revenue	15,510	46,000	(30,490)
Events hosting	115,210	78,730	36,480
Miscellaneous	33,371	30,000	3,371
Total Revenues	<u>2,165,052</u>	<u>1,975,420</u>	<u>189,632</u>
<u>EXPENDITURES</u>			
Salaries and commissions	582,622	711,091	128,469
Payroll taxes and benefits	114,490	141,977	27,487
Advertising and promotion	327,392	357,750	30,358
Trade shows	72,313	91,660	19,347
Events hosting	21,012	20,950	(62)
Special promotions	144,448	133,032	(11,416)
General and administrative	468,667	429,257	(39,410)
BRASF	125,000	125,000	-
Capital outlay	108,193	105,000	(3,193)
Total Expenditures	<u>1,964,137</u>	<u>2,115,717</u>	<u>151,580</u>
Excess of Revenue Over (Under) Expenditures	200,915	(140,297)	341,212
Fund Balance, beginning of period	<u>444,934</u>	<u>444,934</u>	<u>-</u>
Fund Balance, end of period	<u>\$ 645,849</u>	<u>\$ 304,637</u>	<u>\$ 341,212</u>

The accompanying notes are an integral part of this statement.



BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Baton Rouge Area Convention and Visitor's Bureau (the "Bureau") is a governmental entity established to promote travel and tourism in the Baton Rouge area. Additionally, the Bureau is responsible for attracting conventions to Baton Rouge. The basic operations of the Bureau are financed by a hotel-motel tax. In the accompanying financial statements, these operations are reflected in the General Fund.

Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Bureau is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Bureau may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Bureau also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the elected Bureau members are financially accountable. There are no other primary governments with which the Bureau has a significant relationship. The Bureau is not a component unit of any other entity.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is established based on prior experience and management's assessment of collectibility. Management believes all accounts are collectible at December 31, 1997.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus/Basis of Accounting (continued)

The general fund uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

Budgets and Budgetary Accounting

The Bureau adopts an annual budget. The annual budget is prepared on the modified accrual basis of accounting for those funds used in the Bureau's operations. Any revisions that alter the total expenses must be approved by the board of directors.

Compensated Absences

All full-time employees earn from 10 to 15 days of vacation leave each year, depending on length of service with the Bureau. Vacation leave cannot be accumulated. Upon separation, all earned unused vacation leave will be paid.

All full-time employees earn 10 days of sick leave each year. Sick leave may be accumulated not to exceed 20 work days. If an employee resigns or is terminated the employee will not be paid for any unused sick leave.

The cost of compensated absence privileges is recognized as a current year expenditure in the General Fund when leave is actually taken.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

2. LEASE COMMITMENT

The Bureau leases its office building under an operating lease which expires in August, 1998. At the end of the lease term, the Bureau has the right of first refusal to renew the lease. Rent expense for the year ending December 31, 1997 was \$51,600. Future minimum lease payments for 1998 are \$34,400.

3. BOARD MEMBER COMPENSATION

The Board Members of the Bureau did not receive any compensation during 1997.

4. RELATED PARTY TRANSACTIONS

The Bureau contributed \$125,000 to an organization related through common oversight authority during 1997. These contributions were at the direction of the Bureau.

The Bureau provided office space to an organization related through common oversight authority during 1997. This office space was provided free of charge to the related organization.

5. CASH AND INVESTMENTS

At year end, the carrying amount of the Bureau's deposits was \$338,633 and the bank balance was \$410,819. Of the bank balance, \$100,000 was secured by federal depository insurance, \$310,819 was secured by collateral held by the pledging bank's agent in the Bureau's name (GASB Category 2).

6. FIXED ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 75,706	\$ 88,841	(\$ 34,695)	\$ 129,852
Automobiles	-	19,351	-	19,351
	<u>\$ 75,706</u>	<u>\$ 108,192</u>	<u>(\$ 34,695)</u>	<u>\$ 149,203</u>

7. RESERVED FUND BALANCE

The board has reserved \$200,000 of fund balance for special projects and operating reserves. The board has designated \$200,000 of certificates of deposits to fund these reserves, if necessary.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
SCHEDULE OF GENERAL & ADMINISTRATIVE EXPENDITURES
DECEMBER 31, 1997

<u>Expenditure</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Travel and entertainment	46,336	44,705	\$ (1,631)
Research	70,625	62,400	(8,225)
Postage	41,064	77,750	36,686
Telephone	29,032	40,000	10,968
Dues and subscriptions	14,303	4,050	(10,253)
Computer	2,708	750	(1,958)
Education	2,628	3,446	818
Equipment	3,630	5,500	1,870
General insurance	7,619	21,706	14,087
Interest expense	1,407	1,000	(407)
Local meetings	34,539	30,200	(4,339)
Professional fees	82,408	30,500	(51,908)
Occupancy	64,990	65,000	10
Repairs and maintenance	24,017	15,600	(8,417)
Office supplies	39,525	20,150	(19,375)
Product sales	15	-	(15)
Other	3,821	6,500	2,679
	<u>\$ 468,667</u>	<u>\$ 429,257</u>	<u>\$ (39,410)</u>





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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have audited the general purpose financial statements of Baton Rouge Area Convention and Visitors Bureau (the Bureau) as of and for the year ended December 31, 1997, and have issued our report thereon dated May 1, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bureau's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*. Additionally, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated June 16, 1998.

Public Bid Law

The Bureau does not have written documentation of obtaining three bids prior to the purchase of a new computer system.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated June 16, 1998.

This report is intended for the information of the Baton Rouge Area Convention and Visitors Bureau Board of Directors, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Postlethwaite & Netterville

Baton Rouge, Louisiana
May 1, 1998



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June 16, 1998

To the Senior Management and
The Board of Directors of
Baton Rouge Convention and Visitors Bureau

In planning and performing our audit of the financial statements of Baton Rouge Convention and Visitors Bureau (the Bureau) for the year ended December 31, 1997, we considered the Bureau's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Our considerations included all of the changes the Bureau has made since the fraud committed by the former controller was discovered during August, 1997, and our comments are not directed at his actions.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on the Bureau's internal control in our report dated May 1, 1998.) This letter does not affect our report dated May 1, 1998, on the financial statements of the Bureau.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Bureau personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Cash Disbursements

While testing cash disbursements, we noted that one check was found bearing only one authorized signature. The Bureau's policy is to have two authorized signatures on every disbursement. We recommend that the person mailing the disbursements check to be sure there are two signatures, in addition to the persons authorized to sign adhering to the policy.

Several other deficiencies were noted during our work regarding cash disbursements. One check request was found without department head authorization as well as a vendor being paid without an invoice. We recommend that all disbursements have department head authorization prior to being processed by accounting. Additionally, disbursements should not be made from a check request only when the disbursement should obviously have an invoice attached. Another words, the rent payment can be made from a check request, but office supplies should have an invoice.

Several credit card receipts could not be located to support charges on the credit cards. Due to the significant amount of travel and entertainment that Bureau personnel must do in order to accomplish the business purpose of the Bureau, the use of credit cards by personnel is necessary. However, it is the Bureau's policy that all receipts are turned in by employees in order to support the charges made on the credit cards. Employees should adhere to this policy without exception.

Accounting Manual

The Bureau has written a formal accounting manual; however, it has not been adopted. A written manual is necessary to ensure that transactions are treated in a standardized manner and the proper internal controls exist in the accounting system. Should employees have a question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing. We recommend that the accounting manual be finalized and adopted and that all employees be given a copy.

Organization Structure

The size of the Bureau's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors and Finance Committee remain involved in the financial affairs of the Bureau to provide oversight and independent review functions.

We wish to thank Bureau personnel for their support and assistance during our audit.

Postlethwaite & Netterville



Baton Rouge

Baton Rouge Area Convention & Visitors Bureau

June 29, 1998

Daniel G. Kyle
Legislative Auditor
State of Louisiana

As pointed out by our auditors, 1997 was a very disrupted year with the discovery of the theft and fraud committed by the Bureau's former controller in August. He was tried and convicted in 1998. In addition to the funds that were misappropriated, several instances of poor reporting and record keeping were found by the staff and our accounting firm after his dismissal. Most of the items pointed out by the auditors were during his tenure as controller at the Bureau.

The auditors point out on page 9 of their audit report that the "Public Bid Law" requirements were not met in the purchase of a new computer system. The prior controller was responsible for the purchase of this system, and no paperwork has been found on this procurement. Several employees remember conversations held with him concerning the bid advertising and in fact the ad for RFP was found. As of this date, no copies of alternate bids have been located.


The management letter addressed to Senior Management and The Board of Directors dated June 16, 1998 discusses a few other points that they discovered during the process of their audit.

- A check was found bearing only one signature. As it was stated, it is always the policy of the Bureau to have two signatures on each check. Several steps have been implemented to prevent this from reoccurring. Checks are examined prior to mailing by two different people for accuracy. The controller is responsible for routing checks through the signing process and reviews each check prior to giving all checks to the administrative assistant for final review and mailing.
- One check request was found without department head authorization. After following up with the auditors on this item it was found that the correct department head did in fact sign off on the check request. It is the policy now of the Bureau that no checks be written regardless of how routine without a department head signature. The CEO will not sign a check without verifying approval on the accompanying check request or invoice.
- A vendor was paid without an invoice. Th particular check referred to was early in the year while the prior controller was still at the Bureau. A careful search was made of all paid bill files, but no invoice was ever discovered. When the vendor was contacted, a duplicate invoice was issued. It is the policy now of the Bureau that all check request when possible be accompanied by an invoice. It was pointed out that in some instances an invoice or receipt is not received until the goods or services are delivered and payment is rendered at that time. Every effort should be made in these situations to see that the invoice or receipt is returned to the accounting department for attachment to the correlating check request.

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- Proper and adequate receipts were not attached for some travel reimbursements. Receipts were attached to credit card bills prior to payment, however they were not originals but copies provided by the credit card company. The two incidents cited were for American Express bills paid earlier in the year. We have clarified current policy and it states that all receipts will be attached to bills before payment.
- The accounting manual indicating standard procedures for operations has not been formally adopted. Many corrections in the manual were needed before presenting to the Board of Directors for approval. Most of these corrections have been finalized and the manual is scheduled for approval at the next meeting.



Leon Maisel
President & CEO