



Audit Report

DATE OCTOBER 6, 2014

NO. 2014-3

CHARLOTTE HARBOR SUPER BOAT GRAND PRIX

INTERNAL AUDIT DEPARTMENT
BARBARA T. SCOTT
CLERK OF THE CIRCUIT COURT
CHARLOTTE COUNTY FLORIDA

October 6, 2014

Honorable Barbara T. Scott
Clerk of the Circuit Court
Charlotte County, Florida

Pursuant to a request made by the Board of County Commissioners, we performed a review of the expenses, revenues and procedures of the Charlotte Harbor Super Boat Grand Prix (CHSBGP). Since this was a first time event and county funds were utilized, we agreed to the review.

The purpose of this review was to reconcile and substantiate the uses and sources of the event funds. Financial transactions and supporting documentation made available to us by CHSBGP were reviewed for propriety and reasonableness.

The following is a report that provides a Profit and Loss Statement for the event as well as our findings.

Respectfully Submitted,

A handwritten signature in black ink that reads "Diane Mitchell". The signature is written in a cursive style with a large, looped initial "D".

Diane Mitchell
Director, Internal Audit

Executive Summary

The Clerk of the Circuit Court Internal Audit Division has completed a review of the expenses and revenues generated by the 2014 Charlotte Harbor Super Boat Grand Prix (CHSBGP). Our comments are made from the standpoint that 57% of the revenues for the current year event are from taxpayer dollars. Our comments are not meant to suggest any breaches of the agreement with the county except for the non-payment of the deposit for the 2015 race. However, the failure to file appropriate state and/or federal tax returns and remit applicable taxes (as discussed below) may constitute a violation of the law.

Our review determined the following:

- The Super Boat Grand Prix incurred a loss of \$54,511.
- Revenues for the event totaled \$313,939.
- Expenses totaled \$368,450. (Included in this amount are \$54,132 (**EXHIBIT 1 on Page 8**) of expenses yet to be paid).

The \$313,939 in revenues for the event included \$180,000 funded by Charlotte County and \$133,939 generated through sponsorships, event ticket sales, shirt and program sales, etc.

The revenues generated by the event could not be substantiated by the audit since no supporting documentation was made available. According to CHSBGP, there is no supporting documentation for ticket sales, vendor spots, shirts, etc. All revenue was lumped into the deposits. Internal Audit could only utilize CHSBGP's check register and bank statements to determine what funds were deposited into the CHSBGP bank account.

The \$54,132 in expenses yet to be paid by CHSBGP is reflected in the loss noted above. These expenses represent charges for services that are owed to agencies such as the Charlotte County Sheriff's Office, Charlotte County Fire/EMS, Florida Fish and Wildlife, etc. and to two of the CHSBGP principals.

In addition, we included a deposit that was to be paid to Super Boat International Productions (SBIP) for the 2015 race that was funded from the 2014 County contribution of \$180,000 per the Agreement and a sales tax estimate prepared by CHSBGP that was not yet paid and is not auditable.

The \$314,318 in expenses paid by CHSBGP consisted of \$65,133 (**EXHIBIT 2 on Page 9**) in payments made to CHSBGP principals for hours worked and for payment of expenses and \$89,563 paid to SBIP to conduct the race and for hotel expenses.

Of the \$23,208 paid to the CHSBGP principals for expenses, \$1,657 of the payments were for meals at local restaurants, pet sitting, expenses without receipts of \$439 and two duplicate payments. These are detailed in **EXHIBIT 4 on Page 11 and 12**. Ten of these expenses had been itemized in our CHSBGP Status Update – Documentation for Expenses dated September 20, 2013 (**EXHIBIT 5 on Page 13 and 14**).

The remaining expenses paid by CHSBGP of \$159,622 consisted of payments to various vendors for items such as bus transportation, helicopter rentals, advertising, insurances, security, catering, sound and lighting and merchandise, e.g. event shirts and programs (**EXHIBIT 3 on Page 10**).

Background

On May 16, 2013, Charlotte County entered into an agreement with Charlotte Harbor Super Boat Grand Prix, LLC (CHSBGP) for the marketing and promotion of a Super Boat Event. According to the Agreement, CHSBGP desires to begin promoting super boat races and organizing, promoting and staging related events and activities in Charlotte County, in accordance with the sanctioning requirements of Super Boat International Productions, Inc. (SBIP). CHSBGP would enter into a Promoter's Agreement with SBIP for an offshore boat race conducted and sanctioned by SBIP, with all supporting and related activities to be performed by CHSBGP.

CHSBGP requested assistance from the County to help defray initial promotional and development costs associated with conducting the super boat races and related activities in years 2014 and 2015. Per the Agreement, the total payment to CHSBGP shall not exceed \$250,000 for CHSBGP's services performed in accordance with the Agreement. Seventy thousand (\$70,000) of the \$250,000 is reserved for 2015 race payments to SBIP, although a first year draw was intended to cover a deposit (\$10,000) for the 2015 race.

On June 24, 2014, the President of the CHSBGP submitted a Profit and Loss Statement (P&L) to the Charlotte County Board of County Commissioners along with an Event Recap document. According to this P&L provided to the BCC, total actual revenue was \$315,913 and total actual expense was \$351,743 resulting in a loss of \$35,830. The loss included unpaid invoices totaling \$36,035.

Scope and Methodology

The purpose of this review was to reconcile and validate the uses and sources of the project funds. The methodology involved the examination of documents and financial records that were made available to us by CHSBGP.

The review utilized the CHSBGP Profit and Lost Statement (P&L) along with their check register and bank statements to determine the accuracy of the expenses and revenues reported. All available supporting documentation such as expense reports and receipts, vendor invoices, and sales records was requested from CHSBGP. The last documents were requested during August and we received them by the end of that month. The documents provided were reviewed for accuracy and completeness and to determine the propriety of the individual expenses and revenues recorded.

Audit Results

Profit and Loss Statement:

Revenues Received:

Charlotte County Funding	\$180,000	
Ticket Sales, Sponsorships, etc.	<u>133,939</u>	
Total Revenues Received		<u>\$313,939</u>

Expenses Paid:

CHSBGP Principals: (EXHIBIT 2 on Page 9)

Hours Worked @25/Hour	37,400	
Website & Logo Development, etc.	4,525	
Expense Reimbursement	23,208	
SBIP (Boat Race fee and Hotel)	89,563	
Various Vendors (EXHIBIT 3 on Page 10)	<u>159,622</u>	
Total Expenses Paid		314,318

Expenses Not Yet Paid: (EXHIBIT 1 on Page 8) 54,132

Total Expenses 368,450

LOSS \$(54,511)

Revenues

The revenues of \$313,939 includes the \$180,000 that was funded by Charlotte County. The \$180,000 represents 57% of the \$313,939 total revenues received.

The additional revenues of \$133,939 for the event were generated through sponsorships, ticket sales, and shirt and program sales, etc.

The revenues generated by the event could not be substantiated by the audit since no supporting documentation was made available. Audit could only utilize CHSBGP's check register and bank statements to determine what funds were deposited into the CHSBGP bank account. Thus an audited breakdown of revenues with supporting documentation was not possible. This is important since it is related to our finding, which is discussed later, concerning unpaid sales taxes.

According to Jerry York of the CHSBGP, there is no documentation to support the ticket sales, vendor spots, shirt sales, etc. All was lumped together into the bank deposits. Credit card sales, checks and cash, and on-line sales were deposited into the bank account as a total.

Recommendation:

Proper accounting for all revenue categories should be performed by CHSBGP and documentation should be maintained by them to support and substantiate all sales made. In the case of ticket sales, detailed records should be maintained along with proper internal controls such as the use of pre-numbered and accounted for tickets. If items such as wrist bands or lanyards are utilized as evidence of ticket payment, the unused supply should be inventoried after the event to further substantiate the number of tickets sold. The same procedure should be adhered to for all other sales including event shirts and programs, beverages, etc.

Future agreements between Charlotte County and CHSBGP, LLC for Super Boat Event Marketing and Promotion should be revised to require these types of internal control procedures and adherence to generally accepted accounting principles.

Expenses

Expenses totaling \$65,133 were paid to the four CHSBGP principals. The principals were paid for hours worked at a rate of \$25 per hour, logo and website development/maintenance, and for payment of business, mileage and travel expenses.

Twenty three payments totaling \$1,657 were made to the CHSBGP principals for payment of meals at local restaurants, pet sitting, expenses without receipts of \$439 and two duplicate payments (**EXHIBIT 4 on Page 11 and 12**). Ten of these expenses had been itemized in our CHSBGP Status Update – Documentation for Expenses dated September 20, 2013 (**EXHIBIT 5 on Page 13 and 14**).

We also identified five receipts totaling \$181 that had not been paid to two of the principals.

Recommendation:

The Agreement between Charlotte County and Charlotte Harbor Super Boat Grand Prix, LLC for Super Boat Event Marketing and Promotion should be updated to include detailed procedures regarding the payment of expenses. The agreement should specify the hourly rates that the CHSBGP principals can charge for their services and the types of expenses that can be paid. It should also specify what documents are required to support the payment request.

Payments totaling \$80,000 were made to SBIP to conduct the boat race and \$9,563 was paid for their hotel expenses. According to the agreement, a deposit for the 2015 race is to be paid to SBIP from the County funds already drawn. However, there is no evidence that this payment has been made. An estimate of \$10,000 for this deposit is included in our list of unpaid invoices.

Expenses totaling \$159,622 were paid to various vendors for items such as bus transportation, helicopter rentals, advertising, insurances, security, catering, sound and lighting and merchandise (**EXHIBIT 3 on Page 10**).

For some of the paid invoices, we were not able to determine the propriety of the expense because the invoices did not contain a clear description of the product or service provided. Some invoices only contained a check number and the date the payment was made while others stated paid by debit card.

One of these invoices (which was handwritten), for installation and removal of snow fencing at the event, did not contain an amount. Two checks totaling \$700 were issued to pay for this. Another invoice for \$480 did not contain a description of the service or product provided. Per the check register, the purchase was for electric signs. We also examined two paid invoices for mowing of the parking areas. One of the invoices came from a company located in Homestead, Florida and listed only mowing services as the activity with no location detailed. The second invoice from a local vendor listed details of the activity such the number of acres mowed along with the cost per acre.

The invoice for bus transportation contained a computation error of \$350. It was paid by CHSBGP. Another invoice for replacement of a tire that was damaged while a volunteer worked at the event contained a charge for an oil change. The entire bill was paid in the amount of \$235.

Recommendation:

All invoices should be reviewed for accuracy and completeness by CHSBGP prior to payment being made by them. If the invoice does not contain a detailed description of the product/service or if the total amount listed is incorrect, a revised invoice should be requested from the vendor. In addition, the individual reviewing the invoice should sign off on the document as evidence of review.

The Agreement between Charlotte County and CHSBGP, LLC for Super Boat Event Marketing and Promotion should be revised to include these types of internal control procedures and adherence to generally accepted accounting principles.

One of the documents we requested from CHSBGP was the appropriate sales tax returns and related payment details. We received a sales tax estimate prepared by CHSBGP that was not paid and is not auditable since no supporting documentation is available to substantiate the revenues generated by the event. See Revenues on Page 5.

Recommendation:

The CHSBGP sales tax estimate should be verified for accuracy and should be remitted to the Department of Revenue as soon as practicable, since late filing of such returns and payments of the tax liability may incur late penalties and interest.

EXHIBIT 1 – EXPENSES NOT YET PAID

Details of the \$54,132 in unpaid expenses are as follows:

Unpaid Invoices (Provided by CHSBGP)

Charlotte County Sheriff's Office	\$18,936.25	
Florida Fish and Wildlife Commission	7,500.00	
Englewood Area Fire Control District	3,905.00	
Charlotte County Fire/EMS	4,254.24	
Sarasota County Sheriff's Office	<u>1,440.00</u>	
Subtotal		\$36,035.49

Unpaid Invoices (Obtained by Audit)

Sales Taxes Owed (Calculated by J. York)	\$ 5,374.43	
Coastal Engineering Consultants, Inc.	825.00	
K. Kretzler – DECEMBER (21.5 Hours)	537.50	
J. YORK – DECEMBER (9 Hours)	225.00	
J. YORK – APRIL EXPENSES (\$970.69 local mileage & \$163.69 office reimbursements)	<u>1,134.38</u>	
Subtotal		\$ 8,096.31

Unpaid Invoice (Outlined in CC/CHSBGP Agreement)

Deposit for 2015 Race to SBIP	<u>\$10,000.00</u>
Grand Total – Unpaid Invoices	<u>\$54,131.80</u>

EXHIBIT 2 – PAYMENTS MADE TO CHSBGP PRINCIPALS

<u>Principal</u>	<u>Labor @ \$25/Hour</u>	<u>Hours Worked</u>	<u>Expenses *</u>	<u>Logo/Website/etc.</u>	<u>TOTAL</u>
Jerry York	\$19,950	798	\$15,118	---	\$35,068
Robert & Kristen Randolph	12,500	500	2,558	---	15,058
Robert Randolph	---	---	---	\$4,525	4,525
Kent Kretzler	<u>4,950</u>	198	<u>5,532</u>	<u>---</u>	<u>10,482</u>
Total	<u>\$37,400</u>		<u>\$23,208</u>	<u>\$4,525</u>	<u>\$65,133</u>

*Expenses listed above include payments for local miles driven, out-of-town travel expenses such as hotel, meals and transportation and payments for other expenses such as office supplies, business cards, P.O. Box rental, etc. In addition, for \$1,657 of the expenses noted above, we could not determine the propriety of the expense due to the lack of documentation or explanation. See discussion on Page 6.

EXHIBIT 3 - PAYMENTS MADE TO VENDORS

Bus Transportation	\$57,294
Advertising	10,497
Insurances	9,174*
Merchandise (shirts)	8,388
Entertainment	7,612
Helicopters	7,328
Private Security	6,159
Crane	4,141
Catering – VIP Area	9,750
Tent/chair rental – VIP Area	3,997
City of Punta Gorda – Parade	3,394
Catering – Parade	3,855
Tent/chair rental – Parade	1,030
Race Programs	3,112
Parking/mowing/fencing/volunteers	4,678
Towboat U.S.	1,000
Dry Pit (golf carts, porta potty, fencing)	9,254
Sales Commissions	1,450
Legal/State filings	894
Wrist bands and lanyards	956
Signs	2,016
Projector	766
Chambers of Commerce memberships	410
Bank fees	572
Sarasota parking permit	140
Cash withdrawal for change fund	700
Other	<u>1,055</u>
 Total	 <u>\$159,622</u>

*Includes \$1,391 paid on 6/15/14 for liability insurance for 2014/2015.

EXHIBIT 4 – QUESTIONABLE EXPENSES PAID

Jerry York

Pet sitting	\$310.00*
Gratuities (assistance in 2013 Sarasota parade)	65.00*
Gasparilla Grill, 5/1/13	45.66
Daiquiri Deck, 6/15/13	173.07
Bocca Lupo's, 6/19/13	101.32
Lunch for site selection, 4/4/13 (no receipt)	67.24*
Gas for rental car (no receipt)	25.00*
Duplicate Charge, week ending 7/20/13	74.02*
Michael's on East, 3/14/14	<u>144.06</u>
Sub Total	<u>\$1,005.37</u>

Robert and Kristen Randolph

Waterside Grill, 3/30/13	\$42.99
Port Charlotte Food Mart, 5/5/13	6.42
Dean's South of the Border, 6/28/13	15.94
Dockside, 7/24/13	28.33
Travel Expenses Food, 6/11/13 (no receipts)	70.01*
Business Lunch Expense, 6/11/13 (no receipts)	105.00*
Shirts, 6/11/13 (no receipt)	72.80*
Embroidery/Apparel, 6/11/13 (no receipt)	68.00*
Embroidery, 6/27/13 (no receipt)	31.24*
The Bean on 41, 9/9/13	15.46
Ruby Tuesday, 11/5/13	34.31
CVS advil & wetting drops, 11/7/13	17.28
Incorrect calculation of hours worked, 11/13/13	<u>93.75</u>
Sub Total	<u>\$601.53</u>

The file also contained 4 receipts totaling \$138.44 that were not paid and are not included in the total of expenses not yet paid. They are as follows: \$17.11(banner); \$25.49 and \$34.49 (business cards) and \$61.35(fuel).

Exhibit 4 continued on next page.

EXHIBIT 4

Kent Kretzler

Rebar caps, paid previously to vendor by CHSBGP, 3/3/14 and 3/22/14 \$49.60

Sub Total \$49.60

Total \$1,656.50

The file also contains a receipt for \$21.37 for a printer ink cartridge that was not paid. In addition, the same \$21.37 was deducted from the amount paid to Mr. Kretzler.

*These expenses were included in our CHSBGP Status Update – Documentation for Expenses dated September 20, 2013 (EXHIBIT 5 on Page 13 and 14).



BARBARA T. SCOTT
Clerk of the Circuit Court and County Comptroller

350 E. Marion Ave. Punta Gorda, FL 33950 (941) 505-4716

Charlotte County

TO: Ray Sandrock
FROM: Diane J. Mitchell
SUBJECT: CHARLOTTE HARBOR SUPER BOAT GRAND PRIX, LLC (CHSBGP, LLC)
STATUS UPDATE – SUPPORTING DOCUMENTATION FOR EXPENSES
DATE: SEPTEMBER 20, 2013

This memo is an update to substantiate the existence of supporting documentation for expenses that were paid by CHSBGP, LLC as of September 6, 2013. This date was selected since it was the date of the most recent updated financial information presented to the Charlotte County Board of County Commissioners by CHSBGP, LLC.

The audit work is continuing. Expenses and supporting documentation will be reviewed for propriety and reasonableness.

As of September 6, 2013, Charlotte County had advanced \$53,000 to the CHSBGP, LLC. Of that amount, \$39,702 was paid out by CHSBGP, LLC. This covered expenses through the month of July along with some August expenses. However, the August expenses for two of the principals of the CHSBGP, LLC were not presented for reimbursement.

According to the Agreement between Charlotte County and CHSBGP, LLC, payment for services rendered by CHSBGP shall be made on a periodic basis as specified in the Agreement Scope of Services. The Scope of Services lists the tasks to be performed by CHSBGP to develop and implement the event along with the estimated completion date and the amount that can be drawn. Payment is made by the Clerk of the Circuit Court upon the receipt of documentation approved by the County based upon completion of tasks outlined in the Agreement.

Details are as follows:

Jerry York:

Four checks totaling \$15,038 have been issued for reimbursement of expenses. The last payment was for July expenses. August expenses have not been reimbursed at the time of our review.

Invoices and supporting documentation were not on file for expenses totaling \$649. This includes five invoices totaling \$274 that were reimbursed in April; \$310 for pet sitting and \$65 for gratuities that had been given out in July. The \$274 consisted of \$27 (nautical chart); \$91 (P.O. Box); \$67 (SBI site selection-lunch); \$25 (gas for rental car) and \$64 (printer ink cartridges).

In addition, a duplicate charge of \$74 was included on the July reimbursement request and was paid.

Kent Kretzler:

Three checks totaling \$2,256 have been issued for reimbursement of expenses. Expenses are current and include August expenses. All supporting documentation was provided.

Robert and Kristen Randolph:

Four checks totaling \$7,701 have been issued for reimbursement of expenses. The last payment was for July expenses. August expenses have not been reimbursed.

Supporting documentation was not provided for seven expenses totaling \$599 that were submitted for reimbursement on June 11 and June 27. Documentation not on file for June 11 includes \$110 and \$105 (travel – food); \$144 (travel – fuel); \$73 (shirts) and \$68 (embroidery). On the June 27 request, documentation for \$68 (fuel) and \$31 (embroidery) was not available.

The file also contained five receipts totaling \$144 that were not yet reimbursed. They were dated late June and in July. These items are for the following: \$17 (banner); \$34 and \$25 (business cards); \$61 (fuel) and \$6 (food).

Other expenses:

Ten payments totaling \$14,707 have been made for various expenses incurred by the CHSBGP, LLC. Documentation was on file to support the expenses paid except for \$177 paid to the Charlotte County Chamber of Commerce. The \$14,707 includes the \$10,000 deposit paid to Super Boat International, Inc.

As was mentioned earlier, the audit work is continuing. A final report will be issued upon the completion of our review.