



OHIO ASSOCIATION OF CONVENTION & VISITOR BUREAUS

**Testimony of Andrew W. Herf  
Executive Director  
Ohio Association of Convention and Visitor Bureaus  
Proponent of SB 252  
Senate Ways and Means Committee  
March 21, 2018**

Good morning Chairman Eklund, Vice Chairman Terhar, Ranking Member Williams and members of the Senate Ways and Means Committee.

My name is Andy Herf and I am the Executive Director of the Ohio Association of Convention and Visitor Bureaus. I am here today to offer OACVB's support to Senate Bill 252 and to explain why our organization believes this change in policy will allow boards to be run with more transparency and to better fulfill their mission of attracting visitors and encouraging economic activity to the areas they represent.

OACVB's membership includes sixty-five convention and visitors bureaus that represent various cities and counties around the state. The CVB boards are composed of business owners with a vested interest in tourism such as hotels and restaurants, economic development advisors and, in many cases, public officials. Each CVB board is governed by their bylaws. First, some have a nominating process, then, the nominations are presented to the board for a vote. Because the processes are governed by the individual bylaws, they have nuances. For example, in some places there is an ex-officio seat for a county commissioner. In other counties, the commissioners advise and consent on the board appointments. Our position as an association is that we support the local communities' ability to govern their CVBs according to their bylaws.

Additionally, having public officials serve on CVB boards is a mutually beneficial relationship for the CVB, business and the public. A public official who is serving on a CVB is far more knowledgeable about how lodging tax revenue, the chief source of revenue for CVBs, is being spent. This alone will eliminate much of the conflict that arises between local governments and hotels over lodging tax rates. Having county commissioners and hotel stakeholders, in addition to other community members serving on bureaus, increases the likelihood of building consensus because conflicting parties become more familiar with the mission and the challenges facing the CVB. Elected officials on CVB boards may also represent the position of the citizens of the community. Oftentimes, members of the community do not understand what a CVB does because much of the money is spent outside the community in an attempt to attract visitors. The local community does not see the impact unless they are in the industry and local elected leaders can also help explain the function to the local community, assuming they are not denied the ability to serve on CVB boards.

Furthermore, a county commissioner serving on a CVB is no different than a member of the Ohio Legislature serving on the Controlling Board. Those legislators, like the county

commissioners serving on a CVB, are there to watch over public dollars. In that case, the legislature has already appropriated the money, but the controlling board is another layer designed to ensure that taxpayer funds are being spent appropriately.

Additionally, all CVBs are subject to audit by the Auditor of State under an agreed upon procedures or AUP condition. The AUP audit is stringent as every check over one thousand dollars is reviewed, as well as, any incentive or gift that totals over one hundred dollars. These reviews include written statements by the employee who made the expenditure detailing the exact purpose of the expenditure and how the expenditure benefits the efforts of increasing tourism and convention efforts for the city or county that the CVB represents. The Agreed upon procedures for CVB audits are included with this testimony as "AUP Report shell CVB" The audits then appear on the Auditor's website and may be searched at <http://www.ohioauditor.gov/auditsearch/Search.aspx>.

Overall, Senate Bill 252 is needed to clarify that Ohio's convention and visitor bureaus can continue to efficiently pursue programs that increase the amount of tourism to the state resulting in economic benefit for all businesses but especially those who are largely dependent on tourism to thrive.

Thank you for your time, I am happy to answer questions.

Use for 2016-2017 or 2017 AUPs<sup>1</sup>  
(Convention & Visitor Bureau AUP – Per AT-C 215 & GAGAS February 2018<sup>2</sup>)<sup>3</sup>

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

[Name of] Convention and Visitors Bureau  
[Name of] County  
[Address]  
[City], Ohio [Zip Code]

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of [Name of] Convention & Visitor Bureau (the Bureau) [and the Auditor of State] **[<<IPA's must insert this. AOS staff should never insert this]**, on the receipts, disbursements and balances recorded in the Bureau's cash basis accounting records for the years ended December 31, 20XX+1 and 20XX and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Bureau. The Bureau is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 20XX+1 and 20XX and certain compliance requirements related to these transactions and balances included in the information provided to us by the Bureau. The sufficiency of the procedures is solely the responsibility of the parties specified in this report.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

**Cash [and Investments] [if applicable]**<sup>4</sup>

1. We recalculated the December 31, 20XX+1 and December 31, 20XX bank reconciliations. We found no exceptions.
2. We agreed the January 1, 20XX beginning fund balances recorded in the [Fund Ledger Report]<sup>5</sup> to the December 31, 20XX-1 balances in the prior year [audited statements] **OR** [documentation in the prior year Agreed-Upon Procedures working papers]. We found no exceptions. We also agreed the January 1, 20XX+1 beginning fund balances recorded in the [Fund Ledger Report] to the December 31, 20XX balances in the [Fund Ledger Report]. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 20XX+1 and 20XX fund cash balances reported in the [Fund Status Report]. The amounts agreed.
4. We confirmed the December 31, 20XX+1 bank account balance(s) with the Bureau's financial institution(s). [We found no exceptions.] **OR** [We observed the year-end bank balance(s) on the financial institution's website. The balance(s) agreed.] We also agreed the confirmed balances to the amounts appearing in the December 31, 20XX+1 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 20XX+1 bank reconciliation: **[Delete this step if there were no reconciling debits]**

- a. We traced each debit to the subsequent January and February **[List only the months they cleared]** [bank statement(s)] **OR** [financial institutions website transaction listing]. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.
6. We selected five reconciling credits (such as deposits in transit) haphazardly from the December 31, 20XX+1 bank reconciliation: **[Delete this step if there were no reconciling credits]**
- a. We traced each credit to the subsequent January or February **[List only the months they cleared]** [bank statement(s)] **OR** [financial institutions website transaction listing]. We found no exceptions.
  - b. We agreed the credit amounts to the [Receipts Register]. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We inspected the [Fund Status Report] to determine whether the Finding(s) For Adjustment identified in the prior [audit report] **OR** [agreed-upon procedures report], due from the X fund, payable to the Y fund, was properly posted to the report. We found no exceptions. **[Delete step if not applicable. If the adjustment was not properly posted, you should reissue the FFA in this AUP.]**
8. We traced interbank account transfers occurring in December of 20XX+1 and 20XX to the accounting records and [bank statements] **OR** [reconciliation] to determine if they were properly recorded. We found no exceptions. **[If there is only one bank account, or if no transfers were noted near year-end, delete this step.]**
9. We inspected investments held at December 31, 20XX+1 and December 31, 20XX to determine that they: **[Delete step if no investments (or CD's)]**
- a. Were of a type authorized by the CVB. We found no exceptions

**Cash Receipts**

1. We summarized lodging taxes the [Name of County, Municipality and/or Township]'s [cash disbursement journal] **[<<< use exact name of accounting report]** reported as payments to the Bureau during the years ending December 31, 20XX+1 and 20XX. The total reported disbursements were as follows:<sup>6</sup>

<b>Year Ended</b>	<b>Amount</b>
December 31, 20XX+1	\$XX,XXX
December 31, 20XX	\$ZZ,ZZZ

**[ALTERNATIVE STEP 1:]**

We confirmed with [Name of County, Municipality and/or Township] the lodging taxes it paid to the Bureau during the years ending December 31, 20XX+1 and 20XX. The [Name of County, Municipality and/or Township] confirmed the following amounts:

<b>Year Ended</b>	<b>Amount</b>
December 31, 20XX+1	\$XX,XXX
December 31, 20XX	\$ZZ,ZZZ

2. We compared the amounts from step 1 to amounts recorded as lodging tax receipts on the Bureau's [cash receipts journal] **[<<< use exact name of accounting report]**. We found no exceptions.<sup>7</sup>

## Cash Disbursements

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

### Source of Restrictions

- a. The Bureau's Articles of Incorporation
- b. The Bureau's 501(c)(6)<sup>8</sup> Tax Exemption
- c. City of [name] [Resolution 99-007] [~~modify as needed~~]
- d. Ohio Rev. Code Section 5739.09(A)(2) [~~Note: This only applies to lodging taxes a county pays to a CVB. Otherwise delete.~~]

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

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax "specifically for promotion, advertising, and marketing of the region in which the county is located." [~~Note: This only applies to lodging taxes a county pays to a CVB. Otherwise delete.~~]

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

[Ordinance 99-007 permits the Bureau to spend lodging taxes only for [insert purpose].]  
[~~modify as needed.~~]

**[Insert other significant restrictions as needed.]**

2. We haphazardly selected forty disbursements of lodging taxes from the years ended December 31, 20XX+1 and 20XX [in addition to all disbursements exceeding \$1,000], [~~delete if no disbursements exceeded \$1,000~~]<sup>9</sup> OR [We selected all disbursements from the years ending December 31, 20XX+1 and 20XX representing uses of lodging taxes.] [~~use if population is small~~] and compared the purpose for these disbursements as documented on vendor invoices or other supporting documentation to the sources of restrictions listed in *Cash Disbursements Step 1* above. We found no instances where the purpose described on the invoice or other supporting documentation described a violation the restrictions listed above.

[We found one exception: The Bureau issued Check No. 456 for \$1,876 to pay for [insert frivolous purpose]. Neither Ordinance 99-007 nor Ohio Rev. Code Section 5739.09(A)(2) permit using lodging taxes for this purpose. Accordingly, we are hereby issuing a finding for recovery . . . (etc.).]

**[Insert the following paragraph if the Bureau declines to provide us written representations:]**

Attestation standards established by the American Institute of Certified Public Accountants require that we request a written statement from the Bureau stating that cash receipts and disbursements to which we applied procedures has been accurately measured or evaluated. We requested that the Bureau provide such a statement but the trustees and/or fiscal officer refused to do so.

**[While client responses are not required, if the client chooses to respond to the exceptions, please insert the following paragraph.]<sup>10</sup>**

The Bureau has responded to issues [the issue] discussed in this report. You may obtain a copy of their response from [indicate appropriate contact information, such as name of client contact person and

telephone number.] **OR** [A copy of their response is included on the Bureau's web page, at [indicate entity's web site address].]

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not examine or review the Bureau's lodging tax receipts and disbursements for the years ended December 31, 20XX+1 and 20XX, the objective of which would have been to opine on lodging tax receipts and disbursements or provide a conclusion. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is to provide assistance in the evaluation of the Bureau's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 20XX+1 and 20XX, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

**[Signature]**

[City], [State]

[Date]

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<sup>1</sup> This report shell should be used for entities with a testing period of 2016-2017. For period 2015-2016 and prior, please obtain the previous report shell from the Old Practice Aids located at <http://portal/BP/Intranet/Auditor%20Resources/Old%20Practice%20Aids.aspx>.

<sup>2</sup> Updated February 2018 - Additions are indicated by double underlines and items removed are in strikeout font. Double underlines and strikeout font should be removed prior to finalizing. All the red references should be updated as appropriate and changed to black font prior to finalizing. All blue font items are guidance and need removed prior to finalizing.

<sup>3</sup> Please read the document, *AUP Additional Guidance* for additional information. This document is available at <http://www.ohioauditor.gov/references/agreeduponprocedures.html> on the web, and in our Briefcase for AOS staff.

<sup>4</sup> The cash and investment procedures should be completed for both public and private monies, since these monies are generally maintained in the same accounts. All other steps apply **ONLY** to the public funds. Note: If the private monies are combined with the public monies they lose their "private" identity.

<sup>5</sup> If the entity using the UAN system had no activity on 1/1/XX, then run the Fund Ledger Report as of the first date they had activity during the year.

<sup>6</sup> Performing this step normally requires reviewing disbursement records at the county, municipality and / or township.

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<sup>7</sup> It is possible a Bureau would not record a receipt for a disbursement made very near year end until the beginning of the following year. We would not deem this as an exception if the Bureau recorded the receipt early in the following year.

<sup>8</sup> 501(c)(6) classification is reserved for specific organizations, including **chamber of commerce organizations** (which would include CVB) (and professional football leagues!) They are characterized by a common business interest, which the organization typically promotes. Organizations under this category are exempt from most federal income taxes.

501(c)(6) organizations may engage in limited political activities that inform, educate, and promote their given interest. They may **not** engage in direct expenditures advocating a vote for a political candidate or cause. Therefore, we should report any disbursements for political candidates as possible violations of the CVB's exempt purpose.

We are also aware some CVB are exempt under 501(c)(3) as *public charities*. Similar to 501(c)(6) organizations, "(c)(3)" organizations are prohibited from conducting political campaign activities to influence elections to public office

<sup>9</sup> The Disbursements Step 2 boilerplate language is only an example of the extent of testing you might use. You should modify as needed so that we achieve appropriate coverage of disbursements. Also:

- NOTE: You should select the most efficient testing approach for your audit – nonstatistical sampling or high dollar or a combination thereof.
- Although you may use sample sizes from our guidance (25, 40, 60) it is inappropriate to project the results in an AUP engagement.
- If using high dollar, you should select an appropriate threshold for your engagement.
- If high dollar testing does not provide significant coverage, then we require additional assurance from haphazard selections.
- If the CVB had a low number of disbursements, we may choose to test all of them, and word the report as follows "We selected all disbursements of lodging taxes from the years ended December 31, 20XX and 20XX-1 . . . "
- You must modify the wording to accurately describe the extent of testing.

NOTE: There is no filing requirement for CVB; therefore they are not required to file in the HINKLE system

<sup>10</sup> AOS auditors see AOSAM 38100.44 and AUP Additional Guidance