

Detailed Follow Up Report - Auditor Determined Status

Rec#	Recommendation	Auditor FollowUp	City Auditor's Status	Closed
2206	Destination Marketing Contract	Issued:	1/4/2022	
1A	<p>The Contract Administrator should address the following in the City's destination marketing contract: Require a full accounting of City bed tax monies, including any unused monies remaining at year end, through annual budgets and other required financial reports. One alternative for achieving this is to require City-funded revenues and expenses to be tracked separately, allocating to the City only a proportionate share of the destination marketing expenses that are not funded by other restricted revenues.</p>	<p>June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The approved Contract No. 2022-054-COS section 4.1.4. includes a requirement to disclose any carryover funds to be used the next fiscal year in the proposed budget. The contract budget form in Exhibit E will provide sufficient detail to evaluate the use of City funds in proportion to other revenue sources and uses. As well, the new contract continues the requirement to submit the organization's annual financial audit report.</p>	Implemented	<input checked="" type="checkbox"/>
1B	<p>The Contract Administrator should address the following in the City's destination marketing contract: Establish a City contingency or reserve funding limit and either require excess funds be specifically reallocated to program expenses or returned to the City to be held in reserve for destination marketing purposes. Also, develop or require budget forms that are consistent with the categories used in the audited annual financial statements and include at least one prior year's actual results, along with the applicable beginning and ending balances.</p>	<p>June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The City Council approved creation of a new city reserve equal to 5% of the bed tax funds collected, with the new contract providing 45% of the bed tax funds to the destination marketing organization. The city's reserve fund will be used for destination marketing purposes. Further, the adopted budget form (Exhibit E) is consistent with the annual financial statement categories and requires disclosure of beginning and ending balances.</p>	Implemented	<input checked="" type="checkbox"/>

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1C	The Contract Administrator should address the following in the City's destination marketing contract: Establish a fee method that is more closely aligned with the purchased destination marketing services, such as using a sliding scale of bed tax revenues or a fixed contract amount. In addition, require the contractor to provide advertising services and marketing materials at no additional cost to the relevant City departments.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The new contract established the destination marketing fee at 45% of bed tax funds (plus the separate Fiesta Bowl contract), requires no-cost maps and brochures in an amount up to 10% of its related printing budget, and includes advertising services up to specified amounts for Old Town Scottsdale and other City-owned special events or venues.	Implemented	<input checked="" type="checkbox"/>
1D	The Contract Administrator should address the following in the City's destination marketing contract: Add a contract term to establish ownership of intellectual property and work products funded with City bed tax.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The new contract includes an intellectual property clause requiring the City to obtain written consent from each of the organization's members to acquire, at its cost, intellectual property created pursuant to the contract.	Part Impl'd	<input checked="" type="checkbox"/>
2A	The Contract Administrator should strengthen fiscal monitoring over the use of City bed tax monies by adjusting the non-program expense reporting requirement to be calculated based on audited financial statement functional expense categories.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The new contract requires the organization to keep its nonprogram costs at or below 20% and in all events below 23% unless extenuating market conditions dictate otherwise. The calculation is to be based on the audited annual financial statement categories.	Implemented	<input checked="" type="checkbox"/>

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2B	The Contract Administrator should strengthen fiscal monitoring over the use of City bed tax monies by adopting a performance standard and/or contract requirement to monitor the effect of executive compensation and limit administrative costs paid by the City's bed tax monies.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The new contract requires the organization to keep its nonprogram costs at or below 20% and in all events below 23% unless extenuating market conditions dictate otherwise. The calculation is to be based on the audited annual financial statement categories.	Implemented	<input checked="" type="checkbox"/>
3A	The Contract Administrator should strengthen fiscal monitoring over the use of City bed tax monies by requiring destination marketing performance standards based on the City's contract objectives, marketing priorities and historical performance.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The Contract Administrator reported using the Destinations International handbook as a guide when negotiating performance standards and marketing terms that were considered relevant. The new contract requires the organizations to make reasonable efforts to receive accreditation from Destinations International, but failure is not considered a default under the contract terms.	Implemented	<input checked="" type="checkbox"/>
3B	The Contract Administrator should strengthen fiscal monitoring over the use of City bed tax monies by requiring or regularly obtaining advertising effectiveness studies.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The new contract requires an advertising effectiveness study at the City's sole cost. The study is expected to be completed during this fiscal year 2022/23.	In Progress	<input type="checkbox"/>

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3C	The Contract Administrator should strengthen fiscal monitoring over the use of City bed tax monies by ensuring the contractor adopts relevant performance standards and definitions from the Destinations International Standard DMO Performance Reporting handbook.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: The department reported the new contract incorporates performance standards and marketing activities that were updated using the Destinations International performance reporting handbook as a guide. The additional selected measures improve the performance standards, though others may better measure marketing effectiveness, such as number of "booked" rooms rather than leads.	Implemented	<input checked="" type="checkbox"/>
3D	The Contract Administrator should strengthen fiscal monitoring over the use of City bed tax monies by requiring leads be forwarded to all applicable hotels and businesses within the City, rather than just Experience Scottsdale members and prohibiting Scottsdale bed tax monies from being rebated to hotels or businesses that do not pay the City bed tax.	June 2022: The department reported that the City Manager has provided direction and the audit recommendations are being considered as part of the new agreement. The draft contract is expected to be submitted for City Council review and possible action on June 21, 2022. Sept 2022: These recommendations were discussed but not included in the new contract terms.	Not Impl'd	<input checked="" type="checkbox"/>