



AUDIT HIGHLIGHTS

Bed Tax-Funded Special Event Contracts

October 7, 2015

Audit Report No. 1603

WHY WE DID THIS AUDIT

This audit was included on the Council-approved FY 2015/16 Audit Plan to evaluate compliance with terms and effectiveness of controls in City's bed tax-funded special event contracts.

This audit did not review the City's special event permitting processes, which are separate from the bed tax funding process.

BACKGROUND

During FY 2014/15, the City invested close to \$1.5 million on special events to encourage tourism and provide citizens with cultural and western-themed activities. Special Event programs are funded by the City's 5% Transient Occupancy tax, which is typically referred to as the Bed Tax. Expenditures on Special Events have increased from \$0.3 million in FY 2010/11 to \$1.5 million in FY 2014/15.

There are four different Special Event funding programs:

Community Event: Events that are primarily attended by residents but also attract tourists.

Event Venue Fee: Participant-driven events that use a City owned or operated venue.

Matching Event Advertising Funding (MEAF): Major events that promote Scottsdale as an upscale tourist and meeting destination to national and international markets.

Event Development: New events that increase national and international visibility and may become annual events.

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WHAT WE FOUND

1. **The eligibility and evaluation criteria for Special Event funding could be more effective.**

Multiple, better defined eligibility criteria would allow events to be evaluated more thoroughly for their potential and actual return on investment.

2. **Improved event contract terms and contract administration can better assure return on the City's investment.**

Including specific post-event documentation requirements, an audit clause and other terms and ensuring compliance with contract terms could better assure the value received by the City.

3. **Some events were approved that did not meet current program guidelines.**

Some funded events technically did not meet the defined program guidelines. Specifically:

- The event development program requires the City's bed-tax funds be used for marketing but a reviewed event had relatively minimal paid marketing. However, the event provided verified advertising value from national and international exposure.
- Two community events did not meet program required attendance and location specifications. However, these are long-standing events.

WHAT WE RECOMMEND

We recommend the Tourism and Events Department:

1. Develop additional criteria for measuring an event's potential return on investment and present the criteria to the Tourism Development Commission for advice and the City Council for approval.
2. Consult with the City Attorney's Office regarding addition of terms to contract template documents.
3. Ensure contract requirements are being fulfilled or if requirements are no longer necessary, they should no longer be included in contracts.
4. Consult with the Tourism Development Commission about updating the Event Development guidelines to clarify allowable uses of funding.
5. Submit events that are outside program guidelines for specific Council approval or update the program requirements so that they encompass the funded community events.

MANAGEMENT RESPONSE

The Department agreed with the audit recommendations and expects to have all recommendations implemented by the end of the current fiscal year.