

# Oregon Tourism Commission

Independent Accountants' Report on  
the Application of Agreed-Upon Procedures

Biennium Ended June 30, 2017



# OREGON TOURISM COMMISSION

## Agreed-Upon Procedures

Biennium Ended June 30, 2017

---

### Table of Contents

	Page
Independent Accountants' Report on Application of Agreed-Upon Procedures	1
Schedule of Agreed-Upon Procedures	2
Budget to Actual Variance Analysis	5

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLICATION OF AGREED-UPON PROCEDURES**

To Oregon Tourism Commission  
Portland, Oregon

We have performed the procedures described in the Schedule of Agreed-Upon Procedures, which were agreed to by the Secretary of State for Oregon and the Oregon Tourism Commission (the Commission) solely to assist you in evaluating the cash and accounting processes for the biennium ended June 30, 2017. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Schedule of Agreed-Upon Procedures either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are described in the Schedule of Agreed-Upon Procedures. The following were the procedures to be performed according to the Secretary of State for Oregon:

- review of internal controls relating to handling cash, recording revenues and disbursements;
- verification of cash, revenues and disbursements;
- review of budget to actual comparison; and
- follow up on prior year findings to determine current status.

The verification of cash, revenues, and disbursements involved obtaining a sample. Whenever sampling is involved there is the possibility that the finding might not be representative of the population from which it was drawn.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, or a review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements or reports for the Oregon Tourism Commission. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than those specified parties.

*Aldrich CPAs + Advisors LLP*

Lake Oswego, Oregon  
April 4, 2018

**OREGON TOURISM COMMISSION**  
**Schedule of Agreed-Upon Procedures**  
Biennium Ended June 30, 2017

---

1. Review internal controls related to handling cash and reconciling revenues and disbursements.

Procedures: Internal controls relating to handling cash, and recording revenues and disbursements were reviewed and evaluated. Commission policies, procedures, and desk manuals related to:

- a. Bank transfers and wire transfers
- b. Bank reconciliations
- c. Creation of new bank accounts and changing of signers
- d. Preparation and review of financial reports
- e. Cash receipts
- f. Billing and recording of accounts receivable
- g. Cash disbursements to include payroll, expense reimbursements, grants, and operational expenses
- h. Journal entries

Findings: There were no weaknesses in key controls identified.

Comments: We noted that the controls are designed effectively and communicated recommendations for some additional controls that could be implemented to strengthen the controls.

Management Response: We appreciate Aldrich's recommendations and have implemented those recommendations.

2. Verification of cash balances

Procedures: We confirmed all six cash balances held with financial institutions as of June 30, 2017. We also selected a sample of 32 bank reconciliations, selected from all accounts throughout the biennium to verify that bank reconciliations are performed timely and reviewed within 1 month of month end.

Findings: No discrepancies identified.

3. Revenue and expense verification.

Procedures: We obtained the general ledger detail for all revenue and expenses accounts and agreed the ending balance of the accounts to the trial balance, for the fiscal years ended June 30, 2016 and June 30, 2017, to verify completeness. We selected a random sample of 36 revenue transactions and 60 expense transactions from this detail. We then obtained the supporting documentation for each transaction which included bank statements to verify deposits, journal entry detail for allocations, and invoices or receipts for expenses.

Findings: Of the 60 expenses tested there were two expenses items for which the documentation of approval for payment was not retained, but the items were properly recorded.

Comments: We did not identify any exceptions in our testing of revenues. We identified two expense transactions for which there was missing documentation. One was a refund that was issued to a registrant for which they were able to provide the information from the system, but the original, approved transaction support was not able to be located. The second was a credit card expense from an employee. All the supporting documentation was available with the exception of the page of the credit card statement with the supervisor's approval of the expense. Both of these items were properly recorded based on the information provided.

Management Response: We appreciate Aldrich's acknowledgement that both items noted were properly recorded and that, excepting a signature, all supporting documentation was available.

**OREGON TOURISM COMMISSION**  
**Schedule of Agreed-Upon Procedures**  
Biennium Ended June 30, 2017

---

4. Budget to actual comparison.

Procedures: We obtained the budget for the biennium ended June 30, 2017 and compared it to the actual expenses incurred and reported for the same period. To verify the accuracy of the sources and uses reported we reconciled the amounts included in the budget to actual report to the amounts included in the trial balance obtained from the accounting system for the fiscal years ended June 30, 2016 and June 30, 2017. We noted that there are carryover funds that are included in the budget for the current biennium which are comprised of amounts received in prior periods that had not yet been allocated or spent. These funds were budgeted to be expended in the current biennium.

Findings: No discrepancies were noted in our reconciliation of the amounts included in the schedule.

Comments: See the following schedule for management's explanation of the budget to actual variances.

5. Follow-up on prior findings.

Procedures: We reviewed the findings from the prior biennium report. We discussed these findings with management and verified implementation or resolution through our testing of transactions. Each of the unresolved findings and the current year status have been listed below.

**Prior finding:** The VP of Operations and the Fiscal Manager should document their review of the payroll spreadsheet by initialing and dating the spreadsheet. We noted that the employees are not dating their time sheets.

Procedures to address comment: Payroll packets were obtained during testing of expenses and reviewed for the approval of the VP of Operations.

Finding: No issues identified.

Comment: Preliminary payroll reports and prior month reports are submitted to the VP of Operations for approval. The final payroll register which had been saved electronically, is now also being provided with the payroll reports in order for the VP of Operations to sign them.

Management Response: The agency implemented an online time keeping and integrated payroll software system on June 1, 2017. This new system was set up to require approval of payroll prior to processing.

**Prior finding:** The VP of Operations should consistently review the payroll summary report, comparing it to the payroll spreadsheet, and initial and date the payroll summary as evidence of the review.

Procedures to address comment: Payroll packets were obtained during testing of expenses and reviewed for the approval of the VP of Operations.

Finding: No issues identified.

Comments: Preliminary payroll reports and prior month reports are submitted to the VP of Operations for approval. The final payroll register which had been saved electronically, is now also being provided with the payroll reports in order for the VP of Operations to sign them.

**OREGON TOURISM COMMISSION**  
**Schedule of Agreed-Upon Procedures**  
Biennium Ended June 30, 2017

---

**Prior finding:** Management should review and approve, in writing, all journal entries.

Procedures to address comment: Ten journal entries were selected to review for approval.

Finding: 1 journal entry was identified for which there was no documentation of the approval of the entry.

Comments: All journal entries are submitted with supporting documentation for review and signature approval by the VP of Operations. During our testing of 10 entries, one was selected that did not have a signature verifying review. The supporting documentation was a commission action and the entry was recorded correctly; the approval of posting was just not documented.

Management Response: We appreciate Aldrich's acknowledgement that the entry was correctly reported.

**Prior finding:** The Commission should ensure invoices and expense reports are properly approved. Employees should document the business purpose of the expense to ensure the expense will not be a taxable event to the employee. As part of their review and approval process, supervisors should ensure employees list the business purpose of the expense.

Procedures to address comment: A sample of expenses were selected for testing and inspected documentation for expense account coding, supervisor approval, and any indication of unallowable expenses.

Finding: No issues identified.

Comments: Employees are required to enter their business purpose online on their credit card statements. These are reviewed and approved by their supervisor. Additionally, the client maintains a list of unallowable expenses that will not be reimbursed by the Commission. Invoices are approved by the authorized department. See procedures performed over expenses for finding in the current biennium.

**Prior finding:** The Commission's budget to actual income statement should reflect only budgetary amounts approved by the Commission. The Commission has a long-standing practice of the Board approving carryover from the prior biennium when all budgeted funds from the prior period aren't spent; we suggest this amount be included as a separate item on the board approved budget documents to create the audit trail for the approval of the full budget.

Procedures to address comment: These transactions were reviewed in combination with the testing of revenue to ensure for proper recording.

Finding: No issues identified.

Comments: No changes have been made to the tracking of this amount as this is statutorily regulated. The Commission continues to document the approval of the practice in minutes, but due to timing, the amounts are not known when the budget is adopted.

# OREGON TOURISM COMMISSION

## Budget to Actual Variance Analysis

For the Biennium Ending June 30, 2017

	Actual	Amended 2015-17 Budget	Amount Over (Under) Budget	Explanation as Provided by Management
<b>Sources</b>				
Revenue:				
Unencumbered lodging tax income	\$ 40,807,491	\$ 41,346,071	\$ (538,580)	Fiscal year 2017 lodging tax income came in less than budgeted.
Statutory allocation of lodging tax income	9,428,633	9,659,454	(230,821)	Fiscal year 2017 lodging tax income came in less than budgeted.
Lodging tax from prior period	840,793	840,793	-	
Other revenue	12,586	-	12,586	Workshop registrations and other sales not budgeted.
Governor's Conference revenue	325,000	300,000	25,000	Registrations were higher than budgeted in fiscal year 2017.
Welcome center brochure program	69,856	100,000	(30,144)	Print program activity declining and likely to continue at lower levels
<b>Total Revenue</b>	<b>51,484,359</b>	<b>52,246,318</b>		
Rollover funds available for use in current biennium	1,162,193	1,162,193	-	
<b>Total Sources</b>	<b>52,646,552</b>	<b>53,408,511</b>		
<b>Uses</b>				
Future Programming and Reserves:				
Statutory:				
Regional 2017-19	6,285,755	6,439,636	(153,881)	Fiscal year 2017 lodging tax income came in less than budgeted.
Grants 2017-19	3,142,878	3,219,818	(76,940)	Fiscal year 2017 lodging tax income came in less than budgeted.
<b>Total Statutory</b>	<b>9,428,633</b>	<b>9,659,454</b>		
Discretionary:				
Operating reserve	1,571,439	1,619,908	(48,469)	Fiscal year 2017 lodging tax income came in less than budgeted.
Immediate Opportunity Fund	700,000	700,000	-	
Less: expended 2015-17	(194,500)	(194,500)	-	
Net future Immediate Opportunity Fund	505,500	505,500	-	
Marketing and Sales Development	2,280,182	2,280,182	-	
Less: expended 2015-17	(1,000,000)	(1,000,000)	-	
Net Future Marketing & Sales Development	1,280,182	1,280,182	-	
<b>Total Discretionary</b>	<b>3,357,121</b>	<b>3,405,590</b>		
<b>Total Future Programming and Reserves</b>	<b>12,785,754</b>	<b>13,065,044</b>		
Expenses:				
Administration and operations	6,331,268	6,521,169	(189,901)	Due to construction delays, rent for new office space, office expenses and staff development lower than expected.
Global marketing advertising	18,894,540	19,525,522	(630,982)	Timing of advertising and website expenses.
Global sales marketing	5,527,144	5,595,824	(68,680)	Spending in all markets and payroll were all slightly under budget.
Industry and visitor services	2,484,860	3,339,477	(854,617)	Timing of expenses related to new Siskiyou Welcome Center and Matching Grants Program 2016-2018 (which overlaps biennia) resulted in lower expenses in this biennium.
Destination development	4,867,009	5,361,475	(494,466)	Timing of expenses as program is staffing up 2017-19 biennium, lower expenses incurred in the current biennium.
<b>Total Uses</b>	<b>38,104,821</b>	<b>40,343,467</b>		
<b>Remaining Funds</b>	<b>\$ 1,755,977</b>	<b>\$ -</b>		