

Department of Tourist Development

**For the Years Ended
June 30, 1996, and June 30, 1995**

Arthur A. Hayes, Jr., CPA

Director

Charles K. Bridges, CPA

Assistant Director

Debra D. Bloomingburg, CPA

Audit Manager

Derek D. Martin, CPA

In-Charge Auditor

Christa W. Martin

Ronald H. Queen

Staff Auditors

Leslie Bethea

Editor

April 29, 1997

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable John A. Wade, Commissioner

Department of Tourist Development

320 Sixth Avenue North

Nashville, Tennessee 37202

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Tourist Development for the years ended June 30, 1996, and June 30, 1995.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Tourist Development's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of Tourist Development is responsible for establishing and maintaining the internal control structure and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of Tourist Development's management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
97/044

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Tourist Development
For the Years Ended June 30, 1996, and June 30, 1995

AUDIT SCOPE

We have audited the Department of Tourist Development for the period July 1, 1994, through June 30, 1996. Our primary focus was on management's controls and compliance with policies, procedures, laws, and regulations in the areas of disbursements, equipment, payroll and personnel, revenue, and grants. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Department of Tourist Development
For the Years Ended June 30, 1996, and June 30, 1995

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	3
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	3
Disbursements	3
Equipment	4
Payroll and Personnel	4
Revenue	5
Grants	5
PRIOR AUDIT FINDINGS	6
Resolved Audit Findings	6
APPENDICES	7
Divisions and Allotment Codes	7
Charts (Unaudited)	8
Funding Sources - Fiscal Year Ended June 30, 1996	8

TABLE OF CONTENTS (CONT.)

	<u>Exhibit</u>	<u>Page</u>
Expenditures by Allotment and Division - Fiscal Year Ended June 30, 1996		8
Funding Sources - Fiscal Year Ended June 30, 1995		9
Expenditures by Allotment and Division - Fiscal Year Ended June 30, 1995		9

Department of Tourist Development For the Years Ended June 30, 1996, and June 30, 1995

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Tourist Development. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission of the Department of Tourist Development is to promote tourism in Tennessee through various services and marketing programs and to bring steady economic growth to the tourism industry in Tennessee. In order to fulfill this mission, the department has five divisions that work to promote tourism. The divisions are Marketing, Communications, Heritage and Community Tourism Development, Information and Support Services, and Welcome Centers.

The Marketing and Communications Divisions work to promote Tennessee tourism through advertising in national print and media, participating in travel and vacation shows each year, developing marketing programs, and producing travel articles and other promotional literature about Tennessee. The Heritage and Community Tourism Development Division works with communities throughout the state to create heritage trails, tours, and other attractions to increase Tennessee’s appeal. The Information and Support Services Division responds to more than 500,000 requests for travel information each year. Finally, the Welcome Centers Division operates 12 Welcome Centers that act as contact points for people entering Tennessee and provide information on the state’s attractions, lodging, and other travel-related facilities. The Welcome Centers are open 24-hours a day throughout the year.

An organization chart of the department is on the following page.

AUDIT SCOPE

We have audited the Department of Tourist Development for the period July 1, 1994, through June 30, 1996. Our primary focus was on management's controls and compliance with policies, procedures, laws, and regulations in the areas of disbursements, equipment, payroll and personnel, revenue, and grants. The audit was conducted in accordance with generally accepted government auditing standards.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

DISBURSEMENTS

The objectives of our review of the disbursements controls and procedures in the Department of Tourist Development were to determine whether

- the department ensured that travel disbursements were properly supported and in compliance with the *Comprehensive Travel Regulations* of Tennessee,
- the department reconciled its records with Department of Finance and Administration reports on a monthly basis, and
- the department ensured that contracts were made in accordance with the appropriate regulations.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over travel disbursements, contracts, and reconciliations. We also reviewed supporting documentation for these procedures and controls. In addition, testwork was performed on a nonstatistical sample of travel disbursements. We had no findings related to disbursements.

EQUIPMENT

The objectives of our review of the equipment controls and procedures in the Department of Tourist Development were to determine whether

- department controls ensured that equipment was properly safeguarded, and
- the department properly accounted for equipment.

We interviewed key department personnel to gain an understanding of the department's procedures and controls for safeguarding and accounting for equipment including the physical inventory procedures. We also reviewed supporting documentation for these controls and procedures. Furthermore, we tested nonstatistical samples of equipment items. This involved locating the items and determining if items agreed by description, tag number, serial number, and location with the equipment listing. We had no findings related to equipment.

PAYROLL AND PERSONNEL

The objectives of our review of the payroll and personnel controls and procedures in the Department of Tourist Development were to determine whether

- the department ensured that payroll disbursements were made only for work authorized and performed,
- the department ensured that payrolls were computed using rates and other factors in accordance with contracts and relevant laws and regulations,
- department controls ensured that payrolls were recorded correctly as to amount and period, and distributed properly by account, fund, and budget category,
- the department ensured that employees were qualified for their positions,
- the department completed performance evaluations for employees in the time period required, and
- the department complied with state laws when employing temporary employees who are retirees of the Tennessee Consolidated Retirement System.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over employee hiring, performance evaluations, payroll data entry and approval, and personnel files. We also reviewed supporting documentation and determined the

existence of any temporary employees. In addition, a nonstatistical sample of payroll transactions was tested. This testwork included employee confirmations and timeliness of performance evaluations. We had no findings related to payroll and personnel.

REVENUE

The objectives of our review of the revenue controls and procedures in the Department of Tourist Development were to determine whether

- the department ensured that controls over revenue were adequate,
- the department ensured that revenue was properly recorded that was available and measurable in this fiscal period, and
- the department satisfied the relevant legal requirements to receive revenues recorded.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over revenue. We also reviewed supporting documentation for these procedures and controls. A nonstatistical sample of the department's cash receipts was selected to determine if receipts were prenumbered and deposits were made within the time prescribed by law. Testwork was also performed for a sample of marketing events held by the department, such as the Governor's Conference and Samplers, to determine if revenue was appropriately received from attendants. We had no findings related to revenue.

GRANTS

The objective of our review of the grants controls and procedures in the Department of Tourist Development was to determine whether

- the department ensured that grants were administered and transactions were recorded in accordance with grant provisions and related laws and regulations.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over grants. We examined supporting documentation to determine the grants made by the department along with the grant guidelines. Nonstatistical samples of grant expenditures were selected to determine if the appropriate reports or audits were received, grant expenditures did not exceed authorized amounts, and grant funds were spent for the purposes shown in the grant contract. We had no findings related to grants.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Tourist Development filed its report with the Department of Audit on January 11, 1996. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Tourist Development has corrected previous audit findings concerning the adequacy of controls over cash receipts, the need for improvement in monitoring procedures for grant recipients, and the inability to locate documentation to support transactions.

APPENDICES

DIVISIONS AND ALLOTMENT CODES

Department of Tourist Development divisions and allotment codes:

326.01 Division of Tourist Development

326.03 Welcome Center Program

