

Sonoma County Tourism Bureau

**Agreed-Upon Procedures
Performed by Independent Accountant**

**For the Six Month Period Ended June 30, 2017
and Year Ended December 31, 2016**

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
Sonoma County Tourism Bureau
400 Aviation Boulevard, No. 500
Santa Rosa, CA 95403

We have performed the procedures enumerated below, which were agreed to by the management of the Sonoma County Tourism Bureau ("the Organization"), on compliance with the Organization's travel and entertainment expense reimbursement policy as of and for the six month period ended June 30, 2017 and year ended December 31, 2016. The sufficiency of our procedures is solely the responsibility of the Organization. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

We performed agreed-upon procedures as follows:

1. Obtain an understanding of the Organization's employee travel and entertainment expense reimbursement policy and procedures.
2. Select a sample of expenditures spanning January 1, 2016 to June 30, 2017 from a population consisting of all of the Organization's employee held credit cards and expenditures reimbursed through payroll. From this sample, determine whether the expenditure would be subject to the policy. If subject to the policy, ensure the expense complies with the reimbursement policy. If the expenditure is not subject to the policy, determine whether it appears to have a valid business purpose and whether the price appears reasonable.
3. Determine whether the reimbursement expenses comply with applicable laws, specifically Chapter 33 Section 4 of the Sonoma County Municipal Code (authorized uses of business improvement funds) and Article XVI, section 6 of the California Constitution (prohibition against making a gift of public funds).

Below is a summary of results based on the documentation reviewed.

Procedure 1:

Pisenti & Brinker LLP ("P&B") obtained an understanding of the policy by reviewing the Organization's employee handbook section on travel and entertainment expense policies and reporting procedures effective July 2015 as well as reviewing the Organization's travel and entertainment expense – policies and reporting procedures manual effective July 1, 2017.

Procedure 2:

P&B selected a sample of expenditures from January 1, 2016 to June 30, 2017 and determined whether each expenditure was in compliance with the travel and entertainment expense reimbursement policies effective July 2015 and July 2017 or, if this was not applicable, appeared to have a valid business purpose. P&B selected all expenditures incurred by the CEO, CFO and COO during the period and 25% of all other employee expenditures for the period under review. The total number of expenditures tested was 183. See the statement of findings in the attached report for findings noted during testing.

Procedure 3:

P&B determined whether the expenses complied with applicable laws, specifically Chapter 33 Section 4 of the Sonoma County Municipal Code (authorized uses of business improvement funds) and Article XVI, section 6 of the California Constitution (prohibition against making a gift of public funds). P&B noted no instances where expenditures did not comply with applicable laws.

This agreed-upon procedures engagement 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 examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on procedures and documentation relevant to compliance with policies related to the Organization's travel and entertainment expense reimbursement process. 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 management and directors of the Sonoma County Tourism Bureau and the County of Sonoma, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Piseri & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
August 9, 2019

Agreed-upon Procedures Schedule of Findings

For the Period January 1, 2016 through June 30, 2017

Finding #2017-001

According to the Organization's travel and entertainment expense reimbursement policy effective July 1, 2017, certain travel expenses including air travel insurance are not reimbursable by the Organization to the employee. P&B noted one instance where an employee purchased travel insurance for business trips which was reimbursed by the Organization.

Finding #2017-002

According to the Organization's travel and entertainment expense reimbursement policy, a mid-sized vehicle should be rented for travel unless a larger (SUV) vehicle is necessary for business purposes. P&B noted one instance where an employee rented a SUV without an explanation provided and was reimbursed by the Organization.

Finding #2017-003

According to the Organization's travel and entertainment expense reimbursement policy effective July 1, 2017, there are various transportation expenses which will not be reimbursed including the use of private transportation companies unless a cost analysis is done including daily long-term parking fee and travel mileage reimbursement. P&B noted four instances where employees utilized private transportation without any evidence of a cost analysis and were reimbursed by the Organization.

Finding #2017-004

According to the Organization's travel and entertainment expense reimbursement policy effective July 1, 2017, there are various lodging expenses which will not be reimbursed including valet parking when onsite parking or public parking garages are available within two blocks. P&B noted one instance where an employee utilized valet parking and was reimbursed by the Organization.

Finding #2017-005

According to the Organization's travel and entertainment expense reimbursement policy, there are various non-reimbursable expenses including non-Plan covered medical expenses and/or deductibles. P&B noted thirty-one instances where an employee was reimbursed for the non-Plan medical expenses by the Organization. P&B noted the medical expense reimbursement totaled approximately \$8,900 during the eighteen month period.

Finding #2017-006

According to the Organization's travel and entertainment expense reimbursement policy, there are various non-reimbursable expenses including fees or dues for travel related loyalty or frequent-stayer programs. P&B noted five instances where employees were reimbursed for loyalty or airline programs by the Organization. P&B noted the travel related loyalty and frequent-stayer program reimbursement totaled approximately \$3,300 during the eighteen month period.

Agreed-upon Procedures Schedule of Findings

For the Period January 1, 2016 through June 30, 2017

Finding #2017-007

According to the Organization's travel and entertainment expense reimbursement policy effective July 1, 2017, no more than \$5,000 may be charged on a Sonoma County Tourism Bureau issued credit card for one transaction without prior approval from the employee's supervisor and Chief Financial Officer. P&B noted five instances where employees charged single transactions greater than \$5,000 without receiving prior approval from a supervisor and the Chief Financial Officer.

Finding #2017-008

According to the Organization's travel and entertainment expense reimbursement policy effective July 1, 2017, gratuities should not exceed 15% on reimbursable business meals. P&B noted twenty six instances where employees were reimbursed for gratuities in excess of 15% by the Organization.

For the Period January 1, 2016 through June 30, 2017

Due to the fact that the agreed upon procedures are for a time period during which none of the current Sonoma County Tourism Bureau leadership team was in place, these responses are being developed and presented by the Sonoma County Tourism Board of Directors and Finance & Legal Committee. Any questions or comments about these responses should be directed to either of the individuals listed below acting as representatives for each of these entities.

Joe Bartolomei
Immediate Past Chair, Sonoma County Tourism Board of Directors
The Farmhouse Inn
joe@farmhouseinn.com
(707) 738-3480

Keo Hornbostel
Chair, Sonoma County Finance & Legal Committee
General Manager, Safari West
khornbostel@safariwest.com
(707) 566-6362

Finding #2017-001

The policy restricting the use of travel insurance is not included in the travel and entertainment expense reimbursement policy that was in place during the agreed upon procedures timeframe. The policy with this language went into effect July 1, 2017. The Organization believes it is occasionally in the best interest of the organization to purchase travel insurance for an expensive flight, especially one associated with a trip that for whatever reason may change or be cancelled.

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

Travel Insurance

In most cases, travel insurance should not be purchased. An exception may be with an international trip, primarily those booked in conjunction with another organization such as Brand USA or Visit California. When booking for these types of sales or marketing missions, it is advisable to purchase the travel insurance through the air carrier. When pre-approved, this expense is reimbursable.

Finding #2017-002

While this is an infraction of the policy that was in place during the agreed upon procedures timeframe, a vehicle capable of hauling large amounts of materials is occasionally required based on the purpose of the trip. This expense was made by an employee no longer with the organization, so the Organization was unable to track the reason for this expense.

For the Period January 1, 2016 through June 30, 2017

Finding #2017-002 (continued)

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

Vehicles - Rental

Unless a larger vehicle is necessary for business purposes, a mid-sized vehicle should be rented. The Organization's insurance covers all cars rented by employees for Sonoma County business. Accordingly, no additional insurance needs to be purchased. The SCT Finance Department will provide proof of this insurance upon request. The Organization has corporate accounts with Hertz and Enterprise National, both which offer a reduced rental rate. These should be considered first when a rental car is required.

Finding #2017-003

The policy restricting the use of private transportation companies was not included in the travel and entertainment expense reimbursement policy in place during the agreed upon procedures timeframe.

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

Airport Parking and Transportation to/from Airport

Reimbursement for short-term (hourly) parking at airports is generally not permitted due to excessive cost. Employees are to use long-term or offsite parking, unless circumstances require an alternative parking situation. The availability of a shuttle service needs to be considered and used when prudent. Use of private transportation companies is prohibited unless a cost analysis is done including daily long-term parking fee and travel mileage reimbursement. Situations where use of a transportation company may prove cost effective include multiple employees are traveling together, one employee is traveling for an extended period of time or the trip is part of a sponsored partner event in a major city where mass transit, or ride-share travel could delay timely transport.

Finding #2017-004

The policy restricting the use of valet parking is not included in the travel and entertainment expense reimbursement policy that was in place during the agreed upon procedures timeframe. Policy with this language went into effect July 1, 2017. The Organization believes that on occasion it is reasonable to use valet parking, especially in an urban environment to protect the safety of its employees and when an employee is carting a large load of materials (for a trade show as an example).

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

Lodging

Valet parking may be used when the hotel is located in a major city, the employee has collateral materials that require additional assistance or other safety concerns are present.

For the Period January 1, 2016 through June 30, 2017

Finding #2017-005

These expenses were submitted by the former CEO and approved by the former CFO. The Organization now requires that all expenses submitted by the CEO for reimbursement be reviewed and approved by the Chair of the Sonoma County Tourism Board of Directors.

The Organization has not addressed this as part of a travel and entertainment expense reimbursement policy, but would not approve these expenses should they be presented today.

Finding #2017-006

As is the case with Finding #2017-005, these expenses were submitted by the former CEO and former CSO and approved by the former CFO.

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

Airline Club Memberships

Airline club membership costs are not reimbursable, unless a flight delay of more than 4 hours occurs. At this point, the employee may expense the cost of a one-day lounge access pass. Documentation of the delay must be included in the expense report.

Finding #2017-007

This policy was not included in the travel and entertainment expense reimbursement policy in place during the agreed upon procedures timeframe. The policy with this language went into effect July 1, 2017. The Organization believes it is in the best interest of the organization to rely on the staff to use their best judgement in these circumstances. Quite often the immediate nature of the need requiring this level of expenditure makes gaining additional approval impossible. The Organization feels the employees who are provided with credit cards are those trusted to make sound decisions.

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

SCT Issued Credit Card Expense Report Policy

Per the Organization's fiscal policy requiring a second signature for checks of \$5,000 or more, a limit of no more than \$5,000 may be charged on a SCT issued credit card for one travel-based transaction without prior approval from the Vice President overseeing the group, the CFO or the CEO. This pre-approval must be gained prior to the trip, however, may be conveyed via electronic communications should the expense occur while on the trip.

For the Period January 1, 2016 through June 30, 2017

Finding #2017-008

This policy was not included in the travel and entertainment expense reimbursement policy in place during the agreed upon procedures timeframe. The policy with this language went into effect July 1, 2017. This is the reason for the number of instances in which the tip amount exceeded 15% - during this time, it was not an infraction. As an organization that needs to be a leader in the hospitality industry, it is important for the team to support those employed in the industry.

The Organization has addressed this situation in its current travel and entertainment expense reimbursement policy:

Meals and Entertainment

For meals, gratuities should be respectful of hospitality industry standards of approximately 20%. For large parties or catered events, use the minimum required gratuities. Please review the detailed charges on the receipt to ensure that gratuity has not already been included by the establishment (Typically this occurs with groups of six or more). For complimentary or reduced-price meals, gratuities should be based on the pre-discount retail value.