



Office of the City Auditor

Audit of the Virginia Beach Visitor Information Center

Report Date: January 12, 2021

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Virginia Beach, Virginia 23456
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"Promoting Accountability and Integrity in City Operations"



**Office of the City Auditor
Audit of the Virginia Beach Visitor Information Center**

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"Promoting Accountability and Integrity in City Operations"

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Office of the City Auditor Transmittal Letter

Date: January 12, 2021
To: Patrick A. Duhaney, City Manager
Subject: Audit of the Virginia Beach Visitor Information Center



I am pleased to present the report of our Audit of the Virginia Beach Visitor Information Center. The objective of our audit was to determine whether the Visitor Information Center operates effectively and efficiently in accordance to City policy. We completed our fieldwork on November 16, 2020.

The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all other City Departments. This report is intended solely for the information and use of the Audit Committee, City Council, and appropriate City management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to thank the management and staff of the Convention and Visitors Bureau, Controller's Office, Finance Accounts Payable, and Budget and Management Services for their cooperation and responsiveness to our requests and questions during our audit.

If you have any questions about this report, or any audit-related issue, I can be reached at 385-5872 or via email at lremias@vbgov.com.

Respectfully submitted,

Lyndon S. Remias, CPA, CIA
City Auditor

LSR/rc

c: Audit Committee Members
Ronald H. Williams, Jr., Deputy City Manager
Nancy S. Helman, Interm Director, Convention and Visitors Bureau
Ron Kuhlman, VP of Tourism Sales, Convention and Visitors Bureau
Michelle Boyette, Interim Director of Administration, Convention and Visitors Bureau
Kevin M. Chatellier, Director, Budget and Management Services
Maria Aragon, Manager, Visitor Information Center



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Office of the City Auditor Audit of the Virginia Beach Visitor Information Center

Purpose

The purpose of this audit was to determine whether the Visitor Information Center is operating effectively and in accordance with City policies.

Scope and Objectives

The scope of the audit was for the period July 2017 – June 2020.

The objectives of the audit were to:

- Validate whether management has implemented the corrective actions listed in its response to the City Auditor’s Forensic Investigation Division (FID) from Case #19-071.
- Determine the adequacy of internal controls in ensuring that the change fund is protected from theft or waste.
- Determine whether revenues and reimbursements were completely received and accurately recorded.
- Determine whether expenditures were appropriate and accurately recorded.
- Assess the process for tracking visitor information and whether the data collected is reliable for use by management in its decision-making process.

Methodology

To accomplish our objectives, we performed the following:

- Interviewed management and staff of the Visitor Information Center and Convention and Visitors Bureau.
- Reviewed City and departmental policies, procedures and processes related to the Visitor Information Center.
- Reviewed departmental financial data and reports through inquiry and examination of relevant documents and data.
- Performed analysis and tests of data designed to identify trends and high-risk criteria.
- Selected revenue and expenditure samples and traced them to supporting documents.
- Conducted follow-up inquiries to verify whether management has implemented corrective actions pertaining to the City Auditor’s investigation on February 2018.
- Conducted a short survey to obtain staff insights about operations.
- Conducted multiple onsite visits to observe operations and test processes.
- Made recommendations, as appropriate, to ensure compliance, improve processes, increase efficiency, and reduce the City’s risk to an acceptable level.



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Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain enough, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City's Audit Committee, City Council, and appropriate management within the City of Virginia Beach. This report will also be made available to the public through the Office of the City Auditor's webpage.



Office of the City Auditor Audit of the Virginia Beach Visitor Information Center

Background¹



Main Visitor Information Center Facility

The Visitors Information Center (VIC) is part of a key business element for the City that is tied to the Tourism Department under the Convention and Visitors Bureau (CVB). The CVB is comprised of eight business units of which one is the Visitor Information Center. Virginia Beach is the number one vacation destination in Virginia, it is important for the Visitor Information Center to assist the CVB with marketing.

The mission of the Visitor Information Center is to provide information and assistance to tourists and visitors of the City while also providing support for the consumer and trade marketing efforts of the CVB. The Visitor Information Center’s mission supports the CVB in providing ongoing advocacy for the tourism and hospitality industry to drive tourism revenue.

The Visitor Information Center has four service centers:

- The Main VIC Center located 2100 Parks Avenue
- Chesapeake Bay Center at First Landing State Park
- Two kiosks located in the Resort area on 17th and 24th Street

Due to the national pandemic the Visitors Information Center closed all their centers mid-March in accordance with the Governor’s Executive Order. The Main Visitor Information Center reopened in July; however, both kiosks and the Chesapeake Bay Center location remained closed. The pandemic has significantly lowered foot traffic in 2020 for all locations. See Table 1 for foot traffic information from 2017 – 2020.

Table 1 – Visitor Information Center Foot Traffic

Calendar Year	Main VIC	Chesapeake Bay Center	Kiosks
2017	32,230	31,039	35,900
2018	26,809	39,407	34,206
2019	26,634	36,012	36,009
2020	3,418	3,092	0

Source: SimpleView

Note: All Visitor Information Center locations were closed for three months in 2020 due to pandemic; 2020 data collected from January – July.

¹ Unless otherwise specified, information was taken from: City policies, reports from City databases (e.g. INSITE), and <https://www.visitvirginiabeach.com>.



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Main Visitor Information Center Lobby

Since the Visitor Information Center is in the business of providing information to the beach tourism industry, it uses a database called SimpleView to collect on what visitors inquire most. The Visitor Information Center produces maps that are sold to surrounding hotels and provided through hospitality to guests checking in. A weekly listing of

local events is also provided to hotels outlining major events of interest at the Oceanfront.

The Chesapeake Bay Center at First Landing State Park serves campers who come to the beach for a specific type of experience (i.e. crabbing, fishing, biking and kayaking). Many of these tourists are repeat customers, as they are interested in ecotourism, an element that drives the state park.

Of the multiple Visitor Information Center locations, the kiosks have consistently been the main source of visitor information for tourists even though they are only open during the summer months. Kiosks provide a variety of information about local attractions, dining, and other necessary accommodations to visitors staying in the resort section of the beach. The kiosks also serve as a link between the resort area and the main Visitor Information Center.

Currently, the Visitor Information Center has four full-time and one part-time Visitor Information Assistant as well as two volunteers. The Visitor Information Center Manager reports to the Interim Director of the Convention Visitors Bureau.

Aside from providing face-to-face customer service to visitors, the Visitor Information Center is also responsible for answering calls, responding to email inquiries, handling various types of informational mailings, and maintaining regular contact with local tourism businesses. The Visitor Information Center also sold tickets for vendors and Beach events; recently a decision was made to discontinue these ticket sales. This decision ties to the context of the City Auditor's investigation and ways to mitigate risk in cash handling discussed in this report.

Financial Information

Revenues

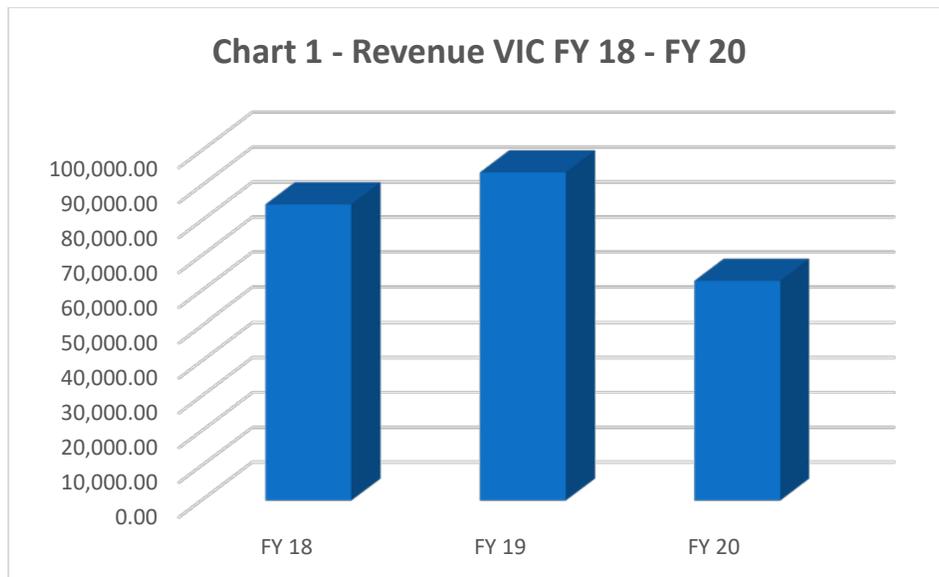
The Main Visitor Information Center acts as a revenue source for the City with various promotions. Excluding the interest in bank deposits, the biggest source of revenue for the City over the last three years has been through ticket sales, a revenue source now eliminated.



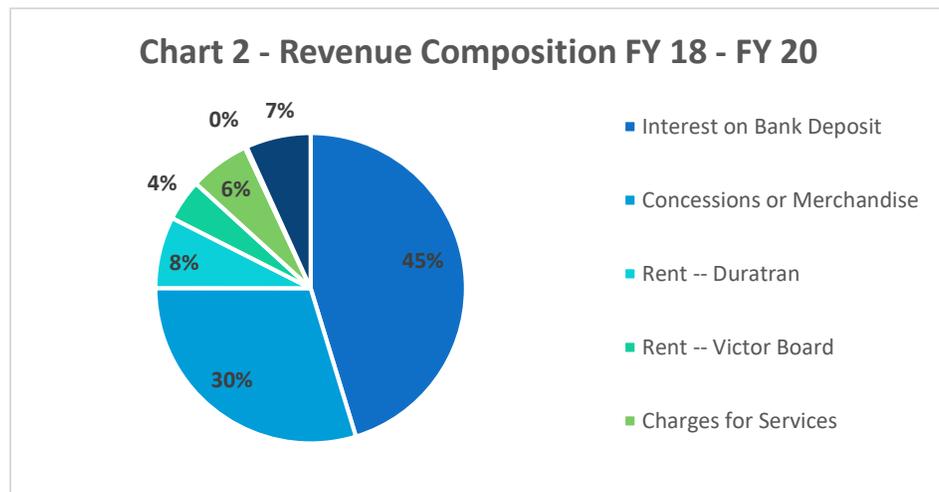
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Other examples of past revenue sources:

- Marketing board "Victor Express" \$400 a month - hotel advertising (now ceased)
- Marketing board "Duratran" \$900 a month (currently nine contracts with vendors)
- Generated sales of pad maps to hotels for tourists



Source: InSITE



Source: InSITE

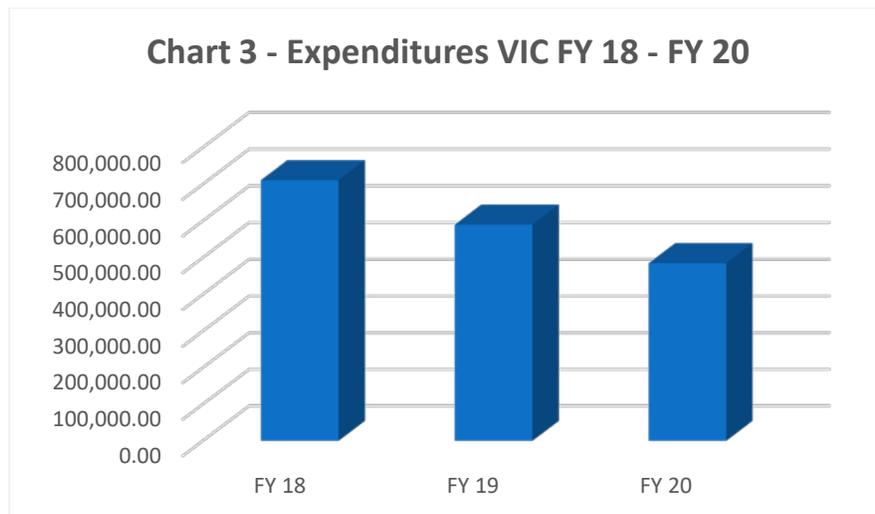


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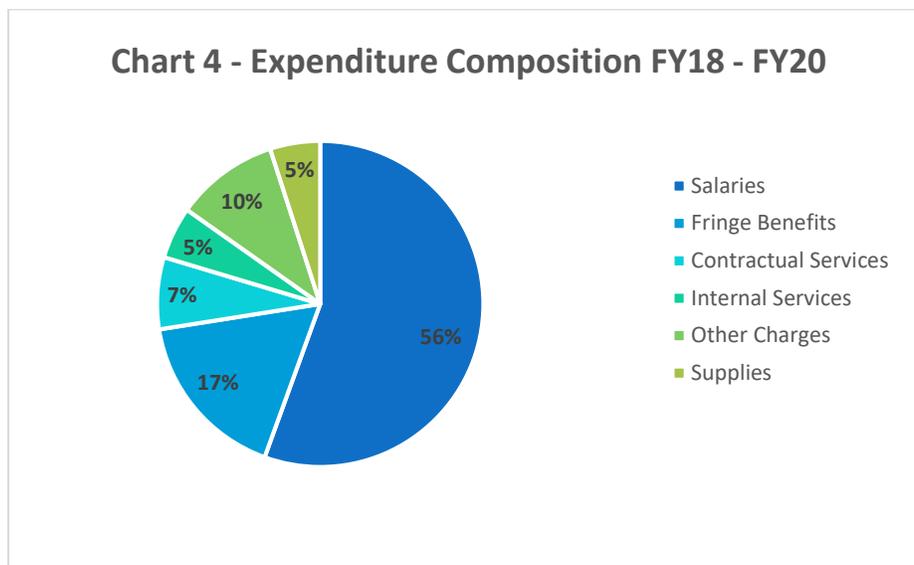
Expenditures

The Visitor Information Center Manager and CVB management approve daily expenditures. The Visitor Information Center has one City-issued Bank of America procurement card for smaller immediate necessities. The Visitor Information Center Manager is the sole cardholder and stays in their custody.

Expenditures for the VIC are shown in the chart below; a corresponding decrease in expenses will be incurred from the decreased revenue mentioned above.



Source: InSITE



Source: InSITE



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Results

1. Status of Management’s Corrective Actions to the City Auditor’s Recommendations

As part of our audit we followed up on previous audit recommendations from the Forensic Investigation Division’s memo dated February 18, 2018. Table 2 below, shows the progress status of management’s corrective actions to the City Auditor’s recommendations.

Table 2. Status of Corrective Actions on City Auditor's Investigation	
Recommendation	Status of Management's Corrective Action
1. Implement a system of internal controls that include proper segregation of duties, timely deposits, safeguarding of cash, reconciliations and proper reporting of overages and shortages.	No Longer Applicable: Management has subsequently decided to discontinue selling tickets, which is the sole reason why cash was handled.
2. Purchase a new drop safe and only provide the Manager and Supervisor with the combination.	No Longer Applicable: Management has subsequently decided to discontinue selling tickets, which is the sole reason why cash was handled.
3. Deposit all funds collected for Integrated Management Group (IMG) at the City's Treasurer's Office and issue the vendor a check for all funds collected, minus the City's commission, with a report showing the amount collected.	No Longer Applicable: Management has subsequently decided to discontinue selling tickets, which is the sole reason why cash was handled.
4. Establish a budget code for the funds collected for IMG.	No Longer Applicable: Management has subsequently decided to discontinue selling tickets, which is the sole reason why cash was handled.
5. Conduct a thorough review of the functions of the center staff and adjust staff size accordingly, especially during non-seasonal periods.	In Progress: <ul style="list-style-type: none"> • Management has removed the Supervisor Full-Time Employee (FTE) and has not replaced one FTE who resigned. • Management is currently evaluating the need for temporary employees during peak season.
6. Review the functionality and purpose of the center and consider making changes to enhance the efficiency and effectiveness of the center to ensure that they are in line with present best business practices.	In Progress: <ul style="list-style-type: none"> • Currently still in discussion with Virginia Museum of Contemporary Art (MoCA) • Due to the pandemic, plans to reorganize the counter space is still on hold.

Recommendations:

- 1.0 Continue to evaluate if temporary staff are needed during the peak season. The Office of the City Auditor will revisit and verify management’s corrective actions during our next audit follow-up exercise.



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- 1.1 Continue with plans to improve the functionality and appearance of the main Visitor Information Center facility to increase efficiency and effectiveness, as well as attract more visitors. We will revisit and verify management's corrective actions during our next audit follow-up exercise.

2. Residual Risks Associated with Discontinued Ticket Sales Exists

Despite management's decision to discontinue the sale of tickets for local attractions and public transportation, the Visitor Information Center continues to keep the following:

- Change Fund Cash: With the discontinuance of ticket sales, the change fund is no longer needed. Although the cash is kept in a safe, the risk of theft still exists.
- Unsold Tickets: Purchased by the Visitor Information Center for resale purposes, these tickets need to be returned for refund, per agreements with the associated vendors. Not returning the tickets will result in a loss to the City and expose the unexpired tickets to potential theft.
 - Unexpired Hampton Roads Transit (HRT) tickets (*1,089 tickets*)
 - Expired City Aquarium (*345 tickets*)

Recommendations:

Management should:

- 2.0 Disestablish the change fund function and return all cash to the City Treasurer.
- 2.1 Return all tickets to the appropriate vendors.
- 2.2 Ensure that a full reconciliation of cash and tickets be performed and reviewed by CVB management.

Conclusion

Overall, we determined that the Virginia Beach Visitor Information Center is operating effectively and that areas, except where noted, are in accordance with standards set forth by the City.

Acknowledgements

We would like to thank the management and staff of the Convention and Visitors Bureau, Controller's Office, Finance Accounts Payable, and Budget and Management Services for their cooperation and responsiveness to our requests, questions, recommendations, and suggestions.



INTER-OFFICE MEMORANDUM

DATE: January 5, 2021

TO: Lyndon Remias, City Auditor

FROM: Ron Kuhlman, V.P. Tourism Marketing & Sales 

SUBJECT: Management Response to the Audit of the Virginia Beach Visitor Information Center

The City Auditor's staff is to be commended for their time and efforts in conducting their audit of the City's Visitor Information Center. The Visitor Information Center (VIC) operates within the framework of the Convention & Visitors Bureau Tourism Division. We agree with your findings and recommendations and offer the responses first to the results of the Status of Management's Corrective Actions to the City Auditor's Recommendations to Case#19-071 then to the actual audit itself.

Recommendation:

1.0 Continue to evaluate if temporary staff are needed during the peak season.

Response: Management will base the determination of the use of temporary staff on the number of additional Visitor Center branches that will be opened during the summer period. For example, the Chesapeake Bay Center in First Landing State Park requires one full time agent and a part time agent to operate seven days per week during the park campground opening the first Friday of March until the first Monday of December. In addition, the cabins are open year-round. Further, if the two oceanfront kiosks are permitted to be open, those are staffed by contract employees from Memorial Day through Labor Day. Those three locations experience the highest volume of visitor walk up traffic. The main VIC will be able to operate with few or no temp staff now that the ticket sales function has been eliminated. Determination of these staffing levels will be dependent on early visitor counts and will be augmented on an as needed basis rather than based on historical experience.

1.1 Continue with plans to improve the functionality and appearance of the Main Visitor Information Center facility to increase efficiency and effectiveness, as well as attract more visitors. We will revisit and verify management's corrective actions during our next audit follow-up exercise.

Response: Talks continue with the MOCA board and staff for a joint activity this March or April 2021. We will keep your office apprised as to our activity designed to expand MOCA's capabilities and to draw more attention to the existence of the VIC in order to attract additional visitors, subject to the existing COVID Governor's restrictions on crowd size. In addition, the CVB is writing a white paper outlining options for future visitor service operations.

2. Residual risk associated with discontinued ticket sales exists, management should:

- 2.1 Disestablish the change fund function and return all cash to the City Treasurer.
Response: The \$400.00 change fund was tendered to the City Treasurer's office on December 3, 2020 and closed by the Finance Controller's Office on December 4, 2020.
- 2.2 Return all tickets to the appropriate vendors.
Response: All tickets for the Virginia Aquarium were returned on Nov. 29, 2020. The value of those tickets is \$6,590.00 will be put back into the VIC budget through a journal entry. Transaction is still pending. Hampton Roads Transit (HRT) tickets were audited and returned on January 4, 2021. HRT will be issuing a refund check for the value of the returned tickets in the amount of \$4,807.47. There were no tickets on hand for IMG/Live on Atlantic and they have been notified that the VIC will no longer be selling tickets for their performances.
- 2.3 Ensure that a full reconciliation of cash and tickets be performed and reviewed by CVB management.
Response: I, Ron Kuhlman have reviewed the reconciliation of cash and tickets. Please see Attachment A with that information as outlined in the above responses.
- 2.4 Verbal Observation: The employee manual for the VIC is out of date and should be brought to a current status.
Response: The VIC employee manual is being brought up to date and is estimated to be completed by January 30, 2021.

Please let me know if additional information is needed or clarification is needed on our responses. It has been good working with your staff to bring this audit to completion.

C: Ron Williams, Deputy City Manager
Nancy Helman, Interim Convention & Visitors Bureau Director
Michelle Boyette, Interim Administrative Services Manger
Susan I. Riley, CPA
Maria Aragon, Visitor Information Center Manager



Agency Response to Audit of the Virginia Beach Visitor Information Center
Ticket Sales Summary Update as of 1.4.2021

Name of Vendor	No of Tickets Returned	Description of Tickets	Cost of ticket sold to Visitors	Total Refund	Update/Completion Date
Virginia Aquarium & Marine Science Center	214	Adult Aquarium Tickets	\$21.00 per ticket	\$ 4,494.00	Total of 345 tickets returned to Va Aquarium Guest Services office on Nov. 29, 2020. Total refund of \$6,590.00 is in process by the Finance Dept of the Va Aquarium & will be paid via journal transfer.
	131	Child Aquarium Tickets	\$16.00 per ticket	\$ 2,096.00	
Hampton Roads Transit	205	VB Wave 1-day pass/Adult	\$4.50 per ticket	\$ 876.37	Total of 1,089 VB Wave Shuttle tickets requested for refund from HRT for total amount of \$5,060.50. A formal letter & MOU agreement emailed to Rick Braxton on Dec. 8, 2020. He will forward this to his Supervisor & Director for a decision. On Dec. 16, 2020, Maria talked to Alonzo Crittenden, Regional Sales Manager of HRT. They will allow a refund & will require submission of 2018 & 2019 HRT invoices & CVB payments to show proof we paid. All requirements emailed on Dec. 17, 2020. HRT tickets returned on Jan. 4, 2021 to Rick Braxton, HRT Representative. Refund process will take less than a month. Total new refund will be \$4,807.47 (this is less the 5% discount they gave us when tickets were originally purchased). The total refund on the chart reflects the new refund amount for each type of ticket.
	248	VB Wave 1-day pass/Youth-Senior	\$2.25 per ticket	\$ 530.10	
	259	VB Wave 3-day pass/Adult	\$8.00 per ticket	\$ 1,968.40	
	377	VB Wave 3-day pass/Youth-Senior	\$4.00 per ticket	\$ 1,432.60	
IMGoing/Live on Atlantic		Sold physical event tickets to visitors/locals. These are events produced by IMG. The Visitor Center sold the following tickets: She Crab Soup Monster on the Truck Latin Fest American Music Festival Craft Beer Festival	Various for each event	None	Ron Kuhlman, Vice-President of Tourism Sales & Marketing called Bobby Melatti, Vice-President of IMGoing/Live on Atlantic on Dec. 7, 2020. Informed them the decision of VIC not selling any event tickets. A formal letter emailed to Bobby on Dec. 8, 2020.

TOTAL REFUND For All Ticket Sales: \$ 11,397.47

Others:

Change Fund Cash: The Visitor Center Manager deposited the amount of \$400.00 to the Treasurer's office on Dec. 3, 2020. Copy of Treasurer Transmittal for Deposit Form, City Treasurer Receipt for \$400 and Petty Cash/Change Fund final audit sheet submitted to Rhonda Barnhart via email on Dec. 3, 2020. She closed it on Dec. 4, 2020.