



MartinClerk.com

CAROLYN TIMMANN

Clerk of the Circuit Court & Comptroller

Martin County • Florida

P. O. BOX 9016 • STUART, FLORIDA 34995

(772) 288-5576

**The Arts Council, Inc. of Martin County
Services Contract – Promoting Martin County Arts and Culture**

**Contract Review (Post-Closing Audit)
Audit Report 2016-A-0001**

SUMMARY

What We Did

Internal Audit performed a post-closing contract review on the services contract entered into between the Martin County Board of County Commissioners (“County Commission”) and the Arts Council, Inc. of Martin County (“the Arts Council”).

During the contract period of October 1, 2012 through September 30, 2013, the Arts Council received \$93,713.00 (*quarterly installments of \$23,428.25*) in tourist development tax dollars to be used exclusively for “promoting Martin County arts and culture.”

We reviewed the quarterly, and final, performance reports submitted to the County Commission to ensure that it was in conformance with the contract terms and conditions. We examined expense transactions; profit and loss statements prepared by the Arts Council; and, disbursement documents maintained in the County Commission’s financial accounting software.

What We Found

We found that, as required by the contract, the Arts Council used tourist development tax dollars exclusively for the promotion of “cultural and fine and non-fine arts entertainment, festivals, programs and activities;” its quarterly and year-end performance reports were consistent with contract reporting guidelines; and, performance reports were presented to the County Commission in a timely manner.

However, we determined that the Arts Council may have understated its total expenditures for fiscal 2013 year-end by \$5,674.02. This may have caused the Arts Council to return \$5,674.02 more than it should have to the County Commission.

What We Recommend

We did not conduct an exit interview with the Arts Council; therefore, there are no recommendations contained in this report.

BACKGROUND

The Florida Constitution established the clerk of the circuit court as the local constitutional officer who serves as the public trustee for the county. In addition to serving as the clerk to the courts, the clerk provides a county level system of checks and balances through services as the county comptroller, clerk to the board of county commissioners, guardian of public and official records, clerk to the value adjustment board and internal auditor of county funds.



Internal audit activity is established as a responsibility of the Martin County Clerk of the Circuit Court & Comptroller ("County Clerk & Comptroller") by Florida Constitution Article VIII, §1, (d) as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds." The audit activity is administered on the Martin County government organizations of the County Clerk & Comptroller and its functional divisions, and the County Commission and its functional division as enumerated in the State Constitution, State Statutes and decisions and opinions of the State Judiciary.

In April 2014, the director of the Martin County Parks and Recreation Department contacted the County Clerk & Comptroller and requested that Internal Audit review the services contract, dated October 1, 2012, between the County Commission and the Arts Council to determine if the Arts Council complied with the terms and conditions of the contract.

During the contract period of October 1, 2012 through September 30, 2013, the Arts Council received funding from specifically designated tourist tax dollars that are to be used exclusively for "promoting Martin County arts and culture by providing for the promotion of cultural and fine and non-fine arts entertainment, festivals, programs and activities..." As a condition of funding, the Arts Council is required to submit quarterly performance reports to the County Commission. Performance reports are required to include an "expense report of all tourist tax dollars expended (*i.e. spent*) and the number of bed nights and other revenues generated in Martin County by the Arts Council." Finally, funding during the contract period is limited to a maximum of \$93,713.00 (*quarterly installments of \$23,428.25*).

On August 2, 2013, the Arts Council submitted a letter to the Martin County Tourist Development Council stating words to the effect that after expiration of the current contract, it would no longer serve as the primary agency in implementing Martin County's marketing plan for cultural tourism. As a result of its decision, and as required in the "Payments to Contractor" section of the contract, the Arts Council returned \$12,013.33 in unspent funds to the County Commission.

OBJECTIVE, SCOPE AND METHODOLOGY

The Arts Council is responsible for having adequate internal controls over expenditures of Tourist Development Tax dollars received from the County Commission. The **objective** of this contract review is to determine if the Arts Council:

- Spent Tourist Development Tax dollars exclusively for “promoting Martin County arts and culture by providing for the promotion of cultural and fine and non-fine arts entertainment, festivals, programs and activities...”
- Returned to the County Commission any, and all, unspent tourist development tax dollars received; and,
- Submitted quarterly, and final, performance reports to the County Commission in conformity with the service contract terms and conditions.



The **scope** of this contract review included analyzing the quarterly, and final, performance reports submitted to the County Commission during the contract period of October 1, 2012 through September 30, 2013 (*FY2013*). Moreover, we examined various expense transactions to determine if it was classified in the proper fiscal year; disbursement documents maintained in the County Commission’s financial accounting software; and multiple profit and loss statements prepared by the Arts Council.

The contract review was planned and performed to obtain sufficient, appropriate, evidence to provide a reasonable basis for our comments and conclusion based upon the objectives. We believe that the evidence obtained provides a reasonable basis for our comments and conclusions based upon our stated objectives.

COMMENTS

Comment (1)

The Arts Council Inc. of Martin County’s fiscal 2013 year-end performance report appears to have understated “total labor expenses” by \$5,454.02.

On January 30, 2014, the Arts Council submitted its FY2013 year-end performance report to the County Commission. The final FY2013 year-end performance report identified total labor costs as \$12,180.03, which is in contrast with its FY2013, 4th quarter profit and loss statement (dated November 7, 2013), which identified total labor cost as \$17,634.05.

In an attempt to resolve this discrepancy, on or about May 15, 2014, Internal Audit requested that the Arts Council produce a profit and loss statement for FY2013. The FY2013 profit and loss statement (dated May 15, 2014) and the FY2013 4th quarter profit and loss statement

(dated November 7, 2013), both identify total labor costs as \$17,634.05. Therefore, it appears the Arts Council may have understated its total labor costs by \$5,454.02 in its final performance report submitted to the County Commission:

Understated Total Labor Costs	
	Labor Costs
FY2013 – Final Performance Report (January 30, 2014) – Labor	\$12,180.03
Less: FY2013 – Profit & Loss Statement – July through September 2013/YTD (November 7, 2013) – Labor <i>and/or</i> FY2013 – Profit and Loss Statement (May 15, 2014) – Labor	(\$17,634.05)
Understated Total Labor Costs:	(\$5,454.02)

Because the Arts Council terminated its contractual relationship with the County Commission, Internal Audit has not discussed the discrepancies between the three documents with the Arts Council; however, two of the three documents, prepared at different times, identify total labor costs as \$17,634.05. Therefore, it is plausible that the Arts Council may have inadvertently understated total labor costs on its final FY2013 performance report submitted to the County Commission.

Comment (2)

The Arts Council Inc. of Martin County's fiscal 2013 year-end performance report appears to have understated "total expenditures" by \$5,674.02.

The profit and loss statement prepared by the Arts Council on November 7, 2013, identifies year-to-date expenses of \$114,779.57. However, the County Commission allowed the Arts Council to "carry forward" funds that were received, but not spent, in the current fiscal year into the next fiscal year. Therefore, to capture the total expenditures for FY2013, we requested that the Arts Council provide a profit and loss statement for the period of October 1, 2013 through January 31, 2014. This document would capture any remaining expenditures associated with the contract. On May 15, 2014, the Arts Council prepared the requested document. Using these two documents, it appears total expenditures for FY2013 are \$127,869.38:

FY2013 Total Expenditures	
	Expenditures
FY2013 – Profit & Loss Statement – July through September 2013/YTD (November 7, 2013) – Total Expenses	\$114,779.57
Add: FY2013 – Profit & Loss Statement (May 15, 2014) - Expenses	\$ 13,089.81
FY2013 Total Expenditures:	\$127,869.38

However, in its final performance report submitted to the County Commission, the Arts Council identified total expenditures as \$122,195.36. As such, it appears the Arts Council understated its total expenditures by \$5,574.02:

Understated Expenditures	
	Expenditures
FY2013 – Final Performance Report (January 30, 2014) – Expenditures	\$122,195.36
Less: FY2013 – Profit and Loss Statement (May 15, 2014) – Expenditures	(\$127,869.38)
Understated Expenditures:	(\$5,674.02)

However, this is not unexpected: as explained in “Comment (1)” it appears that the final FY2013 performance report submitted to the County Commission understated total labor costs by \$5,454.02.

Additionally, by deducting the “Understated Total Labor Costs” amount from the “Understated Expenditures” amount, we can determine that there is \$220.00 remaining in understated expenditures that should be accounted for:

Remaining Understated Expenditures	
	Expenditures
Understated Labor Costs	\$5,454.02
Less: Understated Expenditures	(\$5,674.02)
Remaining Understated Expenditures:	(\$220.00)

Analyzing the Art Council’s profit and loss statement for the period of October 1, 2013 through January 31, 2014, demonstrates that it **expensed printing for \$220.00**. We noted that there is no other single item, or combination of items, that equal \$220.00.

Without obtaining additional records from the Arts Council, we cannot verify if the \$220.00 printing expense was not included in the final performance report submitted to the County Commission. However, records received during the review appear to indicate that the Arts Council did not include all of its labor costs in the final FY2013 performance report. As such, it is plausible that the Arts Council may have inadvertently failed to include the \$220.00 printing expense, and the additional \$5,454.02 in labor expense, in its final FY2013 performance report.

Comment (3)

It appears that The Arts Council, Inc. of Martin County returned \$5,674.02 to the Martin County Board of County Commissioners that was not required under the services contract.

On August 2, 2013, the Arts Council submitted a letter to the Martin County Tourist Development Council stating words to the effect that after the current contract expired, it would no longer serve as the primary agency in implementing Martin County’s marketing plan for cultural tourism. As a result of its decision, and as a required in the “Payments to

Contractor” section of the contract, the Arts Council is required to return all unspent funds to the County Commission. On or about January 30, 2014, the Arts Council returned \$12,013.33 in unspent funds to the County Commission.

However, if the additional costs associated with labor and printing were accurately reported by the Arts Council its final FY2013 performance report, it would have been responsible for returning \$6,339.31 to the County Commission, not \$12,013.33:

Funds Returned to County	
	Expenditures
Actual Amount Returned to the County	\$12,013.33
Less: Understated Expenditures	(\$5,674.02)
Funds Returned to the County:	\$6,339.31

As such, it appears the Arts Council may have returned \$5,674.02 more than it otherwise would have if the FY2013 year-end performance report did not understate its total expenditures.

ACKNOWLEDGEMENT

Internal Audit staff would like to extend our appreciation to the Martin County Board of County Commissioners’ staff, and the Arts Council, Inc. of Martin County’s staff, for the cooperation and courtesies extended to us in the completion of this audit.