

Commissioner Provided Items

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City of Huntington Beach

4th of July Celebration
Non-Attest Review of Financial and Operational
Procedures

June 15, 2017

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June 15, 2017

City of Huntington Beach
Attn: Lori Ann Farrell, Chief Financial Officer
2000 Main Street, First Floor
Huntington Beach, CA. 92648

Dear Ms. Farrell,

As a follow up to our recent discussion, this letter and attached report summarizes the procedures, findings and recommendations that Vavrinek, Trine, Day and Co., LLP (VTD) performed and gathered through inquiry, inspection and observation of the cash handling process and its related controls for the 4th of July Celebration Fund.

As outlined in the Executive Summary, VTD was engaged by the City to perform an analysis, as detailed in Appendix A (*"Detailed Scope of Work"*), of the 4th of July Celebration Fund's cash handling procedures and accounting practices.

One of the procedures VTD performed was to interview City Staff and members of the 4th of July Celebration Board of Directors. Subsequent to the completion of the procedures necessary to write the report, we learned that the interview attendees with whom we met were not Board Members, but contracted 4th of July Event Consultants. We (VTD) were working from the understanding that these Event Consultants, Patricia Stier and Stacey Hoffer, were Board Members or had been designated as the lead contacts for this engagement as they are the most knowledgeable regarding the Event's procedures and have the greatest institutional knowledge. They participated extensively in the process and were interviewed several times. They were also given a draft of the report prior to finalizing it for their comments. Moreover, City Councilmember Peterson, as Council liaison to the Board, also participated at a meeting held with Ms. Stier and Ms. Hoffer, and was very helpful and informative. He too was given a draft of the report and attended the meeting held to discuss it.

Thank you for the opportunity to be of service to the City of Huntington Beach.

Sincerely Yours,

Joe Aguilar
Of Vavrinek, Trine, Day & Co., LLP

VAVRINEK TRINE DAY & CO, LLP

Vavrinek Trine Day & Co., LLP (VTD) provides governmental auditing and/or accounting services to over 300 governmental agencies, including Cities, throughout California. In existence for 68 years, VTD places within the top four largest California based CPA firms.

EXECUTIVE SUMMARY

VTD was engaged by the City to perform an analysis, inspection and observation, as outlined in Appendix A (*"Detailed Scope of Work"*) of the 4th of July Celebration Fund's cash handling procedures and accounting practices. From these procedures, VTD documented its understanding of each revenue type, the findings of the processes in place over each, any related risk, a reference to the documentation provided and a recommendation, where applicable.

Through a series of informal interviews with City staff and members of the 4th of July Celebration Board of Directors, inspection of documents provided by both the Board and City staff, queries of City personnel, analytical review and observation of processes, VTD gained the necessary understanding of the fund's activity to prepare this report.

Each revenue type has been analyzed to identify the mechanism(s) in place to measure compliance with City policies, industry standard internal controls, risk mitigation and the safe guarding of cash and other assets.

The format of the report will follow the Detailed Scope of Work, includes the procedures, the findings, a narrative and recommendations, where applicable.

KEY FINDINGS AND RISKS

The key findings are:

1. No controls over the safeguarding of cash
2. No controls over the safeguarding of merchandise inventory and related receipts
3. Significant variances between approved fee schedules and receipt logs
4. Lack of control mechanisms over every revenue receipt type
5. Inadequate and/or incomplete record keeping of all revenue types

The identified key risks are:

1. Theft, misappropriation or unauthorized use of cash
2. Lost, stolen, misappropriation or unauthorized use of merchandise inventory and related receipts and/or cash
3. Under reported revenue
4. Under reported cash receipts subject to theft, misappropriation or unauthorized use
5. Inability to prepare a complete budget, forecast, financial statement or audit report

PROCEDURES

1. Inspect 4th of July Celebration Fund and identify sources of revenue and amounts and provide a short description of each.
2. Document how each of the revenues identified is entered into the City's General Ledger system.
3. Document the internal controls over how the revenue is recorded, where applicable.
4. Obtain an understanding of cash handling procedures for each payment type.
5. Obtain understanding of vendor fee structure, deposits, inspection and deposit refunds.
6. Inspect sponsorship fee schedule and sponsorship receipts.
7. Inspect procedures over shipped merchandise to on-line buyers.
8. Inspect procedures over payment for shipped merchandise.
9. Inspect sources of in-kind donations then provide a short description of each.
10. Obtain an understanding of current fund raising practices.
11. Inspect City prepared financial analysis of 4th of July Celebration Fund.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS

Revenue Type: Bleacher Seat Ticket Sales

Description: Tickets for bleacher seats are sold to parade attendees. Approximately 200 seats are open but only 150 tickets are made available for parade bleacher seating at Lake Park. Pre-sale tickets are sold for \$15 and for \$20 on the day of the event.

Process: Two manual logs are kept to track bleacher seat ticket sales. The first, (Appendix C – 2016 Lake Park Bleacher sign out log) logs sales made by City Staff. The second (Appendix C1 – 2016 Bleacher Log Ref # 1) logs where each ticket was assigned or sold. According to Board Members, 100% of these tickets are delivered to the City to be sold a few weeks before the event. Tickets are also available for sale on the 4th of July Celebration website, for purchase via Paypal. Online ticket purchases are tracked by the Board, who notifies the City when a purchase is made so that the tickets can be mailed out. On the day of the event, any unsold tickets are collected by event coordinators and taken to the location to be sold.

Finding: Through inquiry and inspection it was determined that approximately 200 bleacher seats are available. Appendix C shows that 175 tickets were either sold or comped. Appendix C1 shows that the remaining 25 tickets are for replacement of tickets. Based on the available data, there appear to be no controls over the sale of bleacher seats, the amount collected, the payment tender, documentation over how the revenue is recorded or what, if any basis is in place to determine how many seats get comped, or why. Upon inspection of City paid invoices, it was discovered that 400 pre-numbered tickets were printed and sold to the City; however, only 175 bleacher seat tickets were provided to the City for sale. There are additional bleachers seats available at Main/PCH which are all comped; however, there is no log available to verify whether the tickets printed were used for this purpose.

Risks: There are four major risks associated with the findings over bleacher seat sales.

- Misappropriation or misuse of excess tickets: There was a significant variance between the number of tickets on the log and the invoice detailing how many tickets were purchased which could lead to a misappropriation or misuse of excess tickets and/or related cash receipts.
- Risk of incomplete accounting: Without a mechanism in place to account for all tickets sold, the Board runs the risk of an incomplete accounting.
- Lost revenue: Without written procedures over comping tickets, the Board runs the risk of lost revenue.
- Unreported and/or misuse of revenues: Because tickets are sold onsite without any control over how many were taken or subsequently sold, the Board loses visibility over ticket sales and runs the risk of having the revenues not reported, misappropriated, cash stolen or ticket proceeds used for unauthorized purposes.

Recommendation: It is recommended that the Board create a control environment to mitigate these risks by expanding the scope of the log to include dates, tender type, the general ledger posting date, deposit date and support for comped tickets. It is further recommended that onsite ticket sales follow an updated logging process so that a complete accounting can be traced back to general ledger recordings, deposits and bank reconciliations.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Pier Seat Ticket Sales

Description: Tickets for the fireworks show on the pier are sold. Approximately 1,100 tickets are made available for seating on the pier for the fireworks show. Tickets are \$10.

Process: A manual log is kept to track pier seat ticket sales (Appendix E – 2016 Fireworks Over the Ocean sign out log). Sales are logged by 4th of July Board Members or City Staff. According to Board Members, 100% of these tickets are delivered to the City to be sold a few weeks before the event. On the day of the event, any unsold tickets are collected by event coordinators and taken to the location to be sold.

Finding: Through inquiry and inspection it was determined that approximately 1,100 pier seats are available. Appendix E shows that 368 tickets were either sold or comped. Appendix E1 shows that 1,100 were available and documents whether they were made available for sale or comped. Based on the available data, there appear to be no controls over the sale of pier seat tickets, the amount collected, the payment tender, documentation over how the revenue is recorded or what, if any basis is in place to determine how many seats get comped, or why.

Risks: There are three major risks associated with the findings over pier seat ticket sales.

- Misappropriation or misuse of excess tickets: There was a significant variance between the number of tickets on the log and the invoice detailing how many tickets were purchased which could lead to a misappropriation or misuse of excess tickets and/or related cash receipts.
- Risk of incomplete accounting: Without a mechanism in place to account for all tickets sold, the Board runs the risk of an incomplete accounting.
- Lost revenue: Without written precedent over comping tickets, the Board runs the risk of lost revenue.
- Misappropriation or misuse of excess tickets: Excess tickets sold onsite present the risk of having the revenues not reported, misappropriated, cash stolen or ticket proceeds used for unauthorized purposes.

Recommendation: It is recommended that the Board create a control environment to mitigate these risks by expanding the scope of the log to include dates, tender type, the general ledger posting date, deposit date and support for comped tickets. It is further recommended that onsite ticket sales follow an updated logging process so that a complete accounting can be traced back to general ledger recordings, deposits and bank reconciliations. Last, the variance between the number of Pier seats available versus tickets available to sell should be minimized.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Parade Entry Fees

Description: Applications to participate in the parade are available on the website. The fees range from \$300 to \$1,000 depending on the type of applicant (i.e. Not for Profit, School, Corporation, etc.) and the size of the applicants float.

Process: An electronic log is kept to track parade entry fees (*Appendix F – 2016 Parade Entry List*). Entry fees are logged by 4th of July Board Members or City Staff. According to Board Members, the parade is outsourced to outside vendor Pageantry Productions and facilitated by them. To participate, an application must be filled out and submitted to the Board along with the related fees. Entry fees are charged in accordance with the City fee schedule and are based on the type of entrant and its size. In certain instances, parade entry fees are waived in exchange for In-Kind donations or sponsorships. The number of parade entrants is limited primarily by the number of floats that can fit within the two-hour time frame of the parade.

Finding: Through inquiry of the Board Members, it was determined that the applications and related fees are sent to a P.O. Box. The P.O. Box is not registered to the City nor does the City have access to it. The fees are collected by Board Members and delivered to the City. The City records what is remitted to it and deposits the payments. According to City staff, a copy of the application sometimes accompanies the payment and is used to log it. Other times, City staff must probe members of the Board for details. Upon inspection of the log, it was determined that certain receipt amounts did not fall within the range given in the fee schedule. One transaction amount in the log was queried in the general ledger detail and it was noted that this amount could have been recorded as “Recreational Fees” or “Other” giving no indication that this transaction was properly recorded, if at all.

Risks: There are four major risks associated with the findings over parade entry fees.

- **Risk of incomplete accounting:** Without a mechanism in place to account for all entry fees, the Board runs the risk of an incomplete accounting.
- **Unreported and/or misuse of revenues:** Without an indirect source to cross reference, City staff has only what is delivered to it by Board Members to record and compile parade fees leaving the City records incomplete.
- **Misapplication of fees:** The inconsistency with which the approved City fee schedule is adhered to presents the risk of perceived favoritism and lost revenue.
- **Inaccurate/incomplete records:** The lack of procedural documentation regarding the number of entrants, the number of each type of entrant, the associated fee amount and how the fee collected and remitted to the City was negotiated and agreed to presents the risk of inaccurate and/or incomplete records.

Recommendation: It is recommended that the Board create a control environment to mitigate these risks by implementing an independent application process facilitated by the City to ensure that each payment delivered by Board Members is cross referenced against the application and required paperwork. It is further recommended that each payment received by the City is agreed to the approved City fee schedule before being approved, recorded and deposited. Last, it is recommended that the Board document the process it follows to approve the number of entrants, the number of each type of entrant, the associated fee amount and how the fee amount was reached for a more uniform operating environment.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: In-Kind/Cash Donations

Description: In Kind revenues can include services, materials, labor and/or a variety of other parade value added items as a source of income. Each year, the in kind revenues are sought out on an as needed basis.

Process: An electronic log is kept of in-kind donations (Appendix G – 2016 In-Kind Donations List). The log has input cells for the name of the vendor and the amount agreed upon.

Finding: Upon inspection of the In-Kind donations log, it was found that no data was listed. Based on inquiries of Board Members, this information is considered proprietary and after several requests was not submitted for inspection. During the inquiry, it was noted that each In-Kind donation is unique to the need of the Board for that year. Each donation is negotiated with the respective vendor and an agreement reached. These exchanges are not recorded in the general ledger and there are no controls over how the value of each donation is determined. Due to the lack of information, it could not be determined whether these donations had been recorded on the general ledger.

Risks: There are three major risks associated with In-Kind Donations.

- Discrimination and favoritism: With no controls over how much an In-Kind donation is valued, the Board may be left open to criticism and claims of discrimination and favoritism.
- Risk of incomplete accounting: Having no records to substantiate the amounts to be recorded presents the risk of incomplete accounting.
- Misappropriation or misuse of cash: Having no controls over how cash donations are collected, receipted, remitted, recorded or deposited leaves the Board vulnerable to the risk of having the revenues go unreported, misappropriated, cash stolen or donated proceeds used for unauthorized purposes.

Recommendation: It is recommended that the Board develop a process for assigning value to In-Kind donations and documenting them. It is further recommended that this process be used to record and account for In-Kind donations and the related cost of service received for a more complete accounting. Last, it is recommended that a receipting, recording, deposit and reconciliation system be developed for cash donations.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Sponsorships

Description: Sponsorship revenue varies from year to year based on a variety of factors. Sponsorships range from \$100 to \$20,000. The details of sponsorships can be found in Appendix J – 2016 HB Sponsorship Packages.

Process: There are two logs kept to track sponsorship revenue. One log is kept by the Board (Appendix H – 2016 HB Sponsor List (Board)) and the other by City Staff (Appendix I – 2016 HB Sponsor List (City)). Based on inquiries of the Board Members and City Staff it was determined that sponsorships are solicited by Board Members on a year by year basis. To participate, a sponsorship package is agreed to by the sponsor and the Board. Sponsorship fees are charged in accordance with the sponsorship package rates.

Finding: Upon inspection of the two logs and the general ledger detail, it was discovered that the logs do not match each other. It was also found that the total revenues in either log did not match the general ledger amount. Of the amounts recorded in the logs, many of them did not align with the amounts in the sponsorship packages advertisement.

Risks: There are three major risks associated with the findings over sponsorships.

- Risk of incomplete accounting: Without a mechanism in place to account for all sponsorship fees, the Board runs the risk of an incomplete accounting.
- Unreported and/or misuse of revenues: Without an indirect source to cross reference, City staff has only what is delivered by Board Members to record and compile sponsorship fees leaving the City records incomplete.
- Misapplication of fees: The inconsistency with which the sponsorship fee schedule is adhered to presents the risk of perceived favoritism and lost revenue through decreased sponsorships.

Recommendation: It is recommended that the Board create a control environment to mitigate these risks by implementing an independent application process facilitated by the City to ensure that each payment delivered by Board Members is cross referenced against the application and required paperwork. It is further recommended that each payment received by the City is agreed to the approved fee schedule before being approved, recorded and deposited. Last, it is recommended that the Board document the process it follows to approve the sponsors and what the sponsorship fee entitles the sponsor to for a more uniform operating environment.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Merchandise Sales

Description: Merchandise such as t-shirts, both child and adult and hats with a 4th of July logo are sold. The price of this merchandise is between \$5 and \$40. This merchandise is sold at local grocery stores and at the pier. Some of the merchandise is made available at the City as well.

Process: Merchandise with the Celebration insignia is purchased by the City and sold at various locations throughout the City prior to the event as well as during it. T-shirts, tank tops and hats are purchased through the City's Accounts Payable process. Some merchandise is picked up and distributed to local stores to sell on behalf of the Board; some of it is taken to the festival to be sold to attendees. The rest is sold online.

Finding: During several of the informal interviews with Board Members and City Staff, it was made clear that no controls were in place to manage the distribution, sale, receipt or reconciliation of purchased merchandise. T-shirts are sold by various vendors and celebration workers who, according to Board Members, keep their own records of what is sold and remit payment to the City. Any remaining merchandise is collected and taken to the City to be sold at a discount. There were no receipt records available to inspect. The only record that references merchandise sales was an electronic log kept by City Staff to record miscellaneous receipts (*Appendix K – 2016 Payments Received*). It was also determined that merchandise sales at the pier festival event are not counted, inventoried or reconciled.

Risks: There are three major risks associated with the findings over merchandise sales.

- **Misappropriation or misuse of cash:** With no controls in place to protect the sale of inventory, any cash sale is subject to theft, misappropriation or used for unauthorized purposes.
- **Theft:** Without a formal initial inventory count and subsequent reconciliation after all sales are made, the Board is at risk of theft of inventory.
- **Inaccurate/incomplete records:** Without a formal inventory count and reconciliation, the Board runs the risk of an inaccurate and/or incomplete accounting.
- **Revenue loss from unknown merchandise sales:** Without a formal inventory count and reconciliation, the Board is at risk of over or under-ordering merchandise, resulting in either surplus unsold inventory or foregone revenue from lost merchandise sales if a certain size or product is unavailable.

Recommendation: It is recommended that a formal process for counting, distributing, collecting, recording and reconciling merchandise sales be developed by the Board. This process would include steps to determine what a vendor received in merchandise and when, how much each item was to be sold for and a reconciliation of remaining inventory and payment received. It is also recommended that a similar process be put in place for merchandise sold at the pier during the event.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Run / Fitness Expo

Description: The 4th of July 5K run is contracted out to professional services company Spectrum Sports Management Inc. Pursuant to the contract between the City and Spectrum Sports Management Inc. the contractor is responsible for managing all aspects of the run., including managing the City approved budget for the run, collecting participant revenue and remitting it to the City on a monthly basis.

Process: An electronic log is kept to track run / fitness expo sales (Appendix L – 2016 4th of July Run Entries). Sales are logged by City Staff. According to Board Members, this event is outsourced to an outside vendor with all proceeds being remitted to the City and then billed for services.

Finding: It was determined during inquiries of Board Members and City Staff that this event is outsourced and independently run by the vendor. Neither the Board nor the City participates in collecting entry fees or facilitating the event. Therefore, no findings were pursued because they fell outside the scope of this engagement.

Risks: There is only one identified risk associated with the run / fitness expo.

- Risk of inaccurate accounting and reporting: Without a process to confirm the remittance of Run revenue from the vendor, the Board is at risk of inaccurate and/or incomplete accounting and reporting.

Recommendation: It is recommended that the Board perform analytical procedures over the run / fitness expo revenues to determine whether the amount remitted to the City is in line with expectations.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Pier Plaza Festival Vendor Fees and Deposits

Description: The material Pier Plaza Festival revenue is vendor booth rentals. These booths are rented to the vendor for between \$1,100 and \$1,600. Other Pier Plaza Festival revenues include merchandise sales which are addressed in another section of this report.

Process: The festival is held at the pier plaza. Vendors wanting to participate must apply to the Board and reserve a space (Appendix M – 2016 Pier Plaza Vendor List). Each space is rented out pursuant to Space Rental Agreement (Appendix N – Exhibitor and Food Vendor Rental Agreement). Based on inquiries of Board Members and City Staff, the vendor spaces are rented on a first come, first serve basis. The agreement is filled out and given to the Board. When payment is received, it is remitted to City Staff and recorded in the log.

Finding: The log used to track vendor fees is kept by the City and includes only data remitted to it by the Board. The space rental agreements are not made available to cross reference. Upon inspection of the vendor list, it was determined that there is no process in place to track which vendors have applied or whether a payment plan was made with the Board. According to the vendor list, each vendor is required to remit a \$100 deposit for the space. This deposit is returned upon inspection. The deposit is not remitted to the City or accounted for in any way unless a deposit needs to be returned after the vendor has left the event.

Risks: There are three risks associated with the findings over pier plaza festival vendor fees and deposits.

- Risk of incomplete accounting: Without a mechanism in place to track and cross reference the vendor booth agreements with the fees received, the Board runs the risk of an incomplete accounting or foregone revenue through a reduction in fees charged for vendor booths.
- Lost revenue: Without documentation to show the approval process and related revenue, there is the risk that vendors are not paying the proper amount.
- Misappropriation or misuse of cash: Without control procedures over deposits, cash collected from vendors is subject to theft, misappropriation or use for unauthorized purposes.

Recommendation: It is recommended that the Board create a control environment to mitigate these risks by implementing an independent agreement process facilitated by the City to ensure that each payment delivered by Board Members is cross referenced against the agreement and required paperwork. It is further recommended that each payment received by the City is agreed to the approved fee schedule before being approved, recorded and deposited.

REVENUES, PROCESSES, FINDINGS, RISKS AND RECOMMENDATIONS (CONTINUED)

Revenue Type: Pancake Breakfast

Description: Tickets to the pancake breakfast are sold for \$5. The number of tickets sold is not limited.

Process: A manual log is kept to track pancake breakfast ticket sales (*Appendix D – 2016 Pancake Breakfast sign out log*). Sales are logged by 4th of July Board Members or City Staff. According to Board Members, this event is outsourced to an outside vendor and no remittance is given to the City.

Finding: The revenues generated by this event do not belong to the City and are therefore not subject to further inspection. However, through inquiry and inspection it was determined that approximately 50 pancake breakfast tickets are comped to City employees. Others are given to the Board to give away while the remainder of the tickets are given to Community Services to sell. The 2016 log shows that 40 tickets were either sold or comped. Based on the available data, there appear to be no controls over the sale of these remaining tickets, the amount collected, the payment tender, documentation over how the revenue is recorded or what, if any basis is in place to determine how many seats get comped, or why. Additionally, there is no record of a remittance made to the Kiwanis for any ticket sales made by Community Services.

Risks: There is one identified major risk associated with the findings over pancake breakfast ticket sales.

- Risk of incomplete accounting: Without a mechanism in place to account for all tickets sold, the Board runs the risk of an incomplete accounting and misappropriation of assets.

Recommendation: It is recommended that the Board create a control environment to mitigate this risk by expanding the scope of the log to include dates, tender type, the general ledger posting date, deposit date and support for comped tickets.

FINANCIAL ANALYSIS COMMENTS

A financial analysis of Fourth of July Fund was prepared by City staff (Appendix B – City Prepared Financial Analysis).

Highlights:

1. Total Revenues over the five year period went up by 25.5%, primarily as a result of an increase in parking fees.
2. Total Expenditures over the five year period went up by 23.6%.
3. A Net Gain of \$68,749 was incurred over the five year period, primarily due to the change in parking revenue from one to three days.

Revenues:

Each revenue type was analyzed resulting in a 25.5% increase in total revenues over the five year period. However, 9 of 13 revenue types showed decreases, including some as large as 96.8%. The 4 revenue types that went up are those subject to Board/City controlled, fixed cost increases (parking, parade entry fees, merchandise, and sponsorships). The revenues associated with voluntary and participatory activities declined in every area. It should be noted that revenues reported for each category may have discrepancies due to coding entry variations.

Expenditures:

Each expenditure type was analyzed resulting in a 23.6% increase in total expenditures over the five year period.

Total salaries and benefits decreased by 33.2%. When asked about this, City staff reported that personnel costs are charged as budgeted and may not accurately report the actual costs associated with the event. Actual staff costs are discussed in a separate memorandum prepared by City staff.

Total operation costs increased by 42.4%. The most significant of these costs are:

1. Hosted meetings: up 470.2%
2. Other professional services: up 122.0%
3. Equipment rental: up 155.5%

APPENDICES

Appendix A - Detailed Scope of Work

Appendix B - City Prepared Financial Analysis

Appendix C – 2016 Lake Park Bleacher sign out log

Appendix C1 – 2016 Bleacher Log Ref # 1

Appendix D – 2016 Pancake Breakfast sign out log

Appendix E – 2016 Fireworks Over the Ocean sign out log

Appendix E1 – 2016 Fireworks Log Ref # 2

Appendix F – 2016 Parade Entry List

Appendix G – 2016 In-Kind Donations List

Appendix H – 2016 HB Sponsor List (Board)

Appendix I – 2016 HB Sponsor List (City)

Appendix J – 2016 HB Sponsorship Packages

Appendix K – 2016 Payments Received

Appendix L – 2016 4th of July Run Entries

Appendix M – 2016 Pier Plaza Vendor List

Appendix N – Exhibitor and Food Vendor Rental Agreement

DETAILED SCOPE OF WORK
4TH OF JULY CELEBRATION FUND
Cash Handling Procedures & Accounting Practices

- Analyze Fund 204 (4th of July Celebration Fund – currently a Special Revenue Fund) for the last 12 month period to include calendar year 2016 Fourth of July.
- From this analysis, the City requests:
 - Identify sources of revenue and amounts and provide a short, two to three sentence description of each type, including but not limited to:
 - Ticket sales (bleacher sales for parade/pancake breakfast, fireworks seating on the pier)
 - Parade entry fees
 - In kind/cash donations
 - Sponsorships
 - Gala/sponsor recognition event (including silent/live auction at event)
 - Program advertisements
 - Merchandise sales
 - Run/fitness expo
 - Pier plaza festival (vendor booths, merchandise sales)
 - On-line sales
 - DVD sales
 - A detailed reporting of how each of the above mentioned revenue types is reported in the City's General Ledger: Specifically, in regard to General Ledger entry, the City wishes to know:
 - What, if any, internal controls are in place over General Ledger recording and if
 - Identified internal controls are effective to ensure timely and accurate recording of the identified revenue sources
- Obtain an understanding of cash handling procedures for each payment type including but not limited to:
 - Pay-Pal purchases
 - Consultant to inspect City procedure over reconciliation of items sold on-line to actual merchandise purchased and provide recommendation(s) where applicable
 - Pier Plaza Merchandise sales (3-day event)
 - Consultant to inspect City procedures over:
 - Payment types accepted
 - Collection of cash, receipting for purchases, reconciliations
 - Securitization of cash (and other assets) during the event
 - How and when funds are delivered to the City
 - Gain an understanding of the reconciliation process of total merchandise sales at all locations (Pier Plaza, Albertson's, Von's, etc.) versus total merchandise inventory and comment
 - Gala/sponsor recognition event
 - Pancake breakfast at Lake Park
 - 4th of July Run & Fitness Expo
 - Celebration and fireworks show at the pier
 - Parade
 - Executive board meetings/events
- Vendor fees/deposits, specifically;
 - When are the fees/deposits received
 - How are the event fees/deposits tracked
 - Obtain an understanding of procedures of how fees/deposit amounts are calculated
 - How event fees/deposits are recorded
 - Cash
 - Checks
 - Credit Cards
 - Inspect deposit refund/retention procedures
- Inspect deposit procedures for cash collection and handling and provide report of findings and recommendations where applicable.

- Inspect sponsorship fee schedule and sponsorship receipts and report findings. Comment on effectiveness of tiered levels of sponsorships and how these are offered to potential sponsors or donors
- Inspect procedures over shipped merchandise to on-line buyers, including who is responsible for merchandise payments/shipping and report findings
- Inspect procedures over payment for shipped merchandise and report findings
- Inspect in-kind donations, specifically:
 - Identify sources of in-kind donations and provide a short, two to three sentence description of each type, including but not limited to:
 - Gala/sponsor recognition event at Hilton
 - A brief reporting of:
 - How in-kind donations are approved
 - How in-kind donations are requested and how each donor is acknowledged
 - How in-kind donations are valued
 - How in-kind donations are accounted for
- Obtain an understanding of current fundraising practices
- From this analysis, the City requests:
 - A report on how potential donors are identified
 - How potential donors are contacted and by whom
 - A report on the assigned duties of the 4th of July Board as they relate to fundraising
- Inspect City prepared financial analysis of 4th of July Celebration Fund
- From this analysis, the City requests:
 - Comments on a high level understanding of a City prepared analysis of revenues and expenditures in Fund 204
 - Inquiries on material variances from year to year (materiality to be determined and documented through discussion with City staff)