VENDOR AUDIT REPORT

OF

THE ALBUQUERQUE HISPANO CHAMBER OF COMMERCE (AHCC) AGREEMENT

REPORT NO. 04-110AHCC



CITY OF ALBUQUERQUE OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

Management Audit of the AHCC Contract Report No. 04-110AHCC Executive Summary

Background

The Office of Internal Audit and Investigations (OIAI) reviewed the vendor compliance with the Albuquerque Hispano Chamber of Commerce (AHCC) agreement. AHCC provides marketing services to the City to help achieve maximum use of the Convention Center. AHCC also provides advertising, publicizing, and promoting of other tourist and convention facilities within the area. This audit was on the audit plan for FY 2004.

The City of Albuquerque provides some of the funding for the operations of the Chamber of Commerce Department, from Lodgers Tax revenues. In FY2003, the City provided \$512,000 to the AHCC under the second year of a three-year contract covering the period from April 1, 2002 to March 31, 2005. These monies represent 21 percent of AHCC's Chamber of Commerce Department funding for FY2003. In FY2004, the City provided \$502,000 to the AHCC.

Objective

The objectives of our audit were to determine:

• Did AHCC comply with the terms of the agreement with the City?

Findings

AHCC did not have adequate documentation to support its reported event attendance and direct expenditures.

AHCC does not differentiate between local and out-of-town convention attendees.

ACVB, AHCC, and SMG did not develop certain policies for cooperation.

Recommendations

AHCC should work more closely with event sponsors/organizers to obtain reasonable estimates of event attendance. AHCC should maintain adequate documentation to substantiate the estimates of attendance at events booked.

AHCC should ensure that the data it uses to compute "direct expenditures" reflects dollars spent by out-of-town attendees at events booked.

AHCC should finalize development of mutually acceptable policy regarding booking windows and criteria for granting exceptions to the booking policy with ACVB and SMG

Management responses are included in the audit report.



City of Albuquerque

Office of Internal Audit and Investigations P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

January 25, 2006

Accountability in Government Oversight Committee City of Albuquerque Albuquerque, New Mexico

Audit: Vendor Audit of the Albuquerque Hispano Chamber of Commerce Agreement

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FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) reviewed the vendor compliance with the Albuquerque Hispano Chamber of Commerce (AHCC) agreement. The Chief Administrative Officer (CAO) Department, Office of Economic Development (OED) was the primary City office responsible for administering the agreement. As of July 1, 2004, the Department of Finance and Administrative Services (DFAS) assumed responsibility for the administration of the agreement. DFAS hired an employee whose job responsibilities included the contract administration of the agreement.

The AHCC has two business segments: the Chamber of Commerce Department and the Albuquerque Hispano Chamber of Commerce Foundation. The City of Albuquerque provides some of the funding for the operations of the Chamber of Commerce Department, from Lodgers Tax revenues. In FY2003, the City provided \$512,000 to the AHCC under the second year of a three-year contract covering the period from April 1, 2002 to March 31, 2005. These monies represent 21 percent of AHCC's Chamber of Commerce Department funding for FY2003. In FY2004, the City provided \$502,000 to the AHCC.

AHCC provides marketing services to the City to help achieve maximum use of the Convention Center. AHCC also provides advertising, publicizing, and promoting of other tourist and convention facilities within the area.

AUDIT OBJECTIVES

The objective of our audit was to determine:

• Did AHCC comply with the terms of the agreement with the City?

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to the City's agreement with AHCC. The audit covered the period from the inception of the agreements through June 2004. The last day of fieldwork was October 1, 2004 and this report does not reflect events or transactions after those dates.

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, which requires an external quality review.

METHODOLOGY

We identified the obligations and performance requirements for AHCC as specified in the agreement. We verified compliance through examination and analysis of available documents and interviews with key personnel at the City and AHCC.

This audit and its conclusions are based on interviews with key personnel, review and analysis of available documentation and reviews of current procedures.

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. <u>AHCC SHOULD MAINTAIN ADEQUATE DOCUMENTATION TO SUBSTANTIATE ITS ESTIMATES OF ATTENDANCE</u>.

The 2002 contract required that AHCC report on performance measures. One of these measures was return on investment (ROI) which is calculated as total direct expenditures divided by Lodgers Tax revenues distributed to the contractor. The contractual ROI target is 15 to 1. Total direct expenditures are calculated by multiplying attendee days by the \$70 day rate contractually established in the 2002 contract. Attendee days are calculated by multiplying definite bookings by number of days each delegate attended the event. A definite booking is defined as when a "written confirmation is received from the client and written acceptance is sent by the Convention Center staff."

AHCC reported the following total direct expenditures to the City of Albuquerque Office of Economic Development for the fiscal years 2003 and 2004. The total direct expenditures reported by AHCC include the Mariachi Spectacular, the Gathering of Nations Pow-wow as

well as other events. AHCC was unable to provide documentation that supported the number of attendees reported for these two events. After OIAI discussed the reporting with AHCC personnel, AHCC submitted a revised annual report to the City for FY 2004. The revised report noted a difference in the amount of direct expenditures for the two major events.

	Originally Reported		Revised	
Event	Delegate	Total Direct	Delegate	Total Direct
	bookings	Expenditures	bookings	Expenditures
Mariachi Spectacular 2003	20,000	\$7,000,000		
Gathering of the	Reported in		2003 report w	as not revised.
Nations Pow-wow	2002			
2003	Bookings			
Mariachi	20,000	\$7,000,000	2,600	910,000
Spectacular 2004	20,000			
Gathering of the				
Nations Pow-wow	86,000	\$24,000,000	4,300	1,204,000
2004				

As the date of this audit report the AHCC FY2003 annual report has not been revised and resubmitted to the City.

The total direct expenditures are a part of the calculation of the ROI. The ROI figures for 2003 and 2004 using the figures originally reported and using the revised figures follows:

Fiscal Year	Total Direct	Lodgers Tax Received	Calculated "ROI" By
	Expenditures		OIAI
2003	\$15,000,000	\$512,000	29
2004	\$57,000,000	\$502,000	113
2004 Revised	\$11,442,894	\$502,000	22

These reporting issues are relevant to the administration of the new contract with AHCC which was effective July 2005 as the new contract still requires AHCC to report on its annual Return on Investment. The City should request and review documentation supporting any figures reported by AHCC.

AHCC's Reporting of Event Attendees does not differentiate between Out-Of-Town Attendees and Local Attendees

The contract states that the purpose is "... to promote and encourage visitors to come to Albuquerque." In its reporting of attendance at the two events described above, AHCC does not differentiate between out-of-town attendees and local attendees. Because the contract purpose is to promote out of town visitors, it would be reasonable for AHCC to only report to the City direct expenditures for monies spent by out-of-town attendees at events booked by the AHCC. Both the Gathering of Nations Pow-Wow and the Mariachi Spectacular appear to attract significant numbers of attendees who live in the Albuquerque metropolitan area. The spending at these two events by Albuquerque residents would not have the same level of economic value for Albuquerque as would spending by out-of-town attendees.

The revised FY2004 definite booking that AHCC reported to the City for the Gathering of Nations Pow-Wow indicated that AHCC estimated 4,300 attendees, but only 1,550 hotel room nights relating to this event. The revised FY2004 definite booking that AHCC reported to the City for the Mariachi Spectacular indicated that AHCC anticipated 2,600 attendees, but only 650 hotel room nights relating to this event. This ratio of hotel room nights to attendees indicates that these events attract large numbers of attendees who live in the Albuquerque metropolitan area or individuals that do not occupy hotel rooms.

RECOMMENDATION

AHCC should work more closely with event sponsors/organizers to obtain reasonable estimates of event attendance. AHCC should maintain adequate documentation to substantiate the estimates of attendance at events booked.

AHCC should ensure that the data it uses to compute "direct expenditures" reflects dollars spent by out-of-town attendees at events booked.

RESPONSE FROM AHCC

"AHCC will work more closely with event sponsors/organizers to obtain reasonable estimates of event attendance.

"AHCC will maintain adequate documentation to substantiate the estimates of attendance at events booked.

• "Mariachi Spectacular "2005" pickup information: 870

• "Gathering of Nations "2005" ticket sales: 69,500 paid + 2500 complimentary tickets

"AHCC will ensure that the data it uses to compute "direct expenditures" reflects dollars spent by out-of-town attendees at events booked."

2. <u>AHCC SHOULD FINALIZE DEVELOPMENT OF POLICIES REGARDING</u> COORDINATION OF EFFORTS WITH ACVB AND SMG.

The 2002 contracts with ACVB and Albuquerque Hispano Chamber of Commerce (AHCC) both require that "Annually on or before August 1, AHCC, ACVB and the Albuquerque Convention Center (ACC) will jointly prepare and submit to the City an updated plan for interorganizational coordination . . . " ACVB and the AHCC did not comply with this contractual requirement for FY2003 and FY2004. These organizations did not submit the required annual plans for interorganizational cooperation.

ACVB personnel informed the auditors that ACVB and AHCC prepared a 2004/2005 plan for interorganizational cooperation, and submitted it to the City in September 2004. One of the items that were included in the FY2005 interorganizational plan was that "The three contractors (ACVB, AHCC and SMG) will also develop mutually acceptable policy regarding booking windows and criteria for granting exceptions to the booking policy." According to ACVB personnel, some discussions have been held among the parties relating to this issue, but a policy or agreement has not been finalized.

The "booking windows" issue refers to the instances whereby ACVB or AHCC has attempted to book a convention into a time slot at the City's Convention Center. However, SMG the private operator of the Albuquerque Convention Center has already booked another event into the Convention Center, which then precludes ACVB or AHCC from booking the convention.

AHCC has been assigned the contractual responsibility to book events relating to Hispanic and Native American groups. The "booking policy" issue refers to the situations where a Hispanic or Native American group is considering booking an event in Albuquerque, but because of the size of the event, ACVB may be better equipped to handle the booking rather than AHCC.

The "booking windows" issue and the "booking policy" issue, which are mentioned in the FY2005 Interorganizational Plan should be resolved. The 2005contracts still require both ACVB and AHCC to "... coordinate efforts with (each other) and SMG (the Convention

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Center operator) in order to best serve the public, attain the performance goals of all organizations and provide a cost-effective operation."

RECOMMENDATION

AHCC should finalize development of mutually acceptable policy regarding booking windows and criteria for granting exceptions to the booking policy with ACVB and SMG.

RESPONSE FROM AHCC

"AHCC/ACVB/SMG have finalized development of mutually acceptable policy regarding booking windows and criteria for granting exceptions to the booking policy for AHCC/ACVB/SMG.

CONCLUSION

1	easurements with the City will ensure compliance with cooperation of AHCC personnel during the audit.
Principal Auditor	Senior Auditor
REVIEWED	
Principal Auditor	
REVIEWED AND APPROVED:	APPROVED FOR PUBLICATION:
Carmen L. Kavelman, CPA, CISA, CGAP Acting Director	Chairperson, Accountability in Government Oversight Committee