
**Convention Authority
of the City of Providence**

Financial Statements

Fiscal Years Ended
September 30, 1994 to 1999

Ernest A. Almonte, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations
General Assembly
Office of the Auditor General

December 13, 1999

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

MEMBERS OF THE CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE:

We have completed our audits of the financial statements of the Convention Authority of the City of Providence for the fiscal years ended September 30, 1994 through 1999. The Authority's financial statements and our reports thereon as well as recommendations to enhance compliance and internal control are included herein as outlined in the Table of Contents.

Sincerely,

Ernest A. Almonte, CPA, CFE
Auditor General

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT1

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS3

NOTES TO FINANCIAL STATEMENTS4

SUPPLEMENTARY INFORMATION – SCHEDULES OF CASH DISBURSEMENTS6

REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING12

FINDINGS AND RECOMMENDATIONS14

 INTERNAL CONTROL14

 OPEN MEETINGS LAW14

 AUTHORIZATION OF DISBURSEMENTS15

 ANNUAL AUDIT16

 RECORD OF AUTHORITY MEMBERS16

 ANNUAL ELECTION OF OFFICERS16

 DEPOSIT INSURANCE COVERAGE AND INVESTMENT POLICY17

 GUIDELINES FOR AWARDING GRANTS17

 GRANT FOLLOW-UP18

 CONFLICTS OF INTEREST18

 FILING WITH STATE ETHICS COMMISSION19

 FILING OF SEMI-ANNUAL REPORT19

INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE:

We have audited the accompanying Statements of Cash Receipts and Disbursements of the Convention Authority of the City of Providence (Authority) for the fiscal years ended September 30, 1999, 1998, 1997, 1996, 1995 and 1994. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in Note 6, the Authority is subject to the Open Meetings Law (General Law section 42-62-2) but did not comply with provisions of that law. Additionally, the Authority lacked a quorum at certain meetings where it authorized disbursements.

In our opinion, except for the effects, if any, of the uncertainties described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Convention Authority of the City of Providence for the fiscal years ended September 30, 1999, 1998, 1997, 1996, 1995 and 1994 on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 19, 1999 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

The Schedules of Cash Disbursements presented on pages 6 through 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, except for the effects, if any, of the uncertainties described above, are fairly stated in all material respects on the basis of accounting described in Note 2, in relation to the financial statements taken as a whole.

November 19, 1999

Ernest A. Almonte, CPA, CFE
Auditor General

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE

Notes to Financial Statements

Fiscal Years Ended September 30, 1999, 1998, 1997, 1996, 1995 and 1994

Note 1: **Organization**

The Convention Authority of the City of Providence (Authority) was authorized by state law (Chapter 84 of the Rhode Island Public Laws of 1980, as amended) for the purpose of promoting conventions and tourism in the City of Providence.

The Authority does not have employees or office space.

Note 2: **Significant Accounting Policies**

The Authority prepares its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting recognizes income and related assets when received, rather than when earned, and expenses when paid, rather than when the obligation is incurred.

Note 3: **Hotel Tax**

The Authority is financed with a portion of the proceeds from the state hotel tax. State law (RIGL 44-18-36.1) provides for a 5% occupancy tax on hotel rooms in the state.

Prior to August 7, 1995, the hotel tax was collected by the City of Providence from Providence hotels and transferred to the Authority. The Authority was required to fund the Greater Providence Convention and Visitors Bureau (GPCVB) with one hundred percent of the first \$150,000 in revenues received from the City and a minimum of seventy-five percent of all funds received from the City in excess of \$150,000 per year. Any remaining funds were authorized to be retained by the Authority to promote conventions and tourism in the City of Providence.

Effective August 7, 1995, the Authority discontinued funding the GPCVB when a change in the law replaced the GPCVB with the Greater Providence/Warwick Convention and Visitors Bureau (PWCVB), which is financed by a dedicated portion of hotel tax proceeds.

Also, effective August 7, 1995, a change in the hotel tax law divided the state into tourism districts and provided for the distribution of tax proceeds by district. The Authority's authorized share of Providence district tax proceeds was 7.5% until January 1, 1999, and increased to 31% effective January 1, 1999. The state Division of Taxation has collected and distributed hotel tax proceeds since August 1995.

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE

Notes to Financial Statements

Fiscal Years Ended September 30, 1999, 1998, 1997, 1996, 1995 and 1994

Note 4: Advance

In fiscal 1999, the Authority issued a \$5,000 check as an advance to an Authority member for the cost of a reception to attract artists to Providence. Subsequently, the \$5,000 advance was refunded and deposited into the Authority's account during fiscal 1999.

Note 5: Deposits

The carrying amount of the Authority's cash deposits and the corresponding bank balance is shown in the table below for each fiscal year. The amount insured reflects the amount of federal depository insurance in effect for the Authority's accounts based on regulations applicable to public unit accounts. The remaining bank balance is uninsured and uncollateralized.

<u>Fiscal Year</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Uninsured and Uncollateralized</u>
1999	\$526,633	\$526,633	\$200,000	\$326,633
1998	176,324	176,324	100,000	76,324
1997	111,660	111,660	100,000	11,660
1996	124,330	129,330	100,000	29,330
1995	116,836	116,836	100,000	16,836
1994	125,364	127,864	100,000	27,864

Note 6 : Contingencies

The Authority is subject to the Rhode Island Open Meetings Law (General Law section 42-46-2) but did not comply with certain procedural requirements of that law in scheduling and providing written public notice of its meetings.

Disbursements of the Authority were authorized at each of these meetings, and at some of these meetings the Authority lacked a quorum. The effects, if any, on the financial statements for fiscal years 1994 through 1999 cannot be determined.

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
SCHEDULE OF CASH DISBURSEMENTS
 Fiscal Year Ended September 30, 1994

Payee	Date Paid	Amount	Description
Transfer of hotel tax proceeds to GPCVB:			
Greater Providence Convention and Visitors Bureau	10/21/93	\$ 29,048	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	11/25/93	29,568	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	12/20/93	32,266	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	1/10/94	44,748	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	3/10/94	49,460	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	4/18/94	26,433	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	5/6/94	28,259	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	5/14/94	29,359	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	6/21/94	26,027	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	7/25/94	31,553	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	9/23/94	<u>30,989</u>	Transfer of hotel tax proceeds.
		<u>357,711</u>	
Grants:			
City of Providence	11/4/93	10,000	To reimburse City for unanticipated expenses incurred by Association of Retarded Citizens convention because RI Convention Center facilities did not open on time.
First Night	12/9/93	15,000	Co-sponsorship of First Night January 1994.
US Figure Skating Championships 1995	1/14/94	15,000	To promote event.
Greater Providence Convention and Visitors Bureau	2/10/94	27,000	Total of \$27,000 includes \$15,000 to fund 6 pages in Providence Meeting and Destination Guide published by GPCVB, \$2,000 for Senior Olympics, and \$10,000 grant for personnel at new visitors center.
Providence Performing Arts Center	3/25/94	25,000	First of 4 annual payments on \$100,000 pledge for capital campaign to enlarge stage.
Providence Foundation	4/18/94	1,000	To prepare formal presentation to funding sources for Cultural Banner Trail.
NHD	6/30/94	1,952	Brooms and rakes for downtown Providence clean-up (City Year).
Greater Providence Convention and Visitors Bureau	7/25/94	5,000	Mayor's Economic Profile brochure (\$2,500) and Hotel Direct Mail pieces (\$2,500).
Providence Civic Center	7/25/94	2,500	Subsidy for certain Providence Civic Center expenses of Jehovah Witness convention.
Providence Waterfront Festival	9/26/94	<u>2,500</u>	Co-sponsorship of Providence Waterfront Festival.
		<u>104,952</u>	
Grand Total		<u><u>\$ 462,663</u></u>	

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
SCHEDULE OF CASH DISBURSEMENTS
 Fiscal Year Ended September 30, 1995

Payee	Date Paid	Amount	Description
Transfer of hotel tax proceeds to GPCVB:			
Greater Providence Convention and Visitors Bureau	10/17/94	\$ 34,855	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	11/09/94	30,151	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	12/28/94	81,207	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	02/14/95	43,253	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	03/24/95	26,849	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	05/04/95	33,999	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	05/31/99	67,267	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	07/06/95	33,142	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	08/22/95	48,299	Transfer of hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	09/06/95	52,824	Transfer of hotel tax proceeds.
		<u>451,846</u>	
Grants:			
American Mathematical Society	10/17/94	9,750	Luncheon hosted by City of Providence at Council of Engineering and Scientific Society Executives (CESSE) in Seattle. CESSE policy is next year's host city pays for current year luncheon. First payment of a total of \$19,500.
First Night 1995	10/20/94	10,000	Co-sponsor of First Night January 1995.
RI Council of the Arts	10/24/94	2,000	Co-sponsorship of 1994 National Assembly of state Arts Agencies brunch in Omaha, Nebraska. Marketing effort to help NASAA select Providence for its 1995 conference.
Providence Armenian Youth Olympic Committee	10/24/94	3,000	Shuttle between hotels and convention center for Armenian Youth Olympics, September '94.
Roger William's Park	12/28/94	15,000	1994 Dinosaur exhibit.
Greater Providence Convention and Visitors Bureau	03/07/95	4,000	Grant to Civic Center for signs and banners for 1995 figure skating event in Providence.
Catering Collaborative	03/29/95	2,789	Caterer - expenses of reception after final event of 1995 US Figure Skating Championships held in Providence.
J. Worsley	03/29/95	400	Music - expenses of reception after final event of 1995 US Figure Skating Championships held in Providence.
Capriccio's	03/29/95	50	Limousine - expenses of reception after final event of 1995 US Figure Skating Championships held in Providence.
Frey Flowers	03/29/95	50	Flowers - expenses of reception after final event of 1995 US Figure Skating Championships held in Providence.
Haxton's Branch Ave. Liquors	03/29/95	1,516	Liquor - expenses of reception after final event of 1995 US Figure Skating Championships held in Providence.
Tommy's Pizza	03/29/95	43	Food - expenses of reception after final event of 1995 US Figure Skating Championships held in Providence.
Providence Foundation	06/26/95	15,000	Providence banner trail to showcase historical points of interest.
American Mathematical Society	06/26/95	9,750	Second of 2 payments for luncheon at CESSE 95 convention, Seattle.
Pro Cap	06/26/95	1,500	To employ one person on City anti-graffiti program staff until end of City fiscal year.
ColorLAB	08/02/95	1,548	Cost to reproduce Green Airport display in smaller size for RI Convention Center.
Providence Civic Center	09/06/95	2,500	Subsidy for certain Providence Civic Center expenses of Jehovah Witness Convention.
Providence Performing Arts Center Capital Campaign	09/06/95	25,000	Second installment of \$100,000 pledge to enlarge PPAC stage.
Greater Providence Convention and Visitors Bureau	09/25/95	8,000	To pay portion of bill for legal services provided by CVB attorney for work on legislation.
		<u>111,896</u>	
Grand Total		<u>\$ 563,741</u>	

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
SCHEDULE OF CASH DISBURSEMENTS
 Fiscal Year Ended September 30, 1996

Payee	Date Paid	Amount	Description
Transfer of Tax Proceeds to GPCVB:			
Greater Providence Convention and Visitors Bureau	10/23/95	\$ 43,360	Transfer of Hotel tax proceeds.
Greater Providence Convention and Visitors Bureau	11/06/95	<u>22,199</u>	Transfer of Hotel tax proceeds.
		<u>65,560</u>	
Grants:			
Greater Providence Convention and Visitors Bureau	10/23/95	15,000	Hotel advertisements in RI Meeting Planners Guide.
Providence Warwick Convention and Visitors Bureau	10/23/95	4,616	New computer for PWCVB.
Federal Hill Commerce Association	12/07/95	1,050	Matching grant for banner trail on Atwells Ave.
Providence College	12/08/95	10,000	Promotion of NCAA Hockey Tournament held 3/30/95 to 4/1/95.
US Figure Skating	12/13/95	15,000	First installment of \$30,000 grant authorized to assist US Figure Skating Event held in Providence.
Providence Warwick Convention and Visitors Bureau	02/05/96	5,000	Transportation provided by RI Connections for US Youth Soccer Assoc. annual convention in Feb. 1996. Arrangements made by PWCVB.
Providence Marriott	06/05/96	400	Van rental for US Youth Soccer Association event, February '96.
RI Connection	06/05/96	1,250	Shuttle for US Youth Soccer Association event, February '96.
Providence Warwick Convention and Visitors Bureau	06/05/96	5,500	PWCVB marketing efforts for Extreme Games.
Veterans Memorial Auditorium	06/05/96	1,500	Design drawings and specifications for coming attractions marquee for Auditorium.
Council of Engineering and Scientific Society Executives (CESSE)	07/10/96	5,050	Opening reception for CESSE 96 conference held in Providence in July 1996.
Providence Waterfront Festival, Inc.	07/10/96	12,500	Fire sculptures in Providence River.
Providence Civic Center	05/08/96	2,500	Subsidy for certain Providence Civic Center expenses of Jehovah Witness Convention.
City of Providence - Film Commission Account	09/06/96	<u>5,000</u>	Printing costs for marketing piece developed by Providence Film Commission.
		<u>84,366</u>	
Other:			
Providence Marriott	12/13/95	<u>2,500</u>	Reception for out-going president of PWCVB.
		<u>2,500</u>	
Grand Total		<u>\$ 152,426</u>	

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
SCHEDULE OF CASH DISBURSEMENTS
 Fiscal Year Ended September 30, 1997

Payee	Date Paid	Amount	Description
Grants:			
Providence College	10/09/96	\$ 10,000	Grant for banners, buttons, and transportation for March '96 NCAA basketball tournament.
RI Connections	12/03/96	10,000	Transportation for Women's Aglow Fellowship Convention.
1995 US Figure Skating Championships	12/12/96	15,000	Final installment of \$30,000 grant to assist 1996 US Figure Skating Association event held in Providence.
Providence Performing Arts Center	12/27/96	25,000	Third installment of \$100,000 pledge to enlarge PPAC stage.
Providence/Warwick Convention and Visitors Bureau	04/02/97	10,000	Co-sponsorship of PWCVB Destination Providence marketing campaign.
Branch Ave. Liquors, Inc.	05/05/97	779	Liquor for New England Patriots football team rally.
Vincent A. Cianci, Jr.	05/08/97	1,771	Reimbursement for plane trip to Los Angeles on behalf of RI Film Commission to promote Providence as a viable site for film production.
Providence Warwick Convention and Visitors Bureau	06/20/97	16,000	Ads for Providence hotels in Rhode Island Meeting and Destination Guide.
Providence Film Commission	08/02/97	10,000	First installment of annual commitment of \$10,000 per year to attract film production to Providence.
Grand Total		<u>\$ 98,550</u>	

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
SCHEDULE OF CASH DISBURSEMENTS
 Fiscal Year Ended September 30, 1998

Payee	Date Paid	Amount	Description
Grants:			
ABC Advertising - Economic Profile	12/17/97	\$ 2,500	Ad for hotels in Economic Resource Profile Guide magazine.
Providence Performing Arts Center	12/21/97	25,000	Final installment of \$100,000 pledge to enlarge PPAC stage.
Providence Warwick Convention and Visitors Bureau	02/18/98	1,500	PWCVB cost to rent booth at 1997 World Travel Market in London, UK.
Academic Decathlon of RI	04/01/98	2,500	Funding to help support US Academic Decathlon held in Providence April 1998.
RI Ethics Commission	04/29/98	2,000	To reimburse the Commission for marketing efforts to attract Council on Governmental Ethics Laws to Providence.
Providence Warwick Convention and Visitors Bureau	04/29/98	<u>1,520</u>	Authority's share of PWCVB Destination Providence marketing campaign.
		<u>35,020</u>	
Operating:			
Peabody and Brown	12/17/97	250	Legal services.
Lefkowitz, Garfinkel, Champi and DeRienzo	09/26/98	<u>750</u>	Professional services - compilation of Authority's financial statements.
		<u>1,000</u>	
Other:			
Emblem and Badge	02/19/98	<u>65</u>	Gift to outgoing Authority member.
Grand Total		<u><u>\$ 36,085</u></u>	

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
SCHEDULE OF CASH DISBURSEMENTS
Fiscal Year Ended September 30, 1999

Payee	Date Paid	Amount	Description
Grants:			
Artin Coloian	11/13/98	\$ 5,000	Advance for reception in Florence, Italy to attract artisans to Providence.
Smith Hill Center	11/19/98	1,500	Christmas decorations for Shepard's building.
Greater Providence Chamber of Commerce	12/11/98	2,147	Reimbursement of marketing expenses for Destination Providence Expo '98 booth.
Providence Film Commission	01/21/99	10,000	To support the Commission's efforts to attract film production to Providence.
RI Ethics Commission	05/28/99	2,400	To reimburse the Commission for marketing efforts to attract Council on Governmental Ethics Laws conference to Providence.
America House	05/28/99	16,400	Ads for Providence hotels in "Providence/Newport Meetings and Conventions" magazine.
Providence/Warwick Convention and Visitors Bureau	05/28/99	1,094	Cost to ship booth from Providence to Los Angeles and return. Part of joint marketing effort with RI Convention Center Authority.
Providence Film Commission	05/28/99	6,400	Los Angeles mission to attract film production to Providence.
Renaissance 2000	06/09/99	<u>50,000</u>	Co-sponsorship of Renaissance 2000 project "Splendor of Florence".
		<u>94,942</u>	
Operating:			
Bank service charge		19	Check order
Providence Journal Co.	08/07/99	<u>632</u>	Classified ads for new staff positions: Executive Director and assistant.
		<u>651</u>	
Grand Total		<u><u>\$ 95,593</u></u>	

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
Fiscal Years Ended September 30, 1999, 1998, 1997, 1996, 1995 and 1994

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
RECEIPTS:						
Hotel Tax (Note 3)	\$ 437,847	\$ 99,017	\$ 84,155	\$ 157,259	\$ 552,445	\$ 428,034
Return of Advance (Note 4)	5,000					
Interest	3,054	1,731	1,726	2,661	2,769	2,932
Total Receipts	<u>445,901</u>	<u>100,749</u>	<u>85,880</u>	<u>159,920</u>	<u>555,214</u>	<u>430,966</u>
DISBURSEMENTS:						
Greater Providence Convention and Visitors Bureau (Note 3)				65,560	451,846	357,711
Grants	94,942	35,020	98,550	84,366	111,896	104,952
Operating	651	1,000				
Other		65		2,500		
Total Disbursements	<u>95,593</u>	<u>36,085</u>	<u>98,550</u>	<u>152,426</u>	<u>563,741</u>	<u>462,663</u>
NET INCREASE (DECREASE) IN CASH	350,309	64,664	(12,670)	7,494	(8,528)	(31,697)
CASH, OCTOBER 1	<u>176,324</u>	<u>111,660</u>	<u>124,330</u>	<u>116,836</u>	<u>125,364</u>	<u>157,061</u>
CASH, SEPTEMBER 30 (Note 5)	<u>\$ 526,632</u>	<u>\$ 176,324</u>	<u>\$ 111,660</u>	<u>\$ 124,330</u>	<u>\$ 116,836</u>	<u>\$ 125,364</u>

The accompanying notes are an integral part of these statements.

REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

CONVENTION AUTHORITY OF THE CITY OF PROVIDENCE:

We have audited the Statements of Cash Receipts and Disbursements of the Convention Authority of the City of Providence for the fiscal years ended September 30, 1999, 1998, 1997, 1996, 1995 and 1994 and have issued our reports thereon dated November 19, 1999. The Authority's financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Our reports on the financial statements were qualified due to uncertainties relating to the Authority's noncompliance with the Rhode Island Open Meetings Act and the lack of a quorum at certain meetings where disbursements were authorized. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Convention Authority of the City of Providence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying findings and recommendation section of this report as findings 2 and 3.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Convention Authority of the City of Providence's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We consider finding 1 included in the findings and recommendation section of this report to be a reportable condition.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the Convention Authority of the City of Providence and its management and the Joint Committee on Legislative Services, General Assembly, State of Rhode Island, and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 1999

Ernest A. Almonte, CPA, CFE
Auditor General

II. FINDINGS AND RECOMMENDATIONS

1. INTERNAL CONTROL

The Convention Authority of the City of Providence (Authority) can improve its controls over cash disbursements. Internal control policies and procedures should be tailored to meet the size and nature of an organization. Since the Authority is a small organization with no staff, it has inherent limitations in implementing certain control procedures, particularly those that involve segregation of duties. Given the limited options for segregation of duties and the fact that the Authority has not implemented other controls, controls over cash disbursements were weak.

The following control procedures may be appropriate and reasonable for the Authority to employ in order to improve its control over cash disbursements:

- ❑ require dual signatures on checks issued by the Authority; this could be implemented with two tier levels – one signature for disbursements under a certain dollar amount and two for disbursements over a certain dollar amount.
- ❑ purchase a fidelity bond and/or director's and officer's liability coverage for those with custody of the Authority's funds.
- ❑ cancel invoices after payment and include a reference to payment documentation.
- ❑ develop record retention policies and store all records in one secure location.

Implementation of these control procedures is particularly appropriate considering the significant increase in funding the Authority is now receiving and corresponding increase in disbursements that will most likely follow.

RECOMMENDATION

1. Implement internal control policies and procedures that are appropriate for the Authority based on its size and nature.

Auditee Views

The Authority concurs with this recommendation.

2. OPEN MEETINGS LAW

The Authority is a "public body" as defined by Rhode Island Open Meetings Law (Rhode Island General Law section 42-46-2) and is thus subject to the provisions of that law regarding both public notice and the manner in which its meetings must be conducted.

The Authority has not (1) held its meetings open to the public as required by RIGL 42-46-3, (2) posted annual written notice of its meetings as required by RIGL 42-46-6(a), or (3)

posted supplemental written public notice of its meetings within a minimum of forty-eight (48) hours before the date of the meeting as required by RIGL section 42-46-6(b). Although the Authority maintained minutes of its meetings, certain requirements of RIGL section 42-46-7 were not followed. For example, the minutes did not record which Authority members were absent and did not record how each member voted (for, against or abstain) on each vote as required by law. Additionally, minutes were not made available to the public within the time frames specified in the law.

RECOMMENDATION

2. Comply with all requirements of the Rhode Island Open Meetings Law.

Auditee Views

The Authority concurs with this recommendation.

3. AUTHORIZATION OF DISBURSEMENTS

It has been the practice of the Authority to vote on all disbursements of funds. We found the Authority authorized disbursements at certain meetings where it lacked a quorum as defined in its by-laws. State law provides that the Authority shall consist of eleven members, and the Authority's by-laws require a quorum of seven members to transact business.

We tested all disbursements paid during the six fiscal years ended September 30, 1999 and found that fourteen disbursements totaling \$81,620 were approved at six meetings that did not have a quorum. We also found that approvals for two disbursements totaling \$2,250 were not recorded in the minutes. Additionally, documentation supporting funding requests could not be found for four disbursements totaling \$15,500, which were authorized by the Authority.

RECOMMENDATION

3. Strengthen internal control over the authorization of disbursements by:
 - ❑ complying with the Authority's by-laws, which requires a quorum of seven members to transact business
 - ❑ obtaining Authority approval for all disbursements and recording such approval in the minutes.
 - ❑ retaining the funding request for each disbursement.

Auditee Views

The Authority concurs with this recommendation and has subsequently ratified authorization of these disbursements at recent meetings of the Authority.

4. ANNUAL AUDIT

The Authority is required by law to have an annual audit performed of its financial statements. The last audit performed prior to this audit was for the fiscal year ended September 30, 1993. An accounting firm was engaged to compile, but not audit, the Authority's financial statements for the four years ended June 30, 1997.

RECOMMENDATION

4. Have an annual audit performed of the Authority's financial statements as required by law.

Auditee Views

The Authority concurs with this recommendation.

5. RECORD OF AUTHORITY MEMBERS

We found that for the six years covered by our audit, neither the Providence City Clerk nor the Authority maintained a complete record that identified the eleven members appointed to the Authority, the term of each appointment, and the organization each member represented. A complete listing of Authority members and their terms of appointment should be maintained and periodically updated when new members are appointed. Additionally, the minutes for each meeting should specifically identify the names of Authority members so that readers of the minutes can readily determine whether a quorum was present and how each Authority member voted.

RECOMMENDATION

5. Maintain a complete list of Authority members which identifies each member's name, term of appointment, and the organization he or she represents.

Auditee Views

The Authority concurs with this recommendation.

6. ANNUAL ELECTION OF OFFICERS

The Authority's by-laws require that an annual meeting of the members be held on the second Tuesday of September for the election of officers. The by-laws also provide that if the election of officers is not held at an annual meeting, the Chairperson will hold the election at a special meeting as soon as possible.

The annual election of officers, as well as the authorized delegation of duties (sign checks and other legal documents), ensure that the Authority's business is conducted by duly elected members who have a clear delegation of authority pursuant to its by-laws.

With the exception of a May 1999 meeting when a new chairman was elected, we found that the Authority did not conduct an annual meeting or an annual election of officers during the six years covered by our audit.

RECOMMENDATION

6. Conduct an annual meeting and an annual election of officers as required by the Authority's by-laws.

Auditee Views

The Authority concurs with this recommendation.

7. DEPOSIT INSURANCE COVERAGE AND INVESTMENT POLICY

At September 30, 1999, the Authority's cash deposits totaled \$526,633 and this entire amount was deposited at one financial institution. The amount of the Authority's deposits insured by federal deposit insurance was \$200,000 (\$100,000 for a demand deposit account and \$100,000 for a certificate of deposit). The Authority should consider reducing its exposure to deposit risk by dividing its deposits among more than one financial institution to maximize insurance coverage for its funds. Additionally, since the Authority's available funds are increasing due to a larger allocation of the hotel tax, a greater emphasis needs to be placed on determining how those funds are invested. The Authority should adopt an investment policy that includes specific guidelines to be followed when investing cash balances.

RECOMMENDATION

7. Deposit Authority funds in more than one financial institution to maximize federal deposit insurance coverage for the Authority's cash balances. Adopt an investment policy that includes specific guidelines to be followed when investing Authority funds.

Auditee Views

The Authority concurs with this recommendation.

8. GUIDELINES FOR AWARDING GRANTS

The Authority has not adopted guidelines for its grant award process. Such guidelines should be consistent with the Authority's purposes as outlined in the Rhode Island General Laws. Section 42-63.1-4 of the General Laws states that hotel tax revenues can be used to promote and encourage tourism, to coordinate tourism activities, to improve economic development in the state through tourism activities, and to promote and develop conventions,

exhibitions, meetings, banquets and other tourism-related events. Since the objectives of the law are broad, the Authority may benefit by having specific guidelines to be used when evaluating proposals and requests before the Authority. For example, the guidelines could define the types of projects and entities that are eligible for funding, the significant factors that need to be considered when evaluating the propriety of disbursements, the standard procedures to be followed by organizations who request funding, and the specific documentation that organizations need to submit when applying for grants. Such guidelines may be beneficial in light of the significant increase in funding the Authority is now receiving.

RECOMMENDATION

8. Develop written guidelines for awarding grants that meet the broad objectives defined in the Rhode Island General Laws.

Auditee Views

The Authority concurs with this recommendation.

9. GRANT FOLLOW-UP

When the Authority sponsors an event such as the Waterfront Festival or the Splendor of Providence, the group organizing the event occasionally provides additional statistical and other supplemental information to the Authority after the event is held. The Authority should consider making this a uniform requirement for sponsorship grants. For example, the following types of information could be useful to the Authority: the number of attendees, the names of other sponsors, an estimate of how many out-of-state tourists attended the event, and the estimated economic impact for the City of Providence. The objective would not be to place an excessive burden on either the sponsor of the event or the Authority, but to provide feedback to the Authority regarding how the grant contributed to the success of the event and also to provide additional documentation verifying that the use of the grant was consistent with the purpose of the Authority.

RECOMMENDATION

9. Consider requiring grantees to provide summary information after an event is held regarding how the grant contributed to the success of the event and how the event promoted tourism within Providence.

Auditee Views

The Authority concurs with this recommendation.

10. CONFLICTS OF INTEREST

By statute, the Authority's Board is comprised of representatives of each hotel located within Providence, as well as other members who may have interests in tourism and hospitality. Since the purpose of the Authority is to promote tourism, the businesses and organizations

represented on the Board may benefit directly or indirectly from the efforts of the Authority and/or funding provided by the Authority. These outcomes were clearly intended when the Authority was formed.

In its by-laws, the Authority has addressed these issues by stating that contracts or transactions between the Authority and entities that Board members represent or have a financial interest in are not specifically prohibited provided that the "material facts as to his or her interest or relationship" is disclosed and the Board authorizes the transaction without counting the vote of the interested member. To ensure that these policies meet the State's current Code of Ethics, the Authority should review its by-laws and obtain a written opinion from the State Ethics Commission.

It may also be prudent for individual Authority members to obtain a written opinion of the Ethics Commission prior to voting on matters that could potentially meet the definition of a conflict of interest.

RECOMMENDATION

10. Obtain a written opinion from the State Ethics Commission regarding whether the Authority's policies are consistent with the State's current Code of Ethics.

Auditee Views

The Authority concurs with this recommendation.

11. FILING WITH STATE ETHICS COMMISSION

Rhode Island General Law 36-14-16 requires elected or appointed public officials to file yearly financial statements with the Rhode Island Ethics Commission. Members of the Authority meet the criteria which would require them to comply with the provisions of this law; however, they have not filed financial statements with the State Ethics Commission during the periods that we audited.

RECOMMENDATION

11. Comply with state law requirements regarding the filing of financial statements with the Rhode Island Ethics Commission.

Auditee Views

The Authority concurs with this recommendation.

12. FILING OF SEMI-ANNUAL REPORT

Rhode Island General Law section 42-63.1-13 requires each entity that administers a regional tourism district to submit a semiannual report to the state detailing the district's operations and accomplishments and the district's receipts and expenditures of funds derived from the state hotel tax. The Authority is identified in RIGL 42-63.1-5 as the entity that

administers the Providence Regional tourism district. However, we were advised that the Authority has not filed these semi-annual reports.

RECOMMENDATION

12. File the required semi-annual report as required by state law.

Auditee Views

The Authority concurs with this recommendation.