

Highlights

Why We Did This Audit

The city's 5-year contract with Visit KC expires in April of 2020. Our report will provide elected officials and city management with information as the city prepares its new contract with Visit KC. Additionally, Visit KC expends public tax dollars and has never been audited by the City Auditor's Office.

Objective

We audited Visit KC to determine whether its performance and financial data are clear and useful to the city.

Background

The city is required to use 40 percent of the revenues it collects from the Convention and Tourism Tax to pay a non-profit to promote the city as a convention, visitors, and tourism destination. The city contracts with Visit KC to perform that role. The contract includes certain performance, financial, and other reporting requirements.

Visit KC is governed by a board with a maximum of 30 members. The Mayor appoints half of the board while the other half are nominated and approved by the existing board members.

In 2018, Visit KC had revenues of approximately \$13.6 million. About \$11 million (81%) of those revenues came from the city.

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PERFORMANCE AUDIT

Visit KC Can Improve Reporting to City and Address Conflict of Interest Issues

What We Found

Visit KC's reported performance data was not always clear and useful making it difficult for the city to assess Visit KC's use of city resources, efficiency, and overall impact on city tourism.

- Most contractual performance measures were not compared to annual targets.
- There is confusion between city and Visit KC staff on definitions or meanings of the performance measures.
- Visit KC inaccurately included non-Kansas City, Missouri, event space and hotel bookings in reported performance measures.
- Some performance measures were not consistently calculated and some lacked documentation to confirm data accuracy.

City funds were not segregated and financial reporting format was not useful.

- Tax dollars are comingled with Visit KC's other revenues making it difficult to monitor how Kansas City, Missouri's, funds are used.
- Visit KC's financial reports to the city were limited to balance sheets which only provide a snapshot in time of assets and liabilities.

Visit KC Board appearance of a conflict of interest should be addressed to ensure public funds are spent transparently and ethically.

- Most Visit KC Board Members did not complete required financial disclosures in 2017 or 2018.
- On-going multi-million contract with board member's company stems from limited scope, \$160,000 contract in 2015.
 - Request for Proposals changes were undocumented, no additional time given to respondents.
- Unauthorized Visit KC staff signed off on contract amendments increasing compensation for the board member's company beyond allowances in original contract.
- Visit KC lacks a conflict of interest policy for its board members.
- City contract prohibits some Visit KC board members but not all from contracting with Visit KC.

What We Recommend (full list on back)

We made recommendations to improve Visit KC's accountability to the city; to improve the usefulness and clarity of the performance measures reported to the city; to segregate city funds and performance data in Visit KC's reports to the city; and for Visit KC to adopt policies and processes to address conflict of interest and contracting issues identified.

The director of conventions and entertainment facilities, the president/CEO of Visit KC, and the Visit KC Board chair agreed or agreed in part with the recommendations.

Recommendations

1. The director of convention and entertainment facilities should define penalties in the next contract with Visit KC for non-compliance with contract provisions or unacceptable performance.
2. The director of convention and entertainment facilities should clearly define each performance measure and calculation within the next contract.
3. The president/CEO of Visit KC should exclude events held outside Kansas City city limits from reported numbers and develop written policies and procedures to count multi-year bookings consistently, guide staff in the development of supporting documentation, and include steps necessary to ensure reported performance measures are consistent, accurate, and verifiable.
4. The director of convention and entertainment facilities should incorporate additional performance measures in Visit KC's new contract that address efficiency, productivity, or other identified city objectives.
5. The director of convention and entertainment facilities should include in Visit KC's next contract a contract provision that specifies the substance and form of financial reports to the city.
6. The director of convention and entertainment facilities should include in Visit KC's next contract a contract provision that directs Visit KC to segregate Kansas City, Missouri's, funds and performance data from other sources in its reporting to the city.
7. The Visit KC Board Chair should ensure board members submit financial disclosures to the city clerk annually in accordance with City Code Section 2-2024 and contract requirements.
8. The president/CEO of Visit KC should adopt RFP policies and procedures from recommended practices.
9. The president/CEO of Visit KC should develop a policy to identify maximum term length for contracts.
10. The president/CEO of Visit KC should ensure contracts are only signed by authorized signers.
11. The president/CEO of Visit KC should reissue RFPs for the advertising "agency of record" contract and any other contracts that do not adhere to Visit KC RFP policies and procedures.
12. The Visit KC Board chair should develop an ethics policy and procedures that address conflicts of interest and the appearance of a conflict of interest for all Visit KC board members.
13. The director of convention and entertainment facilities should ensure Visit KC's next contract specifies that all Visit KC board members are prohibited from having a financial or personal interest in the city's contract with Visit KC and shall not negotiate or arrange to perform services identified in the contract on behalf of Visit KC.