

**GALVESTON ISLAND CONVENTION AND VISITORS  
BUREAU (GICVB) COMPLAINT NUMBER 1 OF 2**

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**7/17/2019**

**CITY OF GALVESTON**  
**GALVESTON ISLAND CONVENTION AND VISITORS BUREAU (GICVB)**  
**COMPLAINT NUMBER 1 OF 2**

July 17, 2019

The City Auditor's Office is submitting this report as the first of two reports. These two reports are in response to an email sent by the City Manager on March 18, 2019. The City Manager's email discusses two complaints reported to him by an anonymous individual. This report addresses Complaint Number 1.

*Complaint Number 1. .... employees of the CVB are taking huge bonuses, categorized as "commissions" totaling more than \$15,000 in some cases.*

**Objective**

Employees of the GICVB receive bonuses from a sales incentive plan that originates from hotel occupancy taxes. Therefore, the objective of this report is to determine if there are any errors or irregularities regarding the "amounts" of each employees bonus paid by the GICVB sales incentive plan.

**Scope**

The period covered in this report is from calendar year 2014 through calendar year 2019. The following documentation was available for review.

- GICVB General Ledgers.
- GICVB Budgets.
- GICVB Sales Incentive Plan.
- Inter-local Agreements between City of Galveston and Park Board of Trustees.
- Sales Incentive Study for 2017.
- GICVB Sales and Marketing Audit.
- Documentation for Convention Center Qualifiers and Commission Structure.
- Monthly Key Performance Indicators.

**Methodology**

The City Auditor's Office compared and contrasted the GICVB sales incentive plan's "qualifiers" against qualifiers of other CVB sales incentive plans. A general definition of a CVB qualifier is a quantifiable goal or condition that employees accomplish in order to receive bonuses. Examples of GICVB qualifiers are:

- 5% of Salary Team Goal - Goal defined as 58,000 Defined Room Nights.
- 2% of Salary – Create and Manage at Least 6 Special Events a Year.
- 2.75% of Salary – Secure 90 Beach Park Events and Pavilion Rentals.

### **Results of Testing**

The City Auditor's Office testing results did verify bonuses as high as \$15,000 paid to several employees through the GICVB sales incentive plan. Furthermore based upon our research, we are able to conclude that this amount is proportionate to other CVB's of equal size. Hence, we can determine there are no errors or irregularities regarding the "amounts" of each bonus paid from the GICVB sales incentive plan.

While testing for Complaint Number 1 the City Auditor's Office did detect an opportunity for improvement. We identify this opportunity as writing policies regarding "cancellations" for the GICVB sales incentive plan. Cancellations are events booked for destinations that subsequently did not take place. The GICVB could increase transparency by communicating to the public if cancellations will or will not decrease bonuses.

The standard for CVB cancellations pertains to proactive versus reactive. It is much better to be proactive and have a clearly written policy clarifying if cancellations will or will not decrease bonuses paid. Based upon a study provided by the GICVB 78% of all CVBs have cancellation policies that will decrease bonuses. Additionally, 49% of all CVBs will net cancellations against bonuses only if the event is booked and cancelled in the same year. The ultimate decision belongs to The Park Board of Trustees.

The City Auditor's Office determines that the GICVB has efficiently improved their sales incentive plan on an annual basis over the last four years. However, a cancellation policy does not exist. We conclude that this oversight is not intentional and is part of ongoing improvement of the GICVB's sales incentive plan. The development of a CVB sales incentive plan involves numerous complexities and edification.

The City Auditor's Office reconstructed the net differences between bonuses actually paid out and expected bonus payouts if reduced by cancellations that are booked in previous years. The net effect was zero. However, this does not discount the fact that the net effect could have a material difference in the event of a major cancellation(s).

A clearly written policy for cancellations would serve as an effective and efficient tool for the GICVB. This policy should receive approval by the Trustees of The Park Board as well as any other third parties deemed necessary by legal counsel. The City Auditor's Office also recommends that GICVB management should be included in these written policies to obtain a limited amount of discretionary power to approve bonuses not mathematically accomplished through qualifiers. This will help to keep the GICVB sales team productive in the event(s) of extenuating circumstances such as a hurricane or flooding to the island. Annual evaluations will help to keep cancellation policies transparent, consistent, and serve as a foundation for improvement to the GICVB. The City Auditor's Office has information as of the date of this report from GICVB management that cancellation(s) policies already exist. However, these cancellation(s) polices will now be in writing and receive any board approvals considered appropriate.