

SONOMA COUNTY ADVERTISING FUND
AGREED-UPON PROCEDURES REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007



RODNEY A. DOLE
SONOMA COUNTY
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

SONOMA COUNTY ADVERTISING FUND

**Agreed-Upon Procedures Report
For the Fiscal Year Ended
June 30, 2007**

TABLE OF CONTENTS

	<u>Page</u>
Auditor-Controller's Report	
Appendix A – Schedule of Advertising Funds Awarded Compared to Advertising Fund Recipient Expenditures	1
Appendix B – Procedures Applied and Associated Findings	2 - 4
Appendix C – Summary of Significant Advertising and Promotional Policy	5 - 8

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Mr. Bob Deis
Sonoma County Administrator
Santa Rosa, CA

Auditor-Controller's Report on Applying Agreed-upon Procedures

We have performed the procedures enumerated in Appendix B of this report, agreed to by the Sonoma County Administrator's office, solely to assist you, in evaluating Advertising Fund recipients' compliance with terms and conditions of Government Code Section 26100 and corresponding agreements made with the County of Sonoma during the fiscal year ended June 30, 2007. The recipient's management is responsible for compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the Sonoma County Administrator's Office. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix B either for the purpose for which this report has been requested or for any other purpose.

The schedule at Appendix A identifies Advertising Fund recipients and compares the amount awarded to the amount expended. The procedures we applied and associated findings can be found in Appendix B of this report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Schedule of Advertising Funds Awarded Compared to Advertising Fund Recipient Expenditures (Appendix A). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Sonoma County Administrator's Office and is not intended to be and should not be used by anyone other than the specified party.

Sonoma County Auditor-Controller

June 6, 2008

APPENDIX A

**SONOMA COUNTY ADVERTISING FUND
Schedule of Advertising Funds Awarded
Compared to Advertising Fund Recipient Expenditures
For the Fiscal Year Ended June 30, 2007**

	Advertising Funds Awarded	Advertising Fund Recipient Expenditures	Variance		
Advertising Fund recipients selected					
Association for the Creative Endeavor					
Health & Harmony Festival	\$ 15,000	\$ 15,000	\$ -		
Cinnabar Arts Corporation	14,000	14,000	-		
City of Rohnert Park - Spreckles	16,000	16,000	-		
Luther Burbank Rose Parade & Festival	7,000	7,000	-		
Robert Bugatto Enterprises			-		
Sonoma Coast Visitors Center	78,275	78,275	-		**
Russian River Chamber of Commerce and Visitor Center			-		
Operating contract	82,942	80,469	2,473	*	**
Events contract	7,200	5,650	1,550	*	
Matching contract	7,000	5,638	1,362	*	
Sebastopol Center for the Arts	14,700	14,700	-		
Historical Museum Foundation of Sonoma	33,640	33,640	-		
Summer Repertory Theatre	15,000	15,000	-		
	<u>290,757</u>	<u>285,372</u>	<u>5,385</u>		
Total awarded and expended	\$ <u>290,757</u>	\$ <u>285,372</u>	\$ <u>5,385</u>		

* Recipient did not avail themselves to the full award amount granted because they did not have enough expenditure activity to qualify for the full contract amount.

** See Auditor's Comment on page 3.

APPENDIX B

SONOMA COUNTY ADVERTISING FUND Procedures Applied and Associated Findings For the Fiscal Year Ended June 30, 2007

Overview

There were forty-two (42) community-based organizations and local governments who received awards from the Advertising Fund in the fiscal year ended June 30, 2007. Amounts ranged from \$500 to \$170,000. The total of funds awarded was \$881,672. Recipients selected for review received a total of \$290,757 of funds awarded, which represents approximately 33% of the overall total awarded.

Certain Advertising Fund recipients were reviewed at the request of the Sonoma County Administrator's Office in addition to those recipients found to have had an auditor finding during fiscal year ended June 30, 2006.

In addition to procedures applied to selected recipients' Advertising Fund revenues received and associated expenditures, as described below, recipients were reviewed for compliance with the established indicators of the specific services to be provided by each recipient organization.

Procedures Applied

Receipt of Advertising Fund Revenue

For each recipient listed in Appendix A, amounts claimed for reimbursement on County of Sonoma "white claim" forms were reconciled with the recipient's bank statement to confirm deposit of Advertising Fund revenue received. We also verified that amounts deposited reconciled with the recipient's general ledger and agreement made with the County of Sonoma.

We found no exceptions as a result of these procedures.

Advertising Expenditures

For each recipient listed in Appendix A, general ledger detail relating to advertising expenditures was obtained in order to confirm that the recipient had expenditures in the amount of funding received, per County of Sonoma "white claim" forms submitted and per contract agreement. From general ledger detail provided, we judgmentally selected expenditures in order to determine that there was adequate supporting documentation and to ensure that it was recorded in the proper period. We confirmed that the amount recorded in the general ledger agreed with the associated invoice and cancelled check. For staffing expenditures we confirmed that amounts claimed for reimbursement reconciled to the general ledger, employee timecards and cancelled checks.

We found two exceptions as a result of these procedures.

Associated Findings

Russian River Chamber of Commerce

During fieldwork performed in December 2007, it was determined that the County of Sonoma had overpaid the Russian River Chamber of Commerce and Visitor Center for services in fiscal year 2006/2007 in regards to the Services Agreement. It was determined that the amount owed to the County of Sonoma was \$972.

Recommendation:

We recommend the Economic Development Board allow the Russian River Chamber of Commerce and Visitor Center to refund the overpayment by netting the amount owed against a future claim for reimbursement to the County of Sonoma during fiscal year 2007/2008.

During our fiscal year 2007/2008 review of the Sonoma County Advertising Fund we will verify that the Russian River Chamber of Commerce and Visitor Center did net the outstanding amount against a future claim for reimbursement in order to compensate the County of Sonoma for the \$972 owed.

Auditee's Response:

The Economic Development Board is allowing the Russian River Chamber of Commerce and Visitor Center in its fiscal year 2007-2008 contract to net the over-payment of \$972 against a future claim for reimbursement.

Auditor's Response:

We concur.

Robert Bugatto Enterprises Inc.

During fieldwork performed in January 2008, not all of the records requested for support were made available. A request was made to review the allocation methodology for general & administrative expenses and the facilities charge being requested for reimbursement. The CFO of Robert Bugatto Enterprises Inc. stated that these methodologies were discussed with the Economic Development Board and time would not be spent to provide the information as it had already been approved. Subsequent discussion with the Economic Development Board determined that Robert Bugatto Enterprises Inc. had not submitted the before mentioned information for approval and the information should have been provided.

Recommendation:

We recommend the Economic Development Board contact the CFO of Robert Bugatto Enterprises and request supporting documentation for the general & administrative expenses and the facilities charges that have been requested and subsequently reimbursed by the County of Sonoma. If Robert Bugatto Enterprises does not provide support for the two line items noted,

consideration should be given to requesting re-payment of the amounts related to those line items. If support is still not provided, consideration should be given to renewing the Services Agreement and reduce the payment from the first new reimbursement amount, or consideration could be made to not extend future Services Agreements with Robert Bugatto Enterprises to run the Sonoma Coast Visitors Center.

Auditee's Response:

The Economic Development Board has requested supporting documentation for the general & administrative expenses as well as the facilities charges from the CFO of Robert Bugatto Enterprises. The Economic Development Board will review the documentation for adequacy and relevance against the Services Agreement terms and intends to change future contract wording to avoid similar issues in subsequent years.

Auditor's Response:

We Concur.

APPENDIX C

SONOMA COUNTY ADVERTISING FUND Summary of Significant Advertising and Promotional Policy For the Fiscal Year Ended June 30, 2007

Summary of Significant Advertising and Promotional Policy

Description of Fund

The Advertising Fund was established by the Sonoma County Board of Supervisors (Board) in accordance with Government Code Section 26100 to finance advertising and promotional activities within the boundaries of Sonoma County. The fund is supported by the Sonoma County Transient Occupancy Tax per the State Revenue and Taxation Code Section 7280.

The Sonoma County Uniform Transient Occupancy Tax Ordinance imposes a tax on the privilege of transient occupancy. Transient occupancy is defined as one who occupies a room, dwelling, recreational vehicle park space, or campground for a period of thirty consecutive days or less.

The tax collected is used to advertise, promote, and make known activities which enhance tourism, local industry, and local community events in the agricultural, horticultural, mineral, industrial, commercial, climatic, educational, recreational, artistic, musical, cultural, and other resources or advantages of the County. The Board contracts with various local agencies, associations, or corporations each fiscal year to provide the advertising and promotional activities.

Advertising Contract Requirements

Advertising costs consist of display advertisements in newspapers and magazines, printing posters and handbills, radio, television, and other paid advertising used to draw and increase attendance at an event.

Any profits resulting from an event with advertising funds will be deducted from any future advertising funding.

Travel expenses, such as transportation, lodging or meals are not an allowable advertising and promotional expense, with certain exceptions.

Fixed assets are not an allowable advertising and promotional expense.

Advertising funds may not be used for any items, which reference specific businesses. Any business name mentioned in County funded materials must be a sponsor or direct participant in the event or promotional effort. Any advertising space or time purchased by an individual business must be clearly and separately identified as paid advertising.

Activities Eligible for Advertising and Promotions Funds

Chamber of Commerce

Chambers of Commerce may apply for advertising funds based upon a 10% match of membership dues and private cash contributions not associated with a particular event, function, or position, up to a maximum of \$10,000 per Chamber.

Promotional Organizations

The Sonoma County Board of Supervisors has designated the Sonoma County Economic Development Board to provide business assistance services to enable local businesses to maintain or expand their operations. The Board may apply for advertising funds to cover staff and related costs, as well as costs of promotional activities for programs administered by the Economic Development Board.

Agricultural Promotion

The Board distributes a maximum amount of \$170,000 in advertising funds each year to the Sonoma County agricultural and viticultural industries' organizations that are responsive to requests for visitor information. Advertising funds are distributed based upon evidence of need and industry commitment and contribution.

Historical Commissions

A maximum of \$55,000 per year may be provided to Historical Commissions. The Board has designated a Historical Landmarks Commission to advise the Board on distribution of funds for preservation and/or restoration of historically significant buildings.

The Board has designated a Historical Records Commission to review and make recommendations regarding the maintenance and destruction of records, which may be of historical significance.

Cultural, Artistic, and Community Events

A maximum of \$30,000 per year may be made available for Cultural, Artistic, and Community Events within this category. This category assists community and countywide events, artistic activities, pageants, and cultural events with the direct cost of advertising the function. Organizations applying for funding under this section must specify advertising costs for the event.

Countywide events must demonstrate countywide support and must draw a significant number of County attendees.

City-specific events held in an incorporated area within the County which receives transient occupancy tax must demonstrate support from the city equal to the requested County advertising request.

The maximum advertising fund contribution that can be applied for is \$1,200.

Countywide Events

A maximum of \$15,000 per year may be made available for Countywide Events within this category. Organizations promoting events which have regional or statewide interest as evidenced by statewide media attention that attracts participants and visitors from other counties and regions within the state may apply for funding. The events must have countywide support, out-of-county support, advertising on a regional, state and/or national level, and a significant number of out-of-county attendees.

The maximum advertising fund contribution that can be applied for is \$3,000 and is limited to advertising expenses only.

Cultural Organizations

A maximum of \$15,000 per year may be made available for cultural organizations. The organization must have a countywide focus, must have subscriptions, season tickets, or non-exclusive memberships, which provide the majority support of the organization. The organization must have provided their activities for at least three years at the time of application for funds.

The maximum advertising fund contribution that can be applied for is \$2,500.

Major County Events and Cultural Organizations

A maximum of \$300,000 per year may be made available for Major Countywide Events and Cultural Organizations within this category. The Board of Supervisors desires to promote major cultural organizations and events which have countywide, regional, state, and national interest as evidenced by widespread media attention and which attract participants and visitors from other counties and states. The event must 1) demonstrate overall attendance in excess of 15,000, 2) demonstrate significant attendance from out of the county, 3) have advertising expenses that exceed \$25,000, and an advertising request that does not exceed 50% of total advertising expenses for the event or cultural organization, and 4) demonstrate a major advertising campaign outside of the county.

The maximum advertising fund contribution that can be awarded is \$50,000 when there are not sufficient program revenues to fully fund existing advertisers.

Multiple Events

The Board maintains the following guidelines and specific criteria to be eligible for funding under this category: 1) Only one application may be submitted per agency/IRS tax number. Advertisers with multiple events shall submit one budget for each event attached to one (1) consolidated application, 2) Each separate event or activity for which funds are requested must identify the category applied under and must comply with the requirements of the category, 3) Only one (1) request for funding may be submitted per event, 4) Eligible Chambers sponsoring individual events may submit (1) application in addition to the Chamber funding request. Multiple events sponsored by a Chamber shall be submitted as one (1) application as specified above, and 5) Advertising allocations shall not exceed the maximum allocation per category.

Departmental Activities

Advertising funds are provided to certain County departmental activities, which benefit local tourism activities, the tourist industry, and preserve and promote Sonoma County history. These funds may be used to promote County facilities and activities as well as membership in other promotional organization.