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To the Board of Commissioners  
Rhode Island Convention Center Authority  
Providence, Rhode Island

In planning and performing our audit of the financial statements of the Rhode Island Convention Center Authority (the Authority), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

The following matters involving the internal control over financial reporting and its operation were noted in previous years but have not been fully remediated. We offer our recommendations as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

## **Processing of Event Settlements**

Event settlements at the Rhode Island Convention Center continue to be completed by the Accounts Receivable Coordinator and reviewed and approved by the General Accounting Manager or the Interim Director of Finance on a monthly basis. Event settlements at the Dunkin' Donuts Center are generally completed the day/evening of the event or immediately after the event by the Facility's Staff Accountant and reviewed by the Interim Director of Finance. According to SMG management contract, the Authority is entitled "to an accurate and complete settlement as soon as reasonably possible thereafter, but in no event later than (5) days following the completion of such Event."

During our 2018 audit, we noted that of the ten event settlements that were reviewed for the Rhode Island Convention Center and the Dunkin' Donuts Center, seven settlements did not follow such policy. Four settlements at the Rhode Island Convention Center and three event settlements at the Dunkin' Donuts Center were completed within 11-31 days of the event.

When event settlements are not completed timely, it is possible that errors or fraud would not be prevented or detected and corrected. In addition, it is also reasonably possible that not all expenses are captured during the event settlement process, meaning the Authority could have absorbed more expenses than contractually obligated or could have billed for additional reimbursements as allowed in the event agreements. The impact of these issues create a possibility that would not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis.

We recommend SMG personnel performing event settlements as designated in the SMG management contract.

### ***SMG and Authority Response***

The Authority and SMG will consider an amendment to the relevant clause in the SMG management agreement that includes mutually agreeable timing requirements with respect to both preliminary and final event settlements.

Two of the seven events selected for testing were settled with tenants for which settlements occur according to the tenants' settlement schedule, which is either once per week or once per month. The remaining events selected for testing were settled within 11-15 days of the event.

### **Compliance with Record Retention Policy**

We noted in the record storage room in the Rhode Island Convention Center that SMG was holding onto records dating back as early as FY2000, with boxes labeled as containing journal entries, account reconciliations, payroll CDs, and other finance and accounting-related documents. Per review of the Authority's Record Retention Policy, it appears that records are not being disposed of on a timely basis.

A record retention policy not only assists the Authority and its management companies with defining which records to retain, but it also serves as a guide for when certain records should be destroyed. Proper disposal of records is important and can reduce legal risks and discovery costs as well as reduce the amount of physical and electronic storage needed for such records.

We recommend that SMG comply with the Authority's Record Retention Policy and SMG Record Retention Policy, as appropriate.

### ***SMG and Authority Response***

Old records are held and secured in either an Archive Room, which is locked, monitored and located in the Operations Department at the Dunkin' Donuts Center, and from which records are retrieved by Iron Mountain or in storage at Iron Mountain.

During recent years, management has looked into what would be required to destroy outdated records held at Iron Mountain and learned that as a State facility, no records can be destroyed without approval from the Attorney General, Auditor General, State Archivist and the Authority's Executive Director.

Inconsistencies were noted between SMG's record retention policy and the record retention clauses in the SMG management agreement. The Authority and SMG will work to achieve consistency among the Authority's record retention policy, SMG's record retention policy and the record retention clauses in the SMG management agreement such that the Authority's record retention policy can be acted upon to facilitate approval from the above State officials to destroy outdated records.

### **Violations of Travel and Entertainment Policy**

We obtained a copy of an Updated Travel and Entertainment Policy and Reporting Requirements document dated November 29, 2006. Included in this policy are specific requirements, including:

1. Back-up documentation to meals must include both the credit card slip and the receipt that reflect the items ordered.
2. The Authority will only allow alcohol as a travel and entertainment expense if the employee is entertaining a client.

3. Gratuities are not permitted to exceed 20%.

As part of our testing over the travel and entertainment expenses, we selected a sample of travel and entertainment expenses and tested compliance with the travel and entertainment policy. We selected 29 line items from the Schedule of Travel and Entertainment Expenses prepared by SMG and PFM. We noted two selections at the Rhode Island Convention Center and one selection at the Dunkin' Donuts Center, which were not supported by itemized receipts. In addition, we noted two other selections at the Rhode Island Convention Center had gratuities for meals and services which exceeded the maximum of 20%. Due to the lack of itemized receipts, we are unable to obtain evidence as to whether the alcohol was expensed in accordance with the Authority policy.

We recommend that SMG enforces existing travel and entertainment policies.

***SMG Response***

The policy to submit an itemized receipt and to not submit tips for reimbursement in excess of 20% has been reinforced by management to all employees, which will continue at monthly meetings.

**Information Technology Controls**

In support of the 2015 financial audit, BlumShapiro Consulting performed an IT general controls review of the Information Technology function at the Authority. A separate memo dated June 15, 2015 was provided to management related to the information technology review, which included findings and recommendations for the Authority. Management responded to each finding. While some findings have been addressed, there are findings that have not been addressed.

We recommend that management continue to address and resolve all findings noted.

***Authority Response***

Improvements have been made based on the recommendations of the general controls review. Particularly in the area of data back-up and PCI compliance. Additional steps are in progress to complete the recommended upgrades and identify and address any new or additional areas of weakness.

This letter should be read in conjunction with our report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated September 27, 2018.

This communication is intended solely for the information and use of management, the Board of Commissioners and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
September 27, 2018