

**CALL TO ORDER**

The California Travel and Tourism Commission’s (CTTC) Audit Committee Meeting was held in Beverly Hills California at 8:27 am PDT on October 13, 2016 with Chair Gary Buffo presiding.

**Attendance**

<i>Commissioner</i>	<i>Roll Call</i>	<i>Commissioner</i>	<i>Roll Call</i>
<i>Buffo, Gary (Chair)</i>	<i>Present</i>	<i>Muhs, Bob</i>	<i>Absent</i>
<i>Gallagher, Mike</i>	<i>Absent</i>	<i>Myers, Douglas</i>	<i>Absent</i>
<i>Jamison, Jay</i>	<i>Absent</i>	<i>Webster, Benjamin</i>	<i>Present</i>

Also in Attendance (for committee meetings only):

Ed Fahey (RINA accountancy corporation), Matt Sabbatini (Visit California), Sonja Spowart (Visit California), Richelle Hassell (Visit California)

Motion made by Commissioner Webster to approve the Audit Committee minutes from the April 13 2016 meeting held in Sacramento, California. Seconded by Commissioner Buffo. Motion unanimously approved.

<i>Commissioner</i>	<i>Vote (Y/N/A)</i>	<i>Commissioner</i>	<i>Vote (Y/N/A)</i>
<i>Buffo, Gary (Chair)</i>	<i>Yes</i>	<i>Muhs, Bob</i>	<i>Absent</i>
<i>Gallagher, Mike</i>	<i>Absent</i>	<i>Myers, Douglas</i>	<i>Absent</i>
<i>Jamison, Jay</i>	<i>Absent</i>	<i>Webster, Benjamin</i>	<i>Yes</i>

**Review, Discuss and Vote on Audit Report for Fiscal Year Ending June 30, 2016**

Ed Fahey, our independent audit partner from RINA accountancy corporation, presented the audited financials for the Fiscal Year ending June 30, 2016. He reviewed the governance letter which states there were no issues with the audit, Visit California did not consult with any other accounting firms and no areas of concern with the audit itself.

Regarding the Financial Statements, Fahey reiterated the audit results are unqualified - no issues were identified. He pointed out they are not comparative statements this year because the scope of operations changed so much given the budget increase. Moving forward, the statements will be comparative statements.

Fahey summarized the Balance Sheet by stating the organization has holdings in cash, investments in bonds, certificates of deposit and that most of the \$8.5 million in assessment fees was collected - approximately 88/89%. Matt Sabbatini added that assessed businesses recently were offered the ability to pay through online ACH, which reduces staff workload, eliminates transcription errors and, subsequently, reduces Assessment Expenses. Commissioner Webster inquired about internal controls to ensure businesses are still paying their fees since Assessment staff is no longer involved in entering payments. Sabbatini explained samples are taken and checked against bank statements. Further, Sonja Spowart explained assessment database (iMIS) records are reconciled daily against the bank records.

Fahey continued to explain the majority of revenue is applied to Program Expenses. Management overhead and assessment administration expenses only account for 11% of the budget - well under industry average of 20-30% for DMOs. Commissioner Buffo inquired as to whether Visit California had compared its salaries to regional tourism offices in California. Sabbatini confirmed management compared salaries across the country, looking at all comparable businesses not just DMOs, and then adjusted for cost of living. Visit California salaries are in line with other like-businesses.

Commissioner Webster inquired about the Equal Pay Act (now extended to race and ethnicity, not just gender) and the December 1<sup>st</sup> Fair Labor Standards increase to make sure Visit California staff is properly classified - either exempt or non-exempt. Commissioner Buffo stated his greater concern is the minimum wage increase and resulting impact on management expenses. Sabbatini informed the committee that Visit California typically classifies staff as non-exempt, unless the exempt status of a position is without question. Visit California will not be required to increase staff salaries or switch employee classification in response to the Equal Pay Act or Department of Labor rules. Visit California operates a tightly controlled hiring process to ensure management expenses remain low.

Fahey concluded his report with the reminder that tax returns are due on November 15<sup>th</sup>. Spowart confirmed the returns will be filed shortly now that the audit is complete.

Sabbatini and Spowart reviewed the Fiscal Year 15-16 actual versus budgeted variances. All variances on the expense side are the result of “underspend” as opposed to “overspend”. Overall, Program underspending was deliberate and attributed to projects being approved and funds transferred in Fiscal Year 15-16, but no actual money spent until Fiscal Year 16-17. Additionally, Operations and Assessment underspending is attributed to increased efficiencies and a reduction in Assessment staff.

Sabbatini discussed the variances in Rental Car, Accommodations and other segment revenue.

Motion made by Commissioner Webster to accept Audit Report and Financial Statements for Fiscal Year Ending June 30, 2016. Seconded by Commissioner Buffo. Motion unanimously approved.

<i>Commissioner</i>	<i>Vote (Y/N/A)</i>	<i>Commissioner</i>	<i>Vote (Y/N/A)</i>
<i>Buffo, Gary (Chair)</i>	<i>Yes</i>	<i>Muhs, Bob</i>	<i>Absent</i>
<i>Gallagher, Mike</i>	<i>Absent</i>	<i>Myers, Douglas</i>	<i>Absent</i>
<i>Jamison, Jay</i>	<i>Absent</i>	<i>Webster, Benjamin</i>	<i>Yes</i>

\*No quorum needed for Audit Committee.

**OPEN DISCUSSION**

There was no open discussion.

**OTHER MATTERS**

There were no other matters discussed.

**AGENDA ITEMS FOR FUTURE MEETINGS**

Fahey advised the committee that RINA is seeing a lot more Department of Labor audits of benefit plans (and Form 5500). Sabbatini responded that Visit California is currently meeting with its 401k administrator to consider changes within the next few months. Visit California is looking to reduce the associated fees and anticipates moving away from its current provider as a result.

**PUBLIC COMMENT**

Commissioner Buffo opened the floor for public comment. There were no public comments.

## ADJOURNMENT

Motion by Commissioner Webster to adjourn the October 13 Audit Committee Meeting. Second by Commissioner Buffo. Motion unanimously approved.

<i>Commissioner</i>	<i>Vote (Y/N/A)</i>	<i>Commissioner</i>	<i>Vote (Y/N/A)</i>
<i>Buffo, Gary (Chair)</i>	<i>Yes</i>	<i>Muhs, Bob</i>	<i>Absent</i>
<i>Gallagher, Mike</i>	<i>Absent</i>	<i>Myers, Douglas</i>	<i>Absent</i>
<i>Jamison, Jay</i>	<i>Absent</i>	<i>Webster, Benjamin</i>	<i>Yes</i>

Meeting was adjourned at 9:22 am, October 13, 2016.