

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 20, 2022

City of St. Helens
265 Strand Street
St. Helens, OR 97051

We have performed the procedures enumerated below to verify funds received and disbursed for the Tourism Promotion Program, specifically related to the Contractor Agreement with E2C Corporation ("Contractor") and the City of St. Helens ("City") for the period July 1, 2021 through January 31, 2022. The City's management is responsible for the tourism program revenues and expenditures as recorded and reported.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of verifying the records and transactions related to the receipt and distribution of program funds. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Procedure 1: Review the City of St. Helens 2019 agreement with the Contractor.

Merina+Co reviewed the 2019 agreement to establish a baseline understanding of requirements regarding revenues and expenses between the Contractor and the City.

Finding 1: Merina+Co obtained the 2019 agreement provided by the City and noted requirements regarding revenues and expenses consistent with the following:

- **Section 5.2:** Contractor shall make and keep reasonable records of work performed pursuant to this Agreement and shall provide monthly billings to the City. Following approval by the City Administrator, billings shall be paid in full within seven (7) days of receipt thereof.
- **Attachment A, Scope of Duties:** Creating, managing, and reconciling event budgets, expenses and timelines

Procedure 2: Reviewed cash receipting and cash disbursement processes with the City and the Contractor.

Merina+Co performed inquiries with individuals responsible for cash receipting and cash disbursements processes.

Finding 2: Merina+Co interviewed the City's Finance Director and Contractor's Owner to obtain an understanding of the cash receipting and cash disbursement processes at the City and the Contractor, respectively consisting of the following:

- Credit card receipts from the store sales are directly deposited to the City's accounts.
- Cash receipts from store sales and other events are deposited by Contractor through the City's deposit drop box or in person. No accounting or summary of deposits is provided by the Contractor.
- Cash disbursements for expenses were reimbursed to Contractor for the months subject to procedures, other than October 2021 when event and store-related expenses were netted against ticket sales proceeds.

Procedure 3: Reviewed reconciliation procedures performed by the Contractor prior to deposits to the City.

Merina+Co documented reconciliation procedures performed by the Contractor.

Finding 3: Merina+Co reviewed reconciliation practices performed by the Contractor prior to deposit to the City's accounts and found there are no formal procedures currently in place and no reconciliations appear to have been performed.

Procedure 4: Reviewed and compared a sample of deposits to supporting documentation.

Merina+Co selected a sample of deposits to review and compare to supporting documentation for accuracy and completeness.

Finding 4: Merina+Co inquired relating to the deposits and the supporting documentation. We noted a lack of documentation for store and event deposits. There is no available documentation of the cash deposits from Halloweentown, on-site ticket sales, or documentation of cash deposits to the City, other than a system report of all sales by payment type from the store point of sale system. Merina+Co noted that cash sales deposits and event cash drops are not delineated in either the Contractor system nor the City's records and, as such, Merina+Co is unable to determine whether all cash from store deposits or Halloweentown events were deposited into the City's bank account.

- Store credit card sales for the July – December 2021 period were \$62,017.33. City records indicate \$64,164.36 in monthly entries for the same period. We were unable to determine if City deposits included items other than credit card sales related to the event.

- Store cash sales were \$12,480.90 for the July-December period. Cash deposits to the City do not itemize store or other events cash deposits. Contractor does not have records of cash deposits made to the City from any source.
- Total ticket sales for the period of June 1, 2021 – December 31, 2021 were \$927,265 net of processing fees. Of this amount, \$612,036 was deposited to the City, and \$311,309 was used to cover event and store product expenses. There is a variance of \$3,920.

Procedure 5: Reviewed and compared a sample of expenses to invoices and supporting documentation.

Merina+Co selected a sample of expenses to review and compared to invoices and supporting documentation to ensure accuracy and occurrence.

Finding 5: Merina+Co reviewed 25 expense items from the October 2021 expenses netted against the ticket sales revenue, as well as four expense items from other months during the period for a total of \$221,742 as part of our procedures. Merina+Co noted that the October expenses charged were related to several events as well as product purchases for the store. Merina+Co compared the line-item total to the invoices and supporting documentation for specific attributes such as vendor name, date, amount, and whether or not an itemized receipt was present. Of the expenses subjected to our procedures:

- A) 100% had some form of documentation to support the amount
- B) 100% of supporting documentation included a vendor name
- C) 100% included a payment date or service date
- D) 76% had an itemized receipt whereas 24% lacked itemization

As indicated above, Merina+Co noted a lack of detail in supporting documentation. The items noted related to a labor agreement, contest prize payments, and contributions to organizations and individuals in exchange for volunteer services. We observed contracts and/or cancelled checks in support of the payments, but no detailed statement of work or services provided was available. Total amounts paid out for the above noted exceptions was \$38,019.

Procedure 6: Review vendor payment schedule for proper issuance of Form 1099 and W-9 collection as applicable.

Merina+Co inquired of the Contractor as to the processes relating to 1099 issuance and applied additional procedures if considered applicable.

Finding 6: During procedures relating to disbursements as identified above, Merina+Co noted that the majority of payments were made via electronic means, i.e. credit card, PayPal, Venmo, etc. Larger entertainment and advertising purchases were made to corporations. These transactions fall outside of Form 1099 reporting requirements for 2021. Merina+Co did not find it necessary to perform additional procedures in this area.

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Additional procedures: The engagement allowed for additional procedures such as analyzing daily receipts compared to prior years daily receipts for specific events and analyzing expense categories compared to prior years for similar events. We did not find it necessary to perform additional procedures.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the records and transactions related to the receipt and distribution of Program Funds. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

Merina+Co
Tualatin, Oregon