



Forensic Accounting Report  
Report Date: June 8, 2018

**Pisanelli Bice, PLLC**  
**Re: Las Vegas Convention and  
Visitors Authority**

# Table of Contents

I. Introduction.....	3
II. Background Information.....	3
III. Scope of Engagement.....	4
IV. Findings .....	4
A. Procedures Performed.....	4
B. LVCVA Travel Procedures.....	5
C. Southwest Airline Gift Card Purchases .....	6
D. Additional Southwest Gift Card and Green Pass Observations .....	7
E. Southwest Airline Gift Card Travel Purchases.....	7
F. Southwest Airline Gift Card Purchases and Travel Purchases .....	10
G. Delta Airline Benefits .....	11
V. Recommendations .....	12
VI. Conclusion.....	13

## I. Introduction

In connection with the above-referenced matter, Eide Bailly, LLP was retained by Pisanelli Bice, PLLC to perform forensic accounting services related to the alleged personal use of airline benefits purchased or provided primarily by Southwest Airlines (“Southwest”) and Delta Airlines (“Delta”) to the Las Vegas Convention and Visitors Authority (“LVCVA”).

The work performed and our observations and conclusions are set forth in this report. This report is based on information that has been gathered and reviewed to date and is subject to change, modification and/or addition, if and when additional facts and information become available.

The services provided in this matter adhere to the applicable American Institute of Certified Public Accountants’ Statement on Standards for Consulting Services and the applicable Certified Fraud Examiner Code of Professional Standards established by the Association of Certified Fraud Examiners.

## II. Background Information

The LVCVA is the destination marketing organization for Las Vegas and promotes tourism, conventions, meetings and special events throughout southern Nevada. Part of the LVCVA’s mission is to develop and maintain relationships with airlines to expand and improve air service to Las Vegas and to increase visitation and hotel occupancy.

The LVCVA purchases and receives promotional gift cards and certificates annually to be used for business purposes from several airlines, including Southwest and Delta. In the past, Southwest gift cards were typically purchased by the LVCVA and sent directly to Brig Lawson (“Lawson”), Director of Business Partnerships, who maintained and distributed the cards at the request of various LVCVA departments. Delta electronic certificates are typically sent to Kelly Messina (“Messina”) Director of Leisure Sales or her predecessor, Art Jimenez. The certificates are part of a sales agreement where Delta provides the LVCVA with travel certificates and the LVCVA includes Delta in certain promotional activities. The Business Meetings group, led by John Schreiber (“Schreiber”) Senior Director of Business Sales, also receives Delta electronic certificates.

Jean Burdett (“Burdett”) is the travel coordinator for the LVCVA and operates the LVCVA in-house travel agency. Burdett books all internal business travel for LVCVA employees and also books personal travel for LVCVA executives, and at times has used Southwest gift cards to pay for various airline flights. Rossi Ralenkotter (“Ralenkotter”) is the President and CEO of the LVCVA.

Late in 2017, in a review of emails by Luke Puschnig (“Puschnig”), in-house counsel for LVCVA, he noted Southwest gift cards were potentially being used to pay for personal travel. The emails reviewed by Puschnig and the gift card usage was discussed with Ralenkotter. Puschnig also informed Ed Finger (“Finger”), CFO of the LVCVA and the LVCVA Chairman of the Audit Committee in early 2018 regarding the personal gift card use.

Finger joined the LVCVA as Senior Vice President of Finance in September 2016 and later became CFO in January 2018. When Finger became aware of the existence of Southwest gift cards in February 2017, he physically moved the gift card inventory from Lawson and the Business Partnerships area to the Finance Department and thereby could track and record gift card usage. Finger was unaware of the personal use of Southwest gift cards until he was notified by Puschnig. When Finger was notified, he performed an email search of travel booked through the LVCVA travel agency and prepared an analysis of Southwest gift cards used by LVCVA employees for personal travel.

The following timeline below summarizes the events that led to the LVCVA Audit Committee request for a forensic examination of gift card use:

- January to February 2017 – LVCVA Finance Group became aware that Brig Lawson was receiving Southwest gift cards.
- February 9, 2017 – Finance Group took into inventory of approximately \$14,000 gift cards and subsequently maintained custody of the gift cards.
- Fall 2017 – Approximately \$2,000 of additional Southwest gift cards were submitted to the Finance Group from the Travel Office.

- Late 2017 – Puschnig in review of emails became aware of potential personal travel purchased with LVCVA Southwest gift cards and discussed the issue with Ralenkotter.
- January 31, 2018 – Puschnig informed Finger about his concerns relating to personal use of gift cards.
- February 2018 – Finger prepared preliminary analysis of personal use of gift cards.
- February 2018- Puschnig informed the LVCVA Chairman of the Audit Committee of the issue who in turn, retained outside legal counsel to review the matter.
- March 5, 2018 – Eide Bailly retained to perform a forensic examination.

### **III. Scope of Engagement**

Eide Bailly was retained by Pisanelli Bice, PLLC to investigate and document the use of gift cards, certificates and vouchers by LVCVA employees to purchase personal airline flights. Our examination focuses on gift cards and certificates provided to the LVCVA by Southwest and Delta to be used for promotional purposes.

Our analysis was prepared based on the information available to us, if additional information becomes available relevant to our analysis, Eide Bailly reserves the right to update this report.

### **IV. Findings**

As previously stated, the LVCVA operates its own in-house travel agency (the “Agency”) that books internal business travel for LVCVA employees and executives in all departments. The Agency also books personal travel for LVCVA employees and executives who are responsible for payment of their personal travel costs. To determine the use and purpose of the Southwest gift cards and Delta certificates, we accessed LVCVA’s email server to retrieve gift card purchases and receipts as well as flight purchases and reservations that were booked through the Agency and compiled the information into a database.

LVCVA’s server retains approximately seven years of emails including deleted emails from 2010 through the present. Our analysis includes the time period beginning in October 2012, when the first Southwest reservation in the searched emails was made, through 2017.

During our examination we noted that Delta certificates were provided electronically to the Leisure Sales and Business Meetings departments through email with no specified dollar amount indicated with the exception of 22 electronic credit vouchers each valued at \$500. Travel using Delta certificates was not booked through the Agency. Instead, it appears the Director of Leisure Sales and Director of Business Sales distributed certificates to winners of promotional events or for promotional travel that was not used by the LVCVA. The Delta certificates analysis covers the period from 2010 through 2017.

#### **A. Procedures Performed**

We were provided access to the LVCVA’s email server where all emails, including deleted emails, are retained for approximately seven years. We used Quest Archive Manager Application to search the LVCVA server using key words developed through discussions with Finger. Our initial search focused on eight LVCVA employees listed below:

- Brig Lawson (Senior Director of Business Partnerships) – 10,759 results
- Jean Burdett (Travel Coordinator) – 8,764 results
- Rossi Ralenkotter (CEO and President) – 8,705 results
- Cathy Tull (Chief Marketing Officer) – 7,070 results
- Sheila Christensen (Executive Assistant to President) – 1,757 results
- Hilary Murphy (Analyst) – 6,197 results
- Tiffany Majors - Business Partnerships Department – 471 results

- Stacie-Lee Burgess - Business Partnerships Department – 3,816 results

Our initial search used the following criteria:

*(Atlantic OR JetBlue OR American OR Continental OR Virgin OR Frontier OR United OR Southwest OR Delta) AND (Confirmation OR Voucher OR "Gift Card")*

The initial search of emails for the eight employees produced 47,539 emails containing the search criteria.

A second search focusing on emails for an additional five employees utilized the following search criteria:

*(Delta OR Southwest) AND ("Gift Card" OR Voucher)*

The second search produced 4,104 emails for the five employees listed below:

- Kelly Messina (Director of Leisure Sales) – 1,794 results
- Chris Meyer (VP of Global Business Sales) – 284 results
- Julian Dugas (Director of Sports Marketing) – 157 results
- Jose Art Jimenez (Former Senior Director of Leisure Sales) – 1,519 results
- Michael Goldsmith (VP of International Marketing) – 350 results

With the combined 51,643 emails retrieved from the LVCVA server, we utilized our Indexed I/O ("IIO") software, an E-Discovery tool, to "tag" the documents to include related terms. Tagging the documents for related terms allows the search queries to produce emails as well as their corresponding attachments.

We focused on emails related to Southwest and Delta travel in the IIO searches. We searched Southwest emails on three search criteria: "*Acct: AND Gift Card*", "*SouthwestGiftCard*", and "*Southwest AND GreenPass, Green Voucher AND Brig Lawson*" and the Delta emails on "*Delta AND US48 And Complimentary Ticket*," "*Delta AND US50/Canada*," "*Delta AND IVI0500*," and "*Jean Burdett AND Delta AND Travel Certificate*." The Southwest searches returned 351 emails across 1,663 pages, 215 emails across 700 pages, and 2 emails across 5 pages respectively. The Delta searches returned 1,553 pages of emails and attachments. Additional queries were performed in IIO to determine the most conclusive search criteria for travel reservation and purchases for both airlines.

As part of our examination, we also interviewed the following LVCVA employees and executives on March 5, 2018 either in person or by teleconference:

- Jean Burdett – Travel Coordinator
- Luke Puschnig – In-house Counsel
- Brig Lawson - Senior Director of Business Partnerships
- Cathy Tull - Chief Marketing Officer
- Sheila Christensen - Executive Assistant to President
- Rossi Ralenkotter - CEO and President

In addition to the individuals identified above, we also communicated with Finger and outside counsel throughout the data gathering process of our examination.

## **B. LVCVA Travel Procedures**

The Agency is managed by Jean Burdett who is the Travel Coordinator for the LVCVA and a licensed travel agent. The Agency books both domestic and international business travel for all employees and also personal

travel for LVCVA employees and executives. The request for business travel must be approved before travel is booked by the Agency. Business travel is processed and paid using the LVCVA Bank of America MasterCard. Employees must provide a credit card for personal travel and the Agency will not accept checks or cash. Commissions earned on personal travel are recorded in the LVCVA general fund. Commissions are not paid to Burdett, who receives a salary.

**C. Southwest Airline Gift Card Purchases**

Using the emails produced from the IIO search, we created a database of Southwest gift cards purchased by the LVCVA from 2012 through 2017. A total of 612 gift cards were purchased in increments of \$50, \$100, and \$200 for a total of \$90,000 for the five year period. A summary of gift cards purchased by year is presented in **Table 1** below.

**Table 1**

Year	Number of Gift	
	Cards	Amount
2012	72	\$ 10,000.00
2013	61	12,000.00
2014	91	15,000.00
2015	216	27,000.00
2016	60	12,000.00
2017	116	14,000.00
<b>Total</b>	<b>612</b>	<b>\$ 90,000.00</b>

The 612 gift cards were purchased by Brig Lawson in his capacity as Senior Director of Business Partnerships. The emails containing purchase records include a field indicating the last four digits of the credit card used to purchase the gift cards. In all of Mr. Lawson’s purchases, no credit card number was provided.

Discussions with management indicate the gift cards were purchased with LVCVA funds by check and recorded as a promotional expense in the accounting records. Management provided check register detail for payments made to Southwest for the years 2012 through 2017 as well as the corresponding invoices for sponsorship and gift card purchases. During that time period, the LVCVA purchased and paid for \$90,000 of Southwest gift cards. **Table 2** summarizes the gift cards purchased and paid for by the LVCVA by year and the stated purpose according to Mr. Lawson.

**Table 2**

Year	LVCVA Payment Amount	Gift Card Amount Included	Purpose
2012	\$ 10,000.00	\$ 10,000.00	Summer Travel Program
2013	12,000.00	12,000.00	Summer Travel Program
2014	65,000.00	15,000.00	Wright Amendment Deck Party and Wright Amendment Spirit Party
			Sponsorship
2015	69,000.00	27,000.00	SW Hanger Event Sponsorship and Planning Summit
			SWA Deck Event
2016	54,000.00	12,000.00	SWA Deck Event
2017	57,000.00	14,000.00	SW Deck Party
<b>Total</b>	<b>\$267,000.00</b>	<b>\$ 90,000.00</b>	

Email correspondence between Mr. Lawson and Southwest employees in 2012 indicate that \$10,000 in gift cards were purchased. Mr. Lawson referenced check number 86403 as the check issued as payment. Review of the LVCVA Payment Requisition submitted by Lawson describe the purpose of the payment as “Summer Travel

Program.” The accounting register and Southwest invoice also reference the “Summer Travel Program.” Documentation submitted to LVCVA for payment does not reference gift card purchases.

Email correspondence between Mr. Lawson and Southwest employees in 2013 indicates the purchase of gift cards totaling \$12,000 should be invoiced under the title “Summer Travel Program Sponsorship.” An email from Southwest employee to Lawson follows:

*Can't pull the invoice, but the request for invoice had this:  
Summer Travel Program Sponsorship  
Would you prefer it say this and not gift cards?*

Mr. Lawson's response follows:

*Yes...that's perfect.*

In 2015, Lawson submitted a request for payment along with an invoice from Southwest in the amount of \$54,000 for the “Hanger Event Sponsorship.” The invoice, payment request, and LVCVA accounting register reference the Hanger Event and make no reference to gift cards. Email correspondence between Lawson and Southwest included a budget for the event in the amount of \$42,000. Approximately 3 weeks after the check was issued for the event, Lawson received an email from Southwest confirming the purchase of \$12,000 of gift cards.

Later in 2015, Lawson submitted a request for payment along with an invoice from Southwest in the amount of \$15,000. The invoice, payment request and LVCVA accounting register all reference a “Planning Summit.” Less than two weeks after the check was issued, Lawson received an email from Southwest confirming the purchase of \$15,000 of gift cards.

In 2016, Lawson submitted a request for payment along with an invoice from Southwest in the amount of \$54,000. The invoice, payment request and LVCVA accounting register all reference a “Deck Event.” A few weeks after the check was issued, Lawson received an email from Southwest confirming a purchase of \$12,000 of gift cards.

Additionally, a January 4, 2017 email from Mr. Lawson to a Southwest employee specifically states the invoice needs to read “Sponsorship: 2017 Southwest Airlines Deck Event” for the sponsorship cost and the additional cost of the gift cards.

Ed Finger contacted Southwest to verify the quantity of gift cards purchased by the LVCVA each year and to determine if Southwest recorded a dollar amount or serial numbers of cards provided. Personnel at Southwest indicate that no records are maintained of gift cards issued to the LVCVA. As of the date of this report, we have made no additional inquiries to Southwest to determine if this information may become available at a later date. Additionally, if any enclosure or cover letter was provided with the box of gift cards received, this correspondence was not made available.

#### **D. Additional Southwest Gift Card and Green Pass Observations**

Additionally, the IIO search criteria returned two emails between Brig Lawson and Southwest employee in 2014 for the purchase of 57 green passes totaling \$22,800. The LVCVA purchased a sponsorship package from Southwest for the Wright Amendment Spirit Party. Mr. Lawson requested the original sponsorship package of \$50,000 be increased to \$73,000 to include Southwest green passes. The green passes do not have an associated value similar to the gift cards purchased, but allow for travel at any time to any Southwest destination. Southwest was not able to provide the green passes, therefore Mr. Lawson purchased \$15,000 of gift cards in addition to the sponsorship package as shown previously in **Tables 1 and 2**.

#### **E. Southwest Airline Gift Card Travel Purchases**

Using the emails produced from the IIO search criteria, we created a database of Southwest travel reservations and travel purchases booked by the Agency for LVCVA employees from October 2012 through December 2017. Finger reviewed the travel listed in the database to determine if travel on certain dates coincided with an LVCVA business function or event and was an appropriate business expense.

Southwest also has its own travel reservation system known as SWABiz that is utilized by the LVCVA Agency to book Southwest travel. However, SWABiz does not maintain travel records for more than thirteen months and therefore was not used in our search for gift card use.

### Total Southwest Travel Purchases

LVCVA Southwest travel purchases with at least one gift card redeemed as a form of payment listed in the database constitute a total of \$55,374.62 from 2012 through 2017. Of this amount, \$39,611.61 of travel purchases were made with 298 individual Southwest gift cards, comprising approximately 72% of total LVCVA Southwest travel over the six-year period. At times, portions of gift cards were applied as payment resulting in 403 instances of travel payments made with a Southwest gift card.

The Southwest travel purchases listed in the database include at least one gift card as a form of payment for travel purchased from 2012 through 2017. Gift cards are issued in \$50, \$100 and \$200 values and a maximum of three cards can be combined to pay for a Southwest ticket along with other payment forms that included an LVCVA MasterCard.

The remainder of the Southwest purchases are personal travel paid with personal charge cards of LVCVA employees. The personal credit card account numbers contained in the emails examined were verified by Finger as employee credit cards and not LVCVA credit cards.

Of the 403 total instances of Southwest gift card redemptions from 2012 through 2017, 192 instances total \$19,631.80 for travel that was determined to be personal or non-business. In the other 211 instances, gift cards were redeemed totaling \$19,979.81, and were determined to be appropriate business related travel.

**Table 3** below summarizes total personal and business travel purchased and paid with Southwest gift cards by year for 2012 through 2017:

**Table 3**

Description	2012	2013	2014	2015	2016	2017	Gift Card Redemption Amount	Instances Gift Cards Redeemed
Personal or Non-Business Travel	\$ 599.20	\$ 1,550.00	\$ 2,328.60	\$ 6,028.06	\$ 6,604.17	\$ 2,521.77	\$ 19,631.80	192
Business Travel	-	511.60	-	1,400.00	852.63	17,215.58	19,979.81	211
<b>Total</b>	<b>\$ 599.20</b>	<b>\$ 2,061.60</b>	<b>\$ 2,328.60</b>	<b>\$ 7,428.06</b>	<b>\$ 7,456.80</b>	<b>\$ 19,737.35</b>	<b>\$ 39,611.61</b>	<b>403</b>

**Table 3** above demonstrates that personal travel purchases were at the highest levels in 2015 and 2016. When controls over gift cards were implemented in 2017, use of gifts cards for proper business travel purchases increased significantly and personal travel purchases declined. As previously stated, in 2017, Finger began to control and distribute the Southwest gift cards for business purposes only.

**Table 3** further indicates that since controls were implemented over gift card usage in 2017, almost \$20,000 of Southwest travel was booked by the Agency and paid with gift cards. The new controls over inventory and distribution restricted the use of gift cards and insured the cards were used to purchase appropriate business travel.

We also sorted the gift card database to examine the sequence of gift card numbers used for LVCVA travel purchases. This procedure was performed to determine if cards were issued in blocks of serial numbers that could indicate the number of cards and amounts issued in each year. However, while some gift card numbers did follow a sequence, there were also many large gaps in sequence numbers suggesting the gift cards were not provided to the LVCVA in a sequential batch.

### Personal or Non-Business Travel Purchases

Personal or non-business travel purchased with Southwest gift cards from 2012 through 2017 totals \$19,631.80 with 192 instances of Southwest gift cards used. **Table 4** below summarizes the total amount of personal or non-business gift card purchases and the number of instances gift cards were used by year.



**Table 4**

Year	Gift Card Redemption Amount	Instances Gift Cards Redeemed
2012	\$ 599.20	6
2013	1,550.00	9
2014	2,328.60	20
2015	6,028.06	73
2016	6,604.17	56
2017	2,521.77	28
<b>Total</b>	<b>\$ 19,631.80</b>	<b>192</b>

We further analyzed travel purchases by individual passenger. Of the total \$19,631.80 personal travel purchases, Ralenkotter's purchases were over half totaling \$10,019.62. Travel purchases on behalf of Ralenkotter's wife, Mary Jo, accounted for an additional \$6,188.19 of the total personal or non-business travel purchases. The total of gift card travel for the Ralenkotters combined is \$16,207.81. The complete detail of personal or non-business travel purchases is summarized in **Table 5** below by traveler:

**Table 5**

Traveler	2012	2013	2014	2015	2016	2017	Total
Rossi Ralenkotter	\$ 500.00	\$ 400.00	\$ 1,085.60	\$ 3,580.84	\$ 2,374.39	\$ 2,078.79	\$ 10,019.62
Mary Jo Ralenkotter	99.20	750.00	998.60	1,993.60	2,179.61	167.18	6,188.19
Lawrence Weekly and Family Members	-	-	-	-	1,399.32	-	1,399.32
Additional Travelers	-	400.00	244.40	-	405.90	275.80	1,326.10
Ralenkotter Family Members and Office Staff	-	-	-	453.62	244.95	-	698.57
	<b>\$ 599.20</b>	<b>\$ 1,550.00</b>	<b>\$ 2,328.60</b>	<b>\$ 6,028.06</b>	<b>\$ 6,604.17</b>	<b>\$ 2,521.77</b>	<b>\$ 19,631.80</b>

Discussions with Lawrence Weekly indicate gift card travel purchased for himself and his daughter, Kenya Weekly, to Dallas in 2016 totaling \$1,399.32 used non-LVCVA gift cards as payment. Travel for Lawrence Weekly totaling \$885.64 was purchased on gift cards ending 4927, 1174, 1190, 1208, and 1216. Mr. Weekly's travel was purchased in two one way segments between Las Vegas and Dallas. Travel for Kenya Weekly was purchased on three gift cards ending 0945, 0952, and 0960 totaling \$513.68. Further, travel for Rossi Ralenkotter was also purchased on the same gift card ending 0945. As of the date of this report, outside counsel reported that Mr. Weekly has reimbursed the LVCVA for all amounts requested.

Additionally, LVCVA gift cards were used to purchase travel totaling \$698.57 for Mr. Ralenkotter's family members, excluding his wife, and office staff.

#### Rossi and Mary Jo Ralenkotter Personal Travel Purchases

Rossi and Mary Jo Ralenkotter's personal or non-business travel purchased with Southwest gift cards totals \$16,207.81 with 158 instances of Southwest gift cards and one LVCVA Southwest LUV voucher used. **Table 6** below summarizes Mr. and Mrs. Ralenkotter's personal or non-business travel from 2012 to 2017.

**Table 6**

Description	2012	2013	2014	2015	2016	2017	Total
Rossi Ralenkotter	\$ 500.00	\$ 400.00	\$ 1,085.60	\$ 3,580.84	\$ 2,374.39	\$ 2,078.79	\$ 10,019.62
Mary Jo Ralenkotter	99.20	750.00	998.60	1,993.60	2,179.61	167.18	6,188.19
<b>Total</b>	<b>\$ 599.20</b>	<b>\$ 1,150.00</b>	<b>\$ 2,084.20</b>	<b>\$ 5,574.44</b>	<b>\$ 4,554.00</b>	<b>\$ 2,245.97</b>	<b>\$ 16,207.81</b>

Mr. and Mrs. Ralenkotter's travel purchases were greatest in 2015 and 2016, then declined by approximately half in 2017. Mr. and Mrs. Ralenkotter's personal or non-business travel purchases ended by April 2017 after internal controls were implemented over the use of gift cards.

Mr. Ralenkotter made 35 trips purchased with 99 instances of Southwest gift cards used and one Southwest LUV voucher used from 2012 through 2017. Trips to Burbank accounted for the highest use of gift cards or 12 trips

totaling \$3,598.05 from 2014 through 2017. Ralenkotter's wife, Mary Jo, accompanied Ralenkotter on 14 out of the total 35 trips totaling \$4,598.17. Ralenkotter's travel by location is summarized in **Table 7** below:

**Table 7**

Rossi Ralenkotter	2012	2013	2014	2015	2016	2017	Amount	Number of Trips
Burbank	\$ -	\$ -	\$ 1,085.60	\$ 1,526.30	\$ 367.97	\$ 618.18	\$ 3,598.05	12
Chicago	-	-	-	233.98	1,095.74	-	1,329.72	4
Las Vegas	100.00	-	-	730.44	293.74	406.29	1,530.47	8
Orange County	-	-	-	713.96	295.02	-	1,008.98	3
Phoenix	-	-	-	376.16	321.92	1,054.32	1,752.40	5
San Francisco	100.00	-	-	-	-	-	100.00	1
San Diego	300.00	400.00	-	-	-	-	700.00	2
<b>Total</b>	<b>\$ 500.00</b>	<b>\$ 400.00</b>	<b>\$ 1,085.60</b>	<b>\$ 3,580.84</b>	<b>\$ 2,374.39</b>	<b>\$ 2,078.79</b>	<b>\$10,019.62</b>	<b>35</b>

Mrs. Ralenkotter made 21 trips purchased with 58 instances of Southwest gift cards used from 2012 through 2017. Travel to Burbank accounted for the largest total amount of \$2,650.44 or ten trips. Furthermore, Mrs. Ralenkotter took seven trips to Chicago totaling \$2,647.55. Mrs. Ralenkotter's personal travel by location is summarized in **Table 8** below:

**Table 8**

Mary Jo Ralenkotter	2012	2013	2014	2015	2016	2017	Amount	Number of Trips
Burbank	\$ -	\$ 750.00	\$ 998.60	\$ 734.66	\$ -	\$ 167.18	\$ 2,650.44	10
Chicago	-	-	-	762.96	1,884.59	-	2,647.55	7
Las Vegas	-	-	-	495.98	-	-	495.98	2
Orange County	-	-	-	-	295.02	-	295.02	1
Oakland	99.20	-	-	-	-	-	99.20	1
<b>Total</b>	<b>\$ 99.20</b>	<b>\$ 750.00</b>	<b>\$ 998.60</b>	<b>\$ 1,993.60</b>	<b>\$ 2,179.61</b>	<b>\$ 167.18</b>	<b>\$ 6,188.19</b>	<b>21</b>

Burdett stated she was directed by Ralenkotter to use Southwest gift cards to pay for personal travel and that some of the gift cards were kept in Ralenkotter's top desk drawer. Lawson initially gave the gift cards to Ralenkotter and stated he was unaware that cards given to Ralenkotter were used for personal purposes and use of the gift cards was not questioned.

Prior to Eide Bailly's examination, Finger prepared a similar analysis of the Ralenkotter's personal travel totaling \$16,824.93 or \$617.12 more than Eide Bailly's total of \$16,207.81. The difference in totals is due to Finger's analysis including travel Mr. Ralenkotter's family members and office staff. Additionally, our analysis reflects differences in gift card amounts used in several instances.

Ralenkotter was presented Finger's list of personal travel that totaled \$16,824.93. As of the date of this report, outside legal counsel has reported that Ralenkotter has reimbursed all amounts that were identified as his responsibility.

#### **F. Southwest Airline Gift Card Purchases and Travel Purchases**

We compared the annual purchases of Southwest gift cards to LVCVA travel purchases made using Southwest gift cards from 2012 to 2017. Gift card amounts totaling \$50,188.39 cannot be traced to travel booked by the Agency based on the information produced in our search criteria. Based on the information available, we are unable to determine whether the \$50,188.39 was used for personal or business travel. Travel in 2015 reflects the largest difference of gift cards purchased compared to travel booked by the Agency and paid with a gift card. **Table 9** below summarizes the difference of total LVCVA travel purchases made with Southwest gift cards and the total dollar value of Southwest gift cards purchased by the LVCVA for 2012 through 2017.

**Table 9**

Description	2012	2013	2014	2015	2016	2017	Gift Card Amount
Personal or Non-Business Travel Purchases	\$ 599.20	\$ 1,550.00	\$ 2,328.60	\$ 6,028.06	\$ 6,604.17	\$ 2,721.77	\$ 19,831.80
Business Travel Purchases	-	511.60	-	1,400.00	852.63	17,215.58	19,979.81
Travel Purchased with Southwest Gift Cards	599.20	2,061.60	2,328.60	7,428.06	7,456.80	19,937.35	39,811.61
Gift Cards Purchased from Southwest	10,000.00	12,000.00	15,000.00	27,000.00	12,000.00	14,000.00	90,000.00
Difference	\$ (9,400.80)	\$ (9,938.40)	\$ (12,671.40)	\$ (19,571.94)	\$ (4,543.20)	\$ 5,937.35	\$ (50,188.39)

**G. Delta Airline Benefits**

Using the IIO search criteria, we created a database of Delta certificates provided electronically to the LVCVA through employee email attachments from 2010 through 2017. Delta electronic certificates were received as part of a sales agreement with the LVCVA discussed below. Our IIO queries did not produce any actual flight reservations using the Delta certificates indicating the associated travel was not booked through the Agency. The certificates are not given in dollar amounts to be applied to a travel purchase. Instead, the certificates can be used for round trip fares in the 48 states or 50 states and Canada and are redeemed using a reference code, certificate number and redemption code within valid dates. We noted that 22 electronic credit vouchers were issued each with a value of \$500 which we included in the database.

Delta certificates were primarily sent to Art Jimenez former Director of Leisure Sales and Kelly Messina, the current Director. In all cases, the certificates were sent by Delta representatives, Jim Magrath or Jimmy Romo. Twenty certificates were received by Teri Fogue, assistant to Art Jimenez and later John Schreiber and nineteen certificates were received by Jean Burdett, Chris Meyer and Holly Dennis.

The LVCVA received a total of 343 Delta certificates from 2010 through 2017. In 2012, 12 of the total 40 and in 2016, 10 of the total 48 electronic certificates received were noted as electronic credit vouchers each with a value of \$500. The complete database of Delta certificates identified to date is summarized by year issued and recipient in **Table 10** below:

**Table 10**

Description	2010	2011	2012	2013	2014	2015	2016	2017	Total
Art Jimenez	10	33	38	68	83	-	10	-	242
Kelly Messina	-	-	2	6	4	10	20	20	62
Teri Fogue	-	-	-	2	-	-	18	-	20
Jean Burdett / Chris Meyers	-	-	-	-	-	19	-	-	19
<b>Total</b>	<b>10</b>	<b>33</b>	<b>40</b>	<b>76</b>	<b>87</b>	<b>29</b>	<b>48</b>	<b>20</b>	<b>343</b>

Management provided a schedule of Delta certificates received by the LVCVA’s Leisure Sales department from 2015 through 2017. When Messina assumed the position of Director of Leisure Sales, Delta certificates received and their ultimate use began to be recorded and logged. The LVCVA log of Delta certificates was compared to the database. The LVCVA inventoried 18 electronic certificates in 2015, 30 electronic certificates in 2016, and the same 20 certificates produced in the database in 2017. In 2016, the database produced 48 electronic certificates, however, 18 certificates were received by the Business Meetings department and the business purpose for those certificates was not recorded. Therefore, the database and the LVCVA log yielded the same 30 certificates in 2016. Presently it appears that the Leisure Sales department is appropriately recording the receipt and issue of Delta certificates.

The Business Meetings group also received Delta certificates in accordance with the agreement between LVCVA and Delta. Email correspondence shows the Business Meetings group received 19 electronic certificates in 2015 and 18 electronic certificates in 2016. The use of these certificates is unknown. These certificates are included in the database and 343 total Delta electronic certificates received by the LVCVA. John Schreiber, Director of Business Meetings, has overseen the certificate use for this group since Art Jimenez left the organization. Schreiber reported to management that use of the certificates by the Business Meetings group is challenging due to restrictions and blackout dates and that the Business Meetings group utilizes its own budget to satisfy flight requirements. Schreiber was not included in the initial searches of the LVCVA server, and his emails are not included in the database.

The emails produced in the IIO search criteria also include sales agreements between Delta and the LVCVA for the years 2011 to 2012 and 2014 to 2015. Finger provided the agreement for 2016 to 2017. The agreements include the following general terms:

- The LVCVA will include Delta in their ad campaigns.
- The LVCVA will provide Delta with shared space and promotion at tradeshow.
- The LVCVA will include Delta as an official “Preferred Partner” on their website.
- The LVCVA will include Delta in brochures, general information, and planning guides.
- The LVCVA will provide travel and entertainment costs for 50 people for agent on-site training in Las Vegas as well as host one joint sales mission quarterly in varying US locations.

In return, Delta will provide the LVCVA with the following travel certificates in each contract year:

- July 1, 2011 – June 30, 2012 - \$15,000 in travel certificates in \$400 increments.
- May 1, 2014 – April 30, 2015 - \$10,000 in travel vouchers plus five gold medallion status upgrades for each the Leisure Sales and Business Sales departments for a total of \$20,000 in Delta travel vouchers and 10 gold medallion status upgrades.
- July 1, 2016 – June 30, 2017 - \$15,000 in travel vouchers to the Leisure Sales department as well as \$15,000 in travel vouchers for the Business Sales department for a total of \$30,000.

Delta does not specify the total number of certificates provided to the LVCVA, therefore, the individual value of each certificate is unknown.

As of the date of this report, no further investigation of the use of the Delta certificates has been performed.

## V. Recommendations

Controls have currently been implemented by the LVCVA over the use of promotional gift cards and certificates for airline travel. However, below is a list of recommendations to further strengthen controls over the receipt and use of gift cards and certificates:

- Record the purchase of gift cards in the LVCVA financial records as inventory and cash payment.
- Record the receipt of travel certificates in the LVCVA financial records as inventory and other income.
- Record the use of gift cards and travel certificates in the LVCVA financial records as an expense and reduction of inventory.
- Segregate duties and assign a designated custodian independent from the finance department the task of distributing the gift cards and travel certificates and maintaining a gift card/certificate log.
- Number the gift cards/certificates or record serial numbers in the log when received.
- Physically store and lock the gift cards in a secure area giving the custodian keys.
- Require written approval of gift card and travel certificate requests and document the recipient, date, business purpose and serial number in the log.
- Assign an employee other than the custodian the task of reconciling the log to the log requests and gift cards and travel certificates used monthly.
- Implement a written policy to inventory the gift cards and reconcile to the accounting subledger at fixed regular intervals (such as quarterly or semi-annual).

- Annual review of travel policies and guidelines to confirm implementation.

## VI. Conclusion

Based upon the documentation provided and the analysis described in this report, the LVCVA, and primarily Brig Lawson, purchased a total of 616 Southwest gift cards totaling \$90,000 and paid for \$90,000 of gift cards with LVCVA funds from 2012 through 2017. During this time period, travel purchased with Southwest gift cards and booked by the Agency totaled \$39,811.61 leaving a total of \$50,188.39 of Southwest gift cards with no record of travel purchased. Personal or non-business travel purchased with Southwest gift cards totaled \$19,631.80 with 192 instances of gift cards used. Rossi and Mary Jo Ralenkotter used gift cards in 158 instances for 56 trips combined for a total of \$16,207.81 of travel purchased.

The LVCVA received a total of 343 Delta electronic certificates from 2010 through 2017. The email analysis indicates no flight reservations using the Delta certificates provided were booked by the Agency for business or personal use.

This report is based on information currently available. If additional information becomes available that is relevant to our analysis we reserve the right to supplement this report.



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